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INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.



PART II.

Presented to Parliament by Command of Her Majesty.



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ON

INDIAN CURRENCY.

At the India Office, S.W.

NINETEENTH DAY.

Friday, 4th November 1898.

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PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., (in the Chair).

THE LORD BALFOUR OF BURLEIGH.
SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITHE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBOO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT

MR. ROBERT CHALMERS, *Secretary*.

The Right Hon. the Earl of NORTHBROOK, G.C.S.I., called and examined.

8394 (*Chairman*.) Will you state how long your connection with India has been?—I began as private Secretary to Lord Halifax, when he was Sir Charles Wood and President of the Board of Control, before the Government of India was transferred from the East India Company to the Crown; that was from 1853 to 1855. Then, afterwards, when I came into Parliament, I was Under Secretary for India from 1859 to 1860, Sir Charles Wood was then Secretary of State for India. I then went to the War Office for a short time, and subsequently went back to the India Office and remained there till 1864. I was Governor-General of India from 1872 to 1876.

8395. Have you read the volume recently published, containing the report of the evidence taken before this Committee?—Yes.

8396. The first question upon which I ask your opinion is as to the closing of the mints in 1893?—I think I had better explain to the Committee my own individual view upon that question. I had very great doubts at the time whether it was right to close the mints in 1893. After further consideration of the question, and reading the evidence taken before this Committee, I was satisfied that, as no international arrangement appeared to be practicable for opening

other mints to silver at a reasonable ratio to gold, (I held that the 15½ to 1 ratio was quite unreasonable and impracticable), the Indian Government were right in closing the mints to silver with a view to changing the standard of value in India from silver to gold. I put that clearly, because to close the mints in India without establishing a gold standard would, I think, have been wrong. I should like to add that I think the closing of the mints was quite justifiable. It cannot be denied that a government has a right in certain circumstances to change the standard of value. It is, of course, a serious matter, but there are many countries that have done it quite recently; Germany and France and other countries have changed their standard of value. Therefore, the idea that the Government of India had no right to change the standard of value in India appears to me quite untenable. I myself do not believe that the measure has seriously interfered with public or private interests in India. The individuals who were immediately affected by the closing of the mints were the holders of silver bullion, because the closing of the mints lowered the value of their silver, for it was immediately followed by a fall in the price of silver; but it must be remembered that the price of silver must have fallen considerably, even if the mints

*Rt. Hon. Earl
of Northbrook,
G.C.S.I.*

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had remained open. The extent to which it would have fallen I cannot say, but there must have been a fall. On the other hand, the holders of rupees may have had some advantage through the closing of the mints. I use the word "may" deliberately, because I do not myself believe that Indian prices—I mean prices in the internal trade of India—have been affected to any extent by the closing of the mints. At any rate, whatever result has followed to the holders of rupees, it must have been in their favour rather than against them. And it must also be remembered that all the holders, in India and elsewhere, of Government rupee paper obtained a distinct advantage by the closure of the mints. If the mints had remained open, of course the rupee loans would have gone on depreciating to the full extent of the fall in the gold price of silver. That affects very much the interests of the moneyed classes in India, who hold a good many of these Promissory Notes. There are 25½ crores of rupees of this stock held by natives of India, besides certain loans which are held by the native princes. I have seen it stated that the native princes of India have been injuriously affected by the closing of the mints. I believe this to be an entire mistake. They are large holders of rupee paper, and, therefore, to that extent at any rate, they have been much benefited by the measure. Take Sindia—the Maharajah of Gwalior—he holds 5½ crores. Then take Holkar—the Maharajah of Indore—he holds one crore of rupee paper, and other native princes have a large quantity of rupee paper. I was apprehensive, when the mints were closed, that considerable hardship would be inflicted upon the people who had silver ornaments in India, because they would not any longer be able to exchange their silver ornaments of a certain weight of silver for rupees of the same weight. That apprehension of mine has been very greatly, if not entirely, removed by the evidence given before this Committee by Sir Antony MacDonnell. I consider that Sir Antony MacDonnell is the highest authority that could be examined by the Committee upon the condition of the North-Western Provinces. He is one of our very best administrators in India at the present time. He has had a most intimate knowledge of the people, from having managed with great ability and conspicuous success the recent very serious famine in the North-Western Provinces. The other day he did a still more important piece of service to the Government of India. During the outbreak of plague in Hardwar, which, as some members of the Committee well know, is one of the worst possible places in the North-Western Provinces in which such an outbreak could occur, because there is a great fair held there, Sir Antony MacDonnell managed with great ability to check that outbreak of the plague without exciting any bad feeling on the part of the native population. I mention that to show the Committee what kind of man Sir Antony MacDonnell is, and I thoroughly trust all he says about the condition of the people in the North-Western Provinces. I was very glad to see what he said about it, because I consider that the mass of the people in the North-Western Provinces, which is almost the mainstay of the British Empire in India—perhaps that is too strong a word to say, but, at any rate, it is one of the most important parts of India—those people have certainly benefited by the increase of trade, and the rise in prices in India. Sir Antony showed, in a most interesting way, that although they had had to meet this great famine, yet very shortly after the famine, they were able to pay their land revenue, and did pay it, and declared that they did not want any further remissions. That shows how well off the people of those Provinces are, comparatively—I use the word "comparatively," because everybody knows how poor the people of India are, on the whole, as compared with the people of this country. However, on the particular point on which the Committee examined Sir Antony MacDonnell, namely, whether this possible hardship from the

natives holding silver ornaments had any serious effect, he satisfied me. I do not know what impression he made upon members of the Committee, but his evidence, as I have read it, satisfies me, at any rate, that no very serious hardship has actually occurred. He said, and I have no doubt he said truly, that, possibly on account of the increased wealth of the people, the greater part of them boards are now kept in rupees, and, of course, so far they were not touched. They must have suffered to a certain extent, but I am satisfied that there was no serious hardship arising to the people through the closing of the mints. I believe I may state, without hesitation, that the Committee will have the same evidence from the highest authorities as regards the people of Behar—that is in northern Bengal—where the people are very poor, and where the difficulty in respect to the sale of silver ornaments might have been expected to touch them severely. I would add this, that, of course, if the closing of the mints had produced the effect of lowering prices all over India, that would have injured the agricultural class—the class who pay the land revenue; but, according to the experience of everyone who has a knowledge of India, and according to the statistics which the Committee have had before them, the effect of the circulation upon prices operates very partially and very slowly in India, and there is not an atom of evidence that I have seen to show that the closing of the mints has affected prices in the internal trade. I will not say that it has not touched the price of opium, but as regards the internal trade, the statistics prove, I think, as conclusively as any statistics can, that Sir Antony MacDonnell's opinion is right, and that it has not in any way affected the interests of the people with whom the Government has had settlements in the North-Western provinces. Perhaps the Committee will look at these statistics (they are in the Statistical Abstract annually presented to Parliament). Take the prices in the country—not Calcutta prices, but the prices up country—of the principal articles produced in the North-Western Provinces. I will not go into the figures, because they can be worked out by the members of the Committee for themselves, but, putting aside famine years, and taking ordinary years, the prices of almost every article which the cultivator produces in India have risen, and to that extent, of course, the land revenue has been eased. I have heard people say that, because this has happened, the Government of India would have a right to raise taxation on the people. I entertain the strongest opinion that the real safety of India depends on the land revenue being easy. It is the opinion of almost every administrator of any weight who has been responsible for the government of India, or the government of provinces of India, that the contentedness of the mass of the people depends upon the land revenue not being pushed up too high, and that, if possible, it should be so fixed that the people do not feel it. The Committee must recollect—I think Sir Antony MacDonnell explained it, but I repeat it because it is a thing to recollect—that the Government stand, more or less, in the position of landlord over the whole of India, and the position of the Government of India, if the land revenue was too high, would be just like that of a landlord whose rents are too high, and the whole of whose tenants are living in misery, and living from hand to mouth. One other remark as to the effect of the closure of the mints. I cannot say that I see that it has had any sensible effect upon the export trade. During the famine and plague years, you could not expect the fall trade to go on, and the export trade has suffered. But I see that this season there is a great recovery, and this year is very likely to be as big an export year as any that we have had in India. I do not think I have anything more to say as to the effect of the closing of the mints.

8397. Do you think that the mints should be re-opened for the purpose of the coinage of silver? My opinion is distinctly adverse to the re-opening

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The reopening of the mints would be injurious to the people of India, 8397-9.

It would necessitate an increase of taxation which may be estimated at about 7 crores of rupees a year, 8399-406, 8454-6.

To increase taxation in India would be unwise and dangerous, 8407, 8411-6, 8497-501.

Increase of taxation since 1886, 8408.

Grave objections to interference with land revenue, 8410, 8551, 8581-4.

The present artificial system of currency is unsatisfactory, 8417.

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Suitability of a gold standard and gold currency for India, 8447, 8475, 8545.

Sovereigns should be made legal tender in India, and should be coined at the Indian mints from gold brought to the mints by the public; it would not be necessary for the Government to accumulate gold for the purpose, 8428-30, 8502-16, 8539-42.

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Witness is in favour of the grant by the Imperial Government of assistance to India for the purpose of making a gold standard effective, 8439, 8442-3.

Is opposed to the imposition of a heavy import duty on silver, 8444-6.

The present is a favourable time for introducing an effective gold standard, 8448.

Importance of steadiness in management of finances of India, 8449, 8546-50.

The establishment of an effective gold standard in India would not render impossible an arrangement in the future with France and America, 8449, 8492.

Relation between Government of India and Presidency Banks, 8450-1, 8535-8.

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Was strongly opposed to the closing of the Indian mints in 1893, 8682.

Opinion in commercial circles in India as to closing of mints, 8683, 8779-87.

Effects of closing of mints:—

(1) Monetary stringency:

Insufficiency of currency has caused, and is still causing, monetary stringency in India, 8710-8, 8727-8, 8772, 8791, 8793, 8795, 8888-904, 8991-9014; whereas, when the mints were open, stringency was relieved by the importation of silver, 8729-31, 8964-72, 9008-11.

Injurious effects of monetary stringency on Government securities and on industrial securities and enterprise, 8772-7, 8860-7, 8886-7, 8931-90.

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Stringency felt in Behar and Central India, 8720-1.

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(3) Effect on Indian opium trade of rise in value of rupee and fall in silver, 8745-6.

Witness is in favour of re-opening the Indian mints, 8685-6, 8789.

Effects of re-opening the mints:

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Would ultimately steady exchange, 8707-9

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Gold Standard for India:—

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Currency and prices in China, 8750-4.

Relative stability of silver and gold in relation to commodities, 8755.

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Stringency felt in Behar and Central India, 8720-1.

Stringency not felt by agricultural classes, 8984-5.

(2) Effect on cotton-mills in India, China, and Japan, of rise in the exchange value of the rupee and fall in silver, 8738-44, 8763-71, 8912-30, 8973-80.

(3) Effect on Indian opium trade of rise in value of rupee and fall in silver, 8745-6.

Witness is in favour of re-opening the Indian mints, 8685-6, 8789.

Effects of re-opening the mints:

Would raise the value of silver, 8688-92, 8702-6, 8790, 8834-5.

Would establish confidence, 8872-3.

Would ultimately steady exchange, 8707-9.

Effect on prices and wages in India, 8839-54.

The loss to Government caused by re-opening the mints might be met by temporary borrowing or temporary additional taxation, 8694-8, 8824-39, 8856-9, 8874-7.

Gold Standard for India:—

Desirable, but impracticable, 8756-9, 8800-4, 8937-43.

If convertibility were established, rupees would be taken out of hoards, and gold would be hoarded in their place, 8759-64, 8805-23, 8878-83, 8944-56.

Financial position of India before the closing of the mints, 8705-7.

Effect of falling exchange on production and export trade, 8733-7, 8905-11.

Tea-planting industry:—

Competition between India and China, 8747-9, 8797-9.

Depression in the tea-trade caused by over-production and accentuated by rise in exchange, 8796.

Alleged prevalence of illicit coinage in India, 8957-63.

Currency and prices in China, 8750-4.

Relative stability of silver and gold in relation to commodities, 8735.

Analysis.

Mr. DONALD GRAHAM, C.I.E.

Is a merchant trading with India, 9015-20.
Was present during examination of Mr. W. H. Cheetham, and is in general agreement with his evidence, 9021-2.
Was opposed to the closing of the mints in 1893, 9023-6.
Grounds of objection to the closing of the mints.—
Fall in the rupee price of silver ornaments, 9027-34, 9200-16.
Undue stress was laid on the difficulties of Government, and too little thought was given to the interests of the people, 9034-7, 9144-8, 9301-14.
The fall in exchange prevented suffering which would otherwise have resulted from fall in prices, 9037.
Difficulty of procuring a sufficient reserve of gold to make a gold standard effective, 9037, 9089-93.
Special disadvantages of an artificial system of currency in India, on account of alternating seasons of active and slack trade, 9037.
Opposition of natives of India, 9047.
Events have justified the objections to the closing of the mints, 9038.
The chief evil brought about by the closing of the mints is monetary stringency, 9040-1, 9063-76, 9130-2, 9189, 9227, 9234 (note).
It is quite possible that there may not be in the busy season of 1898-9 as great a stringency as in 1897-8, 9077-9.
India needs a free, large, cheap, and abundant currency, 9064-5.
A falling exchange stimulates exports, 9084-5, 9150-67.
If the rupee fell below a certain point, the fall would cease to be advantageous to India, because the rupee would no longer be suitable for the wants of the people, 9065-7.
Alleged effects of fluctuations of exchange in encouraging speculation, 9107-8, 9236.
Difficulty at present time of making forward contracts for exchange, owing to uncertainty of money market, 9109, 9136-43, 9234-6.
Mints should be gradually re-opened, 9039-40, 9252-60.
Effects of re-opening the mints—
Additional taxation would be necessary, at least for a time, 9042-3, 9046, 9149.
The yield of existing sources of revenue would automatically increase, 9047-9, 9174-93, 9231, 9291-6.
Import duties and export duties, 9050-3, 9114-5, 9118-21, 9232-3.
Death duties, 9054, 9123-6.
Railway rates might be raised, 9056-7, 9127-9.
The country at large would benefit, 9043-5.
Exchange would become more stable, because the causes which broke down the price of silver have now worked themselves out, 9059-63, 9163-9, 9218-27, 9297-300.
Prices would rise, 9052-3, 9058, 9161-8, 9170-3, 9194, 9237-42, 9322-34.
Prices in India do not appear to have risen materially since the fall in silver began; but this is due to the fall in gold prices, 9080-3, 9088, 9165-8.
Gold standard—
Imp practicable owing to difficulty of procuring sufficient supply of gold, 9089-93, 9261.
If practicable, would be in some respects advantageous, 9263-77.
The practical difficulties would be lessened if the rupee were rated lower than 1s. 4d., 9262-8, 9273-90.
Council bills, method of sale, 9094.
Volume of rupee currency, 9103-6.
Imports of Manchester goods into India, 9103-5.

Mr. DAVID CRUICKSHANK.

Is chairman of the Indigo Association, and a member of a firm trading with India, and especially interested in indigo and tea, 9335-6.
Was opposed to the gold standard proposals of 1836, and to the closing of the mints in 1893, 9337-8.
Chief ground of objection to the closing of the mints was that a divergence between the intrinsic value and the exchange value of the rupee would be prejudicial to the export trade of India, 9339-42.
Effects of the closing of the mints—
Reduction of profit on tea and indigo, and restriction of production, 9341-60, 9405-20, 9437-98, 9562-8, 9586-604, 9608-19, 9652-71.

Mr. DAVID CRUICKSHANK—cont

Effect on prices and wages in India, 9452-86, 9550.
Monetary stringency, 9370-6, 9380-2, 9428-30, 9461-4, 9467, 9488, 9491-5, 9605-7.
Severe stringency anticipated in 1898-9, 9377-9.
Effect of high exchange in stimulating imports, especially of cotton goods, sugar, and salt, 9400-4, 9569-81, 9613-41, 9698-718.
Effect of low exchange in stimulating exports and production, 9509-34, 9551-61, 9620-32, 9642-6.
A fall in exchange is advantageous to India, but the limit of advantage is reached when a general rise of prices takes place, 9390-1, 9551, 9632-9, 9675-9.
Prices in India from 1873, 9515-49, 9552-6, 9680-90.
Stability of exchange is desirable, provided that the rate fixed for the rupee is not too high, 9381-4, 9391, 9651.
The gold standard proposals of the Government of India are objectionable, because the rate of 1s. 4d. for the rupee is so high as to hamper the export trade, 9385-9.
If a rate of 1s. 2d. were chosen instead of the proposed rate of 1s. 4d., a gold standard could probably be established without any special measures for the acquisition of gold, 9391, 9395, 9122-7, 9647-50, 9655-718.
If exchange were fixed at 1s. 2d. instead of at 1s. 4d., the revenues of the Government of India would expand owing to the growth of trade, 9396-7.
If the natural expansion of revenue were insufficient to meet the additional charges involved in the lowering of exchange, the import duties might be increased, 9397-9, 9584-5.
Competition of China with India and Ceylon in tea, and of China with India in cotton, 9597-604, 9642-6.
Competition of America with India in cotton, 9672-9.
Illicit coinage, 9421.

Mr. MERWANJEE BUSTOMJEE.

Is a Parsee broker, dealing in exchange, finance, bullion, and Government securities, and represents the Bombay Native Shares, Stock, and Exchange Brokers' Association, 9719-21.
Was opposed to the closing of the mints, on the ground that India was prospering under the silver standard, and that, if the mints were closed, Indian cotton-mills would be injured by the fall in silver and by monetary stringency, 9722-3, 9732.
The closing of the mints has failed to attract gold to India, though circumstances have been such as to favour the policy of the Government, 9724.
The adoption of the proposals made by the Government of India in March, 1898, would be injurious to India, because the stringency in the money market would be intensified, 9725.
Monetary stringency in Bombay from January to March, 1898, and its effects, 9726, 9739-45, 9739-94, 9823-8, 9832-54, 9863-5.
Stringency in 1898-99 will probably be less severe than in 1897-98, 9757-8.
Witness is in favour of a gold standard and of a gold currency with the rupee at 1s. 2d., to be established with Imperial guarantee and assistance, 9728-31, 9737-8.
Advantages of the rate of 1s. 2d. for the rupee as compared with 1s. 4d., 9729, 9746-50.
The limit of 1s. 4d. now fixed has the effect of steadying exchange, 9829-31.
Immediate coinage of gold would relieve the monetary stringency, 9731.
Failing an effective gold standard, witness is in favour of re-opening the mints to silver, 9732.
Public feeling in India on the currency question, 9814-8.
If the mints were re-opened to silver, the loss to Government could be met by reduction of expenditure, or additional taxation, or by both means, 9733-4, 9735-5.
Objections to increasing the import duty on silver, 9735.
Effect on Indian cotton-mills, and on Indian trade and competition with China, of variations in exchange between India and China, 9736.
Alleged connexion between the imports of silver into India and illicit coinage, 9735-813, 9819-22.

MR. JOHN GALLOWAY.

Is President of the Glasgow Chamber of Commerce, but gives evidence in his private capacity. Was connected with a steamship company trading between Glasgow and Rangoon, and with the Irrawady Flotilla Company, 9869-70, 9877-9, 9888.

Division of opinion in the Glasgow Chamber of Commerce on the Indian currency question, 9871-7.

Witness approves of the closing of the Indian mints, on account of the disadvantages to trade that were caused by the fluctuations in exchange, 9880-4.

Effect on Indian import and export trade of the fall in the exchange value of the rupee, 9885-97.

The Irrawady Flotilla Company has not been able to raise its rates while the exchange value of the rupee has been declining, 9909-1, 9997-10, 007.

Slight effect of monetary stringency since closing of mints on trade of Burma, 9902-9, 9976-9.

Use of precious metals in Burma, 9910-1.

Effect on trade of India with China, Japan, and the Straits Settlements, and on competition between India and China, of the adoption of a gold standard for India, 9913-6.

Desirability of gold standard and gold currency for India, 9917-24.

Rate of 1s 4d for the rupee is fair and practicable, 9960-75, 10 019.

Probable effect on trade of India and of the United Kingdom the reopening of Indian mints, 9933-6.

Opinion of manufacturing firms in the West of Scotland as to disadvantages arising from instability of exchange between India and gold-using countries, 9947-8, 9994-5.

Effect of variations in exchange on the jute industry in India and Scotland, 9948-55, 9980-1, 10 015-8.

Effect of proposed export duties on jute and tea, 9937-43, 9987-8.

Effect of unstable exchange on the prosperity of the South American States, 9926-32.

SIR ROBERT GIFFEN, K.C.B.

Has been Assistant Editor of the *Economist*, and an official under the Board of Trade, 10,020-4.

Was in 1879 a member of a Departmental Committee appointed to consider a proposal for closing the Indian Mints to the free coinage of silver; and wrote two memoranda on the subject, 10,025-31.

The opinion expressed by witness in 1879, in opposition to the views of the Government of India, viz., that no further fall in silver was then probable, was justified by the circumstances of the time, and has been justified by the event, 10,032-43, 10,138-51.

Objections to the policy put forward by the Government of India in 1878 and 1892 of closing the mints to the free coinage of silver with a view to the ultimate establishment of a gold standard.—

- (1.) Disadvantage of an artificially managed currency, as compared with an automatic metallic currency, 10,049, 10,323-6.
- (2.) Difficulty of maintaining the exchange value of an artificially managed currency, 10,049, 10,082-9.
- (3.) Uncertainty as to the duration of the transition stage that must precede the establishment of a gold standard, 10,049.
- (4.) Contraction of currency for the purpose of maintaining its exchange value can seldom be carried out without producing monetary stringency, 10,089.
- (5.) Difficulties of India through fall in exchange may be due (a) to increase in value of gold, (b) to decrease in value of silver. In the first case there is a real increase in the burden of foreign obligations, which is not alleviated by an artificial rise in the exchange value of the rupee. In the second case there is no increase in the burden of foreign obligations, and the additional number of rupees required by the Government can be obtained by increasing the nominal amount of taxation, 10,050-9.
- (6.) Indian officials are mistaken in thinking that, while the real amount of taxation can be increased by raising the value of the currency, it cannot be increased by the imposition of new taxes or by raising the nominal amount of existing taxes, railway rates, &c., 10,060-80, 10,340-8.
- (7.) The deficit that would occur in the accounts of the Government of India owing to the re-opening

SIR ROBERT GIFFEN, K.C.B.—cont.

of the mints would be reduced, probably, by 3,000,000l. or 4,000,000l. annually, if the Imperial Government dealt fairly with India in the apportionment of military and other expenditure, 10,082, 10,183-91.

(8.) The Government of India is too anxious to meet a deficit immediately, instead of waiting for the natural growth of revenue, 10,080-2, 10,167-77.

Motives that induced the Government of India to abandon the silver standard, 10,259-61, 10,364-72.

Gold standard—

Unsuitable for India because, whatever the standard, the currency would be chiefly silver, 10,091, 10,106-8.

Disadvantages consequent on the use of different metals as standard and currency, respectively, 10,091-104, 10,203-11, 10,227-8, 10,236-7.

Amount of gold that would probably be used as currency in India, if gold standard and currency were introduced, 10,106-8.

Economic and financial conditions of India affect the question of the possibility of maintaining the gold standard, 10,109-13, 10,238-48, 10,333-45.

Output of, and demand for, gold, 10,114-7, 10,311-6.

A rise in the exchange value of the rupee to 1s. 4d., or above 1s. 4d., might fail to attract gold to India for currency purposes, 10,118-26, 10,192-202.

If the Government undertook to give a larger number of rupees in exchange for a sovereign than it now offers, gold would be more likely to flow into the Currency Department, 10,266-70, 10,276-8.

Alleged redundancy of currency in India, 10,121-5.

Objections to Mr. Lindsay's scheme, 10,127.

If the Government of India were prepared to make the rupee convertible into gold, many of the objections to their proposals would vanish, 10,205-26, 10,292-310.

Method by which gold should be acquired, if it were decided to establish a gold standard in India, 10,263-75, 10,279-81.

Nature and limits of advantages resulting from stability of exchange between India and gold-standard countries, 10,249-59, 10,370-1.

Effect of rate of exchange on prices in India, 10,282-90, 10,318-22.

Re-opening of the mints is the least disadvantageous of the courses open to the Government of India, 10,123-37.

Objection, on the ground of expense, to the proposal for increasing the amount of silver in the rupee, 10,134-6.

Comparative steadiness of silver and gold as standards of value, 10,131-3, 10,229-35.

SIR ALEXANDER MACKENZIE, K.C.S.I.

Served for 36 years in the Indian Civil Service, and was Lieutenant-Governor of Bengal from December 1895 to April 1898, 10,373-6.

Necessity for closing the Indian mints in 1893, 10,407-9.

The closing of the Indian mints was not followed by any scarcity of currency in the interior of Bengal; there has been no permanent rise in the rate of interest; nor have tenants shown any preference for paying their rents in kind rather than in cash, 10,377-85, 10,396, 10,398, 10,494-503, 10,576-9.

The land revenue was paid punctually in Bengal in the famine year, 10,385, 10,405-6.

Comparison between the last famine and previous famines, 10,386-90.

Witness has not heard of complaints made during the famine on account of the fall in the rupee price of silver ornaments, 10,391.

Use of silver, gold, and other ornaments in Bengal, 10,391-2, 10,394-5, 10,384-6.

Hoarding of rupees in Bengal, 10,391, 10,393, 10,587-97.

Use of copper currency in Bengal, 10,397-3, 10,401-3.

Re-opening of Indian mints would necessitate a considerable increase of taxation, 10,410-2.

The existing taxation is as much as the country can properly bear; and an increase of taxation would involve the risk of political disturbances, 10,413-5.

Analysis.

Analysis.

SIR ALEXANDER MACKENZIE, K.C.S.I.—*cont.*

Difficulty of finding new sources of taxation, 10,417, 10,436-1

Difficulties and objections in the way of increasing the amount obtained from existing sources of revenue, 10,417-45, 10,504-7, 10,519-21, 10,553-5, 10,598-60b.

Increase of taxation in India since the fall in the value of the rupee began, 10,443-4.

Criticism of proposals for reduction of expenditure of the Government of India, 10,446-58, 10,607-9.

Interest of the Government of India, and of the official classes, in stability of exchange, 10,459, 10,461, 10,512-8.

Stability of exchange necessary for the attraction of private capital to India, 10,459, 10,487-91, 10,546-50.

Condition of the Indian tea-planting industry, 10,462-75, 10,530-44, 10,560-1.

Condition of the indigo trade, 10,562-4

Suitability of rate of *1s. 4d.* for the rupee, 10,476-83, 10,565-75, 10,580.

Alleged difficulties in the way of the introduction of a gold currency into India, 10,402, 10,484-6

Alleged effect of low exchange in stimulating the growth of non-food crops in Bengal in preference to food crops, 10,490, 10,556, 10,559-61, 10,581-3, 10,622-3

Illicit coinage, 10,492-3, 10,614-8

Movements of prices and wages in India, 10,501-3, 10,508-11, 10,545, 10,537-8, 10,619-21, 10,626-7

Movements of capital to, and from, India, 10,460-1, 10,546-52

Effect of falling exchange on export trade, 10,611-3

MR ROMESH C. DUTT, C.I.E.

Was in the Indian Civil Service from 1871 to 1897, 10,628-33

Effects of the currency policy of the Government of India —

- (1.) Increase in the real burden of taxation owing to the appreciation of the rupee, 10,638-42, 10,660-70, 10,691, 10,761, 10,885-911
- (2.) Increase of the indebtedness of the agricultural classes, 10,674-8, 10,680-90.
- (3.) Fall in the rupee price of silver ornaments, 10,632-8, 10,618-20, 10,824-30, 10,841-58, 10,865-76, 11,005-9.
- (4.) Increase in the real burden of the rupee debt of the Government of India, 10,699-702.
- (5.) Increase in the real value of official salaries, 10,703-6.
- (6.) Injury to trade and manufactures of India, 10,707-9, 10,791-6

As exchange falls, the revenue of Government, as measured in rupees, increases, 10,643-7, 10,649-50, 10,652-3, 10,659, 10,664-8, 10,672-3, 10,912-40, 11,019-26.

The Government would be justified in raising the salt duty and the excise duty, because the yield of these taxes does not increase automatically with the fall in exchange, 10,656-9

Effect of variations in exchange on prices and wages in India, 10,646, 10,648-55, 10,668-70, 10,679, 10,859-64, 10,943-69.

Hoarding of rupees and of uncoined silver, 10,694, 10,853-8, 10,878-84

Remedies for the financial difficulties caused by the fall in exchange —

Increased employment of native officials, 10,710-3, 10,983-11,004.

People of India should be consulted by Government on financial questions, 10,727, 10,769-70.

Reduction of India's sterling obligations, 10,714-27.

Witness is in favour of letting the rupee fall to its bullion value, because the additional charges that would be incurred could be met from the automatic increase in the revenue of the Government and by more economical administration, 10,747-8, 10,767-8

Proposed temporary borrowing to meet charges of external debt, 10,764-6

Criticism of railway policy of Government of India, 10,728-42, 10,799-805, 10,971-80.

Possibility of raising railway rates, 10,751-60.

Gold standard not desired by the producing and cultivating population of India, 10,832-5

Feeling in India as to present inquiry, 10,774-90

Price of silver and cost of production, 10,806-17.

Illicit coinage, 10,817.

RIGHT HON. SIR JOHN LUBBOCK, BART, MP.

Is Chairman of the London Bankers, and President of the Central Association of Bankers; and a member of the International Currency Commission and of the Gold and Silver Commission, 11,027-9.

Was not in favour of the closing of the Indian mints, 11,030-1, 11,138-41, 11,153.

Temporary borrowing would have been preferable to closing the mints, 11,077

A gold standard is impossible without a gold currency, 11,033, 11,035, 11,041-2, 11,100, 11,102, 11,109

Gold currency unsuitable for India, 11,032, 11,040, 11,106-7

A currency of which a portion is gold and the larger portion is silver, cannot be rightly described as a gold currency, 11,033, 11,109, 11,136-7, 11,212.

France and Canada have not a gold standard, but an exchange standard, 11,034, 11,036-8, 11,110-4

India has at the present time an exchange standard, 11,043

Definition of "exchange standard," 11,048

Disadvantages of an exchange standard, 11,049, 11,130.

Desirability of altering the present currency arrangements of India, 11,095-7, 11,144.

Criticism of the proposals made by the Government of India, 11,097-8.

Criticism of Mr. A. M. Lindsay's proposals, 11,099

It would not be wise for the Government of India to undertake to give gold for rupees, unless after a very great reduction of the volume of the rupee currency, 11,117-33, 11,165-77.

The rate of *1s. 4d.* for the rupee can probably be maintained without recourse to extreme measures, 11,217-8.

Having regard to present conditions, witness is in favour of maintaining the value of the rupee by the imposition of a heavier import duty on silver, of a fixed amount per ounce, 11,055, 11,057-8, 11,153-62, 11,196-7, 11,203-8

Effects of this policy:—

Increased revenue, 11,055, 11,159

Increased demand for Council bills, 11,055, 11,192.

Rise in rupee price of silver; diminution of difference between value of rupee and value of same weight of uncoined silver, divergence between value of silver in India and outside India, 11,055, 11,059-65, 11,068-70, 11,162-4, 11,190-1.

Re-opening of mints —

With a heavy import duty on silver and a seignorage, it might ultimately be possible to re-open the mints, 11,056, 11,084, 11,142, 11,154-7, 11,202.

Effect on price of silver of re-opening the mints, 11,064-94, 11,155-7, 11,190-2.

With open mints, under the conditions proposed, the rupee would fluctuate much more closely with silver than it does at present, 11,185-9, 11,198-9

A stable exchange is desirable, but its importance has been exaggerated, 11,050, 11,071, 11,186

Suggestions as to land revenue, 11,078-80, 11,149-51

Effect of fall in exchange on sterling and rupee obligations of Government of India, 11,081-3

Railway policy of Government of India, 11,095, 11,219

MR HENRY BOIS.

Resided in Ceylon for nearly 40 years, and was a member of the Legislative Council and Chairman of the Chamber of Commerce of Ceylon, 11,234-7, 11,261.

Agrees with the evidence given by Mr T. N. Christie, so far as it relates to matters of fact, but does not agree with all Mr Christie's opinions and suggestions, 11,235-9.

Witness is in favour of the re-opening of the mints to silver, 11,280-1

If the mints were re-opened a duty on exports would be a better means of providing the additional revenue required by the Government than an import duty on silver and a seignorage as proposed by Mr Christie, 11,243-54, 11,296

Although India and Ceylon have hitherto benefited from a low exchange, that benefit would be lost if the rupee were to depreciate relatively to food, labour, and commodities generally, 11,240-1

Effect on the Ceylon tea industry of the maintenance of exchange at *1s. 4d.*, 11,255-6, 11,292-3, 11,302-3

Importance of the tea industry to Ceylon, 11,261-8

Fall in price of tea due to increased production, 11,294-5

Mr. HENRY BOIS—*cont.*

Loss and gain to various classes and interests arising from fall in exchange, 11,260, 11,272-3, 11,276-7, 11,329-31, 11,334-7.
 Effect of high and low exchange on movements of capital, 11,272-3.
 Rate of exchange that would have prevailed if the mints had not been closed, 11,274, 11,326-8.
 If the mints are not re-opened to silver, a gold standard might be established with the rupee at *1s. 2d.*, and this would probably be accepted in Ceylon as a fairly satisfactory solution of the currency question, 11,281-7.
 Method of establishing a gold standard in India and retaining the rupee as the chief circulating medium, 11,287, 11,289-91, 11,306-24.
 Advantages of a gold standard, 11,304-5.
 Amount of gold required for the establishment of a gold standard in India, 11,287.

Mr. HORACE SEYMOUR, C.B.

Is deputy master of the Royal Mint, 11,338-9.
 History of the adoption of the gold standard, with token currency of silver and bronze, in England, 11,340-80, 11,449-62.
 Value of silver coinage in relation to gold is fixed by proclamation, 11,353.
 Proportion of intrinsic to circulating value of English silver coins, 11,377.
 Silver coins issued under the authority of the Chancellor of the Exchequer, at the request of the Banks of England, Scotland, and Ireland, 11,368-74, 11,436-7.
 Profit on the coinage of silver goes to the Government, 11,375-8, 11,438-46.
 Any loss resulting from over-issue of silver would be borne by the banks, 11,378-9, 11,513-5.
 Estimate of active circulation in the United Kingdom—gold, 68,000,000*l.*; silver, 23,000,000*l.*; bronze, 2,000,000*l.*, 11,383-410, 11,469-75.
 Principles by which the issue of token coins is regulated in foreign countries, 11,411-23.
 Circulation of five-Franc pieces in France, 11,420-3.
 Question whether value of token coins can be maintained by limitation of issue, apart from limitation in respect of illegal tender, 11,424-8, 11,491-2, 11,522-7.
 Decrease of illicit coinage in the United Kingdom in spite of fall in the value of silver, 11,430-5, 11,463-8.
 Difficulties in the way of illicit coinage, 11,510-2.
 Possibility of detecting illicit coins made of silver, 11,505-9, 11,517-8.

Mr. ROBERT BARCLAY.

Is a partner in firms established at Manchester, Buenos Ayres, and Monte Video; has large business relations with India; is President of the Manchester Chamber of Commerce, 11,523-32.
 Appears before the Committee mainly in order to support a resolution passed by the Manchester Chamber of Commerce in favour of re-opening the Indian mints to the coinage of silver, at a time and under conditions to be hereafter determined, 11,533-4, 11,580, 11,708-9, 11,739-49.
 Criticism of the policy of establishing a gold standard, as proposed by the Government of India:—
 Objection to a gold standard without a gold currency, 11,535.
 A gold standard with a gold currency could not be introduced, because a gold currency is unsuitable to India and would not be accepted by the people, 11,535-6, 11,624-5, 11,700-1, 11,719-20.
 Criticism of Mr. A. M. Lindsay's scheme:—
 Without unlimited convertibility of the rupee into gold, there would be no assurance that exchange would be kept at *1s. 4d.*; with unlimited convertibility the demand for gold might be so great as to cause the scheme to break down, 11,536-41.
 The Government of India and Mr. Lindsay aim at keeping up the rate of exchange, and ignore, to a large extent, the interests of the people of India, 11,541-3.
 The rate of exchange has been kept up in recent years by Government borrowings and by investment of capital in India, 11,537-40.
 The establishment of a steady rate of exchange would be advantageous to India, if it were brought about in such a way as to inspire confidence in its continuance, 11,574-7, 11,640.

Mr. ROBERT BARCLAY—*cont.*

The currency of India should be automatic, and should not be controlled by the Government with a view to the maintenance of the rate of exchange, 11,545, 11,548-9, 11,558, 11,560-5, 11,626-36, 11,657.
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Professor ALFRED MARSHALL.

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

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RIGHT HON. THE LORD FARRER.

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MR. JOHN MATHESON MACDONALD

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MAJOR LEONARD DARWIN.

Has written on bimetalism and on the Indian Currency question; is of opinion that under certain conditions bimetalism is the best currency system, but is in favour of a gold standard for India; is strongly opposed to the re-opening of the Indian mints to silver, 12,527-36.
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RIGHT HON. THE LORD ALDENHAM.

Has been Governor of the Bank of England; was a representative of the British Government at the International Monetary Conference of 1878; is President of the Bimetallic League, but does not give evidence as representing that body, 12,722-8.
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MR. HENRY DUNNING MACLEOD.

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RIGHT HON. LEONARD H. COURTNEY, M.P.

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of the mints—I have no hesitation in giving that opinion.

839. You consider it would be injurious to India and to its trade and commerce to re-open the mints?—Yes, and I would add not only to the trade and commerce of India, but to the interests of the people of India, to which I myself attach the greatest importance. I come here, perhaps, more to represent the interests of the people of India than anything else, because anyone who has been in the position that I have had the honour to hold must feel that the duty of those who have to administer India is to look after the general interests of the people.

839. Then, one of the reasons that would influence you in being adverse to the re-opening of the mints would be that the financial position of India would, if they were re-opened, require an increase of taxation?—Yes. I may say that, so far as I have understood the arguments put before the Committee, the arguments of those who wish to open the mints are that it would encourage trade, stimulate exports, and concurrently, people getting more money for their exports, stimulate imports. It would encourage the tea planters and those concerned in other enterprises of that kind, because they would get the advantage for a time of the fall in exchange, until the wages paid to labour, and so on, rose in India; it would relieve them from the apprehension that they have, that their competition with China will be seriously interfered with by the closing of the mints while the price of silver in China remains at its natural level. I should have something to say upon this point, if any member of the Committee desires to ask me a question about it. But, on the other hand, you may put, as the advantages of keeping the mints closed, and establishing the gold standard, that you would arrive at stability of exchange; that English capital would be invested in India without risk, because with a falling exchange it is not reasonable to suppose that capitalists will send gold capital to a silver standard country. It is also, to my mind, a considerable advantage that the standard would be the same as that of the countries with which India does 80 per cent of her trade. I think that the increase of prices which might follow—I use that word “might” deliberately—from the re-opening of the mints might benefit producers; but I do not believe that any stimulus is necessary for that, and certainly when the increase of the rupee circulation which would follow from the re-opening of the mints came to be felt in its full force, it would have the effect of raising prices. It would be very, very slow, but still it would have that effect. Then, consider who are the people who would suffer by that. It would be the consumers who are not also producers. The very poorest of the great masses of India, being consumers, would be injured—all those whose wages are very small—they would have to pay more for the articles of their daily consumption in consequence of the increase of prices. But whatever view may be taken of the balance of the arguments that I have just put before the Committee, it seems to me that the conclusive objection to re-opening the mints is in the fact that India would have to meet the heavy charge which it would involve.

840. Do you mean the home charges?—The heavy charge which would be brought on India in consequence of re-opening the mints.

841. Have you formed any opinion as to what the amount would be?—The best calculation I have been able to make of the sum to be made up if the gold price of the rupee fell from 16d to 12., which is a reasonable calculation, is that from eight to ten crores of rupees would have to be found. Against this should be set some increase in the receipts from the Customs *ad valorem* duties; there, there would be some increase—not very large. There would be a considerable increase in the receipts from the opium sales, say, a crore of rupees. Many items of Indian revenue may be expected gradually to increase, but you cannot calculate on any considerable

immediate increase. You see, from the returns year by year, that, although there is an increase, it is gradual, and it is not likely to be at all sudden.

842. But you are rather assuming a 1s. rate, are you not?—Yes.

843. The intrinsic value of the rupee now is 10d?—Yes, but I add 2d., because I think it is possible that the opening of the mints might have an effect on the price of silver. When I say that 8 to 10 crores will be necessary, there are people who estimate it at very much more than that. I have taken what I consider to be a reasonable estimate. The receipts from Customs and from opium would go a very little way to meet the additional charge, and it would have to be met in one of two ways, either by borrowing—which no one would suggest, because it is felt, I think, by every responsible person that any large increase of borrowing would probably land India in bankruptcy in no very long time—or the taxation must be increased.

844. (Sir F. Mowatt.) Have you estimated at all the amount to set against the 10 crores increase of taxation?—If you put it at about 1½ crores, that is about as much as would be safe to calculate.

845. At all events, you would put the total additional taxation at not less than 8 crores?—I would put it at 7 crores, if you like. I should be sorry to make an absolute estimate.

846. (Chairman.) What Sir Antony MacDonnell says is this, at Question 5780: (Q.) “Will you give us your opinion as to the economic effect of attempting to increase the taxation of India? (A.) I suppose, if the rupee fell to 1s. you would have, in order to make both ends meet, to raise 10 or 12 crores of rupees additional taxation, and, I suppose, from my province I should be asked to raise 2 crores, or thereabouts. I say that it would be impossible to do that without producing such political discontent as would be an extreme cause of danger.”—Whatever the amount may be, I have put it reasonably, as I think anyone will admit who has gone into the matter. It is better to put it a little under than to put it a little over.

847. As there has been a good deal of suggestion made to the Committee as to the possibility or justifiability of increasing the taxation of India, we shall be glad to have your opinion upon the matter?—In the first place, I am not here to say that it would be an impossibility to increase taxation in India. I think it would be possible, but I think it would be in the highest degree unwise, both in respect of the trade of India, the welfare of the people of India, and I will go so far as to say the security of the Indian Empire. The Committee must recollect that, according to a statement before them, taxation has been imposed in India since 1884 to the extent of 6½ crores of rupees, so that we come, not with a clear sheet, but at a time when already the Government of India have had to put on that additional amount of taxation.

848. During what period is that?—Since 1886. If the Committee will refer to the Appendix they will see that the income tax has been imposed, amounting to Rs. 1,800,000. Then there is the duty on petroleum, which is a small thing, Rs. 155,000; the salt duty, which is paid by the very humblest classes in India, and is considered to be a great hardship upon them, has been raised by Rs. 1,600,000. Then the increase of duty on imported spirits comes to Rs. 100,000, the general import duties to Rs. 1,600,000, the import duties on cotton to Rs. 900,000, the increase of Kohat salt duty Rs. 50,000, re-imposition of the Patwari cess in the N.W. Provinces, which is a tax on the cultivating classes, Rs. 200,000, making a total of Rs. 6,405,000.*

* Note.—On looking again at Mr O’Conor’s figures I think the provincial licence tax which was absorbed in the Income tax should be deducted from this total. In the last year of its existence, that licence tax yielded Rs. 472,904, so that the net amount of fresh taxation would be Rs. 5,932,100.

Rt. Hon. Earl of Northbrook,
C.C.S.I.

4 Nov. 1898.

INDIAN CURRENCY COMMITTEE :

Rt. Hon. Earl of Northbrook,
G.C.S.I.
4 Nov 1898

8409 Since the fall of silver?—Long since the beginning of the fall of silver. And, moreover, Mr. O'Connor, who prepared that Appendix, says "No remissions or reductions of taxation can be noted as a set-off against the taxation which has been imposed since 1886." Those are the figures which justify my statement that there has been a large increase of taxation already in India.

8410. Now with respect to the suggestions that have been made as to the sources from which increased taxation could be had; first of all, will you deal with the land revenue?—I do not think anyone has advanced the proposal that we should interfere with the land settlements in India. Such a proposal would never be entertained for a moment by anyone who has had anything to do with Indian administration. It would create a reasonable ground for an accusation of want of faith against the Government of India, and would certainly be dangerous to the stability of our rule. At Question 7069, Mr. Steel suggests that the settlements might be shortened from 30 years to 10 years. I think there is the gravest objection to that. No one who knows anything about the process of altering the assessments in India, can fail to be aware that it disturbs very greatly the district that is being dealt with. The land revenue settlements in the North-Western Provinces are for 30 years. We know that for the year before, and for some little time after, the re-settlements, everybody concerned is disturbed, and to make re-settlements every 10 years would aggravate that evil very greatly. It has been the desire of the Government, as much as possible, by certain processes, such as taking averages, and so on, to reduce as far as can be done the evil necessarily arising from the making of fresh settlements. There must be some evil; but to alter the term from 30 years to 10 years would be, I think, a proposal which no Indian administrator of experience would support.

8411. The next point is the duty on imports?—I see Mr. Ralli proposes that the import duties should be trebled, and, I suppose, that an equivalent excise should be imposed upon Indian cotton manufacturers, so as to prevent any protective incidence of the duties. I, myself, looking at it as a man practically concerned in politics, think that it is a proposition which no Government here would entertain. We all know how difficult it was to persuade the cotton interests in England to accept the present low duties; and for the Government of India to propose to treble the duties would be to make it certain, in my opinion, that Parliament would not support them, and that it could not be carried out. Besides that, on the merits of the case, I am rather against the increase of the duties. Customs duties are not a good thing in themselves, and I should very much have preferred that the duties had not needed to have been put on at all. I approve of the policy for India of having as much free trade as you possibly can. It increases your imports and it increases your exports; and, as the solvency of India depends mainly on her trade, that is to say, that the exports of India should be larger than the imports, the more you have free trade the more you are likely to benefit the country. I should object in principle to increase the import duties, but I am bound to say that it is rather the middle and upper classes who consume Manchester goods, and, therefore, the poorer classes would not be much affected.

8412 But there is an excise duty on some Indian goods?—I was referring to the products of native hand looms, which I believe to be mainly used by the poorer classes.

8413 Then have you anything to say about exports?—I really think it is hardly necessary to argue about exports. Mr. Ralli proposed a 10 per cent duty on shellac and jute. It has even been proposed to put a 10 per cent duty on tea. I consider that, the financial condition of India depending so much on the exports being greater than the imports, it would be a suicidal thing to put a tax on her

exports. I always thought that one of the first duties that ought to be taken off in India is the export duty on rice. I should very much like to see it taken off, and that has been the opinion of most men who have had to do with Indian finance, but they have not been able to carry it out. To tax your exports is simply to diminish the balance in your favour between exports and imports, and I do not consider that it is a reasonable proposal.

8414 Then the next would be the salt tax?—I believe you would get a crore, or something like that, by raising the salt duty from 2 rupees 8 annas to 3 rupees per maund. That would be entirely borne by the very poorest people in India, and also by the agricultural interest, because salt is very necessary for cattle, and it is supposed, even now, that the salt tax interferes with the agricultural industry. My feeling about the salt tax is that it is too high, both because it presses upon the poorest of the people, and because it is the only tax which, if it was put at a low figure, such as 1 rupee per maund, the Government of India could use in times of emergency to raise at once some increase of revenue without difficulty. We have already put upon the poorest of the people a taxation on salt to the extent of Rs. 1,600,000 in 1888, and I am opposed to any increase of that tax.

8415. Now, the other taxes are the excise and the assessed taxes. Have you anything to say about those?—I do not think you could rely upon any increase of those taxes. I believe the excise is now being worked so that the greatest possible amount is raised consistently with not encouraging the consumption of spirits. That is the principle upon which we have always worked the excise duties in India. There was another suggestion made, which is subject to the same objection as the tax upon exports, viz.—that you should raise the railway freights. The Government of India have always looked upon railroads, not so much with a view to making profit or even paying interest on capital, but with a view to developing the trade of the country. Speaking generally on the question of raising taxation in India, I think it has been suggested by some of the witnesses that a committee should be appointed to ascertain whether taxes could be raised which nobody has ever thought of up to the present time. I believe I can say without hesitation that many Indian financiers and statesmen have considered with the greatest care what taxation can be raised in India. I have at home a mass of matter dealing with this topic. I have a whole volume about the suggestion of putting on a tobacco tax. The objections to raising a tobacco tax in India are not only that you would be taxing one of the little luxuries that the mass of the people enjoy, but you would have to create a gigantic system of excise. Every man who grew an acre, or a quarter of an acre, of tobacco would have to be watched by subordinate native officials. It would create the greatest discontent, and would be open to the gravest objection to any tax, namely, that the receipts which would come into the hands of the Government would be much less than the money paid by the people in order to conciliate the officials who had to collect it. I do not think that there are any new taxes that have not been fully considered and set aside by those who have been responsible for the Indian finances. I may mention to the Committee that, when I went to India in 1872, there was considerable discontent about taxation. I will not go much into the reasons, but the result was that, after giving the best consideration I could to the matter, I resolved to follow the course which my predecessor, Lord Mayo, had intended to take. When the income tax expired in 1873, I did not renew it, and I believe that that policy had a very good effect. I also endeavoured, as far as I could, to prevent any increase of taxation, even locally, excepting very gradually. The condition of India now—at least I hope so—is better than it was in 1872; the

people may be better off, but if I had to consider this question I should be guided very much by those who have been responsible for the finances of India and the administration of India since I was there. I should be glad if the Committee could refer to Lord Cromer's evidence which he gave in 1887 before the Gold and Silver Commission, because he went into all this very fully, and what I have stated now as my own conclusions is almost entirely the same as the evidence given by Lord Cromer. If I were responsible for the finances of India, I should consider that the evidence given before this Committee by Sir Antony MacDonnell (whose authority I have already alluded to), at Question 5795, would be conclusive, because it is the opinion of a practical administrator in the country. He says, "It taxation to the extent of eight crores of rupees, not to say 10 or 12, were imposed, we should not be able to hold India to-morrow without danger of tumults and insurrections." That opinion is in itself very strong, but he adds words which make it to my mind still stronger, knowing, as I do, what a careful man he is. He says, "I think I am bound to say that I have had exceptional opportunities of knowing what native feeling is as regards the imposition of further taxation on the country."

8416. In that opinion you fully concur?—I do. Then, I may remark also upon this subject that the taxes proposed to be put on would either fall on the mass of the people, and the larger portion on the very poorest of the people, or upon trade. This shows, I think, that the policy of the Government of India in preventing the further fall of silver, rather than imposing new taxation, is in the interests of the people and in the interests of Indian trade.

8417. Now, I will ask if you think that the present monetary situation should be allowed to continue—the mints closed, with no gold standard, and the whole control, so to speak, of exchange left in the hands of the Government by their being able either to restrict or enlarge the circulation?—Well, I am not quite certain whether the Government of India might not have delayed their proposals for some little time; I will not say that they could not have done that; but as they have been made, and as the question has been referred to this Committee, I am strongly of opinion that it ought to be decided. I fully see the objection to the present condition of the currency which the Chairman has suggested, viz.:—that there is now no real standard of value and no automatic process, certainly no effective automatic process, of regulating the currency. I think that this may be exceedingly dangerous to the interests of any country, and I do not believe that any Government in so large a country as India is wise enough or has information enough to enable it to regulate the currency. There ought to be some automatic process whereby, if a demand comes for currency, it can be supplied independently of the will of the Government. Therefore, I think that the question should be decided, and that the period of uncertainty which has existed since the closing of the mints should no longer be prolonged. Apparently it has had a bad effect upon the transmission of English capital to India; at any rate, it has prevented the flow of English capital to a certain extent, and it appears to have had something to do with creating stringency in the money market. But, at any rate, the sooner we get to a sound system of currency in India, the better.

8418. Have you considered the proposals of the Government of India to introduce an effective gold standard into India?—I have rather devoted myself to the question of principle and to certain other proposals that are before the Committee. If I am asked the question, I do not agree with the proposals made by the Government of India.

8419. You are aware that, when the Government of India closed the mints in 1893, it was as a first step towards the establishment of a gold standard?—I think they would not have been justified in doing it

unless it was intended as a first step towards a gold standard.

8420. Then, what do you think of a gold standard for India?—I think I may say that I cordially support the view of the Government of India as expressed in the Despatch of the 16th September 1897. It explains so clearly what their views were, that, perhaps, the Committee will allow me to read it:—"The currency system of India is in a transition state; the Government of India in 1893 decided to establish a gold standard, and the first step towards that object was the closing of the mints to silver by Act VIII. of 1893. The silver rupee is still the sole legal tender coin, though the Government has by executive orders undertaken to receive gold and sovereigns under certain restrictions set forth in Notifications Nos. 2662 and 2663 of the 26th June 1893, the rate of exchange adopted being 16½ the rupee, or 15 rupees = 1£. The measures to be taken when the transition period has passed have not been laid down, but it is probable that the Indian mints will be opened to gold, and gold coins will be made legal tender to an unlimited amount; silver rupees would also continue to be legal tender to an unlimited amount; and the ratio between the rupee and the gold coins as legal tender would at the same time be finally settled. The system towards which India is moving is thus a gold standard of the same kind as that which now exists in France and the United States, but with a different ratio for legal tender; but for the present the mints are closed both to gold and silver. The transition period has lasted for more than four years, but there is ground for hope that it is now drawing to a close." I endorse the way in which that is put by the Government of India.

8421. You concur in that, totally irrespective of the mode in which they propose to carry it out?—Certainly I do not agree with the particular method proposed by the Government of India in their letter of March 1898, which has been referred to this Committee.

8422. Now, have you given any consideration to the question as to how a gold standard should be established? In the first place, would you open the mints in India to gold?—Yes. I think that, in order to establish a practical gold standard, it must be accompanied by a gold currency. I do not understand a gold standard separated from a gold currency—I mean, separated from giving anybody who has gold the power of taking it to some place, and having it cut into pieces of the weight and fineness of the standard of value to be established. A gold standard means that by law a certain quantity of gold of a certain fineness, marked in a certain manner, shall be the measure of value for commodities, and I do not understand how such a standard can be introduced for any practical purpose unless the Indian mints are opened for the coinage of gold, and this is the same thing as to introduce a gold currency.

8423. The principle would be that the holder of gold must have the right to go to the Indian mint and have that gold converted into what would be a current coin, which would be legal tender?—Certainly. Without that, I do not see that you can have a really sound gold standard.

8424. Then what do you think about the converse proposition—taking silver, and having that converted into gold?—That is a very important question—one of the most important questions which the Government will have to consider from time to time. In my opinion, it is not necessary to the establishment of a gold standard that the token silver currency should be convertible into gold. It is not done in France at this day, and it does not seem to me that there is any necessity, as a matter of principle, for the token rupee coinage to be convertible into gold. At the same time, I think it is extremely desirable that rupees should be convertible to some extent, immediately if possible, but certainly in the process of time. Of course, it might be done in different ways. It is a

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matter rather of detail—a subsidiary matter to establishing the principle upon which the standard of value and the currency should be founded.

8425 We have had several schemes put before us for carrying out that gradual convertibility. Mr. Lindsay's appears to be confined to exchange purposes only?—I have very carefully considered, so far as I have been able, Mr. Lindsay's and Mr. Raphael's schemes, and I think they are very ingenious; but they appear to me, as the Chairman has said, to be for the purpose of establishing what Sir John Lubbock calls an "exchange standard"—a standard only for the sake of international exchange, and it is an essential point of Mr. Lindsay's scheme that there shall not be a gold currency in India. That is, to my mind, almost a fatal objection; and there is another very grave objection, namely, that his scheme imposes a liability on the Indian Government to change rupees for gold without any limit. I am not prepared to say that, if I were responsible for the finances of India, I would undertake that liability. It is one of those liabilities which it is impossible to estimate. We do not know how many rupees there may be in India, and we do not know how many rupees may be sent in to be exchanged for gold. There are some calculations before the Committee about the rupee currency, but they are not altogether to be relied upon, however carefully Mr. Harrison has made them, and he has certainly exercised very great care; but the liability is one, I think, that the Government would not dare to undertake. I may say that, as regards these schemes, I agree with the criticisms made upon them by Lord Rothschild and Sir Samuel Montagu. I do not believe that any scheme for bringing capital for temporary purposes to India by the action of the Government would be advisable. The Government would probably come out losers by any such transaction. I think the schemes are too artificial. In my opinion, the principles upon which the standard of value and the currency of a great country like India are to be regulated, cannot be too simple.

8426 Would you continue the rupee as a legal tender to any amount?—Unlimited at first.

8427 But with any idea of restricting it?—That is a matter which must be very carefully considered by the Government of India. I have been unable to find any materials to enable me to give an opinion as to what amount of transactions in India are small and what amount of transactions are large. My impression is that the great mass of the transactions, both of the Government and of the people, are small, and that it might, in the end, be feasible to limit the legal tender of the rupee, after a considerable time, to transactions below a certain amount. I will not state what amount, because I have no materials to justify me in making any suggestion of amount. At the same time it must be done with the greatest caution. Great care must be taken not to interfere with existing contracts, and also great care must be taken not to interfere with the feelings and prejudices of the people.

8428 Would you have the Indian mints coin sovereigns?—Certainly. I think the first step to be taken should be to make the sovereign legal tender in India—as you know, it is not so now—and to open the Indian mints for the coining of sovereigns of the standard weight and fineness, the same as our sovereigns. The Imperial Government, of course, would allow those sovereigns to be legal tender all through the Empire, in the same way as Australian sovereigns.

8429. You think that would create an automatic flow and reflux of gold?—I think it would have that effect in a certain time. It would require a little time to produce that effect, but it would in the end have that effect.

8430 In the first instance, would gold have to be provided for that purpose by the Government of India?—I do not think that it would be necessary. I have seen it stated that to establish a gold standard and

a gold currency in India would require an enormous accumulation of gold by the Government of India. I do not see that myself. I think that the supply of gold would be obtained gradually, and without any such great cost to the Government of India as has been suggested. In the first place, the opening of the mints to the coining of gold would cost the Government nothing, except the cost of the coining. Anybody who chose to bring gold to the mint would have it cut into a sovereign, and the Committee, of course, know that at this moment there are supposed to be something like 300,000,000 sterling of gold in India. It will probably be to the advantage of some, at any rate, of the holders of that gold to bring it to the mints to be coined. Colonel Smith, the Mint Master at Madras, who was a very able authority upon coining questions, thought that 30 or 40 millions of gold would be brought to be coined at the Indian mints, if they were opened to the coining of gold. I do not see how the precise amount can be estimated, but that some gold would be brought in there can be no doubt. Then, again, if exchange goes up a very little above the present rate, gold will be sent to India to be exchanged for rupees. Then, again, I think, after certain notice and with every protection to individuals, the customs duties might be levied in gold, and if the Government of India went through the other items of revenue, it might be found that some of those other items might be collected in gold. Certainly the opium sales might be made for gold; there is no difficulty about that. Then I think that about three millions of gold are now produced in India. If the people who are interested in that production can manage to have the refining carried on in India they might send that gold to the Indian mints and have it coined at probably considerable profit to themselves. Therefore, I do not think there is any necessity for any large expenditure by the Government of India in order to provide gold. Some expenditure may be necessary, but it would be principally for the sake of facilitating the exchange of silver for gold and easing the rate of discount.

8431. (Lord Balfour of Burleigh) I understand you have said two things—that the rupee is not necessarily to be convertible into gold, but, at the same time, it is to be legal tender for any amount—at any rate, for the present?—Yes.

8432 If it is not to be convertible, is it not absolutely certain that there will be some difference of value between the number of rupees which is to be the standard equivalent of the sovereign, and the number which you would have to give for the actual exchange into gold, in other words, will there not certainly arise some premium upon gold?—It is possible; just as in France, when the double standard existed, sometimes you had to pay a little premium upon the Napoleon.

8433 Then is it not obvious that you will have, in this case, a premium upon gold?—The real practical working of it, I take it, would be this, that silver would be, for almost all purposes, the currency of India—for the great mass of the transactions of the people.

8434. Then does it not follow that you have not, except in name, established a gold currency and a gold standard together, and that every debtor will exercise his option and pay in silver?—I do not follow the question completely. If it is meant to imply that a gold standard cannot be established while token coins of silver continue to be unlimited legal tender, unless the two are convertible, my answer would be, I think, that, in the first place, that is practically the system in France at the present moment.

8435. Does not that involve this logical result—that that is saying that the circumstances of France are the same as the circumstances of India, and that the analogy can be carried out all through?—Everybody knows, of course, that the circumstances of France are not exactly the same as the circumstances of India, but I do not think that affects this particular question.

8436. (*Chairman.*) It is so in America too, I think?—I do not know anything about the American system. I think it would be better, in order to carry that part of the subject a little further, to say that I propose that in some way or other rupees in large sums should be convertible into gold to a limited amount. I do not think there would be any difficulty as regards internal transactions; but as to foreign exchanges, I think there is a difficulty that has to be met in some way.

8437. Then have you formed any opinion as to the ratio that we should fix?—I think the evidence that you have had is entirely in favour of fixing 1s. 4d. There is no doubt that the greatest difficulty in the whole of the scheme is whether that ratio can be kept up or not. The 1s 4d. ratio has a good deal to recommend it. First of all it is the present ratio, apparently the trade expects that that will be the ratio fixed; the number of rupees to be exchanged for a sovereign is very convenient, one sovereign for 15 rupees, which is the same rate at which the gold mohur used to exchange for rupees; and curiously enough the subsidiary coins fit in admirably, you have one anna for one penny, and 240 annas for £1.

8438. How would the position of the currency note issue be affected by a gold standard?—That is a very difficult question, and I should be sorry to express any positive opinion about it, because I think it must be carefully considered by the Government of India when the principles are established. At the same time, I should like to say that in my own opinion something might be done by the Paper Currency Department—I mean through the present note circulation—to provide for what Lord Balfour of Burleigh suggests—namely, some convertibility of the rupee into gold. I think that it might be possible that the large notes issued by the Currency Department should be convertible into gold at the option of the holder. Those notes have been issued upon silver. The liability would not be very serious, it would be a liability which could be undertaken without any great risk. It would amount, I think, to about 6,000,000*l.* sterling. The present note circulation is 25 crores, of which rather less than half is in big notes; of those a great many are held by the Government treasuries. That would for a time, at any rate, ease the difficulty in the way of sending capital to India to finance the crops in the busy season, and it would be a liability which would not be beyond the power of the Government of India to meet; and it is a liability that need not be extended. It would be at first limited to the number of notes now in circulation. That seemed to me to be a possible way, but I beg the Committee to take this as merely a suggestion. I do not mean to say that there are not other ways and better ways of doing the same thing; but this occurred to me as a possible way of doing it, and I thought it would be more acceptable to the Committee if I examined the subject from a practical point of view, and looked at all these points to see how, supposing I had happened to be responsible for carrying out the change of standard, I should endeavour to work it.

8439. (*Sir F. Mowatt*) Does your Lordship contemplate any special fund to meet that 6,000,000*l.* sterling which might be necessary for converting the notes?—Yes, they have now a quarter of a million of gold in the Currency Department. If more gold came in, in consequence of the rise in the rate of exchange, some of that gold might be transferred from the general balances to the Currency Department. Besides that, I should like to see some assistance given by the Imperial Government in this matter. I think a fund should be provided, so that there should be absolute certainty about the convertibility. There must not be any doubt about the matter.

8440. (*Sir D. Barboer.*) A fund in India, I understand you to say?—Yes, in India.

8441. (*Chairman.*) What would be the effect, in your judgment, of the establishment of a gold standard upon the Government rupee debt?—The closing of

the mints, of course, has been a great benefit to the holders of the Government rupee debt, as I explained before: I should be sorry to any what should be done in detail with respect to that debt. The return of the different loans which is before the Committee is very complicated, and I think it is one of those subjects which must be left to be considered afterwards. The holders of the debt have gained by the action that has already been taken, and I do not very well see that they can lose by anything which may be done further in the matter.

8442. With reference to the Imperial Government supporting the Government of India, do you think there should be some assistance in some shape, either in credit or in gold?—Yes, I know it has been held by people of great authority that the Imperial Government should never use its credit to assist the Government of India, it has been said on this side, and even in India, that the independence of India would be risked, if the Imperial Government helped India in this manner. I do not attach much importance to those arguments. The fact is that the Government of India has no independence in respect to financial questions. Any important financial question is determined by the Government of England. Look at the imposition of import duties on cotton manufactures. India had no power to impose those duties, and it was a very long time before she could get the Government of England to agree to them. It was greatly due to the Chairman of this Committee that they were imposed at all; he, as Secretary of State for India, had the courage to get up in the House of Commons and declare that the interests of India ought not to be sacrificed to the interests of this country, however large.

8443. Would you wish, yourself, to make any suggestion upon that part of the subject?—Yes, I should not advocate any such assistance from the Imperial Government to the Government of India as taking the responsibility of the whole of the Indian debt. I do not think it is necessary. I think India is able to pay her way with proper management of her finances, and I think it unadvisable; it would be unpopular in this country. But when India is engaged upon a financial operation of such great difficulty and importance as the change of the standard and currency of the country, I think that is a time when, more for the moral effect—more for the purpose of giving confidence to the commercial world that the change is to be carried through—than for the financial advantage of the assistance, the support of the Imperial Government should not be confined to a mere approval of the Indian proposal. It would cost the Imperial Government nothing, because India would pay interest on whatever money was advanced to her, but in some way or other—either in the way I have just suggested to the extent of 6,000,000*l.* or 8,000,000*l.* to guarantee the convertibility of the Indian note issue, or in some way or other—I attach the highest importance to there being the moral support of the Imperial Government, and, as moral support is not of much good unless you put your hands in your pockets, that moral support should be confirmed by some liability being undertaken by the Imperial Government.

8444. There is one proposal that has been mentioned that I think I should have put to your Lordship earlier—the proposal to levy an import duty on silver?—A great many high authorities have advocated that; but, after considering it very carefully, and, if I may confess it, after at first being in favour of it, I came to a conclusion against it. I do not see why you should prevent the people in India from getting silver at a reasonable rate if they want it. I suppose the women of India are not unlike the women of other countries—they are very fond of ornaments. The women of the poorer classes wear brass bangles, or bone bangles on their arms and ankles. Then, in the class a little better off, they wear silver bangles. It is quite a mistake to suppose that this is only a sort of bank into which the natives deliberately put their savings; it is just for the sake of ornamenting their

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wives. As they get richer they get gold bangles, and when you get to the wealthy classes, they have pearls and diamonds and every sort of jewels. But I do not see why you should not let the people of India have silver at a reasonable rate if they want it, and I think a change in the standard of the country should be carried out with as little disturbance of the general interests of the people as possible. I think it might have a bad effect upon the people of India if they were told we were going to prevent them getting any more silver. It is advocated mainly, I understand, on the ground that it would prevent illicit coinage. That is a very difficult question. The Indian Government, I understand, say that there is no illicit coinage going on.

8445. Not that there is no illicit coinage, but they think that there is no excess over the average?—I hope there is none; but, at any rate, putting a high import duty on silver would not have much effect. The Committee will recollect the coast line of India and the land line of the Indian frontier. Is it reasonable to suppose that, if you put a high import duty on silver, you could prevent smuggling? I do not think it would be possible, and that would be worse, probably, than having some little illicit coinage.

8446. (Sir D. Barbour.) You might also mention the French and Portuguese settlements in India?—Yes, I suppose you would have to get a treaty with France to prevent silver coming into Pondicherry. Another reason against the duty, and it is not one to be despised, is that it would raise opposition from a very important interest, namely, the silver interest. That is a very great interest in the world, and I would not raise any opposition of that kind, unless it were absolutely necessary.

8447. (Chairman.) Have you any observations to put before the Committee as to the objections which have been raised to the introduction of a gold standard into India?—Yes. The first objection is that the gold standard is not suitable to India, because India is a poor country. I really do not know what is meant by a poor country. If wealth is to be determined by revenue, or trade, or credit, I cannot admit that India is a poor country in comparison with many other countries that have a gold standard. Of course, local exchanges of commodities in India are carried out, principally, not even in silver, but in copper, and gold coins would only be used in the larger transactions. But it does not follow that gold would not be extensively used for those transactions. Another objection raised is that a gold currency is unsuitable to the Indian people. Sir Robert Giffen, in an article he wrote the other day, said there is no demand for a gold currency in India; but, in my opinion, by far the greater weight of authority is upon the other side. In order to establish this, I must trouble the Committee with a short history of what has happened in India with regard to coinage. The unit of the Hindu coinage was gold, and gold coins were in circulation before the Mahomedans came. The Mahomedans introduced the rupee, but at the same time gold coins called mohurs were freely circulated. At first, under the East India Company, gold and silver coins were both legal tender. There is a Despatch which has been laid before Parliament (I think it was moved for by the Chairman of this Committee) from the East India Company in 1806. In that Despatch you will find a very interesting piece of evidence on that matter. In paragraph 20 you will see that, under the Government of Madras, gold coins were then the principal currency, money of account, and the measure by which the pay of the troops was generally calculated. Those gold coins were of a very moderate amount; they were called star pagodas, and were worth about 8r. They were the currency of Madras at that time. Gold and silver coins remained in circulation as legal tender till 1835, when the silver rupee was made the sole legal tender. Notwithstanding that, a considerable amount of gold continued to be coined at Calcutta, and gold coins were received at certain rates at the Government Treasuries. A stop was put to that in 1853, but, nevertheless, gold continued to be coined,

and, in 1857, the Bombay Government recommended the introduction of the sovereign as legal tender. At about the same time, there were so many English sovereigns—or, rather, Australian I think they were—introduced into some districts of Madras by labourers returning from Ceylon and Mauritius, that the Government were obliged to receive them into the Treasuries, and a gold currency based on the sovereign would rapidly have superseded the rupee currency, if the Government of India had not prevented it. That is stated by Sir Charles Trevelyan in a Minute written in 1864.* In 1864 the principal commercial associations in India recommended a gold currency—the Bombay Chamber of Commerce, the Bengal Chamber of Commerce, and the Madras Chamber of Commerce—and the Government of India in the same year recommended the introduction of the sovereign as legal tender. In 1866 the Calcutta Chamber of Commerce again recommended the introduction of the sovereign as legal tender. A Commission was then appointed to inquire into the matter, and reported that, “The demand for gold currency is unanimous throughout the country.” Sir Charles Trevelyan’s Minutes will be found to give the whole account of this matter, if the Committee wish to know any more about it. While I was in India, in 1872, Sir Richard Temple, who was then Financial Member of Council, wrote a Memorandum recommending a gold standard and gold currency in India. There was no man who had more experience of India all round than Sir Richard Temple. He had been in almost every part of it in responsible positions, and he would not have recommended this, if he had not believed that a gold currency was likely to be acceptable. I wrote to ask him whether he would allow me to place this Minute of his in the hands of the Committee, and he said he was quite willing that I should do so. Therefore, I put it in the hands of the Chairman, and, if he so pleases, it can be printed with your proceedings. (For this Minute, see Appendix.) In 1878 the Government of India recommended a gold standard, and the ultimate adoption of a gold currency. I have mentioned already that Colonel Smith, the Master of the Mint at Madras, was in favour of a gold currency. I may just add this. Perhaps some member of the Committee may say, How is it, if you had this recommendation from Sir Richard Temple in 1872, that you did not adopt it? The answer is a very simple one. That was a time when gold was appreciating, and it was impossible to do it. Then, after that, came the question of bi-metalism. That, I think very properly, turned all the thoughts of the Indian Government in the direction of trying to keep the silver standard by securing an international monetary arrangement with France and the United States of America, and, therefore, the particular question of the gold standard and currency went into abeyance. But, at the same time, during those discussions, when Lord Reay and Sir Louis Mallet were the representatives of the India Office at the Monetary Conference of 1881, after coming back from that inquiry *re infecta*, without having been able to do anything, they reported that India, by adopting a gold standard, could, in a few years, obtain a supply of gold sufficient for all purposes of her commerce as a standard of value, and that the difficulties derived their force rather from the interests of England and other gold-using countries than from those of India itself. Now, this I want to put before the Committee. There is a remarkable fact which presents itself to me in looking back at all this again—because I knew it before—namely, that all through these papers, and all through the consideration and discussion of this question, there is hardly one single suggestion from any one with a knowledge of India—I doubt whether there is any suggestion at all—that a gold currency would not be popular in India if other circumstances rendered it desirable. I therefore venture to think that, if the

* See Commons Papers No 79 of 1865 and No. 148 of 1868.

history of coinage in India is considered, the balance of authority shows that there is no ground for rejecting a gold currency as being unsuited to India. I am glad of having had an opportunity of putting this forward, because I have not seen it in evidence, nor is it elaborated in any of the publications which I have read on this subject. Another argument against a gold standard is that its cost would be enormous. I have dealt with that already; I do not admit it. I would add that the evidence given by Lord Rothschild and Sir Samuel Montagu, and the facts as to gold production, show that such gold as would be required in India could be easily supplied out of the gold production of the world. The production of gold in the world has increased in ounces from 5½ million ounces in the years from 1876 to 1880 to 12 million ounces this year. In Mr. Bryce's excellent book upon South Africa, he gives a calculation of the future supply of gold from the Transvaal. He says that "the view of the most competent specialists is that the value of gold to be extracted in 50 years is about 700 million sterling, and that the production may not fall short of 10 million sterling a year; and, with improved economical and administrative conditions, might reach even a larger sum." Therefore, I think that the difficulties which existed, no doubt, when gold was appreciating, need not now stand in the way of making this change. There is no reasonable probability that anything that the Government of India may do, or any reasonable quantity of gold that they may want, can seriously interfere with the gold market of the world or injure any gold standard countries. Those are the replies which occur to me to the arguments which have been used against the introduction of a gold standard and a gold currency.

8448. Do you think, taking all these circumstances into consideration, this is a suitable time to make such a change?—I cannot conceive a better time than the present. You have got the exchange up to 1s. 4d.; you have got a large production of gold, and everybody expects that some decision will be come to upon the matter. You have another great advantage in a very favourable financial year—in all probability there will be a considerable surplus which will give the Government a command of the situation to a great extent—and, taking all the circumstances together, I cannot conceive a better time to make the change than the present.

8449. Is there anything else that occurs to your Lordship to mention to us?—Yes. I have three other observations to make. One is, that, if this measure is to be carried out, the Imperial Government should give their moral support, and, to a certain extent, their material support; but there is another condition which I think ought to be secured, and upon which I hope the Committee may think it desirable to express an opinion, that the utmost steadiness should be pursued in the management of Indian finances. When you are making a great change of this sort in the currency of a nation, you ought to have command of the situation, and, as the Government in this good year are likely to have 3 crores surplus—perhaps more—I think it is almost essential to the success of this operation that they should not spend that surplus, but that they should hold it in hand to use either by, if necessary, buying gold, or in any other manner. I think it is so important a thing that, if I were Secretary for India, I should recommend the Council to issue instructions to the Government of India that the Budget of the coming year should be a temporary Budget. A new Viceroy is going out, and a new Finance Minister, and this great measure is to be carried out. I think the Government should be told not to remit taxes. Although I should like to see the salt tax reduced, yet I would not make any reduction at this time, because the people are fairly prosperous, the terrible calamities of famine and war have passed, and the calamity of plague is, I hope, passing away. But, above all things, I should insist

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that there should be no increased expenditure—that the Indian Government should not authorise an increase of expenditure of any kind in the coming year—that they should resist the applications of the Military Department, and postpone everything for another year, until this matter is settled; and in the same way with the other departments of the Government. I know well enough the pressure there is, when there is a surplus, for increase of expenditure of all kinds; but, if the Government deliberately say that, in the face of this affair, they will not increase expenditure—I do not mean to push it to a pedantic extent, but to any considerable amount—I think they would be doing a wise thing, and doing what is the most important, and almost the essential, thing in order to carry this great change satisfactorily into effect. I attach the greatest weight to this. In the same way, at home, I would take care to increase none of the gold liabilities. I would not for the time enter into any arrangements which would increase the gold liabilities of India in this country. I would say, this is a moment in which we must be steady in our finances, and get command of the situation. The only other observation I desire to make is in relation to the effect of this change, if it is carried out, upon the policy of having an international arrangement as to the opening of the mints of the United States and France to the coinage of silver at a certain ratio with gold. I have seen it stated that there is some prospect that France and the United States might consent to opening their mints to silver, at a ratio of 1 to 22, instead of 1 to 15½, which was an impracticable proposal. If that were carried out, the ratio of 1 to 22 would be the same as the 16d. ratio for the rupee. If I were asked what effect the proposals which I have made for the introduction of a gold standard and currency into India would have upon that, I should say, in the first place, that it need not interfere with such an arrangement. We should be exactly in the same position in India as France is now in. We should have a gold standard with a gold currency, and a silver token currency circulating alongside of gold. There would be no difference between India and France with respect to opening the mints to silver, if it should be desirable to do so. And, moreover, if it is a question whether there would be more probability of carrying out such an international arrangement through India having done this, instead of opening her mints now to silver, as some propose, I say India would be in a stronger position than if she opened her mints to silver. If she opened her mints to silver to-day, she would have nothing to offer. I have no knowledge that such an international arrangement is at all likely to take place. If my opinion were asked, I should say it is improbable; but I think it is desirable to show that the change of standard would not interfere with an international bi-metallic arrangement, because a very powerful interest in this country, and a great number of very able men, including several members of the present Government, are bi-metallists, and I want to show that, from their point of view, no obstacle is put in the way of carrying out their views, supposing they should turn out to be sound, by the alteration of the Indian standard.

8450. Now, have you any observations to offer us on the working of the Indian Currency Department?—I do not know whether the Committee would like to hear what I have to say about this, but I have seen some evidence by Lord Rothschild and others as to the management of the cash balances in India, and I observe that the idea is put forward that there should be a great bank in India like the Bank of England, which would manage the currency, and have the full use of the Government balances. I should like to say something upon this subject. It is a difficult question, and I want to point out to the Committee that it was very fully considered about the year 1861, when I happened to be Under Secretary, and Lord Halifax (then Sir Charles Wood) was Secretary of State for India. The whole history will

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of Northbrook,
G.C.S.I.

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be found in papers laid before Parliament at that time * Sir Charles Wood had a strong opinion that the note issue should be entirely separate from the banks, and that it should be managed by a Government Department. After a very long argument (because Mr. Lang, who was then Finance Minister in India, took the other view) the present system was established, and I should be exceedingly doubtful as to the policy of altering the present system, after it had been so fully considered by so great an authority in all currency matters as Sir Charles Wood was. Now, as to the arrangements with the different banks, as the Committee know, the Bank of Bengal, the Bank of Bombay, and the Bank of Madras are, to a certain extent, Government departments. The Government have a strong hold upon them. They had at one time, at any rate, representatives on the management of the banks. The Bank of Bengal, which I had mainly to do with, was managed exceedingly well, and we had every confidence in its transactions. But, at the same time, I do not think that these banks, in their present condition, have the capital or the strength which would enable the Government to treat them in the same way as the Bank of England is treated in this country. The Bank of England is the product of a great number of years, and it has the absolute confidence of the Government and the public. There is no reasonable probability of establishing a bank, in my opinion, that could occupy the same position in India. As regards mixing up the currency with the banking business, it must be remembered that, although commercial crises in this country have been met by allowing the issue of notes by the Bank of England beyond the statutory limit, that would not do for India. In a crisis in India you want rupees, you want the actual money for payments up country. I can give the Committee an instance of what happened to me in connexion with this particular subject. In the year 1874 there was a famine in Bengal, and in order to feed the people we had to buy rice in Burma and send it to Bengal. In order to get the rice we had to pay hard coin, rupees, for it. The banks then had the full use of the Government balances, and the Bank of Bombay had at that time more than a million tens of rupees—a million and a half I believe—of the Government balances. In order to pay for the rice, we wanted some of this money. When we asked the Bank for it, we had the greatest difficulty in getting it. The Government of Bombay objected, and it was only after considerable correspondence and by insisting upon getting our money that we got at last about half a million of the million and a half that they had of our balances. It was so serious a condition of things for the Government of India not to be able to get their money when they wanted it, that we addressed the Secretary of State on the subject, and the correspondence is given in the evidence published in the first Report of a Commission now sitting on Indian expenditure, at Question 2805. We said:—"We have been much impressed with the consideration that the effect of the existing agreements with the banks, which compels us to place all the cash balances belonging to Government in their hands, leads to consequences which may be very inconvenient, if not worse, both to Government and to trade. The only use of these balances to Government is that they may be made available the moment the public service requires them. We have had no difficulty in regard to the balances in the hands of the Banks of Bengal and Madras; the Bank of Bombay, however, protested against meeting drafts upon it, and, on the urgent representations of the Governor of Bombay, we were obliged on the 29th January to allow a month's time before drawing. The Bank of Bombay, accustomed to high Government balances and relying on the maintenance of these balances, had so employed them that they were practically locked

" up, for, had we insisted on withdrawing them more suddenly, we should have done so in the face of a warning that we should produce a commercial crisis, and, therefore, for a time, the Government balances at Bombay were useless for the purposes of the Government." The upshot of it all was that an alteration was made, and at our recommendation the Government now hold about 2 crores in the reserve Treasury. They are not bound now to keep the whole of their balances in the banks, and they keep 2 crores actually in their own hands, which they can use on an emergency. I do not think it is safe for the Government of India not to have the absolute command of 2 crores of rupees.

8451. At each bank do you mean?—No, 2 crores altogether. I do not think it is at all an unreasonable amount, and it is not safe to have less. The Government of India are in quite a different position to the Government of England. The Government of India, if they want money, could not get it in India to any considerable extent, and, if they tried to get it and failed, it would bring them into great discredit. Therefore, I do not think the Government should be bound to keep the whole of their balances in the banks. It is not, in my opinion, the business of the Government of India to finance Indian trade; it is the business of commerce to finance Indian trade. At the same time I do not see why the Government of India should not to any reasonable extent assist trade by allowing the use of their balances by the Presidency banks with proper precautions, but I want to point out that it is not safe to put the whole of the balances in the hands of the banks, judging by the experience that I myself have had. Then, as regards the recent stringency of the money markets in India—I think that the recent stringency must to some extent, at any rate, have been caused by the closing of the mints—possibly not to the full extent which some people think, but, at the same time, to some extent. The grounds on which I come to that conclusion are these. Suppose anyone wanted rupees to finance the rice or jute crop in India, he could not buy silver in the market on credit and take it to the mints and get rupees, because of the closing of the mints. It is said, Why could they not send gold from England, with which they could get at a certain rate rupees in India from the Government treasuries? I think the answer is simple; they might lose money if they did so, because they could not tell whether the exchange would keep up, and they would not know that they might not lose money when they came to send their money back again. Therefore, I think, the closure of the mints has had something to do with the stringency. Well, I think the Government are bound, to the best of their ability, so far as it is safe to the Indian finances, to take care that this does not occur again. I think that in this transition time (I do not say you should do it in ordinary times) when there has been a tightness, in my opinion partly caused by the closing of the mints, the Government should meet it in some way or other. It is a bad thing even for the commerce of the country, because it is a charge on the export trade. I hope, when the gold standard and the gold currency work effectively, you will get rid of the difficulty, but in the interim I should like to see some plan carried out to meet it. I will suggest no particular plan, because that is a matter which must be left to the Government to decide. I do not think I have any other observation to make upon that. I could say more about this banking question, but it is a matter of detail, and it hadly really comes within the limits of the questions referred to this Committee.

8452. Do you think gold would flow out of India?—I do not see any reason to suppose that gold would flow out of India; of course, it must flow in and flow out. When there is a gold standard, if the exports fail, as they did in the time of the famine and the plague, gold will go out of India, it cannot be helped; but in ordinary years I do not see any reason why it should. All the statistics show that

* See Commons' Paper, No. 109 of 1864. East India Paper, (Currency, &c.).

India for a long series of years has been a large importer of bullion, and that will continue, I think.

8453. I should have put it "an abnormal flow" ?—I see no reason to anticipate it.

8454. (Sir D. Barbour.) You mentioned what the probable cost would be to the Government of India if the mints were opened to silver; you put it that 10 or 12 crores would have to be found. But if there is a surplus at the exchange of 1s. 4d. of, say, 4 crores for the sake of argument; that surplus would be available to meet a portion of the total cost?—No, that would be a surplus for one year, and you must look at the future.

8455. I am assuming that it is a permanent surplus?—I do not think anybody who knows anything about the finances of India can rely on a permanent surplus.

8456. That depends on circumstances; but, if in the present year the 1s. 4d. rate of exchange gave you a surplus of 4 crores, and that surplus were a permanent one, it would be available to meet a portion of the extra cost?—Yes, that is a mere matter of arithmetic; but if you ask me whether it is desirable that it should be so used, I have an answer to give. Undoubtedly, as a fact, it there should be a surplus, it would be available.

8457. If it were decided to take some further steps at once to establish the gold standard, it would be necessary, would it not, to decide, once for all, on the ratio between the silver rupee and gold—to decide finally?—In establishing the gold standard, it would be necessary to decide on the ratio. When you ask me whether it is necessary to decide finally, I think my answer again is, Yes, it should be decided finally.

8458. You know that the rate of exchange at present is about 1s. 4d.?—Yes.

8459. I suppose you would admit that, if there was considerable borrowing by India at any particular time, that would help to keep up the rate of exchange so long as the borrowing lasted?—Certainly; it would reduce the amount of Council bills that would have to be drawn.

8460. Also if there was an unusually good export trade from India, that would help to keep up the rate of exchange?—Certainly.

8461. I daresay you are aware that there is considerable borrowing this year?—I do not know it.

8462. You may take it from me that there is considerable borrowing, according to the figures that have been put before the Committee. You have also stated that this is a good export year?—I believe so. Certainly a great quantity of wheat has been exported.

8463. Those two causes, either to a greater or less extent, are keeping up the exchange at the present time?—I should think, certainly, it must have a great effect upon it.

8464. Therefore, it may be that, if conditions were normal, the exchange would not be 1s. 4d.?—Yes. That is to say, it might be that, under other conditions—I do not say if the conditions were normal, but under unfavourable conditions—the exchange might go down. I admit that.

8465. If you fixed 1s. 4d. now, and under the conditions that prevailed during the next 5 or 10 years there was a tendency for exchange to fall, you might have considerable difficulty in making that rate effective?—Yes, that is the greatest difficulty in the whole matter—whether you can keep up the exchange to 1s. 4d. or not. It is a difficult point, I admit. My feeling is that it is quite possible that, as in any great change of this sort, you may meet with some difficulties before it is carried through; but, at the same time, I think that, as the Government of India have closed the mints, they have command of the situation, and they cannot help, in the end, establishing the 1s. 4d. rate.

8466. I suppose you are not prepared to say positively whether or not those difficulties would be experienced, or how great they would be?—We must be prepared for difficulties, and that is one reason why

I consider that we ought to have a considerable surplus in hand; but I do not see how the Government of India can be defeated if they steadily stick to their plan, because they have the command at the other end of the stick, as you may say—they have the command of the coinage of silver, and any supplement to the coinage would come automatically through gold.

8467. You made a suggestion that some of the higher notes that are issued already might be payable in gold?—Yes.

8468. These notes have been issued in this way: A man paid 10,000 rupees in silver into the Currency Department, and got a note for 10,000 rupees. If he presented that note for conversion now, he would get out the 10,000 rupees?—Yes, he has a right to get rupees for it.

8469. You propose to give him gold if he asks for it?—I must beg the Committee to think that that is merely a suggestion thrown out by me. I do not attach any final importance to it, providing some other way is found which may be better to convert, to a certain extent; rupees in large amounts into gold.

8470. When that note had been cashed for gold, there would then be 10,000 rupees available for any purpose in the Currency Department?—Yes.

8471. Would you propose to keep them?—Yes, I should not let them out.

8472. To that extent you would contract the currency?—Yes. I do not mind contracting the currency, provided you have an automatic system. I have a strong objection to contracting any currency when there is no automatic system for meeting the demand; but I do not mind if we have a gold standard with a gold currency, because the difficulty could be met by the coinage of gold.

8473. And I suppose you would agree that, as a matter of theory, it is quite sound and quite safe to say that, if you continue contracting the rupee currency, you must raise the value of the rupee in gold?—Well, I hope the value of the rupee will remain quite steady. I do not want to raise the value of the rupee.

8474. But you would wish to prevent it from falling below 1s. 4d.?—Yes. Whether there may not be variations before you arrive at it, I would not say; but you would do it in the end.

8475. I asked you that question because it has been said that it is impossible for India to have a gold standard or a gold currency, on account of the magnitude of the foreign payments she has to make?—The whole tendency of my evidence is that, having considered it, I believe it to be both possible and practicable.

8476. I understand you to contemplate that the legal tender of silver rupees should be limited at some future period?—Yes, but I should be sorry to say when.

8477. Is there any very great necessity for making a change of that sort quickly?—I do not see any necessity.

8478. What harm would arise from the silver rupees continuing to be full legal tender?—I do not see that any great harm would arise. But I do not think that the French system of currency is as good as the English system, and I should prefer to see, as far as possible, the Indian system assimilated to the English system. That would involve some limitation of the amount for which the rupee is to be legal tender; but I do not think that this is at all an urgent matter.

8479. Now you were asked whether, if silver rupees were not convertible into gold, there might be a divergence in the value of the silver rupee and the sovereign?—Yes.

8480. I think you are opposed to the Government undertaking to convert rupees into gold to an unlimited extent?—I do not think they could. That is the objection I make to Mr. Lindsay's plan. I think that is a liability which the Government would decline to undertake.

8481. A man who holds silver coin in this country is not entitled to go and demand gold?—Certainly not.

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8482 Nevertheless, the silver coin maintains its value with reference to the sovereign?—Yes, but I do not think silver coinage in England is quite analogous to the rupee token coinage in India in respect of the amount of circulation.

8483. But I merely wish to bring out the fact that the value is maintained, although there is no legal convertibility?—Yes.

8484. It is possible under certain conditions to maintain the full value, though there is not legal convertibility?—I should like to say something more upon that question of the possibility that there may be a difference in value between the token coin and the sovereign. I do not see that there is any likelihood of the silver token coinage being of greater value than the sovereign, for the sovereign would be exchangeable for 15 rupees at the Government treasuries. If it should be so, that might be a danger to India, because it would have a tendency to lower prices, but I do not see any danger of that, because, the Government having the command of the coinage of silver, if they saw any demand for rupees, they could coin more. I do not see that the danger can arise.

8485. The shilling is kept at $\frac{1}{2}$ th of the £ because the coinage is limited. If you coined shillings to an unlimited extent and issued them, you would probably find that they depreciated?—I am not certain what would happen then.

8486. There would certainly be some change?—I cannot conceive the English Government doing that. I suppose that, if they did so foolish a thing as that, the shilling would depreciate, perhaps, to sixpence. You might have to give two shillings instead of one.

8487. If they issued silver coins to an unlimited extent, those silver coins would accumulate in the banks or in the hands of certain persons, and, in order to get rid of them, they would have to offer them at a lower rate, that is, the silver coins would depreciate?—I suppose so.

8488. So that what keeps the silver shilling at its full value— $\frac{1}{2}$ th of a sovereign—is the limitation of the coinage?—Yes.

8489. (Mr. Holland) I think you said that the closure of the mints was, in your opinion, justifiable, and had not been accompanied by any serious interference with private interests?—Yes. Bear in mind that I use the word "serious."

8490. You are aware that we have had it in evidence before this Committee, that the great stringency in the money market, that has occurred in consequence of the closing of the mints, has been a most serious hindrance to some branches of trade?—I admit that the stringency was partly caused by the action of the Government in closing the mints—not altogether, for it was partly caused by a quantity of rupees having to be sent up country for the war and famine. At the same time, if you look at the diagram which has been placed before the Committee, the rise in the rate of discount was not very abnormal. There have been equally high rises in several years before this happened. It seems to be rather a chronic thing in the money market in the Presidency towns. I cannot explain it; I do not know enough about the business of banks to be able to say why it should be so. I suppose some people make money out of it, but for the country it is a bad thing. I do not consider that it was a very serious matter, but I admit that the stringency was partially caused by the closing of the mints, and I hope that a remedy can be found for it.

8491. Am I right in understanding that you are in favour of immediate action being taken, or would you rather wait?—If I had the power of settling this question, I should not hesitate at once to make the sovereign legal tender in India, and to open the mints for the coinage of gold. I do not suppose the Government can do that, but if I could do it, I would go as far as that, and no further.

8492. If the Chairman thinks it a proper question, I should like to ask you whether your views would

undergo any change with regard to the question of re-opening the Indian mints, provided the mints of the United States and France were themselves re-opened, would that modify your opposition to the re-opening of the Indian mints?—No. Suppose you had an international bi-metallic arrangement with the United States and France to open their mints to silver at 22 to 1, I think it would become a practical question for the Government of India to consider whether they might not re-open their mints, but I would not re-open the Indian mints now with a view of coming to that arrangement, because I think it would do more harm than good.

8493. (Sir A. Dent.) You were discussing with Sir David Barbour just now about these large notes that might be converted into gold. Do you say that there is any evidence that large notes do exist in the hands of the public?—Yes, I think so.

8494. I do not think they are held by the Eastern banks, at any rate?—If you would like to see the detail of it, it will be found in the last Report of the Paper Currency Department. I looked through that Report, and I found that there was a very considerable amount of large notes in the hands of the public—I mean, of notes of 500 rupees and over. Of the bigger notes, a certain portion are held in the Government Treasuries. Still, there is a considerable balance, because the liability I made out would be about six million pounds sterling; that would mean about 9 or 10 crores of these notes out.

8495. Would you suppose these notes are held by the bankers of the native princes?—I should doubt whether the native princes hold our currency notes; I should think they are mostly in the hands of bankers in India, but I do not know.

8496. I do not think that any of the Eastern banks hold any number of them?—I do not know, I cannot say of my own knowledge.

8497. Then, you say, you are opposed to export duties, and you say it would be suicidal to tax tea?—I did not mean suicidal particularly with regard to tea. "Suicidal" was rather a strong term perhaps, but the export duties would certainly check the increase of the export trade, and, therefore, it would be against the interests of India to impose export duties.

8498. But, looking at it for a moment from the tea planter's point of view—the tea planter maintains that he is enormously taxed already in the exchange, and he would sooner have an export duty on tea than a high rate of exchange. I was trying to find an answer to the complaint of the Indian and Ceylon tea planter—perhaps your Lordship can help me?—I have read the evidence as to tea with great interest. I take a very great interest in the extension of the tea trade in India. I have been up in Assam and seen the gardens there; it is one of the most valuable additions we have had to the exports of India. The way in which the Indian and Ceylon tea has knocked out China tea in various markets is really wonderful. But on reading the evidence through, I cannot say that I think the complaints of the tea planters were justified, except to some small extent which I will explain directly. I do not see that the people who invested their money in tea had any right to reckon upon a profit from the continuous fall of exchange. They invested their money when exchange was at a certain rate, and, I suppose, they would expect to make a profit in the ordinary way; but I do not think they had any right to reckon upon a continuous fall of exchange. Nearly all the money invested by the tea planters must have been invested when the rate of exchange was as high as, or higher than, it now is. It is now about 1s. 1d. The average rate of exchange for the four or five years before 1893, when the mints were closed, was a little above that—about 1s. 1½d., I think. For a year perhaps before the mints were closed, exchange went down lower. But I do not think that any man of business would have invested money during that time, expecting that the rates would remain low. I do not see how he would have been justified in doing so, because Sir David Barbour, in

introducing the Budget of 1891, gave a distinct warning that in all probability the mints would be closed. Therefore, people investing money in tea speculations in India at that time should have known what to expect. So that I do not think that, as regards that, the tea-planting interest have any fair ground of complaint. I am very sorry that they will not have the advantage of the further fall of exchange, but that would be an additional profit which they had no right to expect. I should be glad if they could have it, but I do not see what right they have to complain and to demand that we should do what is very injurious, in my opinion, to the whole of the interests of India, in order to give them a profit upon which they had no right to count. That is on the general argument of the tea planters. As regards the particular argument that they are put into unfair competition with China, I admit theoretically at once that, if we stop the fall in the gold price of silver in India, it would be a disadvantage to the Indian trade in a particular article as compared with the trade in a silver standard country in the same article, but I must add a great qualification to that; I must add "other things being equal." Other things, as far as I can make out, are not equal in China. It appears there is an export duty on tea in China, and it also appears from the latest information before the Committee that the prices in the coin of the country—the "copper cash," as they call it—have gone up; so that, although they might be put to some disadvantage, I do not say that there is not some disadvantage—still, it is not anything like so great as if things had been equal between India and China. That is the way in which I look at it. And, moreover, I do not think myself that the tea planters need be afraid of China competition. There must be exactly the same difficulty about the investment of capital in China as there has been in India. People would be afraid of sending capital to a country when they are not sure at what rate of exchange they will get it back again. Besides, you have in China four countries, all gold standard countries—France, England, Germany, and Russia—apparently doing what they can to get as much out of China as possible. When they establish a system of currency, they are just as likely, I think, to take gold as silver for the standard. If I had tea gardens, I do not think that I should be afraid of Chinese competition; but I am not really interested in tea, and this I give only as an opinion.

8499. The duty which the Chinese Government impose, 2½ taels, might be removed in order to improve the industry in China?—Certainly.

8500. And that would hit Ceylon again?—Of course it would. I am speaking of the present condition of things. Pray understand, I have every sympathy with the tea trade, but I am inclined to think, judging from the evidence, that it has been a little overdone.

8501. It is a very important industry, no doubt, and the Government should assist it in every way possible?—Certainly, I entirely agree.

8502. (*Mr. Campbell.*) We have heard a good deal about large sterling borrowing in order to establish a gold currency. You do not propose borrowing?—I should make the change, if I could, without borrowing. I do not like increasing the gold liabilities.

8503. You would rely on trade influences and upon the internal supply of gold?—I should hope that that would, at any rate to a very great extent, meet the difficulty. Of course, I can not be positive about it—it is uncertain.

8504. As regards the stock of gold in India, which is, no doubt, very large, you are, of course, aware that the market price of that gold is higher than the Government ratio of 15 rupees to the sovereign?—Yes.

8505. Do you think it likely that the natives would send that gold in at the rate of 15 rupees to the sovereign when the market value is, perhaps, 15½?—

I think, if exchange goes up, there will not be that difficulty.

8506. But exchange cannot go beyond 1s. 4d.?—It may go to 1s. 4½d., I think; it can go up to the extent of the cost of insurance and freight.

8507. But I think the natives have bought their gold at a higher price than even that would represent?—I did not know that.

8508. As regards the external supply, the gold that would come from England, that would depend upon trade influences?—Yes, for the sake of getting rupees to carry on the trade.

8509. But the ratio there is a very important part of the question, is it not?—Very.

8510. If the 1s. 4d. ratio tended to restrict the balance of trade, so that India could not command gold at that ratio, the idea of establishing a gold standard would fail?—It might fail in respect of the gold currency; you might have a difficulty in getting the gold currency, but I do not see why a gold standard should fail.

8511. Of course, to make the Government scheme successful, they must not only sell their Council bills at 1s. 4d., but they must command a balance of trade sufficient to supply India with currency as well?—Yes, there must be a considerable balance besides the Government remittances, because there are the private remittances. I think they are calculated at about 3,000,000. In a good year—this year for instance—when the balance of exports will probably exceed all the remittances, if I were managing the finances here, I should increase the drafts upon India in order to get more gold.

8512. In the last five years, we have seen that the exchange has gone very much below 1s. 4d.?—Yes, Last year we had famine and plague, and a diminution of exports, and everything against exchange that could possibly be conceived. I hope that, after so long a famine as this last one, we may rely fairly confidently upon a series of good years. It is very rare that so extensive a famine as that is repeated within a short time. We have had a bad famine after a small famine. For instance, there was a famine in 1873-4, and afterwards there was the big famine of 1877-8; but the famine in 1873-4 was only over a very limited area. We can only hope that we shall not soon have a recurrence of such calamities as we have had this last year or two.

8513. This year has undoubtedly been favourable to the proposals of the Government of India?—Very favourable.

8514. And that condition may not last?—Certainly. I think the tendency of your questions is, that we cannot be positive that the 1s. 4d. rate can be kept up. I quite agree with you. I hope it may, and I think there is a reasonable probability of its being kept up. At the same time, if it is not kept up, we must fight it out as best we can. There are ways of fighting it out that it is hardly necessary to go into, but, in any event, I should not alter the rate. Having the command, as I said before, of the other end of the stick, having the command of the coinage of rupees, I think with coolness and deliberation the rate can be maintained.

8515. You would take artificial means, then, to maintain it?—Yes; because, having got a gold standard, and there being free coinage of gold at the mints, you cannot have scarcity of currency; but the thing I am afraid of now is that, as there is no free coinage, there is no automatic adjustment of the currency of the country.

8516. You would rather fight it out by artificial means than, say, put the rate down to 1s. 3d.?—I think a good financier ought to be able to get over the difficulty.

8517. Of course, it is on trade influences that you must ultimately depend?—Yes. It all depends on the proportion between exports and imports of India. I do not want to discourage the imports, but everything that can be done to encourage exports ought to be done as soon as possible.

*At. Hon. Ear
of Northbrook
G.C.S.F.*

4 Nov. 1898.

*t Hon Earl
Northbrook,
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8518. You would not recommend waiting to see the result of the coming busy season?—I do not suppose that the question can be settled before the next busy season. This Committee has to conclude its labours and to make its report, and then Parliament may have to be consulted; and although I should like to see it done at once, I do not see how this can be.

8519. As regards cashing these large notes, you say that that would be done from gold that had been received into the Treasury?—I think I may put it in this way. Whatever the liability may be, 6,000,000*l.* sterling or something of that sort, I would make arrangements with the Imperial Government—supposing the plan I have suggested were carried out—to be able to draw upon them to that amount. I do not think we should want to hold it, but there should be a guarantee that it would be there in readiness. I do not suppose it would signify whether the notes were paid by bills in London or by gold over the counter.

8520. It would involve sterling borrowing to that extent?—Yes.

8521. Have you considered that these large notes might be cashed in order to find gold for export?—As I said before, I think it is very likely that a cleverer way might be found of doing it than that which I have suggested. I am not at all wedded to this particular plan. What I felt was that, if I was to be examined upon this question, I should be of no use to the Committee unless I had taken these questions, and found some practical way of dealing with each of them; so I went through each, and whatever suggested itself to me as possible, I have mentioned. I do not pledge myself to details. For instance, if I was asked whether we should have subsidiary gold coins to the sovereign, my answer would be that I should, as soon as it appeared that there was a want of small coins in circulation.

8522 (*Chairman*.) After all, that would be a question for the Government of India?—As I have said, these are questions on which I do not venture to offer any dogmatic opinion at all, or make any suggestion, except to show that I have looked into the matter as well as I could, to see how it could be worked through.

8523. (*Mr. Hambro*.) It was put to you by Sir David Barbour, that, if we had an unlimited coinage of shillings, we might depreciate the value of the shillings in relation to the sovereign; but I understand that you would allow silver to be unlimited tender?—Yes, but not unlimited in quantity—unlimited as legal tender.

8524. Therefore, it never could go to a discount?—No, the conditions of the two coins are entirely different. So long as the rupee is an unlimited tender, the conditions of the two subsidiary coins are so different that it is difficult to compare them.

(*Sir David Barbour*.) If they were so largely coined as to drive out all the gold, they would go to a discount.

8525. (*Mr. Hambro*.) I think you may say that the 5-franc piece is practically unlimited tender in France, but I have never known the 5-franc piece in France to be at a discount as regards paying debts?—It could not be, because it is legal tender. The condition used to be that, if you wanted a few napoleons to put into your pocket for travelling, you had to pay a little *agio*. I am talking of 40 years ago, before the change of standard, when there was a double standard in France; you had to pay so many sous on each napoleon.

8526. As a matter of fact, the National Bank of France will always supply local traders with gold against notes, though they might charge a premium for a large amount of gold for export?—They have the command of the situation, in the same way that I think we shall have the command of the situation in India. We must not be bound to give gold for rupees.

8527. But do you not think that the fact that the Bank of France, with its great power, has always been able to grant any facilities required, and at the

same time to charge an *agio* to anybody who wanted gold for export, is a protection to the currency that could hardly be performed by Government?—I agree. The Government would not be clever enough to do that.

8528. And do you not think that the strength and the large amount of capital of the Bank of France are among the reasons why the dual method of paying in silver or gold has been able to be carried on in France so easily?—I should not like to express an opinion about French finance, because I do not know enough about it to be able to express an opinion which would be worth having.

8529. Sir David Barbour's point was that the one coin would depreciate as compared with the other, but it would not depreciate for external purposes?—I think there is this element of uncertainty at the present time. No one can say whether there is scarcity or redundancy of rupees. The Government think there is redundancy. People who know the Indian trade very well have come here and said that there is rather scarcity than redundancy. I say that is an element of uncertainty in the calculation. If there is a large redundancy, you would have to buy up the rupees to reduce the redundancy. But I do not think you will have to do that; it is impossible to tell.

8530. I understand you would make gold an unlimited tender for a certain time?—I think that is essential.

8531. And silver at the same time?—Yes.

8532. And what would you do with regard to notes?—Just as is done now.

8533. Would you allow them to continue to be legal payment?—If you keep on your note circulation, you must allow it. Any system of note circulation that might be devised, and which might turn out to be the best, might be adopted; for instance, you might have notes of different colours, one colour of note for gold, and another colour of note for silver.

8534. If you issued two sorts of notes, you might have a premium on one versus the other?—No doubt you might; but those are matters which must be thoroughly worked out. At first I thought that notes ought in future to be only issued for gold, but I am not sure whether you might not go on issuing notes, if they are popular, for silver in the lower denominations.

8535. I rather understood you to say that you did not think a bank, however strong, should be made the custodian of the currency of the country?—Just so.

8536. You think it should remain in the hands of the Government?—Yes, in the condition of India. Unless I heard something that would lead me to a different conclusion, I think that Sir Charles Wood's method was right.

8537. Is that because the Presidency banks are not strong enough?—Partly. Partly also because there is no essential connexion between the note system of the country and commercial transactions. As I understand, at the Bank of England the note issue department is quite a separate business from the other.

8538. It is absolutely separate at the Bank of England?—Then I am right in that; it is a separate business, and, on the whole, in India I think Sir Charles Wood was right in making it not only a separate business but a separate department. But I do not say that my opinion is of any great value in that matter, because things may have changed very much in India in the last 25 years, since I was there; therefore I would not express that opinion with any degree of positiveness.

8539. (*Sir C. Crosthwaite*.) You said that, if you had the power, you would take action at once by declaring the sovereign legal tender in India, and opening the mints to gold?—Yes.

8540. You would also, I understand, fix the ratio at 1*s* 4*d*.?—Yes.

8541. Do you think there is any practical difference between the present position of the sovereign, which the Government Treasury will receive at 15 rupees,

and that which it would obtain by being made full legal tender?—Yes, I think there is a difference—a distinct and an essential difference—because, unless you make the gold legal tender and you open the mints, you have no automatic system of currency. That is the reason I think it is essential to open the mints to the coinage of gold, and the sooner it is done the better.

8542. But anyone now may bring sovereigns to the Treasury and get rupees for them. Is not that the same thing as a practical result?—I do not think it is. I do not think it is the same, unless by law a particular quantity of a particular metal is the standard of value and legal tender for everything. I think the arrangement now in force to give rupees for gold at the Government treasuries may bring in a certain quantity of gold, and I do not suggest that it should be given up, but there is an essential difference between the two things.

8543. With regard to the difficulty you admitted there might be in keeping the rupee up to the 1s. 4d. value, does not any objection made on this ground apply in principle, if not in degree, to any ratio that you might adopt, which was in excess of the intrinsic value of the rupee?—I think so. As to the question of rate, I think it is for those who wish to have another rate to bring forward their arguments. The *onus probandi* is upon those who think a 1s. 3d. rate or a 1s. 6d. rate is better than a 1s. 4d. rate. I should object to a higher rate than 1s. 4d., for it would disturb trade. I do not see why you are not as able to keep the rate at 1s. 4d. as at 1s. 3d.

8544. (*Mr. Le Marchant*.) In alluding to the closing of the mints as not appearing to have interfered with private interests, were you looking chiefly at the evidence as to the effect on prices? Is it your view that the evidence given before this Committee did not point to any material alteration?—I tried to look at it all round. I beg to remind the Committee that I said any “serious” interference. I do not think you can make a change of that sort without some interference, but I think the interference in this case was probably as little as could have followed any important change of that kind. I looked to the interests of the payers of taxes in India and to the interests of trade and to the interests of the holders of silver, and all round to the different interests, and I cannot say that I think there has been any very serious interference with any interest by the closing of the mints.

8545. With reference to the Minute of Sir Richard Temple recommending the introduction of a gold standard, may I ask if any proposition was then made to limit the coinage of rupees?—We did not get as far as that. Sir Richard Temple wrote this Memorandum; it is some time ago, but I see from a note on the papers that we considered it in Council when I was Governor-General, and I believe the practical objections were so great in the then state of the production of gold that it was not thought worth while to pursue the subject further. I brought forward that Minute to-day to show the Committee that in 1873 there was a man who was Finance Minister in India, and whose knowledge of India was as great as that of any man at that time, who did not suppose that there was any popular objection to a gold currency. It was meant to support my argument that a great many of the very highest authorities that could be found considered that a gold currency would be practicable and popular in India. That is the point that I wanted to try and establish as far as I could before this Committee. I do not bind myself to everything in Sir Richard Temple's Minute. He is a very able man and he put his own views forward.

8546. I think you stated that, in your opinion, one essential condition was that the Government of India should pursue a perfectly steady financial policy; that sterling borrowing should be curtailed as far as possible, and a surplus secured and retained?—I am very strongly of that opinion.

8547. Is it in your recollection that Sir David Barbour, in introducing the measure of 1893, concluded his speech with a very similar recommendation?—I am very glad to be reminded of that. I did not hear Sir David Barbour's speech, because I was not in India then, but I have no doubt he will be of the same opinion as myself, having been so long the Financial Member of the Council of the Viceroy.

8548. So that, in supporting that view, it will be continuing the policy then recommended and adopted?—Yes; and I may say, although Sir David Barbour is present, that I know pretty well how he was brought to the conclusion he arrived at about closing the mints. As I understand the whole of his policy, he was not in favour of altering the standard from silver to gold. He wanted to have, if he could, an international bimetallic arrangement. It was only upon the failure to obtain such an arrangement that he was forced to advise the closure of the mints to silver for the purpose of establishing a gold standard. I think it is a very strong argument indeed, that the Government of India, while being by no means in favour of the gold standard, found themselves bound by circumstances to come to it, as the only possible solution of the difficulties they were in.

8549. May the Committee take it, from your other remarks, that, if Government were able to obtain a substantial surplus, you would not recommend the withdrawal of it from the uses of trade in the country—that there would be no connexion between the mode of employing that surplus and restriction of the currency available for circulation?—The Government of India are bound to see that they have the command of a certain sum of money, without putting it in the power of the banks to tie it up even for a limited time. I am speaking about those two crores which are kept in the reserve treasury. With regard to the rest of the balances beyond what is required to work the finance of India, I do not see why the greater portion should not be in the hands of the Presidency banks.

8550. So that it would be no interference with the general interests of trade in any way?—Certainly; I do not want to tie up this balance in a bag and sit upon it. I think that would be a foolish thing to do.

8551. (*Sir F. Mowatt*.) I was away when you were speaking about the land settlement, and you expressed the general opinion that it would be a very serious thing to interfere with that in any way. If you have not answered the question, let me ask you this: As I understand Mr. Balli and one or two gentlemen who support him, what they proposed was this: that, as particular holdings fell in, it should be taken into consideration that the rupee had changed in value since. Not that there should be a general alteration in the settlement; but, as each settlement came up, the Government would be at liberty to urge that the rupee had become of a different value since the last settlement. Did you express any opinion as to that?—I do not think I noticed that any suggestion of that sort had been made, but I do not see, at first sight, what difference it would make, if I were a ryot in the North-Western Provinces, and my land were being settled, what the gold price of the rupee might be. The gold price of the rupee does not regulate the price that I should get for my produce; that is regulated by other causes altogether. It would be nothing to me that the gold price of the rupee had changed; I should neither lose nor gain by it; the settlement would be made on the prices of the place—the prices in the neighbouring markets—which, as I have tried to explain to the Committee from my knowledge of India, follow very slowly, if, indeed, they follow at all, the variations in the gold price of silver. It would be a monstrous thing to say that, because the gold price of silver has altered, this would be any justification for raising rent. The native would not understand it, and I think it would be very unfair to him.

8552. Do you say that the Customs duties should be payable in gold?—Yes, I see no objection to that.

*Rt. Hon. Earl
of Northbrook,
G.C.S.I.*
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I would provide for a perfectly fair notice being given, and I should not extend it to small amounts

8553. Are you aware at all what amounts are received?—I think it is now 3½ crores.

8554. I think you expressed the opinion that the stringency during the busy season results, to some extent, from the closing of the mints?—Yes, I think so.

8555. Formerly a merchant could buy silver, and could have it turned into rupees by sending the silver to the mint?—Yes.

8556. Now he can send gold from England and claim rupees for it?—Yes.

8557. But this he does not do, because he might lose more by the exchange than the interest he would get for his money in the meantime would amount to?—Exactly

8558. But I do not understand you to say that the fluctuations of exchange are the direct result of closing the mints?—I meant, not the exchange, but the rate of discount.

8559. The rate of discount?—I say, in looking at the statistics before the Committee, you will find that in other years there has been very much the same fluctuation in the rate of discount.

8560. Then I think it was put to you that paying the larger notes in gold had the effect of contracting the currency?—It would have that effect, if you did it.

8561. But when you get your notes paid in gold, the gold would pass into the currency instead of rupees?—Yes.

8562. You would not at all contract the total currency, you would contract the rupee currency and add to the gold currency?—No; the gold would go, not into the currency, but into the hands of the person to whom you pay it.

8563. But exactly as he would use his rupees, so he would use the sovereign?—He would probably send it to England; but, still, you are right; it would be currency; it would be gold instead of silver currency.

8564. (Sir John Muir.) Before putting one question to Lord Northbrook, I would just like to express my very high opinion of the manner in which his Lordship has given his evidence—most fairly and justly. What I mean is, we have had witnesses who have held extreme views on the one side or the other, but I think Lord Northbrook has endeavoured to hold the balance very fairly. You have referred to the periods of stringency in India besides the extreme stringency that we had last season?—Yes, in the money market in Calcutta.

8565. I happen to have a very long connexion with India—since 1849. Now I think the stringency of last year much exceeded, so far as my connexion with India has gone, anything that we ever had before. Are you aware that Parsees took Government paper to the banks in Bombay and asked for advances, and the banks refused to make the advances, although the rate was 12 or 13 per cent. Then the merchants said: "We must have the money or we shall be compelled to suspend. We will give you anything you like to ask up to 18 per cent."?—There was a very considerable stringency in the Bombay Money Market one year when I was in India—in 1874. The rate of discount went up very high; but I believe you are correct in saying that the last stringency lasted longer than on any previous occasion. I do not believe it went higher, but it lasted longer. I think the 18 per cent. must be a very exceptional case. I saw it stated, and I daresay it is correct.

8566. I know it was 18 per cent., because my partner was a director of the Bank of Bombay, and he knows that 18 per cent. was offered by the Parsees and was refused, because the banks had not the money?—It is very extraordinary, but, of course, that being so, it must have happened.

8567. Now, you are, of course, aware from your long experience of India that the native growers of wheat and rice and seeds, &c., are the large proportion of the population of India?—Yes, there is a large

preponderance of the native population, no doubt, who are producers of agricultural products.

8568. In your opinion, is a low rate of exchange in favour of the people who are interested in the soil, the growers of wheat, seeds, &c.?—The fall in the gold price of silver, which amounts to the same thing as the fall of exchange, has, I think, to some extent—I do not say to the whole extent, as some think—but to some extent been to the advantage of the cultivators in India. I do not think the main reason of the great increase in exports was the fall of exchange; I think the growth of exports was mainly due to other causes, such as the railroads and the Suez Canal, and the fall of freight, and so on, but I think the fall of exchange had some effect. It has been a partial cause, I admit, and, as far as rupee prices have risen, the cultivators of India have profited; they would not get the whole, but they would get some of the profit.

8569. I was very pleased indeed to find that you so strongly emphasised your opinion, that the increase of the exports of India and the reduction of her imports, so as to turn the balance of trade as much as possible in favour of India, should be the object of everyone desirous of advancing the interests of India?—I did not advocate a reduction of imports.

8570. Some of us perhaps are a little more advanced than your Lordship. I think myself that that is desirable in the interests of India. Now, we had our Chairman giving 10d. as the intrinsic value of silver in the rupee to-day 1s. 4d. is the rate that the Government of India fix; but that is a difference of 6d. in the rupee—an enormous difference. Now, a great many of the people of India have to compete with other countries, especially China. In China the rate of exchange is fixed pretty nearly on the intrinsic value of the metal in the coin, whatever it may be, whether a tael, or a rupee, or a dollar—whatever it is, it is about the intrinsic value of the silver that is in the coin. After having made allowance for the export duty in China, and the little difference in the cash money, is not there an advantage to the grower of tea and coffee in China as compared with India?—I should be very sorry to say exactly what his advantage is; other things being equal, the disadvantage would be much against the Indian grower of tea—I do not suppose any coffee is grown in China—but how far it is balanced by the export duty on tea in China and the rise of prices in copper cash there, I should be sorry to say. It appears to me it is to a certain extent, possibly to a considerable extent, balanced by that.

8571. Then we have referred to the growers of wheat, seeds, &c., and, of course, you know, the number of them are enormous in India?—No doubt.

8572. These are the men that operate on the soil—that produce the revenue—the income of India—and provide the material that is to be exported?—Yes.

8573. Then there is another large class, the merchants who buy the products. Do you not think that the interests of these two classes—the men who are interested in the soil of India and the merchants who buy the stuff that they produce—are of such importance that their views should have great weight in the consideration of this question?—I think they ought to have weight. In respect to the actual case you put to me, the interests of the cultivators of the soil in India would not be affected. I do not know that any cultivator of the soil in India grows tea. English capitalists grow the tea and they employ labour from central Bengal. They pay their labour partly in kind. I do not think there is any class of native cultivators who grow tea. They grow wheat and grain of all sorts, and in Eastern Bengal they grow jute, but I do not think they are subject to the disadvantage, whatever it may be, of Chinese competition. It affects only the tea trade; I do not think it affects India generally at all.

8574. Perhaps your Lordship is not aware of it, but, as a matter of fact, we have in Ceylon and also in Assam and in the Dooras a very small class of

natives who are growers of tea?—I was not aware of that.

8575. (Sir David Barbour) I should like to clear up one point. Mr. Hambro asked you some questions with the object of showing that, if money was full legal tender, it could not go to a discount?—In its own country.

8576. In its own country. Now, if the Government of this country were to issue notes very largely, which were inconvertible, and made them full legal tender, they might, nevertheless, go to a discount?—With other countries.

8577. They might go to a discount with gold?—I do not understand inconvertible notes going to a discount with gold. Inconvertible notes are inconvertible notes.

8578. You might have an inconvertible note for 5*l*, and you could not get five sovereigns for it. If there was an over-issue of the notes, they might go to a discount as compared with the standard gold coin?—An inconvertible note means a certain quantity of paper having a nominal value. At the time of the French Revolution the assignats became so depreciated that finally they were worth little more than the paper they were printed on. Their value depends on the proportion between the amount in circulation and commodities.

8579. If only a small amount of inconvertible notes were issued in this country, they would not go to a

discount?—I do not know what the effect would be of attempting to issue inconvertible notes in this country.

8580. Inconvertible notes have been issued in this country in former times, and they have gone to a discount as compared with gold?—Yes.

8581. Now, as regards the land settlements. When an officer is making a re-settlement, he takes into account the prices of produce and rents?—Yes.

8582. And, if the value of the rupee is altered so as to affect rents and the prices of produce, that alteration is taken into account in making the re-settlement?—Certainly. It would follow from the use of the word "price" that that would be, of course, considered. If anything had an effect on prices, that would be considered.

8583. So that, in so far as it is just and equitable to take into account the altered value of the rupee, that is already done in making re-settlements?—It certainly would be done. At the same time, the point I wished to make was this: I do not think that prices up-country have been affected by the closing of the mints.

8584. The argument was that the alteration in the value of the rupee should be taken into account in making settlements, and I only wish to bring out that, so far as it is equitable to do so, that is actually done under the present system?—It must be so, from the terms of the proposition; the value of the rupee and prices are the same thing.

The witness withdrew.

MR. WILLIAM JAMES THOMPSON, senior, and MR. WILLIAM JAMES THOMPSON, junior, called and examined.

8585. Chairman (to Mr. Thompson, senior.) You and your son are the members of a well-known Mincing Lane firm?—Yes.

8586. You have been a tea broker in Mincing Lane for how many years?—Sixty-seven years.

8587. For many years you have been Chairman of the National Discount Company?—Yes.

8588. (To Mr. Thompson, junior.) You have been in partnership with your father for the last thirty years?—Yes.

8589. And you are both very familiar with all questions affecting the tea industry?—We ought to be.

8590. What has been your connexion with the tea industry?—As brokers—simply to take the tea entrusted to us for sale in the London market, and to do the best for our merchants.

8591. Can you give us the statistics of the approximate average prices of teas in London since 1884?—Yes. I have prepared the following table:—

APPROXIMATE AVERAGE PRICES OF TEAS IN LONDON.

Season.	Indian.		Ceylon.		China.
	s.	d.	s.	d.	
1888-9	1	1½	1	9½	11
1884-5	1	1	1	8	11
1885-6	1	1½	1	8	10½
1886-7	1	0	1	1	10
1887-8	0	11½	0	10½	9½
1888-9	0	10½	0	11	9
1890-90	0	10½	0	11	9
1890-1	0	11	0	11	9½
1891-2	0	10	0	9½	9
1892-3	0	11	0	9	8½
1893-4	0	9½	0	8½	8
1894-5	0	10½	0	9½	7½
1895-6	0	9½	0	8	7½
1896-7	0	9½	0	7½	7
1897-8	0	9	0	7½	6

8592. During all those years, from 1883-84 to this time, China tea has always been the cheapest?—Oh, yes, in price.

8593. Have the imports into this country from India and Ceylon and from China been proceeding upon a regular ratio, or has there been a great

increase in the one and a decrease in the other?—There has been an increase in the one and a decrease in the other.

8594. An increase from India and Ceylon and a decrease from China?—Yes.

8595. How do you explain that the cheapest article should have been the one that has decreased in quantity?—Because India and Ceylon offer you so very much better tea of the same kind than China.

8596. Therefore, you had a better market, although at a higher price?—But, really, India and Ceylon teas are cheaper than China teas because they go farther. You, yourself, well know that you do not require to put so much tea into your pot.

8597. Do you think the general body of people who are the consumers of tea take that into account?—Well, I do not know—perhaps they make it too strong.

8598. Can you tell us what the circumstances are that have caused this change of price?—Supply and demand, in which I agree with the evidence already given by Sir James Mackay and others.

8599. The supply has exceeded the demand?—It has in one sense, because we used in former years to have a bigger stock; it used to be necessary to keep a bigger stock, because the China teas arrive here only during a few months of the year, whereas now every week a large Ceylon sale is held, and for nine months in the year there are Indian sales, so that we never have a shortage of supply. Buyers prefer now going from hand to mouth, and if the Indian and Ceylon supply is short, they prefer being squeezed rather than have to keep large stocks. And we must remember that tea does not keep. You cannot keep your tea for a year or even for six months; it is not as good as it was when it first came in—therefore, it is desirable for that and for many other reasons to keep on selling your tea as it arrives. That is the practice of the London market.

8600. Can you give us an opinion as to the markets for tea other than the English market?—As to the other markets for tea, one is India itself, but that is merely a nominal market, because the Indian native does not drink tea in the same way as the Chinaman does.

8601. But the India native surely prefers Indian tea?—Such tea as he drinks, yes.

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8602. India does not import any tea from China?

—Practically, no (Sir D. Barbour). They do import a little. (The Witness). There is a little imported en route for Persia and Central Asia, but it is an exceedingly small quantity. Then, if you take Australasia, there you may say that British grown tea has practically conquered the market. There has been a very rapid development on the lines of the home trade, it is now about 20 millions a year.

8603. (Chairman.) Perhaps you will put those figures in?—Yes, I will include the figures. Then we come to the United States and Canada; our trade there is gradually increasing, but very slowly indeed—it may now be some 12 millions a year.

8604. Do you say that Indian tea is increasing in that market?—Only slowly—very slowly. I am sorry to say that China and Japan have practically the whole of the United States consumption. It is a totally different tea to the Indian or Ceylon tea. Instead of black tea it is green, or “uncoloured”, and of a peculiar flavour. Perhaps it is a matter of taste, perhaps it is a matter of their water, but anyhow the Americans prefer the China and Japan tea. I may say that the London dealers who do business in the country districts in England, such as Liverpool, Birmingham, and so on, have casks of water from the different towns sent to them to their London offices, in order to taste the tea made in that water in order to select the samples best suited to the district. It is only fair to say that the Indian and Ceylon planters have done their very best to push the tea in the American and Canadian markets, by putting a voluntary cess upon themselves amounting to many thousands a year, and by advertisements, and even by giving away their tea and sending special agents over to sell it; and, besides that, the London dealers doing the export trade have done the same thing. Yet they have not succeeded in getting hold of the American market, they have not had hold of the American taste.

8605. Is that true of all the States?—The whole of America generally. I will give you here the figures that I got from the United States Consulate, on purpose for this Committee, of the teas imported into the United States of America, taking it for 1897 as being the last year. There were 56 million lbs. from China, 45½ million lbs. from Japan, and only 2 million lbs. from British India; that is to say, imported direct. A little more goes from us.

8606. Is there any duty in America upon tea?—Yes.

8607. It is the same duty for all tea?—No; there is an extra duty of 10 per cent., if it is an indirect import, otherwise there is no difference; all the tea duties are absolute.

8608. (Sir J. Muir). There was an extra 10 per cent. put on for the War?—I think so. Then there is another market—continental Europe, principally Russia. In that market they consume the same class of tea from China as we get from India and Ceylon, namely, black teas, and, therefore, we are on a better footing there, and the trade with Russia is increasing, I am glad to say, very considerably. This year, again, it is larger than last year.

8609. (Chairman.) Is that in India and Ceylon teas?—Yes, both. I mean the trade from the London market. I should say that the Russians are an exceedingly conservative people. At one time, even the fact that the Indian tea was done up in different packages from those that they had been used to from China militated against it; but now they have found out that really our teas are worth their attention, and we get large orders from Russia for Indian and Ceylon teas of all growths.

8610. In this country Indian and Ceylon teas, of course, have a good market?—Yes, and our home consumption is increasing every year; it is increasing, you may say, *pari passu* with the population.

8611. Do you think that in recent years there has been an excess of production in India or Ceylon?—

There has been quite enough; 5 per cent. less would have given you 10 per cent. more for your teas.

8612. Do you think the lowering of the price has rather arisen from an excess of supply?—We have had rather too much, and we also find that we can do with less stocks than we used to, which is a very important factor.

8613. Do you think the supply of Indian and Ceylon teas will increase or not?—I think so, undoubtedly, but it will not increase so rapidly as hitherto.

8614. How is it affected by the present rate of exchange?—Is that a fair question to put to a Mincing Lane broker?

8615. I will not ask you if you have not an opinion to express upon it?—I have an opinion, of course. It is affected. I am quite sure that, since the exchange has risen, many people have not been extending as they would have done.

8616. Then it is to that extent injurious to the trade?—It has affected it in that way, there is no doubt.

8617. According to your figures it does not seem to have affected prices, but it would have raised the cost of production?—Yes.

8618. And, therefore, affected the profit and affected the growth of the trade, and possibly the investment of capital in that trade?—It has affected profit certainly, as we poor shareholders have found out.

8619. (To Mr. Thompson, senior.) You agree with your son's evidence?—Yes.

8620. (Lord Balfour of Burlingh, to Mr. Thompson, junior.) I gather from you that the variation of these figures arises, in your opinion, from a change in taste of those who drink tea; they now prefer the Indian and Ceylon tea to the Chinese tea?—Certainly, and the Chinese have helped that by the quality of their teas deteriorating.

8621. I suppose you say that the relative price of the two teas would be an important factor in determining the consumption. For example, if China tea can be put on the market at a less relative price than Indian tea, it would in the course of time let in the Chinese to compete again?—It would interfere certainly if they could undersell Indian and Ceylon teas, but it is fair to say that some of our biggest people in London will not use a pound of China tea because it spoils their blend. You know that practically all the tea that is sold in the United Kingdom is blended.

8622. Have you any opinion whether the difference in quality between the India and Ceylon tea and the China tea is intrinsic, or is on account of careless cultivation, or anything which the Chinese by improved methods could counteract?—It is certainly partially intrinsic, because the Indian and Ceylon tea is not the same as the China tea, it is an indigenous plant, growing wild in the jungles of Assam, and it is found to be superior to the China plant. We have certainly heard that a lot of new tea machinery has been sent to China, but so far we have had no results from that. Anyhow, they will never get from the Chinese plant such fine teas as are got from the Indian plant.

8623. Are you able to say whether any experiments have been made in China with the Indian plant?—I think not; they have made experiments in Java, and the result has been good.

8624. (Sir J. Muir) You have some interest in tea companies as a shareholder?—Yes, a little.

8625. And you are aware that the dividends paid by the tea companies this season have been materially less than they were last year and in previous years?—Yes.

8626. Arising mainly from what cause?—Increased cost of production.

8627. One of the leading elements in that is the difference in exchange; that is to say, suppose your agents in Calcutta sell a 90 days' sight bill upon a London bank to lay down funds to pay the coolies' wages, if they sell the bill at 1s. 4d. in the one case, whereas if the Government of India had not in this arbitrary way fixed the rate at 1s. 4d., they could have

sold the bit at 1s. 2d., that would have made a considerable difference?—Yes.

8628. And probably have turned the loss on the last season into a profit?—It would have made a considerable difference, of course.

8629. What difference do you estimate there would be between a 1s. 4d. rate and a 1s. 2d. rate, on the wages of the coolies per pound of tea?—I believe it would amount to about $\frac{1}{4}$ ths of a penny per pound.

8630. That effect is felt very much more severely, is it not, in Ceylon than in India, because the entire industry of the Island of Ceylon now, since the coffee failed, is tea?—Yes, that is the great industry of the island.

8631. The great industry of the island hangs now upon tea?—Yes.

8632. Suppose the tea industry should fail, as coffee has failed, what becomes of the island?—I will leave you to deal with that question, I do not like to think of it.

8633. How is the Government to carry on the administration of the Colony?—I am not the Governor.

8634. These are questions, I think, that it behoves us a little to look at. I hear the Ceylon tea planters putting questions of that nature, and I daresay you have heard the same?—Yes, but is it not a little hard to put the question to a poor tea broker?

8635. You are a tea planter to a small extent, but you are not in the same position as some of the poor tea planters are?—No, and I never was in that position from the other point of view either.

8636. (*Sir F. Mowatt.*) In the yearly prices which you gave us of the teas, I observe some curious variations. In 1892-93 I think you said that India was selling at 11d., Ceylon at 9d., and China at 8 $\frac{1}{2}$ d.?—Yes.

8637. The next year it fell to 9 $\frac{1}{2}$ d. in India, 8 $\frac{1}{2}$ d. in Ceylon, and 8d. in China?—Yes.

8638. The next year it rose again to 10 $\frac{1}{2}$ d., 8 $\frac{1}{2}$ d., and there was a little fall in the case of China to 7 $\frac{1}{2}$ d.?—Yes.

8639. Is there any explanation of that beyond the ordinary rates of supply and demand?—Probably not. We had one very fine year from Assam—a sort of climatic influence came over Assam, and gave us a very large quantity of high priced teas. I think that was the year when the price rose to 10 $\frac{1}{2}$ d.

8640. On the whole, from your experience of the trade, do you anticipate that the supply of Indian and Ceylon teas will tend to increase?—Yes, I am certainly of that opinion.

8641. (*Sir D. Barbour.*) In the figures you gave of the prices, I noticed that, in the earlier years, Ceylon tea fetched a much higher price than Indian, and now it is lower. What is the explanation of that?—In the earlier years there was only a small quantity, and it was of finer quality than now—at first, too, it was a novelty.

8642. I think you said that there had been some over-production in recent years?—Well, there has been quite enough.

8643. You suggested that if there had been 5 per cent. less tea, the price would have been 10 per cent. higher?—Yes.

8644. So that the tea planters would have gained?—They would in that way; but it is impossible to stop production.

8645. But you suggest those figures—5 per cent. less tea would mean 10 per cent. more in price?—Yes, our stock is so small, that a reduction of 12 millions in it would cause an advance in price. That is what it would amount to.

8646. You also said that the rise of exchange would diminish the profits?—That is a *sequitur*, I think.

8647. And that would diminish, to some extent, the rate of production?—I think it would eventually have that effect. It has with some people, I know.

8648. According to your figures, if a rise in the rate of exchange caused a 5 per cent. reduction of

production, there ought to be some gain to the planters from a rise in the London price?—That is so, taking these figures; but tea, as you know, takes five or six years before it is in full bearing. That is why you cannot stop production.

8649. But the argument would be this: that a fall of exchange might so increase production as to lead to over-production, and be followed afterwards by a reaction?—Quite possibly.

8650. Whereas, if there was a steady exchange, you would, at any rate, get rid of one cause of fluctuation and uncertainty?—Yes.

8651. You said that the tea plant in India and Ceylon is altogether different from the tea plant in China?—Yes.

8652. And gave a better tea?—Yes.

8653. That also gives an advantage to the Indian and Ceylon planters?—Yes, but the first gardens in India were laid out with the China plant, and now nobody would dream of sowing the China plant.

8654. We know that China is an old country, and tea has been grown on the same land there for a large number of years, so that it is possible that the soil may become exhausted; whereas in Assam and the Doars, you have virgin soil. That would make a difference, would it not?—I do not think so, because the original gardens where the China seed was planted were also on virgin soil.

8655. I do not say what the difference would amount to, but there would be that additional difference?—Of course, it is a newer soil undoubtedly.

8656. And, therefore, a better soil?—There is no doubt.

8657. (*Sir A. Dent.*) Are the prices you gave of the different teas just now the prices in the United Kingdom?—In the London market, yes.

8658. Then you are not including the large quantities of high class teas that go straight from China to Russia?—No, this is only from the London market.

8659. If you included them in your figures, that would make the average for China very much higher?—Very much higher, because they take the bulk of the finer teas, and have done for many years, direct.

8660. You say the stock of tea in London now is very much less than it is used to be?—Yes.

8661. I suppose it is brought about very largely, if not entirely, by the fact of the Indian and Ceylon tea coming in week by week?—Yes.

8662. That, therefore, is a point in favour of Indian and Ceylon teas?—Well, I think, that is only a point in favour of the market remaining steady.

8663. I mean, people will not import China tea because they would have to hold it for such a long period before selling it?—That would be purely from a merchant's point of view, depending on the offers made for the tea from time to time.

8664. Of course, it would affect the merchant very much in considering the quantity of tea he should lay in stock?—Yes.

8665. Therefore, he will prefer to deal in Indian and Ceylon teas?—Yes.

8666. Can you form an opinion as to the possibility of large extensions in the tea-growing area in Ceylon? Though you say you are only a broker, we know how you watch tea growing all over the world. It is the common belief, I think, in Ceylon that there is very little more land available there?—That is what I am told.

8667. You have personal experience of India. Are there large districts in India still available, in your opinion, for tea planting?—I think a very great deal.

8668. I think you said, in answer to Sir John Muir, that the dividends of the tea companies were very largely affected by the extra cost of production?—That is my experience as a shareholder.

8669. I think you might have added that the price here has gone down also?—Not very much.

8670. It is not solely the cost of production?—The price has fallen very little in the last two or three years—the average price. Individual prices may have

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fallen, but the average price has not changed much, it is $9\frac{1}{2}d.$, $9d.$, $8d.$, $6\frac{1}{2}d.$, and so on.

8671. Do you think the Ceylon and Indian tea growers have much to fear from the possibility of China tea being again imported in large quantities into this market?—I hope not.

8672. You hope not, but will you go beyond that?—I have never understood why China has not sent us more tea, considering the difference in exchange I could never understand it; I sincerely hope they will not send us any more; but it is a possibility.

8673. (*Mr. Le Marchant*) What has been the rate of increase in the production of Indian and Ceylon tea in the last three years?—I can give you the exact figures for the last three years. The imports of Indian tea in 1895-96 were 118 millions; in 1896-97, 131½ millions; in 1897-98, 135½ millions; Ceylon tea in 1895-96, 82 millions; in 1896-97, 92 millions; and in 1897-98, 93 millions.

8674. There would be some fall in price corresponding to the increase from 118 to 135½ millions, would there not?—Yes, and there is a slight fall in price—not much. Then you have to take the fact that we receive at the same time 10 millions less China tea

between the two years; we should have less China tea, and more Indian and Ceylon tea.

8675. On the other hand, India and Ceylon would go further in use?—They ought to do. Obviously, we do not want them to do. They do as a matter of fact go further, because they make so much stronger a tea.

8676. Would you attribute that increase of production to the favourable rate of profit that was existing previously?—There were signs, many years ago, that Indian and Ceylon tea would be the favourite. A garden takes five years before it begins to bear properly.

8677. Would the increase of the output be likely to follow any advantage in the way of cheapened production; would the tendency be for the supply to grow up to the limit of profit?—I suppose that is so in the case of every article. It does not matter what the article is, it would be governed by the same law.

8678. So that any special advantage in the way of a low exchange would tend to be counteracted, so far as profit goes, by the increase in production?—In the course of time, in tea, perhaps so. I should like to put in some figures that we are publishing in our circular to-day as regards the external markets.

(*Chairman.*) Any tables you like to add to your evidence we will put in the Appendix.

The Witness withdrew.

Adjourned

TWENTIETH DAY.

Tuesday, November 15th, 1898.

PRESENT:

SIR FRANCIS MOWATT, K.C.B. (*in the Chair*).

SIR JOHN MUIR, Bart.
SIR CHARLES CROSTWHAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. W. H. Cheetham.

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Mr. W. H. CHEETHAM called and examined.

8679. (*Sir F. Mowatt*) Will you state your position?—I am a member of the firm of Kilburn & Co., of Calcutta. We are interested, either directly or through our companies, in indigo factories, tea gardens, a shellac factory, cotton spinning mills, inland navigation, a branch railway, electric lighting and power, machinery, and other property.

8680. Do you attend here to-day to give evidence on your own account or as representing your firm?—Merely on my own account.

8681. You were connected with the firm, no doubt, in 1893, when the Indian Mints were closed to silver?—Yes.

8682. Were you at that time of opinion that that was a necessary action to take?—No, I was very strongly opposed to it.

8683. Will you state generally the grounds upon which you were at that time opposed to the closing of the mints?—The majority of the merchants of Calcutta addressed a protest against the closing of the mints, which will be found on page 198 of the Herschell Committee's Minutes. I will read this extract from that protest: "Our opinion, which we submit with all due deference, is that the measures being urged upon the Government of

India by the Currency Association for steadying and raising the rupee are uncertain, unsound, and mischievous, fraught with danger to the financial credit of the Government and to the commercial prosperity and development of the country. We do not favour a fluctuating or depreciating rupee, but we are more averse to a fictitious artificial sterling value being placed upon the rupee, and we believe that any proposals yet submitted by the Currency Association would have much worse effects than those of the state of things which these proposals are intended to remedy. As practical, experienced business men, we do not hold with the assertion of the President of the Currency Association, that the fall in silver has restricted and embarrassed the trade of the country to such an extent as to create an almost unparalleled state of depression. We believe that the causes of the depression, such as it is, are to be found elsewhere. On the other hand, we desire to make known that we are not insensible to the embarrassment of the Government as regards the present state of its finances, or wanting in sympathy for the employees of the Government who have suffered by the recent fall in exchange; but we submit that in order to

"make these matters right, it does not appear to us to be necessary or desirable for the Government to resort to the desperate expedient of tampering with the monetary basis upon which the financial and commercial system of the country is founded, and under which the country has hitherto been most prosperous."

8684. You still retain that opinion I understand?—Most decidedly.

8685. Would you say that the mints should now be re-opened?—I am of that opinion.

8686. Immediately or gradually?—If any expedient such as has been described in the evidence already given could be devised to break the great shock which would undoubtedly come from the re-opening of the mints, I think it ought to be tried; but I believe the market would take command very soon, and that the currency would get on to its old basis almost immediately; that is to say, the rupee would assimilate to the value of silver.

8687. That would now be about 10*d.*?—I think it is 10½*d.*

8688. But you would contemplate the rupee being about that rate?—No; on the contrary, I think the effect of re-opening the mints would be to cause a rise in silver, and that we should have something between the present rate of exchange and the present price of silver.

8689. Something between?—Yes.

8690. Would you contemplate any considerable rise in the value of the silver?—Yes.

8691. Have you thought at all to what you would contemplate its going?—I have. Of course, it is very much guesswork, but I think that silver would rise to between 33*d.* and 34*d.* probably.

8692. That would mean a rupee of what?—I think it is about 12½*d.*

8693. In proposing that, you have in your mind the effect of the position of the Government as having to pay large sums in gold in England?—Certainly.

8694. Have you contemplated how the difficulty of the Government would be met, or should be met, in that case; perhaps I had better take it from the point of taxation; would you contemplate the Government imposing additional taxation?—It might be necessary temporarily.

8695. You do not think it would be permanent?—I do not.

8696. Let me put it in this form: if the rupee were to fall from its present price, say 1*s.* 4*d.*, to 1*s.* 0½*d.*, that would represent a difference in annual payments of between 10 and 12 crores; we should be, at all events for the moment, face to face with the necessity of raising say, to moderate, 10 crores of rupees?—Yes.

8697. You say it might be temporarily necessary, but in the meantime they must either borrow, or they must raise additional taxation to pay their debts?—They might borrow. I think it would be better to borrow in order to get back to a silver standard than to borrow in pursuit of a gold standard.

8698. What would they have to borrow to pay an additional 10 crores of rupees?—About 6,000,000*l.* sterling. There would be certain immediate compensations, so that the full amount would not be required. For instance, in the opium revenue there would be an immediate compensation.

8699. The opium revenue is rather dwindling, is it not?—It is dwindling, but the return to the silver standard would arrest its decay.

8700. How do you explain that?—Because the Chinese now have to pay such a very high price in dollars, in order to give us the price we want in rupees.

8701. And the lower the rupee, the more China would be able to take, and the price would go up?—China would be able to take more, and the price need not go up in China, but we should get more rupees.

8702. What you have said points to your believing that the price of silver would, at all events, not fall?—If the mints were re-opened do you mean?

8703. The general price of silver?—Quite so.

8704. But how if the decline in the price of silver continues?—I do not think we need fear much, if any, decline in the price of silver. The proportion of silver being produced to gold is falling very fast indeed.

8705. But do you ever recollect a time, since silver began to fall, when we did not think or hope that we had got to the bottom?—Oh yes.

8706. You do?—Yes.

8707. Now do you think that the effect of the opening of the mints would be to steady exchange?—No, I am not prepared to say that. I think there would be fluctuations.

8708. Do you think it would contribute in any way?—It would in the long run. It would not at the outset.

8709. Perhaps you had better state how you arrive at that conclusion?—It would then be on a natural basis. It would be dependent on the price of silver. Many of the most important silver mines are producing less silver than they did.

8710. Let us assume that the mints are now opened to the free coinage of silver; will you state what advantages you consider would result from that to Indian trade?—The most important advantage would be that we should have an easier money market.

8711. "Easier money market," meaning for the moment a larger currency?—I mean we should be able to borrow money on easier terms. The present rate of discount is only 5 per cent in Calcutta—the Bank rate—but the money market is very tight.

8712. And to what cause do you attribute that?—I attribute it to the closing of the mints.

8713. How do you establish the connexion between the two?—The closing of the mints has reduced the volume of the currency in relation to trade. Population is always increasing, and trade is expanding; if you do not continually add to the currency, you actually in fact reduce it; that is to say, it is reduced in relation to requirements, and we have not got enough currency.

8714. That is what I put to you. You really say it is the insufficiency of currency?—It is the insufficiency of currency.

8715. Now a person taking gold to India can command silver currency, can he not?—At a definite rate.

8716. That is to say, a man taking 1,000*l.* in gold can command 15,000 rupees?—Yes.

8717. Therefore at that price he can command currency?—At that price he can.

8718. Have you considered how far the present silver currency requires increasing? Have you any definite views upon that, or would you merely say that anybody who wished to bring silver in should be enabled to get it coined and get it turned into currency?—I think no man can say how much currency is required. It is a thing that must be settled automatically. If the mints are opened, anybody who wants silver changed into rupees can get it done.

8719. Do you distinguish generally between "currency" and "loanable capital"?—No. I think the relation is probably best illustrated by the relation between bread and toast. You can have bread without toast, but you cannot have toast without bread. If I go to a bank I do not ask for "loanable capital." I say, "Will you lend me so many rupees?" "I want so many rupees to pay my wages or to buy my cotton or indigo." The phrase "loanable capital" never comes into the conversation between me and my banker. What I want is rupees.

8720. Now, as regards the recent stringency in India. Do you consider that it extended to India generally, or only to persons engaged in the external trade?—It certainly extended into districts with which

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we have connexions in Behar; it extended into districts where we buy cotton—in Central India.

8721. To the same extent?—In Behar, yes.

8722. What rates were payable during the tight season there?—Well you see that, when a Bank rate jumps up to 12 or 13 per cent., it is indicative of very great stringency, no doubt, but it does not indicate the exact amount of the stringency, because, when money gets to 12 per cent., most people cannot get it on any terms.

8723. Except on the terms of importing gold?—But the people have not got the gold to import.

8724. That is why I asked you whether you considered that “loanable capital” and “currency” were identical. A man might have no rupees, but if he had ample loanable capital he could first of all get sovereigns, and with sovereigns he could get rupees?—May I ask what you mean by “loanable capital?”

8725. I was taking it from you as “currency” for the moment?—If we have currency, we have got the rupees, and do not want to borrow.

8726. But if you have gold, you have the power of getting rupees?—But we have not gold. We have all these things—indigo factories, cotton mills, machinery, and almost every kind of property you can think of, but we have not got the currency; we have not got the gold.

8727. Do you anticipate that the stringency of last year will be repeated?—We have the stringency now. If I go to a banker and say that I want an outlay for an indigo factory, if he will give me the advance at all, which is doubtful—although I would not undertake any indigo factory which was not perfectly sound—the banker would say “I must have 9 per cent.” In Bombay the best cotton mills have had to pay more. A dozen mills have arranged to buy cotton, say, at 9 or 10 per cent., and mills which were not of the first class have had to pay much more. I should like to explain why a cotton mill requires so much capital. The Indian cotton mills are dependent on the Indian cotton crop for their raw material. That crop goes to the market in two or three months. If the Indian mills do not lay in a stock during those two or three months, the chances are that the cotton is exported, and then they are put into a hole during the rest of the season. Therefore we buy, perhaps, 10 or 12 lakhs' worth of cotton in February, March, and April. We borrow the money to pay for that cotton from the banks. We used to get that at 4 per cent. If we go to a bank now, if it is in Bombay, we should have to pay 10 per cent. In Calcutta we generally arrange to pay, say, 1 per cent. over Bank rate, with a minimum of 4 per cent., but, if we go to a bank to-day, I do not think any bank would let us have money on those terms.

8728. That is not because of the want of security, but because it has not got the money?—It has not got the money.

8729. Did that stringency ever arise before the mints were closed?—I remember various commercial crises, not only in India but in England.

8730. I see that in 1884 the Bank rate touched, in March and April, 12 per cent., in 1876, 11 per cent.; and that is the nominal rate, as 5 per cent. is now. The additional charge which the bank make upon you above that, I presume they made upon you then as they do now, so that really if 5 per cent. now represents 10 per cent., this 12 per cent. represents nearly 20 per cent.?—I say that the rate does not rise above 12 per cent. 12 per cent. seems to be the limit for the rate, or very nearly, just as 10 per cent. is the limit for the Bank of England rate. I have not known the Bank of England rate above 10 per cent. But what I want to point out is this, that in 1877, when the average Bank rate was 8 per cent. and some decimal, a compensatory action was immediately set up. The consequence was that over 1½ crores of silver came out in 1878, and away went the Bank rate down to an average of 5 per cent.

8731. When you say an average, you mean through the year?—Yes. May I just offer you this diagram

to show how the average Bank rate compares with the import of silver. The red line there is silver, the black line is the average Bank rate for the year.

[For this diagram, see Appendix.]

8732. If you take 1889 and 1890, the Bank rate rose to 12 per cent. In 1884 it rose to 11 per cent. In 1882 it rose to 10 per cent. In 1894 it rose to 10 per cent. In 1897 it rose to 10 per cent. In 1898 it rose to 12 per cent. Now, to go for a moment to the prices. What would you say had been the course of prices of food grains since 1885, when the heavy fall set in?—The price of rice in Bengal has risen considerably.

8733. Looking at Mr. O'Connor's Table in the Appendix, and taking the years 1886 to 1898, you see that the rise in rice is from 135 in 1886 to 167 in 1898. The rise in wheat is from 117 in 1886 to 147 in 1898. Then there are a series of Indian grains, of which the prices are given in the same way; they have risen from 122 to 139, from 122 to 134, from 103 to 173, and so on, and, taking the total averages, the prices have risen from 957 in 1891 to 1,000 in 1898. Now, what state of prices supports the contention that a falling exchange as opposed to a steady exchange stimulates exports?—I do not consider that a falling exchange in itself necessarily does stimulate exports.

8734. You do not think it does?—Not necessarily. A falling exchange between two gold countries merely indicates an adverse balance of trade on the part of one of them, which is adjusted by a transfer of bullion in the last resort; but a falling exchange, with open mints, between India and gold countries is not a mere balance of trade, it corresponds with a change between silver and gold. We get in India through such a falling exchange more silver for our produce, which stimulates production, which gives a material benefit to the producer in India, and, more than that—more than the actual result, which he perhaps is unable to trace—it has a very great moral influence. If he sees that he is getting three rupees where he was only getting two rupees, although he might have to pay something more, he thinks he is better off, and that undoubtedly stimulates production.

8735. You do not think that he carries the mental process a little further, and says to himself, “Although I am getting three rupees where I used to get two, I do not get more for the three than I used to get for the two”?—He does get more, because he does not pay the same in proportion; but the moral effect is even greater than the actual effect.

8736. Do you think there is any limit to the fall in the value of silver which would be beneficial to him?—I think we cannot anticipate any great fall in silver, if any.

8737. But there is no point at which you would draw the line, and say the further fall in silver would not be for the advantage of the producer in India, either moral or practical?—No, there is no point that I would fix. I do not think anybody could fix such a point, but silver is a precious metal; silver is very different from inconvertible paper currency.

8738. Now to go for a minute to China. Do you support the view that a fall of the dollar exchange is acting as a bounty on cotton spinning in China?—Yes.

8739. As a matter of fact are the China mills prosperous just now?—The China mills are in an incipient stage. Those which are managed by Chinese have been comparative failures; those which are being managed now by Europeans are, I believe, doing very well, but I have not any figures.

8740. Has that at all affected the output of Indian cotton mills?—That could not affect the output.

8741. In point of fact, are the exports of yarn from India increasing or decreasing?—Mr. O'Connor, I think, said that the export of yarn had not decreased, but I cannot follow his figures.

8742. Of cotton yarns in the year 1885 the export was 78,000,000 lbs., and it has risen to 199,000,000 lbs. Taking the last few years, it rose from 134,000,000 lbs. in 1893-94 to 158,000,000 lbs. in 1894-95; in

1895-6 to 181,000,000 lbs.; in 1896-7 to 195,000,000 lbs.; and in 1897-8 to 199,000,000 lbs. That is a very rapid increase, apparently?—I must say that I do not understand those figures. The "Bombay Gazette" of the 9th August said that during 1897 we sent 23 per cent. less yarn, and 64 per cent. less piece goods, to the Far East than in 1896. From Bombay in 1896 473,000 bales were sent, and in 1897 362,000 bales. That was partially made up for by increased shipments from Calcutta, which benefited by the plague in Bombay. Calcutta sent 30,000 bales in 1896 and 62,000 bales in 1897, the two together making 503,000 bales in 1896 and 424,000 bales in 1897. My figures do not include Madras, but I have reason to suppose that Madras is a very small quantity. They have, I think, only five mills there.

8743. Is the explanation to be found in the words "to the Far East" that you used there? Is there any other export, except to the Far East, of cotton yarn which would not be included in those figures?—There is a small export to Singapore and Batavia, but it is unimportant. There may be this explanation, that Mr. O'Connor's figures are for the financial year, and mine are for the 12 months ending 31st December.

8744. Have you the same thing for any of the previous years?—Yes, I have all the figures here. I have also the yarn report from Hong Kong, which corresponds very closely with my figures. The total imports from India into China and Japan of cotton yarn in 1896 were 500,000 bales (my figures were 503,000 bales), and in 1897, 447,000 bales (my figures were 424,000 bales, but I omitted Japan, and I have not got the Madras exports).

8745. Are there any other commodities in which India competes with China?—Do you mean of shipments from India to China?

8746. Yes?—There is opium. China is growing opium to an extent which did not prevail formerly.

8747. India competes with China in tea. As to that we have had a great deal of evidence, and I do not think we need take you through it, as there is no question, I imagine, that the Chinese tea trade is not at present holding its own against the Indian trade, and has not for many years?—No. I think one reason for that has not been mentioned, at least I have not noticed it in the evidence. Something was said, I think, in Mr. Cameron's evidence about the internal taxes on tea; I think he made out that that amounted to about 14 per cent. That would seem to be regarded as a kind of set-off against the disadvantage of our exchange. I do not think that should be taken as a set-off in any way. It was the very fact that these internal duties existed which gave such an impetus to the development of the tea trade in India. It is not a new thing—not something that has cropped up since exchange has turned so much against us.

8748. Still it does act as a weight upon the Chinese tea dealer?—But, because the inefficient Government of China allows this restriction of trade, that is no reason why we should impose a relatively larger restriction on trade to give them back this disadvantage and something more.

8749. I do not think that was contended. The fact was put forward to show that, taking it all in all, the tea trade in China was not, on the present constitution of China, likely to affect the Indian tea trade. I do not think it was contended, at all events I did not so understand it, that it was supposed to be an exact equivalent for India's alleged disadvantage in exchange?—I do not think it should be looked at as a set-off in any respect. It seems to me that that is very much as if in the next war with China, because the Chinese were armed with bows and arrows, we should throw away our Maxim's.

8750. Do you know, as a fact, that the wages paid to the labouring classes in China are not paid in silver at all, they are paid in copper "cash"?—I believe so.

8751. And that copper cash does not vary with the value of the dollar?—No, it does not vary with

the value of the dollar. At the present time copper is relatively higher than it was.

8752. (Mr. Campbell.) I think Mr. Cameron's evidence was to the effect that the copper cash had increased in value, as compared with silver, by about 14 or 15 per cent?—Yes.

8753. (Sir F. Mowatt.) That 15 per cent which you quoted was not on the question of commodities, but on the question of the cash?—I think Mr. Cameron put the two together, and made it 36 per cent., and said we were only at a disadvantage of 6 per cent., taking the exchange disadvantage at 36 per cent. I think that is what he said.

8754. As bearing upon the China trade, have you any facts within your own knowledge as to whether the wages and general prices in China are stationary or rising?—I have none within my own knowledge; I have seen the report from our consul at Shanghai, but I cannot say anything about the interior. I think wages have not increased, or very slightly.

The Secretary read the following extract from Sir Claude Macdonald's Consular Report for the year 1896 on the Trade of China.

"The price of labour and of raw produce alike must ultimately be paid in copper cash, and the silver tael is merely a convenient form of reckoning or carrying about the number of cash for which it will exchange. It has been stated that, while the price of silver in relation to gold has been going down, its purchasing power in China has remained constant. This would only be true if there had been no alteration in the exchange between silver and copper cash, and supposing the value of the latter in relation to other commodities to have remained unchanged. As a matter of fact, there has been a steady rise during the last few years in the silver price of cash, the year 1896 has witnessed a further considerable rise throughout China, attributed partly to scarcity and insufficient mintage of the coin, so that the tael, which formerly exchanged for 1,500 cash, will now only purchase 1,200 or less. Side by side with this increase in the silver price of cash there has also been a marked tendency for the cash itself to depreciate in regard to commodities in general, so that the gold-price of Chinese commodities has not fallen to an extent by any means so great as has been generally assumed from the decrease in the exchange value of silver."

8755. I am not sure whether I gather from the answer you made earlier in your examination whether you hold that silver prices remain steady in silver countries—whether the fact of the mints being opened to silver would steady prices?—I think that silver has been much steadier in relation to commodities than gold has. I have here Mr. Sauerbeck's figures, which I will put in. There is a very remarkable addition at the bottom of that paper. These are the silver prices of 45 principal commodities for 20 years from 1874 to 1893, and also the index price of silver; and the addition of the index price of commodities is 1,603 for the 20 years, whereas the addition of the index price of silver for the 20 years is 1,603-1, against the figure of 2,000 for gold.

(For these tables see Appendix.)

8756. After your evidence I need hardly ask you this; you would object, I suppose, to the introduction of a gold standard into India?—By a gold standard, do you mean a gold standard with convertibility between silver and gold at a fixed ratio?

8757. Yes?—With convertibility?

8758. Yes?—I believe in a universal gold standard; I should like a universal gold standard, but I think it is impracticable. It is not for our generation.

8759. Upon what reason do you base that?—I do not believe there is enough gold to do it. I think, in all the estimates that have been given of the gold that would be required to have a gold standard with complete convertibility, the estimates of the gold required are very much too low. We have an unknown quantity in hoards of rupees, all of which might under

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certain circumstances come forward to be exchanged into gold. I am afraid to say the figure which I have got in my mind which might be required; it would be deemed extravagant.

8760. That is to say, you contemplate that the fact of being able to convert silver into gold would bring out the whole or the greater part of the silver hoards?—It would undoubtedly bring out a very large volume. It might bring out the whole.

8761. Why should it bring them out?—Because the people might prefer to hoard in gold. Many of them do. Within the last four months, I am assured by a Marwari broker that 2 crores worth of gold bars have been taken out of Calcutta and sent up country.

8762. You think that would be increased—that they would prefer hoarding gold coinage to gold bars?—I think there is a danger of it.

8763. Do you put that merely as a danger that must be considered, or as a danger concerning the probability of which there is evidence?—I think it is a danger that must be considered.

8764. You must face the risk of it—you must have it in mind?—Just so.

8765. Now, while the mints were open, and silver was falling, say, from 1876 to 1893, what was the state of Indian public finance year by year as regards surpluses or deficits? At page 56 of Part I. of the evidence taken by this Committee, Mr. O'Connor gives this evidence:—"1479 Can you tell us how the financial position of India has stood since 1875, and whether on the whole her revenue has exceeded her expenditure?—I have prepared a statement of the surpluses and deficits of those years, which I put in. It is as follows:—" Then he gives a table, and he goes on:—"These figures show that in the 20 years ending with 1892-3, that is, ending in March 1893, just before the closure of the mints, there was an aggregate surplus of Rs. 17,175,499, and an aggregate deficit of Rs. 19,573,587, the net deficit in that period amounting to Rs. 2,398,089. That was the result of 20 years' finance during a time when India is supposed to have been extremely prosperous under a continually declining rupee." I merely draw your attention to that, because those figures were put in. I do not know whether you have any observations to make upon them?—No, all I wish to say is that it includes a very large amount of war expenditure.

8766. Between 1885 and the closing of the mints in 1893, are you aware whether there was any increase of taxation?—The only increase I can call to mind was an increase in the tax on petroleum.

8767. The figures given by Mr. O'Connor would apparently show $4\frac{1}{2}$ crores between 1885 and 1893?—The enhancement of the duty on salt was a general levelling up, if I remember right. We had different duties in different parts of India, and I think we levelled them all up to 2 rupees 8 annas per maund.

8768. Have you any further observations you would like to add?—I should like to state this as regards the cotton spinning trade. In Sir J. L. Mackay's evidence, question 320, he gave a list of the profits made by Calcutta and Cawnpore mills in the year 1897, on which he relied as a proof that the closing of the mints had not exercised a prejudicial effect upon the cotton industry. The Cawnpore mills have no trade with China, but the Bombay mills, which have, and which contain, perhaps, eight times as many spindles as the Calcutta mills, are not mentioned by him. You cannot take the Calcutta and Cawnpore mills as evidence of the general prosperity of the trade in cotton spinning in India. There are certainly six times as many spindles in Bombay as there are in Calcutta. The Cawnpore mills are not directly affected by the China exchanges; their customers lie all round about their mills; it is an absolutely internal industry. The Bombay mills rely very largely on their trade with China. They did very badly in that year, because of the plague, which absolutely crippled their production. For that very same reason the Calcutta mills benefited. We never had such a profitable year as we had in

1897. In the case of our own mills, we sent nearly three times as much to China as we had done in 1896. With the gradual resumption of fuller work in the Bombay mills, the prosperity of the Calcutta mills has absolutely disappeared. The mills are running at a loss now; they did not make depreciation in the first half of this year, and to-day they are running at a loss. One of the mills, which has preference shares, was unable to pay its dividend on the preference shares for the half-year ending the 31st August. In Bombay the trade is said to be worse than it has been for very many years.

8769. You are speaking now of the current year?—Of the current year; the trade is so bad that I do not think there is any doubt that short time would have been resorted to, but for the fact that we could not get the China and Japan mills to join in a short time movement. In Japan the trade has not flourished since the adoption of the gold standard. It was particularly flourishing before they had a gold standard; and, although they have adopted the standard of 32 to 1, or something like that, the cotton spinners have had to seek help from the Government to keep their mills going; they have had to get large loans from the Government to help them through. You will see in my memorandum the following paragraph, showing the effect of the full m exchange:—"Before the mints were closed, we used to sell our 30d/a drafts on China against yarn at, in round figures, Rs. 225 per \$100. The rate has since been down to Rs. 132 per \$100, and is now a little over Rs. 140 per \$100. Taking it at Rs. 150 per \$100, our Chinese buyers have now to pay \$84 instead of \$56 per bale to give us the same number of rupees that we got when exchange was Rs. 225 per \$100.
"\$84 at Rs. 150 per \$100 = Rs. 126
"\$56 at „ 225 „ = Rs. 126"

I wrote out that paragraph without any reference to my own records, but afterwards I thought it would be advisable if I could give a concrete instance, and I looked at my records, and you will see I have added this paragraph:—"In November 1892, when exchange was Rs. 219½ per \$100, we sold 10's to China at \$60 per bale, and in July 1897, with exchange at Rs. 151½ per \$100, we sold at \$90 per bale." That paragraph was inserted after I had written the previous paragraph of the memorandum without knowing that there was such an instance in our books.

8770. (Sir A. Dens.) What was the price of cotton then?—I cannot give you the price of cotton on those particular dates; I can give you the price of the cotton we used in our own mills.

8771. It depends largely on the price of cotton and the price you sell at?—Yes. There was not very much difference in the cotton. Our clean cotton for the last half of 1892 cost us 44 pies per lb., that is July to December 1892. In 1897 our cotton for the first half-year cost us 45½ pies; for the second half-year it cost us slightly under 45½ pies. There is a difference of about 3 per cent.

8772. (Sir F. Mowatt.) Is that all you desire to add?—I think that is all I desire to add about the cotton-spinning trade. I should like to add a word about the stringency in the money market. The rate of discount is not the only criterion of the state of the money market. For instance, even when money has been very dear, 12 per cent, I have known a few bills discounted at perhaps 4, 5, or 6 per cent. below the Bank rate. I think you have that shown clearly in Mr. Allan Arthur's evidence; he has had the same experience as I have had. But those low discounts were no criterion of the money market whatever. It is a very peculiar thing. There are certain small Shroffs in Calcutta who have balances of, say, 10,000 or 15,000 rupees in their hands, and they wish to employ these sums for short periods. In our cotton trade we are drawn upon at 60 days' sight, and those people discount short bills at very much lower rates than we could borrow at from the banks. It is the same no doubt with the jute trade. Government paper is now utterly discredited, not only through the value

having fallen so considerably, but through the impossibility of getting advances against it, and these Shroffs would rather discount a short bill, giving employment for their money, than take the risk of putting into Government paper, when they might be put into a hole by being unable to get advances against it when they wanted to. We find that it is quite impossible to raise money for any commercial purposes. Suppose we want to issue industrial debentures, it is an absolute impossibility. It is not a question of price, but we cannot get the money. For the most promising industry we could not raise money on shares. The shares of dividend-paying concerns are nominally quoted in the papers, but you cannot sell them. Take the shares of a large steamboat company with which we are connected, which has been paying for years a steady dividend of 8 per cent.; if I want to sell 500 shares in that company I cannot do it; there is no money to buy them, and there has not been for many months. The debentures of the same company are absolutely unsaleable.

8773. Do you say that no new industrial concerns have been started in India during the last few years?—No, I do not say that. There was a large increase in cotton and in jute about three years ago, but many of the people who took shares then, and people who bought debentures, find great difficulty in getting rid of them now, and are put to great stress in order to take them up. Take another case. We undertook for one of our companies to build a branch line of railway. This was to be built in two sections. The total cost would be about 25 lakhs of rupees. For the first section we issued 4 per cent debentures, and they were eagerly taken up.

8774. In what year was that?—That was in 1895 or 1896, perhaps 1896. I think it was just before the stringency became very manifest in 1896. Now the time has come to build the second part of the railway, and we want another 12 lakhs, we simply cannot get the money, nobody will take these debentures, we have got to find the money ourselves. Now, with a stringent money market, that is a very heavy loss indeed to the promoters of the railway. It is not the encouragement which Government should give to private enterprise. What I mean is this, that the Government, by closing the mints, have really, although they do not appreciate it, actually discouraged private enterprise in that way.

8775. You attribute to the closing of the mints your inability to raise capital for private enterprises?—Yes.

8776. That is since 1896?—I think it was up to 1896 that the money was available: I think it was in 1896 that we got the money to build a new cotton mill. In 1896, money only rose to 7 per cent in the beginning of the year, it fell to 3 per cent. in the autumn, and the enterprises that I spoke of were all arranged for in, or before, August of that year. Between August and December the rate rose to 10 per cent., and since then there has been no market in industrial shares.

8777. What has been the rise and fall in Government securities during that time?—The $3\frac{1}{2}$ per cents. have been between 109 and 110; the present rate is about 93.

(*Mr. Campbell.*) About three years ago it was close upon 110.

8778. (*Sir F. Mowatt.*) Have you anything else to add?—No, I have nothing more to say.

8779. (*Sir J. Muir.*) You mentioned that in 1893 the majority of merchants protested against the closing of the mints?—Yes.

8780. Was that the majority in Calcutta, or did it apply to Bombay also?—It applied to Bombay and Karachi.

8781. Calcutta, Bombay, and Karachi?—Yes.

8782. What is the feeling of the merchants now in these same cities?—I think it is clearly against the Government policy, with the exception of a number of eminent men, who might, perhaps, be counted on

the fingers of one hand, who only emphasise the unanimity of the remainder.

8783. In other words, the great majority of the merchants in Calcutta are against the Government policy?—Decidedly against it.

8784. (*Mr. Campbell.*) Do you mean the Government policy as disclosed in their last despatch, or their policy in regard to the closing of the mints?—The closing of the mints.

8785. (*Sir J. Muir.*) And are the great majority of the merchants in Bombay opposed to it?—I think so.

8786. And in Karachi?—I do not know about the feeling in Karachi.

8787. In Madras do you happen to know what the feeling is?—No, I have no business connexions in Madras.

8788. Then your feeling seems to be against the closing of the mints in 1893?—Decidedly.

8789. And you think the mints ought to be re-opened?—I do.

8790. We have had witnesses before us who have indicated that the re-opening of the mints may mean a fall in the value of the rupee to a very low figure. Apparently you do not share that view at all. Your idea is that possibly it might be $12\frac{1}{2}d.$?—That is my idea.

8791. Did I understand you to say that you hold strongly to the opinion that a rapidly increasing population such as we have in India requires, not a reduction of currency, but an increase, to meet the increase of population?—Certainly.

8792. Did I understand you rightly to say that the trade in cotton-spinning mills in India, having regard to the period when suitable cotton can be obtained, requires large quantities of cotton to be bought in February, March, and April?—Yes.

8793. And that formerly you were able to obtain facilities to meet your large purchases at about 4 per cent., whereas now you have to pay 9 or 10 per cent?—Yes, cotton mills have to pay 9 or 10 per cent.

8794. That is a very heavy tax indeed upon the spinning enterprises?—No doubt.

8795. We had it in evidence before that in Bombay, while the nominal rate was 12 per cent., the mints were unable to obtain accommodation from the bank on Government paper at even a much higher rate—that, in point of fact, they offered the manager of the bank at Bombay anything he chose to demand up to 18 per cent., and yet they failed to get accommodation, and were put to serious inconvenience, and, in fact, heavy loss. Have you any information to that effect?—I have read the speech of the Chairman of the Bank of Bombay on the 4th August 1898.

8796. You understand pretty well about the tea industry. We have been seeing reports coming out pretty regularly for some months now, in which there is almost invariably the complaint that dividends have been very materially reduced in consequence of the $1s. 4d.$ rate, as compared with the profits that they formerly realised. Does that coincide with your experience?—I do not attribute the present state of the tea industry entirely to the exchange. I think the tea industry is passing through one of those phases which all remunerative industries have to pass through. Too much land, for the time being, has been put under tea; the crop has been too large for the temporary consumption, and on that account the tea industry is undoubtedly passing through a severe crisis. Added to that, comes a certain additional difficulty through the exchange, which is the more felt because the industry itself is not in a flourishing condition.

8797. Referring to the disadvantage that India has through the exchange, did I understand you to intimate that it was about 36 per cent.?—I took that figure from Mr. Cameron's evidence.

8798. Have you any notion how many years China has enforced this tax that we have heard so much about?—I think from time immemorial the mandarins have had this kind tax.

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8799 That is what I understand. Then it is hardly right to deduct thus 14 per cent., which is an old-standing tax, from the 30 per cent. which Mr Cameron stated was the disadvantage which the Indian planters were now suffering. He is made to say that 14 per cent., plus the 15 per cent. of advance in copper cash, made about 30 per cent., so that he only made it 6 per cent. of disadvantage, whereas, if I understand you rightly, you would still call it 20 per cent., that is to say, you would add to the 6 per cent the 14 per cent. ?—Yes

8800 You said that the amount of gold required for a gold standard would be very large indeed, and you hesitated to name the figure which you had in your mind. I think it would be interesting to the Committee if you were to give us some indication upon that point, because there is a vast diversity of opinion; we have had opinions on one side, and I should like yours on the other, as to what amount you think would be needed ?—I would rather not give any figure. It is an exceedingly large one

8801 Would you say 50 millions in gold ?—50 millions in gold I think would be inadequate

8802. Seventy millions ?—Now you are asking me to state what my opinion is.

8803. (*Sir C. Crosthwaite*) Do you mean for a standard of a gold currency ?—To establish a standard with convertibility.

8804. Absolute convertibility ?—Absolute convertibility

8805 (*Sir J. Muir*) Do you think the natives would, if they had the chance, hoard it, just as we know they hoard rupees, and that a very large amount would disappear ?—I think there is a danger of it.

8806. (*Sir C. Crosthwaite*) You say you think the gold would disappear ?—I think a large amount of it would.

8807. But you know that it is said that there is a great scarcity of rupees in India, so as to make it almost impossible to get them ?—In circulation, yes.

8808. How would the gold disappear; how is it to be obtained ? Suppose that the Government established a large reserve fund of 20 millions, how would that gold be drawn from the Treasury ? I suppose only by exchanging rupees for it ?—By exchanging rupees for it.

8809. If it is almost impossible to get rupees now, how could you expect to draw, say, 300,000,000 of rupees from the currency in order to draft away the Government gold ?—Because at the back of the currency in circulation is an unknown hoard of rupees. In the evidence of Sir Antony MacDonnell he says that the great bulk of the savings of the people of India are in rupees, and not in ornaments. That coincides with independent evidence that I have got; I must say that it was a great surprise to me to hear it.

8810. You think there are sufficient hoarded rupees to come out and buy the gold ?—I think there are.

8811. Why do not those hoards come out now to relieve the stringency, when you say there is such a stringency, and the discount rate is so enormously high ? I suppose the people who have the hoards would buy the gold merely for the sake of the profit ?—No, merely for the sake of hoarding.

8812. But they will not produce the rupees from their hoards for the sake of profit ?—They never have done.

8813. I suppose the native banker trades for profit ?—Yes, certainly.

8814. Therefore he will not keep an inordinate amount of his capital locked up, merely for the sake of having a hoard ?—I do not think bankers do hoard in that way.

8815. Who do you think do hoard ?—The people of India.

8816. That is to say, the whole population ?—The whole population

8817. Therefore the great mass of the hoards would be in very small amounts, would they not ? Comparatively small amounts, 20 rupees here, 50 rupees

here, 100 rupees there, and so on ?—I think in very large amounts besides those small amounts.

8818. Here and there, I suppose, there would be some large hoards ?—We have known silver of very early coinages come out by the cartload. I have in my mind now a very big lawsuit, in which a Maharajah was concerned, and in which the barrister's fees were paid by silver. All those rupees bore the mint mark of 1840. Of course I know that 1840 was a mint mark that lasted for a good many years. Every one of those rupees was as bright as if it had come from the mint the day before. There are very large hoards in temples and among the zemindars undoubtedly.

8819. Why do you think that they would come out to buy gold from the Treasury, when they could be used now ? If they wanted gold, they could get the gold now ?—They do not happen to want gold now, but, if you made gold the standard, you would give it an extra value in the eyes of the people, I should say. I do not say positively that the rupees would come out, but it is a danger that we have to apprehend.

8820. These hoards must combine. Even the largest would not do more than scratch at the Government reserve. They would have to combine ?—No doubt.

8821. How would they combine ?—I do not think there is any community in the world which has such powers of combination as the natives of India.

8822. For certain objects, I agree; but I have never known them to combine for such a purpose as this ?—I have known them to combine for the purpose of keeping up the price of an article, or for the purpose of depressing an article.

8823. In trade they would combine, of course, but these hoards would not be in trade; they would be here and there among private individuals—chiefly men of hereditary wealth. However, you think that would be a danger ?—I think it is a distinct danger.

8824. You admitted, I think, that the re-opening of the mints would render it necessary that the Government should raise a large sum by taxation ?—Yes, I think it would.

8825. That would not be a mere temporary thing, it would be annual ?—It would be temporary, because the prosperity of the country would increase so rapidly. May I read you this extract from Barbour's "Theory of Bi-Metalism," at page 150: "The fall in the rate of exchange cannot have had a ruinous influence on Indian finances, since the Government of India had surplus revenue of 450 lakhs . . . in 1882, eight years after the fall began, and has since been able to meet all the ordinary cost of administration without additional taxation, although the further fall, subsequent to 1882, has thrown an additional burden on the finances of nearly 200 lakhs per annum." I suppose that refers to up to about 1885

8826. In 1882 a remission of taxes was made by Lord Ripon. Since that the rupee has kept falling, has it not ?—Yes.

8827. It is much lower now than it was in 1882 ?—In 1882 the exchange value was about 1s. 8d.

8828. Since then it has kept falling, we may say, pretty steadily ?—Yes, there was a rise in 1890 up to 1s. 6d., or something like that

8829. There was a temporary rise, but, in a general way, it is correct to say that it kept on falling since that date, until after the closing of the mints ?—When the mints were closed, it was 1s. 3d., and it then fell, I think, to 1s. 0½d.

8830. I do not want the particulars, but it has fallen. Therefore the country ought to have been prospering still more, it ought to have continued to prosper. We ought to have had a more flourishing revenue by the end of 1894 than we had in 1882 ?—I believe the revenue did increase. We had an increased revenue, I believe.

8831. But there was a still greater increase of expenditure, was there not ?—Well, of course, many people think that the expenditure has been unnecessarily high.

8832. Since 1884 there has been a large increase of taxation, has there not?—By the figures shown to me to-day I think it is about 6½ crores.

8833. And therefore, notwithstanding the fall of exchange, we have had to impose very considerable additional taxation?—Yes.

8834. Then what ground is there for believing that, if we re-opened the mints, we should not have to impose additional taxation to fill the deficit, but that the revenue would rise up to the mark required?—I think you would temporarily either have to borrow or to raise additional taxation.

8835. You say temporarily, but what ground is there for supposing that we should not have to do what we have had to do since 1884—what hope is there that the revenue will rise to meet the deficit—to meet such a large deficit as the re-opening of the mints implies?—The hope is this. At present the development of the country is arrested. Our industries are crippled by very dear money, by the impossibility of developing them.

8836. But what I want you to tell me is this. During the time the mints were opened and the rupee was falling, the revenues did not develop sufficiently to meet the deficit without additional taxation. How, therefore, can we suppose that now, after the re-opening of the mints, and when silver has still more fallen, and a very large deficit will have to be met—how can the responsible Government of India act on the supposition that the revenue will rise?—I think the Government would have to impose fresh taxes, but I think the country could bear them.

8837. Even up to the extent of, say, 8 or 10 crores?—Sir Antony MacDonnell, I think, says that he considers the country could bear from 6 to 8 crores more taxation than it does at present.

8838. (*Sir A. Dent.*) Does he say that?—I think that is in his evidence.

(*Sir A. Dent.*) He says it in a very qualified way.

8839. (*Sir C. Crosthwaite*) Why do you think the country will be able to bear it if the mints are opened?—I think the fall in exchange would increase production very much. I think the farmers, who represent the great body of the population, would get a great deal more silver for their produce, and would be able to pay a portion of it into the Treasury.

8840. You think that prices would rise greatly?—If silver falls, or rather if exchange falls to the parity of silver, I have no doubt they would get more.

8841. The tea-planters have told us, and that I take to be the great argument from the manufacturers' point of view also, that the prices of food and wages would not rise; that you would still be able to get labour in India at the same price as hitherto?—Wages paid in kind, of course, are not affected by a rise or fall in price at all.

8842. Practically they do rise and fall with the price?—They do not rise and fall with the price, they are not affected, you can leave out of consideration all wages paid in kind.

8843. I understand that you hold that, because the rupee is not on the natural basis of its intrinsic value in silver, therefore the cotton spinners in India are at a disadvantage with the China mills?—Yes.

8844. And some of the tea-planting interest have also told us that owing to the same cause they are at a disadvantage in competing with China tea?—Yes.

8845. They explain it by saying that, whereas the China people are able to pay their expenses in cheap silver, the manufacturers and planters in India are obliged to pay their expenditure in the more expensive rupee. That I understand to be the argument?—Yes.

8846. If the re-opening of the mints causes the prices of food grains in India, and therefore, in the course of a little time, at any rate, the cost of wages, to rise, I do not see how you can argue that the re-opening of the mints will be such an advantage?—As far as cotton manufacturing is concerned, the rate of wages paid is so very much in excess of what agricultural labour is worth that a rise in the price of

grain does not make so much difference to them, and there is no reason to suppose that wages in the principal manufacturing districts would rise except very, very gradually.

8847. Then where is the disadvantage at which you are placed with regard to China by the closing of the mints?—The disadvantage is, that we are paying these wages in the more expensive standard.

8848. You do not think you would give them any more rupees, even if you opened the mints?—I do not think we should in those manufacturing districts.

8849. Then it would not benefit the great mass of the labouring population?—The great mass of the labouring population is of course agricultural.

8850. They get their payments mainly in kind, and therefore they would gain nothing by the re-opening of the mints?—They would gain nothing on that.

8851. You as employers would gain, because you would not have to pay them anything more?—We should not pay them anything more. The rise would be very gradual.

8852. Therefore any advantage that would come from the re-opening of the mints would go, not to the whole country, but to certain classes?—It would go to the class which is most important, the agricultural class which tills its own leasehold land, which includes 70 per cent., perhaps, of the total population of the country.

8853. They would get more rupees?—Yes.

8854. But those rupees would not be worth so much, would they?—No; but, as their expenditure is not as large as their income, they would have a bigger margin of profit.

8855. Do you know the average acreage of holdings in India, about?—No, I do not know that.

8856. With regard to the other way in which you say the loss could be met, namely, by borrowing, I suppose you would only propose that as a very temporary expedient?—Quite so.

8857. You talk of the borrowing of gold by the Government of India to establish a gold standard as a similar measure. Is that quite fair; the Government borrowing gold with the view of putting it in reserve, and thereby establishing a gold standard, is one thing, but you propose to borrow a large sum merely to sink it in the deficit of the first year's operation?—The advantages to the country of a silver standard are so paramount that I think it would be better to borrow for that purpose than to borrow for gold.

8858. (*Sir F. Mowatt.*) You mean borrowing from year to year to fill the deficit?—Yes; I have a great objection to borrowing certainly; but I say I would rather do it for the sake of the silver standard than borrow to establish a gold standard.

8859. I think you went as far as this, did you not, that you prefer to borrow to meet a deficit, rather than to increase taxation to an amount sufficient to put an end to the uncertainty?—No, I beg your pardon, I did not say that.

8860. (*Sir C. Crosthwaite.*) I should like to ask a question with regard to the railway you mentioned. You said you were able to raise debentures at 4 per cent. in 1896?—I think it was 1896.

8861. And after that you were not able to place any debentures?—You cannot place a debenture at all.

8862. And you attribute that to the closing of the mints?—Yes.

8863. Would you explain how you would have been able to get the money, supposing the mints had been opened?—If the mints had been opened there would have been a free supply of currency.

8864. But I do not understand how that would give a man money to invest. The man who wants debentures has certain savings to invest. If I am not able to invest now because I have no money, I do not see how the re-opening of the mints will give me money?—When the money market gets into a state of extreme stringency, neither the banks nor anybody else will lend money; they keep everything they have in reserve.

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8865. I suppose other securities might be sold to take your debentures?—Possibly.

8866. And those are not saleable?—I do not think any securities are saleable.

8867. Do you think the re-opening of the mints would make them saleable?—Yes; after the shock was got over, it would give confidence. I believe that the re-opening of the mints would give a great shock, but it would be got over.

8868. You say that there is now a monetary stringency, but anyone who takes gold to the Treasury can get rupees at the price of 15 rupees to the sovereign. What is the reason that is not done, is it because the price is too high, or because there is no confidence?—I think it is want of confidence.

8869. If the Government of India fixed their policy and established confidence, that would be a point gained?—If they established confidence, but could they establish confidence?

8870. But that is one of the important points—suppose that they established confidence?—I do not think they can establish confidence.

8871. Not in a gold standard?—Not in a gold standard.

8872. But you think that, if they re-opened the mints, that would establish confidence?—I believe so.

8873. Although there would be no certainty that the loss might not be so heavy as to compel them to close the mints again? They have closed the mints once, and, if they are re-opened as an experiment, especially accompanied by borrowing to fill the deficiency, do you think there would be confidence in the maintenance of that position?—I believe so. I do not think the Government, if they once re-opened the mints, would ever close them again.

8874. (*Sir A. Dent.*) You were referring just now to Sir Antony MacDonnell's evidence. I suppose you were thinking of his answer to question 5856, on page 217, in which he said, "I believe myself that the country could now afford, without injury to industry or commerce, 6 or 8 crores of additional revenue." You were thinking of that, no doubt?—Yes.

8875. But have you followed the other answers that he gave from 5856 to 5884? He immediately qualifies his first answer at question 5867. He says: "But, to raise that, you would have either to incur a breach of faith, by increasing the land revenue in spite of the land settlements, or you would have to impose unaccustomed and new forms of taxation; and I, as a responsible administrator, should fear the result of doing that." You have read the rest of those answers of his?—Yes.

8876. I thought it was only fair to bring that out?—I ought to say that I was not proposing to raise the land revenue, or anything of that kind. My proposal was that the amount required should be raised by indirect taxation, in the shape of import duties, which those cultivators and other people in the North-West Provinces would not realise that they were paying.

8877. But all Sir Antony MacDonnell's answers after 5856 seem to me to be rather against the possibility of further taxation?—I think he is referring to direct taxation in the form of land revenue.

8878. Now you say that you think gold might be freely bought out of hoards in India, if it was made a standard?—No; what I said was that I thought gold might be substituted for the hoarded rupees.

8879. Do you think, if a gold standard was established in India, the natives would bring out gold from their hoards and convert it into sovereigns? In other words, would they not sooner hold gold in the form of coins than in the form of bars? They could hoard it equally well in either way?—I do not know. Judging by the analogy of silver, I suppose they might like to have their gold coins.

8880. That would greatly help the establishment of a gold standard in India, would it not?—Not at all, if they put the gold coins back into the hoards from which they took their bars. The form in which they

hoarded it would not have any effect whatever on the circulating medium.

8881. My idea was that, when it was put in a form in which it is easily circulated, as a sovereign, it would be less liable to be hoarded than when it is in such a cumbersome mass as gold bars?—But we have the analogy of silver, in which they prefer to hoard rupees.

8882. But are we so certain that they do hoard rupees? You think they must hoard gold, because the gold is not visible, but that is not the case with silver?—We know that an enormous amount of silver has been imported during the last 60 years.

8883. Are you aware that large numbers of sovereigns did circulate up to 1866, or thereabouts?—I have never seen them in circulation. If I want a few sovereigns I can buy them—I can buy them in the bazaar—but I should be surprised to hear that sovereigns ever circulated in the interior of the country for the purposes of trade.

(*Mr. Campbell.*) They were received at the Government Treasuries, but they were not in circulation in the country.

(*Sir C. Crosshaute.*) There were great numbers at one time in the country; they were not hoarded.

8884. (*Sir A. Dent.*) You said you had no fear of a decline in the price of silver and that the mines were producing less silver than they used to?—Proportionately.

8885. But are you not afraid that, if the price of silver advanced, those mines would enormously increase their production?—I think an effort would be made, naturally, to increase the production, if the price of silver advanced very materially; but I do not think that would come into operation until the price had considerably advanced. It is one thing to carry on a decaying mine, which pays at a certain rate; a man will go on working his mine at a loss in the hope of a turn in price; but, once that mine is shut up, it is a very different thing to open it again.

8886. You attribute to the closing of the mints your trouble in negotiating shares and also the issue of debentures for your railway; but has there not been during the last year or two the same difficulty in other markets than Bombay in realising shares or issuing debentures? Has not Bombay been suffering from exactly the same thing as the London market, for instance, or the Paris market?—I am not well acquainted with the course of the markets in London. Many of the markets in London are, I think, absolutely speculative markets—the mining market, for instance. There I can understand very well that there has been very great depreciation in values.

8887. I think people in business in other commercial centres have found, in the last year or two, great difficulty in handling new issues and bringing out new companies. You consider that Bombay was rather specially disadvantaged?—I am speaking of Calcutta; I do not know about Bombay. I should have thought that there was no comparison at all between the state of the Calcutta market and the state of the London market. I think even now any sound industrial concern or any railway offered on the London market would find capital.

8888. Then you said that money that you used to get on cotton at 4 per cent, you have now to pay 9 per cent. for from the banks?—The Bombay mills have had to pay from 9 to 10 per cent.

8889. That has only been for the last 12 months perhaps—the last season?—The last two years 1897–98.

8890. Then was not 4 per cent a very exceptional rate in India on which to borrow money for cotton?—I do not think so, we had that for several years.

8891. You are taking an extreme in the one case of 9 to 10 per cent; are you not taking an extreme in the other, when you talk of 4 per cent?—4 per cent was the minimum, but we had it for long periods at 4 per cent. I was only speaking of our own particular concern then.

8892. (*Sir Francis Mowatt.*) Was that for very short loans?—The way is this. We borrow the money in the spring of the year, and, as the cotton is worked up in the mill, and the yarn is sold, we gradually pay off the loans, so that towards the autumn the loan is wiped out.

8893. So that the loan is wiped out practically?—Yes.

8894. Did I understand you to say that it was not an unusual thing that you should be able to borrow for four or five months at 4 per cent?—Yes, we did that for several years.

8895. For many years?—For several years. I will not say many years.

8896. (*Sir A. Dent.*) Then you have had to pay 6 or 7 per cent.?—Yes. Our arrangement was that we should pay 1 per cent. over the Bank rate, with a minimum, but the Bank rate went to 3 per cent., at any rate for some considerable periods.

8897. (*Mr. Campbell.*) I think you said that although the Bank of Bengal rate is only 5 per cent., money is stringent?—Yes.

8898. I suppose you are aware that the Presidency Banks' cash balances are at present pretty full?—Yes, I think they are.

8899. So that, judged by that criterion, there is no stringency?—Quite so.

8900. I suppose there is no difficulty in obtaining short loans at the Presidency Bank rates?—No, you can get short loans at the Presidency Bank rates, or a little under, perhaps.

8901. (*Sir F. Mowatt.*) What period do you cover by short loans?—Two or three months.

8902. (*Mr. Campbell.*) Then it is only with regard to loans extending over a lengthened period that you might call money difficult to obtain?—Yes.

8903. Would you say that that is caused, not so much by actual stringency at the moment, as by fear of money becoming stringent under existing circumstances, as it has done in the last two years?—I think it is the fear of further stringency in the spring.

8904. With the mints closed, and no possibility of relieving it except by means of sovereigns at the 1s. 4d. exchange?—Yes.

8905. You also said that you do not see that a falling exchange necessarily stimulates exports, but I think you added that a falling exchange might only be the indication of an adverse trade balance?—Between two countries with the same standard.

8906. Between any two countries, if exchange falls?—I think there is a very great difference between a fall of exchange between two countries, one of which has a gold and another has a silver standard, and a fall of exchange between two countries who each have the gold standard.

8907. Do you mean in the ease of adjusting it?—The ease of adjusting it, and also in its effects on prices.

8908. But between two countries having the same standard, the fall of exchange cannot go past the remitting point?—Exactly.

8909. But you say the fall of exchange stimulates production?—The fall of exchange in a silver country like India, with open mints, does stimulate production by its effect in raising prices.

8910. As exports are only surplus production, would you not say that that stimulates exports?—It certainly stimulates exports.

8911. Would you put it in this way, that a fall in exchange, by its stimulus to production and exports, is what enables an adverse balance of trade to be adjusted between a gold-using country and a silver-using country?—Certainly.

8912. Now, on the question of India's trade with China, you say that the closing of the Indian mints led to a very serious fall in the China exchange?—It did.

8913. So that, to sell at the same price in China or Japan, the Indian mill had to lessen its cost of production?—Yes.

8914. If it could not lessen its cost of production, it had to get a higher dollar price?—Just so.

8915. You are aware, no doubt, that the China and Japan mills use Indian cotton to a very large extent?—A very great change has come over the Japan trade. They are taking an enormous quantity of American cotton now.

8916. They may do that, but they are still taking a very large quantity of Indian cotton?—I think the imports of Indian cotton into Japan are probably, this year, only one third of what they have been.

8917. Of raw cotton?—I believe so, from India I believe in the previous year the exports of cotton were something like 220,000 bales.

8918. The exports of cotton to Japan in 1895-96 were 2 crores 44 lakhs in value, and in 1896-97 3 crores 76 lakhs, and in 1897-98, which is the latest return we have, 3 crores 2½ lakhs?—My information now is, from a man who does a very large proportion of the trade, that Japan will take very little of this current crop of cotton from India owing to the cheapness of American cotton, and that his firm is doing a very large business in American cotton for Japan.

8919. The point I want to put is this, that to the extent to which China and Japan use Indian cotton they have no advantage over the Indian manufacturer?—Through the operation of exchange, not the slightest.

8920. The one equalises and counter-balances the other?—Quite so.

8921. Then it would be only when the China and Japan mills begin to use their own native-grown cotton, or American cotton, that the exchange question would come into play?—As regards the raw material, yes.

8922. Have you any statistics or information as to the extent to which China is beginning to grow cotton for her own mills?—There has always been a certain amount of cotton grown in China. I remember in 1861-65, during the American War, when there was what was known as the cotton famine, that China cotton was imported into England. We do not find it a very suitable cotton for spinning, ourselves, but it undoubtedly is used in the China mills.

8923. Native grown cotton?—Native grown cotton, undoubtedly.

8924. Have you any information as to whether the growth of China native grown cotton is increasing?—I have seen a newspaper report to that effect, but I do not place any reliance upon it. I do not know.

8925. If it should increase, it would be a more serious blow to the Indian trade than anything which has occurred yet?—It would be a very serious blow.

8926. It would be a blow, not only to the manufacturer, but to the Indian producer?—Just so.

8927. Then the Indian mills also compete with Manchester for the supply of the Indian home market?—Nominally they do. Practically they have ousted Manchester from the production of the coarse goods which they are able to manufacture. There is an attempt in Bombay now to spin finer yarns, but it has not succeeded to any great extent. As regards the bulk of goods manufactured in India, it is of such a coarse texture that Manchester cannot compete with it, and it has lost the trade for some years now.

8928. Has not the fall of American cotton enabled Manchester to compete to a certain extent in these coarse goods?—I should say not.

8929. Is it not the case that American cotton has fallen to a greater extent, and in much larger proportion, than Indian cotton in price?—I should say it has fallen, but, as the qualities are so different, it is rather difficult to make an exact comparison. Taking the 1s. 4d. exchange, the cotton they are using in our mills you may put down at 2½d. per lb.; the price of American middling to day is 3d. That is a difference of 16 per cent.

8930. Would you consider that a high exchange gives Manchester an advantage?—Yes, it gives Manchester a slight advantage.

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8931 The Indian mills you have told us work largely on borrowed money?—They very largely use borrowed money, just to lay in their stocks of cotton.

8932 And, the higher the rate of interest they have to pay, the more it will tell on the profit they earn?—Undoubtedly, very much.

8933. Does the higher rate of interest affect other industries besides the mill industry?—It affects the jute mill. The jute mills in the autumn have to lay in very heavy stocks, for the same reason that the cotton mills have to lay in heavy stocks in the spring. It affects also indigo factories, which work largely on borrowed capital.

8934 How is the internal agricultural industry affected by a rise in the value of money?—I do not think that it is much, if at all, affected, except as the stringency in the money market affects the demand for their produce. I doubt if the rates of interest charged to the cultivator are higher because there is a stringent money market at the seaports.

8935. They are not higher?—I doubt if they are higher.

8936. I suppose they are always high?—They are always high, I think.

8937. You object to a gold standard?—Yes.

8938. Has the basis of 1s. 4d. anything to do with your objection, or do you object to it *in toto*?—I object to it because it is not a natural basis. I object to any rate being fixed.

8939. Would you admit that there might be advantages to India in having a gold standard, seeing that about 80 per cent. of her trade is with gold standard countries?—I do not think that that affects the question. The bulk of England's trade in the early part of this century was not with gold standard countries. When she adopted the gold standard, it did not affect her profits, it did not affect the volume of her trade in any way.

8940 If the ratio were brought nearer the intrinsic silver value of the rupee, would that lessen your objection to a gold standard?—It would not lessen my objection. I think any ratio which is not of the actual value of silver is objectionable.

8941. You say one reason why you object to a gold standard is the difficulty of obtaining the gold?—Yes.

8942 But are you aware that the production of gold in the world is increasing very largely of late?—I am.

8943. That does not affect your opinion?—Some surprise has been expressed that prices have not risen owing to the increased volume of gold produced, but it seems to me that, by the demonetization of silver, there was a very tremendous gap to be filled up before any increase in the production of gold would have any effect, and, although the production of gold seems to be very large, it is not a very large per-centage on the total stock of gold in the world.

8944. You also say that there will be considerable danger of the gold being hoarded?—I think there is.

8945. Gold is now obtainable at slightly over 15 rupees to the sovereign?—Yes.

8946 So long as exchange is not put up over 1s. 4d., gold cannot be cheaper than that?—Just so.

8947 So that, unless there is an idea (which we have not heard of) of raising the ratio higher than 1s. 4d., gold is now at its cheapest?—Yes.

8948. But is there any indication of unusual hoarding going on now?—The only case I have heard of is these Marwatis, who have turned their property, as much of it as they could, into gold, and have sent the gold into their native country. That seems a remarkable movement.

8949 Was not that from fear of the plague?—Probably the plague had something to do with it.

8950 I heard that same story, and I was told that they were so frightened of the plague that they were deserting Calcutta and taking their gold and everything else with them?—But they have not brought it back.

8951. (Sir F. Mowatt) Have they come back themselves?—Numbers of them have.

8952 (Mr. Campbell) How is it known that they have not brought it back?—Well it is not known. At any rate, they seem disinclined to turn it into capital available for carrying on business.

8953. One criterion of the extent of hoarding would be the extent of India's imports of gold from this side?—Yes.

8954. There has been no marked increase?—Besides the imports of gold, there is a certain production of gold in India itself, about three-quarters of a million sterling per annum; it is only the balance of the exports and imports that is shown.

8955. There is no marked increase in that way. So that if, with gold, at its very cheapest, there is no unusual hoarding going on, is there any reason to suppose that, if a gold standard were introduced, even at 1s. 4d., there would be any increased hoarding? And, at a lower rate than 1s. 4d., which would mean a higher price for gold, is it not reasonable to assume that there would be less inducement to hoard?—The danger I see is that the natives might wish to exchange their hoards of silver for hoards of gold—not to increase their hoards, but to exchange them.

8956. They can do that now on the cheapest possible terms, and they do not?—But circumstances might arise at any moment, especially if the Government stamp were affixed to the value of the gold, which would make the natives think that it would be better worth hoarding than silver. That is the danger I see.

8957. Have you any information as to the prevalence of illicit coinage?—I can give no proof.

8958. I mean the coinage of a silver rupee which is intrinsically as good as the Government rupee?—There is a very widespread belief that it is going on to a considerable extent, especially in the native states; but, short of capturing the coiners and discovering their implements, I do not see that any proof is possible.

8959. What is the practice of Government at the present time with regard to light coins?—Any light coins that we send to the bank are cut, and the pieces are returned to us, by which they become only of their bullion value, so that we lose, say, 6 annas on every light rupee, in addition, of course, to the loss of weight.

8960 The loss falls on the last owner?—On the last owner who presents the rupee.

8961. Have you formed any idea of the proportion of coins thus cut up?—I have not. In our firm we make our native establishment responsible for all fraudulent coins and all light coins, and I have no means of ascertaining the proportion of light coins.

8962 (Sir J. Mear) Have these coins been light from the beginning?—I am afraid a great many of them have been sweated. The natives will put a lot into a bag, and shake them up till they can collect a lot of dust from the bottom of the bag.

8963 (Mr. Le Marchant.) In speaking of these coins, it is the case, is it not, that the Government make an allowance for fair wear and tear? I quite understand that, where they are sweated, they would be returned in the way you describe, but does that apply to all cases?—I understand it does. Mr. Campbell has told me that the coinage of a particular year, which was withdrawn from circulation, was accepted by the Government at the full value, but my recent information from Calcutta is that all light coins are cut and the pieces returned.

8964. You were speaking of the importation of silver in or after the year 1878; do you attribute that to the high rate of discount and the demand for money?—Yes, in 1876 and 1877 the average rate of discount rose very high, and that immediately seemed to draw silver from Europe.

8965. Do you consider that there were any other important causes which bear on that importation of silver, or was that the chief cause?—I see on the diagram that the line follows approximately the same variation in almost every case. If there is a high rate of discount, the import of silver immediately increases.

In 1890-91, owing to the apprehension, I suppose, of the mints being closed, there was a very large imputation of silver, and down went the Bank rate.

8966 Was it not the case in 1877 that there had been a very heavy fall in the price of silver?—There was a rise in the rate of exchange in 1877.

8967 Did that concur with a fall in the sterling value of silver?—No, that concurs with a rise in the sterling value of silver. 1877 was a year in which there was a little break in the drop in exchange.

8968 The table which I have before me shows that the average price of silver was in 1875-76 56½ pence an ounce, and in 1876-77, 52¼ pence. A fall of 4d would conduce to sending out silver?—I suppose the cheaper an article is, the more people will take of it, as a rule.

8969 Was it not the case that there were heavy Government borrowings in sterling at that period?—I have not the figures before me.

8970 Government borrowing in silver would be another cause, would it not?—There was a period from 1874-75 up to 1877-78 of very heavy borrowing.

8971 Sterling borrowing as well?—Sterling borrowing as well.

8972 That would, so far as it went, be a contributing cause, would it not?—I think so. Borrowing in sterling would probably reduce the amount of Council bills offering, and silver might be sent out instead.

8973 I think you were alluding to the remarks of a previous witness as to the increase of business in the cotton mills of Calcutta. May I ask whether there has been an increase in Bombay also, in out-turn? Of course I am aware that in the plague year there would naturally be a less out-turn, but taking the succession of recent years, would you say that the number of spindles employed has been more or less?—The number of spindles has been increasing undoubtedly.

8974 And the production naturally with it?—Naturally.

8975 That would point to a certain expectation of profit in the trade?—In Bombay they say it points to an expectation of profit on the part of the agents, who get 3 pms a lb. on the production of the mills under their charge.

8976 Still, I suppose, that is within the power of the employers to some extent?—Many of the mills in Bombay are worked on that principle. By employers, I suppose you mean shareholders?

8977 Yes, directors representing shareholders?—Many of the mills are worked on that principle, and there has been great complaint in Bombay about it.

8978 Have you any information as to the profit or loss of the mills established in Japan?—No, I have not.

8979 As to the mills in China, have not some of them changed their locality, with a view of more profitable business in a different spot?—You can hardly move a cotton mill.

8980 You can start a new one?—But you leave the old one up. I have got a list of the mills in Shanghai, and the mills at the out-ports, and also I see that another mill is being started at Hong Kong, but I have no information as to the exact results. I think I have already said that under Chinese management they gave very bad results.

(*See A. Dent.*) That is the case. I think some of the Chinese mills are in a very bad way just now, and the mills under the management of Europeans seem to be just holding their own, and one or two of them pay small dividends. That is the last news from Shanghai.

8981 (*Mr. Le Marchant.*) I think you were alluding to difficulty in placing the shares or debentures of joint stock enterprises in India. Do you know if there has been an increase, or the reverse, of the capital of companies registered under Indian law in recent years?—Oh yes, undoubtedly an increase.

8982 Up to a comparatively recent date?—Up to 1896 certainly.

8983 Do you consider that the recent absence of markets may be owing to some temporary causes?—I consider that it is owing to the closing of the mints.

8984 But that has only taken effect in the last few months?—Since the end of 1896. The Bank rate ran up in the autumn of 1896 from 3 per cent. to 10 per cent.

8985 Would you say that, with open mints, sterling capital went more freely into all forms of investments, take railways for example?—I have not had experience of sterling railway bonds, I do not know about that, but I do consider that as long as the mints were open there was a free, full flow of capital from England for industrial purposes.

8986 Has it not been necessary for the Government to raise capital for railways to a very large extent in a sterling form and with a guarantee?—The Government have offered guarantees to private individuals and companies to induce them to make railways undoubtedly, a guarantee of 3 or 3½ per cent.

8987 Do you think that policy would have been pursued, if rupee capital could have been obtained at similar rates?—Without the guarantee?

8988 Or even with the guarantee?—Possibly not. Railways require such an enormous amount of capital. In our own case, where we only wanted 25 lakhs, there did not seem to be any difficulty in getting it.

8989 You think it is a question of amount?—Also I think on the Bombay side there are two or three railways which have been built in the same way with rupee capital.

8990 Some have been subscribed since the closing of the mints, have they not?—Our own railway was subscribed since the closing of the mints, and before the stringency of money became effective.

8991 In speaking of stringency, do you think there were any causes besides want of currency which contributed to it?—Of course there are always causes which are in operation; for instance, we have busy seasons and we have slack seasons, and we expect to have dearer money in the busy season than in the slack season.

8992 Did the Government expenditure on railways, war, and famine, withdraw money from bank centres?—I think probably the expenditure on war did withdraw a considerable amount of money from the commercial centres.

8993 And the inability of Government to offer Council bills would, to a certain extent, have affected it?—The failure to sell Council drafts is equivalent to being unable to draw money from the Treasury. The Council drafts are the means by which money is withdrawn from the Treasury.

8994 And placed at the disposal of the market?—No doubt.

8995 But, in the absence of these, the market would to that extent have been bare of funds?—Yes, the market always expects to be able to get these Council drafts.

8996 That would have been a contributing cause?—If the Government refuses to sell Council drafts, of course it tends to make money scarce.

8997 But, if remissions of revenue are necessary, the Government cannot sell drafts as usual?—If it has not money in the treasuries, of course it cannot sell Council bills.

8998 It has been suggested that that money, wherever it may have been, would have performed the same service to trade as if it had passed through the Government into the hands of bankers. Would you be of that opinion?—Certainly not. Take the money that is expended on a frontier war. It takes a very long time for that money to dribble back into commercial channels.

8999 And equally if the revenue was not collected, so that the rupees remained up country?—If the people who cultivate the land have the rupees in their possession the revenue is not remitted, because they have to pay their rent.

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9000 When would you consider the rupees would be in the case of the Government remitting taxation?—If Government defers collecting revenue, it is because they think the people cultivating the land are not in a position to pay it, and have not got the rupees to pay

9001. But, in the result, the funds would not be coming to the banking centres to the same extent as in the ordinary course?—If the Government has not the money in the treasuries, it is not available for Council drafts at the banking centres.

9002. And stringency to that extent would be increased?—Yes, certainly

9003. Do you think stringency arose to some extent from the tendency to remit capital out of India at that time?—I think there was a tendency to remit capital out of India when exchange rose to about 1s. 4d., and there were a great many instances in which more would have been remitted but for the fact that the persons who wanted to remit it were utterly unable to realise their securities. Their securities or Government paper they could not realise, or they would have remitted.

9004. Would the same cause have deterred capital from going out at that time?—Not if there was remunerative employment in India.

9005 But for the purposes of being lent for short terms?—That is a question for bankers, not for me. We merchants do not lend money for short terms. It is part of a banker's business.

9006 Were the banks influenced by apprehensions of a fall in exchange?—I think they wanted to be secure. They were sterling banks, and they wished to have all their capital, at all events, in the standard of which their capital was composed.

9007. But it would be the anticipation of an eventual fall of exchange that would determine them?—I suppose so.

9008 How far, with open mints, would the same conditions occur, if the sterling price of silver were falling?—I think that is a banking question. As far as a commercial man is concerned, I think, if he sees remunerative employment for his money in India, he will send it out. I do not think that we had any difficulty in getting money when the mints were open

9009 But discount rates did rise frequently in crop seasons?—Of course there were fluctuations, sometimes high and sometimes low

9010 But there was a frequent recurrence of high rates?—As a rule the rates always rise in the spring, about January and on until April, and then they fall, and in the autumn months you have the lowest discount rates

9011 Can you point to any previous occasion when there was such a concurrence of circumstances—war, famine, and plague—contributing to stringency? For instance, it was not so in 1877-78?—No, perhaps not. I do not suppose there have been so many circumstances concurring before

9012. If a gold standard were established, and confidence were secured, do you consider there would then be the same difficulty about money flowing out to India?—If there were confidence, I believe the money would go out; but I do not see how you can establish confidence in a gold standard.

9013 In the case of other countries that are on a gold standard, for instance, the United States and England, do you consider that money flows to and fro easily?—Yes, it comes very easily indeed. Of course, very often it is not necessary to send money, because it can be adjusted by bills and banking facilities, but gold does come freely from the United States, and goes back there freely on occasion

9014. Still the possibility of its moving easily mitigates the difficulty to a large extent?—It obviates the necessity of moving it very often—the fact that it can be moved so easily.

The witness withdrew.

Mr
D. Graham,
C.I.E

Mr. DONALD GRAHAM, C.I.E., called and examined.

9015. (*Str F. Mowatt*) Will you state your qualifications?—I am an Indian merchant, a member of the firm of William Graham & Co. My head-quarters are in Glasgow.

9016 You are also a member of the Glasgow Chamber of Commerce?—Yes.

9017. Do you attend here as representing them?—No, simply as representing my own views

9018 And as regards your firm, do you represent their views?—I am speaking for myself, but I ought to explain that my partners generally concur with me. There are two who do not. There are two who are in favour of a gold standard, if it can be managed; but both are against currency contraction. One thinks that convertibility might be guaranteed by the Imperial Government

9019. The evidence you are giving to-day is practically your own evidence?—Practically my own evidence.

9020. (*Str J. Muir*) And that of the majority of your firm?—The majority, except the two I have mentioned

9021. (*Str F. Mowatt*) As I shall have to take you over very much the same ground as the witness who preceded you, perhaps I may, with a view to shortening your evidence, ask you generally whether you agree with the evidence Mr. Cheetham has given. First of all, did you hear his evidence?—I heard a good deal of it.

9022. Does that generally represent your own views?—Yes, generally. I differ perhaps in some ways.

9023. You were not called before Lord Herschell's Committee?—No

9024. But you wrote a letter to Lord Herschell which was printed in the Blue book?—Yes.

9025. Practically, do you adhere to what you said in that letter?—I adhere to the evidence I then brought forward.

9026 We may take it, therefore, that you were opposed to the closing of the mints, in 1893?—Yes.

9027. And were you opposed to it on the ground which the previous witness went into, or would you like to specify the particular grounds on which you base your opposition?—Perhaps I had better specify my own grounds. The first objection I had was, the depreciating of the value of the silver ornaments of the natives. I thought it was a wrong done to the people of India, and impolitic.

9028. That assumes that the silver ornaments had been purchased when the rupee was at a higher price?—Well, they were purchased at the rupee value, weight for weight, they were the same value as the rupee, whatever its sterling price was.

9029 But the value of the rupee has increased since that time. Many of these ornaments may have been bought when the rupee was lower than it is now?—Yes, but in old times the silver ornaments was always of equal value, weight for weight, with rupees.

9030. What I wanted to have explained was this. In the case of an ornament purchased when the rupee was at 1s. 2d., if it was brought out and sold when the rupee was at 1s. 4d., the owner would not lose so much by it?—Well, the owner would know nothing about the sterling value of silver. He would look at it for rupees, weight for weight.

9031. But he might not lose appreciably?—If it was separated from the rupee, he would lose.

9032. Although he bought it when the rupee was of a lower value?—Yes.

9033. (*Mr Campbell*) With open mints he would always get 100 rupees for 100 tolas, whereas now he

would get 70?—Exactly; when the mints were closed he would only get 70 as against 106

9034. (Sir J. Muir.) Therefore, there was a heavy loss?—A heavy loss. My point was that, from time immemorial, the native holder of ornaments had been accustomed to look upon ornaments as weight for weight the value of silver rupees. By the closing of the mints he was deprived of that, and his ornaments were depreciated in realisable value by about 30 per cent. My second point was that I thought too much stress was laid on the difficulties of the Government, and too little thought given to the interests and wishes of the people.

9035. (Sir F. Mowatt.) Do you distinguish the Government, acting for India, from the people themselves?—Well, I think the Government distinguished themselves as something separate from the people, and that I thought wrong.

9036. When you say that too much stress was laid on the difficulties of the Government, is it that you consider that the Government need not have called for greater taxation?—I thought they looked too exclusively, upon the difficulties of the Budget, and not enough upon the effects of what they were going to do.

9037. It is not that you denied that there was great Government stress, but you say there were other considerations which outweighed it?—Yes. Then I expressed the view that, had exchange not fallen, great loss and suffering would have resulted from the depreciation which must have taken place in the rupee prices of commodities. I am strongly impressed with the feeling that the prosperous development during the period 1876 to 1896, would either not have taken place or would have been greatly retarded. I expressed the view that, while I had no doubt of the ability of the Government to raise exchange by the restriction of the supply, I was of opinion that this would involve risk of loss, or even disaster, in other directions. I alluded to the practical difficulty of procuring a gold reserve such as would make the gold standard effective, while still continuing to give a sufficient supply of silver currency, as in the cases of France and America, to which the then proposed scheme had been likened. I remarked that India was a country of seasons—that, while the value of money might sometimes rise in the active season to 12 or 15 per cent., it might fall to 1½ or 2 per cent. in the idle season. Under an automatic system the supply would adjust itself, but I failed to see how the Government, under an artificial system, could so regulate the quantity as to give a sufficiency at one season without causing an inconvenient redundancy at the other. No one, I thought, could estimate the amount of injury which might be caused to the trade during its active period by artificial scarcity. I referred to Portugal, about which I had some personal experience; the fall in exchange there having been greater than in India, although up to 1891 the currency was believed to be upon a good basis and so definitely fixed that contracts were made indifferently in "libras" or in milreis, in the belief that the two terms were synonymous, but yet there came a great and sudden collapse. Then I referred to native opinion. I was at that time in correspondence with Mr. Sorabjee Bengalee, C.I.E., a Parsee gentleman of conspicuous reputation for high ability and financial experience, one of the most highly regarded and thoroughly representative men of Western India. He expressed himself in the strongest terms against the policy of the proposed closure of the mint. Mr. Sorabjee has since died. Those are the points that I brought forward in 1892.

9038. And you remain of the same opinion?—I remain of the same opinion, and I think that subsequent events have justified the views expressed.

9039. Do you consider, therefore, that the mints of India should now be opened to silver again?—Yes, I think it must come to that.

9040. Would you contemplate that being done at once, or by gradual processes, such as we have had

described in the evidence put before us?—I should like it to be done gradually, if it possibly could be so done. The chief point is the stringency of money; and if that could be relieved—if, for instance, when the Bengal Bank rate went up to 6 per cent., or above, the Government were to buy silver and issue rupees in moderate quantities, say, a crore at a time—that would relieve the stringency, and, by raising silver and reducing the value of the rupee, it might possibly in course of time bring about an approximation of the two, and then would come an opportunity to open the mints. I do not think there is any urgency, so long as the money market is kept relieved. That is my chief point. I doubt also if the full effects of the closing of the mints have yet had time to show themselves. I think the mischief is in the stringency of the money market, and, if that is relieved in some way or other, I think the question of opening the mints might possibly be left alone; it might be delayed, perhaps.

9041. And the test of the necessity would arise when the rate of discount rose very much?—The rate of discount.

9042. You said that you were sensible of the stress of the Government's difficulty in 1893. Do you consider that the same difficulty would attend them now; that is to say, that payment of their gold interest would necessitate either borrowing or an increase of taxation?—Undoubtedly, in the first instance, yes. I would look upon it, more or less, as temporary.

9043. You would consider that the growth of prosperity that would result from the opening of the mints would be such that the product of the present taxation would in fact increase?—That is my view; and for this reason: I think there is no loss to the country; there is a loss to the Government, but a gain in other quarters. It does not make any difference to the country, as a whole, what the rate of the rupee is.

9044. But still the country, as a whole, would have to find the money?—The country would not have to find any more.

9045. You think the Government could continue to pay an additional 8 or 10 crores, or its sterling equivalent, and yet the country would not suffer?—The country would not suffer, because the country would gain in other ways.

9046. Have you considered at all, or do you regard it as outside your evidence, what taxation would be possible in the meanwhile, or would you have recourse to borrowing?—I would avoid borrowing. I would rather tax than borrow. I think it would be a pity to borrow.

9047. Have you at all considered what taxes would, in your opinion, be necessary?—To begin with, I think, there would be a great saving in opium. If you raise the exchange on China, assuming that the China price remained the same, there would be a great jump in the rupee price of opium. That I calculate would give you something like 1½ crores.

9048. You look upon that as a permanent increase?—As a permanent increase, assuming the dollar price in China remained the same.

9049. And that the amount of the opium trade remained the same?—Assuming that, yes.

9050. Then you would recommend import and export duties?—I would recommend import duties because, I think, the trade would bear it.

9051. And export duties?—Export duties, I think, might be a necessity, although I do not like them.

9052. Imposing the two would hardly amount to an encouragement of trade?—If, as presumably would be the case, prices rose as exchange fell, then the produce would be able to bear the strain of taxation. There are objections of one kind or another to all taxes, but it is necessary to raise the revenue in some way. Prices presumably would rise.

9053. You assume that prices would rise, if exchange fell?—I think that is the natural inference.

9054. Then you allude to death duties?—I do not know whether that has ever been suggested or not;

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but I know there has been a feeling in India that the wealthier classes escape taxation. Of course, I appreciate that it is a very difficult question, especially in view of the Hindu laws of inheritance

9055. I understand you as only just indicating these points?—That is all.

9056. You would be of opinion that from these four sources the Government might raise the additional 8 to 10 crores of taxation required?—Yes. There is another item I have jotted down, namely, the railway revenue. I think it would be quite fair for the Government to increase railway rates on the same ground I have mentioned, namely, that, if prices rose, commodities would be able to pay so much more for transport

9057. You would not say that the rates are now fixed upon the basis which is thought likely to produce the largest revenue?—That is so; but, if prices rise, as I assume they would, commodities would be able to pay so much more.

9058. Then the whole of your argument rests on the assumption that opening the mints to silver would result in a considerable rise in prices?—I think so, yes, as well as on the belief that there can be no real advantage to India from the mere raising of the value of the rupee.

9059. Do you consider that the opening of the mints would have the effect of increasing stability of exchange?—I think it would now

9060. Now, as distinguished from before 1893?—Yes. I think there were exceptional causes which broke down the price of silver, but I think those causes have now exhausted themselves. There was the demonetisation of silver in Germany, and there were the discoveries in America, the increase in the production of silver; and there has been a scare about silver all over the world which, I think, has been carried too far. If the mints were opened in India, I think it would be a signal for more confidence.

9061. More confidence in the future of silver?—In the future of silver; and I think there are great hopes for the future of silver. Africa is coming forward and China also, and, I think, there will be an immense consumption of silver in the future; and there are no exceptional causes, as far as we can see, to send it down.

9062. Would not a large production of silver have a tendency to lower the price?—No doubt. How far that would be so it is impossible to say.

9063. But does your argument assume that you have touched bottom with the fall of silver now?—That is my opinion.

9064. In speaking of the benefit to the trade of India generally of the free coinage of silver, would you say that the benefit was general, or that the benefit would be felt by particular classes?—I think it is general, for this reason: I think in a country like India you want a free and large and cheap and abundant currency, and I think you can only get that by an open mint.

9065. When you say "cheap" currency I am not sure that I follow you?—I mean ample. Of course it might be too cheap. I see there has been reference to it in the examination of previous witnesses. It was said: "If it was an advantage to India to have exchange at 1s. rather than 1s. 4d., therefore it must be so much better to have it at 6d. or at 3d. or at 2d.—" *reductio ad absurdum.*" Of course there is a limit; there is a limit of suitability. I say when the rupee gets below a certain point it would be unsuitable; but so far as we can see there is no possibility of that

9066. Can you indicate, roughly, at what price you consider it would be unsuitable?—It is impossible to say exactly, but as long as it is a fair standard of value, suitable for the wants of the people of India, it would be all right. I think the people themselves are the only judges of the point at which it would cease to be suitable

9067. I am not quite sure that I follow you even now. Roughly, should you contemplate the possibility of a fall below 10d. rendering it unsuitable?—I

would not say below 10d. I think that would still be suitable, but it would gradually get less and less suitable, if it got much below that; if, to take an extreme example, it became like copper, it would be too bulky to be suitable. The people of India themselves are the only judges of the point at which it would cease to be suitable.

9068. You consider, I think, that the real necessity for the opening of the mints is to prevent the very high rates and the stringency?—Yes, that is my opinion.

9069. Now, taking the extreme stringency that we have had before us this last year, you were present when Mr. Le Marchant was examining the previous witness as to the causes other than the mere contraction of currency which affected that?—Yes.

9070. Without taking you through all the causes that were put forward, do you appreciate that the other causes had that effect?—Yes, I concur in that view that they must have had some effect.

9071. A comparison between the rates charged in India with those charged in England, would not be quite a fair comparison, would it, because the normal rate is lower in England than it is in India?—Yes, I agree in that.

9072. Do you hold that the stringency was general through the internal trade in India, or was it limited to particular localities?—I can only speak of my own knowledge for the Presidency towns. I know it has been said that it was not felt so much in the districts. I cannot speak as to that.

9073. As regards the Presidency towns, it was generally felt?—Yes, very severely.

9074. Does it coincide with your own experience that the native bankers were at that time lending money considerably below the bank rate?—I have no knowledge of that.

9075. I see it is stated that one of the native bankers was lending at 6½ per cent., while the Presidency Banks were charging 10 per cent.?—Yes; that did not come within my experience. I can hardly understand it, there must be some explanation.

9076. The explanation was that they had not a fixed rate, but that it depended entirely on the security and the shortness of the loan?—Of course the period of the loan would make a great difference.

9077. On the whole, assuming the mints are not opened next year, should you foretell as great a stringency?—I think it is quite possible not. Everyone seems to expect it, and very often, when that is the case, everyone makes such ample provision that it is guarded against. That might happen this year.

9078. That rather suggests the idea that provision can be made to prevent stringency?—Well, to a certain extent, not altogether.

9079. Just in the same way as a famine foreseen is a famine provided against?—Yes.

9080. You have heard the previous witness say that, since the fall of silver began, prices in India have risen very much?—Well, I have tried to get at the prices, but they are all governed by so many different circumstances that I found it impossible to draw any real inference.

9081. I will not take you through the figures, with which I have no doubt you are familiar, but, as a general impression on your mind, should you say that they have risen?—If you take any particular article and examine it, you find there a number of causes which affected it. I have found it impossible to draw any definite conclusion.

9082. But upon the whole you would not consider that the prices have generally risen materially?—I do not think so. The prices of imports and exports at the Presidency towns I do not think have altered much. I have compared the prices given in the Bombay Chamber of Commerce reports for 1877 and 1897, and I find them almost identical.

9083. I was thinking more of the ordinary prices of the food stuffs of the people?—I have tried to get at that, and I have found myself unable to draw any definite inference.

9084. Without taking you through the reasons—because, if you entertain the opinion, the reasons are pretty clear—you say that a falling exchange as opposed to a fluctuating exchange stimulates exports?—Yes, undoubtedly, I think so.

9085. And you hold that the limit of the fall of the rupee, at which that ceases to be true, is what you have already indicated, viz:—the suitability of it?—Yes.

9086. Are you familiar with the China trade?—No, not at all.

9087. Or the output of the Indian cotton mills?—I have no special information beyond what is open everyone.

9088. Is it one of the grounds of your feeling in favour of the opening of the mints, that prices are, as a fact, steadier in silver countries than elsewhere?—I think they have been practically steady in India.

9089. I do not know whether your objections to a gold standard in India are on the ground of its impossibility or on the ground that it would not serve any good purpose?—Both.

9090. The impossibility depending on the amount of the reserve fund which would be necessary?—That is one reason.

9091. Do you consider that that fund must be larger than the amount indicated by those who take the Government view?—I think it is almost impossible to say what would be necessary, until it is actually tried.

9092. In saying that, do you refer to the possibility of increased hoarding?—There again, also, we do not know at all what would happen in the way of hoarding.

9093. Have you formed any idea of the amount of the reserve fund which would be necessary?—Well, Sir John Muir asked the last witness if 50 millions would be about it. I should put it at something like that, but it is a mere guess. That is the kind of feeling I have in my mind.

9094. I think we have gone over the ground pretty well with the previous witness. Have you any other observations you would like to make?—There are one or two notes that I have made. I noticed in Sir Edgar Vincent's evidence, he recommended that instead of Council drafts it would be better if the Government altered the system altogether and purchased bills in India. I think the Committee should consider very carefully before adopting that recommendation. It was tried once before about 20 or 25 years ago. The Government bought some bills in Calcutta and it created something like a panic in the market. The Bombay Chamber of Commerce took the matter up at the time and expressed a strong feeling about the mischief that had been caused by it; and they passed a resolution, which was sent to the Government, to the effect that, considering the enormous influence which the Government remittances had on the exchange market, the proper thing was to fix the general policy at the beginning of the year, and to adhere to it, unless for some very special reasons, very much as it is now. Then I have a note here about the China trade. Sir James Mackay gave statistics of the exports of raw cotton and cotton yarn to the Far East, but he omitted to give the exports of cloth, which is a very material point. I think that ought to have been given, because it alters the argument very much. His point was that there had been no falling off; that there had been rather an increase in trade with China in cotton and cotton yarns; but, if he had given the yardage of cloth, it would have told a very different story.

9095 (*Sir A. Dent*). That is a very small item, is it not?—I have the figures here.

9096-7. (*Sir F. Mowatt*). Do you say it affected his total?—No, it affected his argument.

9098. Will you give us the figures, and we can see how far it affected his argument?—There was a steady increase up to 1895-96.

9099. Will you give us the exact figures?—92,662,327 yards in 1895-96.

9100. From India or from Bombay?—This is from the whole of India to the Far East. It is corresponding with the figures that Sir James Mackay gives. In 1896-97 it fell off to 74,577,344 yards. In

1897-98 it fell to 62,251,715 yards—a falling off which has still been going on.

9101. (*Mr. Campbell*). The value is very small comparatively, is it not?—The value was Rs. 1,49,89,631 in 1895-96, and it fell off to Rs. 1,06,48,893 in 1897-98. This is to all countries; it is mostly to China and Japan.

9102. (*Sir A. Dent*). And it is all grey cotton?—All grey cotton.

9103. Unbleached?—So I understand. Then there is another correction which is a very important one—the quantity of silver coin in the country. In Mr. Harrison's evidence he gives it as 120 crores.

9104. (*Sir F. Mowatt*). You mean circulating?—That is his estimate of the current coin in India. In his previous examination in 1892 his evidence, based on a similar calculation, brought out a very different result—that there were 166½ crores in active circulation and 50 crores in hoards. That is in the Hershell Blue Book, page 308.

9105. I do not think that the total 120 crores that he mentioned in his evidence the other day included hoards; that was the active circulation?—Yes.

9106. Still the comparison is between 166½ crores and 120 crores?—Yes. I do not know whether there is any explanation, but it shows the difficulty of ascertaining what the amount of existing currency really is, and it is a very, very important point, in connexion with any scheme involving convertibility.

9107. (*Sir J. Muir*). It is a large divergence?—Yes. Then there is another point. There is a great deal said in the evidence about the speculation that was caused by a fluctuating exchange before the mints were closed. I would like to say that my experience is not that at all. I think the movements in exchange gave rise to the present system of covering or securing exchange, both in the import and export trade.

9108. (*Sir F. Mowatt*). You think it rather checked speculation?—Yes, it rather checked speculation. That is my experience.

9109. Both before and since the closing of the mints?—Yes; there is another point that I have referred to, namely, the difficulty of securing exchange on account of the uncertainty of the money market. Debts are not paid with the same promptitude as formerly, and it is almost impossible to calculate when money will be paid; and therefore it is very difficult to arrange about forward contracts.

9110. Was not that equally so before the closing of the mints?—No, because debts were paid so much more promptly and regularly. Then I notice that Mr. O'Connor referred to the gold movements for the last five years. He said the large gold exports had been caused by the famine. There is a mistake there, because the large gold exports were made in 1894-95—before the famine. I think the explanation about the gold movements is the sudden rises or falls of exchange. When there is a sudden fall of exchange, there is a natural tendency to export gold. Before the bazaar price of gold responds to the fall, it becomes very suitable as a means of remittance. That has always been the case. When there has been a sudden fall of exchange, there has been an increased export of gold.

9111. It means a rise in the price of gold?—A rise in the price of gold, but the price does not respond just at once, and therefore it becomes profitable as a remittance.

9112. (*Sir J. Muir*). You have given us your views as to the means by which the Government of India might increase revenue if they were so disposed?—Yes.

9113. You referred to opium, and you referred to import duties?—Yes.

9114. You mentioned that in 1897 the import duties amounted to 3½ crores, and you think that by doubling the rates an increase of 3½ crores might be secured?—Yes, I think so.

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9115 You are yourself a senior partner in one of the largest, if not the largest, import houses of Manchester goods into India, Ralli's running a very close race with you. You should be able to form a pretty accurate idea as to that, and as to the effects it would have on your own business. I take it, you do not see any difficulty, in so far as your own business is concerned, in the rates of import duties being doubled?—No, I think it is a lesser evil than to have a stringent money market.

9116 You agree with me that it is the great duty of those who desire the prosperity of India to do all they can to increase her export business?—I think so, undoubtedly.

9117 We have had witnesses who took another view, such as Sir James Mackay and Mr. Allan Arthur, in whose views I do not think you concur?—Not altogether, no.

9118 Then, as regards export duties, you are of opinion, I gather, that the export of jute might be fairly taxed, and also an export duty might be put upon tea, provided the 1s. 4d. rate were discontinued, which is a severe tax itself upon tea?—That is my view, especially as it has come out in the evidence that tea pays an export duty in China.

9119 You would, then, see no difficulty in an export duty of, say, 10 per cent on tea and jute, which would bring in an income of 2 or 2½ crores?—Yes.

9120 In point of fact your view coincides with that of a great many of the merchants of India—merchants in Calcutta, Bombay, Madras, Karachi, and elsewhere, who think that the Government raise difficulties unnecessarily with regard to what they think the great difficulty of increasing the revenue from taxation and from further duties?—Yes, that is my view.

9121 And that view is held by a very large number of the merchant classes throughout India?—Yes.

9122 In fact, the Government seems to have made up its mind that, in order to square its Budget, the great thing is the 1s. 4d. rate, irrespective of the disasters it would bring on the mercantile classes in India?—Yes, that is so.

9123. Then you bring in here the death duties. I believe you have given to that subject some little consideration, and, personally, I should give a good deal of weight to your opinion upon the matter?—I explained to Sir Francis Mowatt that it was merely a suggestion. I know there are great difficulties in consequence of the Hindu law of inheritance, and there are other questions which make it a very serious matter, but I had not noticed that it had been referred to at all in the evidence so far given to the Committee, and I just mentioned it.

9124. You are aware also, are you not, that there is a feeling that the wealthy natives of India escape the taxation that they ought to bear?—Yes.

9125. And there is a feeling of injustice abroad in India with regard to that?—Yes, a feeling that they might fairly contribute more than at present.

9126. In point of fact, you think that, if it is a fair and just thing in this country to exact death duties, it might be just to apply the same thing in India?—I think, if there were not local difficulties, it would be just; and that, without pressing at all on the poor people unduly, a large revenue might be procured from the wealthy people who are now escaping taxation. I think that is a subject that ought to be fully considered.

9127. Then, as regards railway rates, if the country becomes more prosperous than at present, and there is a large population moving backwards and forwards with more money in their pockets, they can afford to pay higher rates for railway accommodation?—Yes.

9128 (Sir F. Mowatt) Do you regard it as right that the rates and fares on the railways should be altered according to the means of those who use the railways or fixed with reference to the necessary cost

of the traffic?—Well, both will have to be considered.

9129. I should like to understand whether Sir John suggests, and you accept, the view that, as the poor people may have money in their pockets, and are able to travel more, the rates of the railways should be put up?—I was not thinking of passenger rates; I was thinking of traffic rates. If prices rise, commodities can afford to pay more for cost of transport.

9130. (Sir J. Muir) You were glancing at the rates charged by banks when making advances, and as to what might perhaps happen in the busy shipping season, are you aware that severe strictures have been passed on the Government for tying the rupees, and not allowing the banks of Bengal and Madras and Bombay to have the use of those rupees?—You mean in the Treasury balances. I think something ought to be done in that way.

9131. It has been a severe complaint, especially in the last year, when the rate went up to 10 per cent in Bombay, Calcutta, and Madras, and 13 per cent in other places, and when, with all that, money could not be obtained in Bombay even at 18 per cent. Do you think it would be well if some arrangement could be made for the Treasury to let free some of the rupees that are kept tied up irrespective of the loss and difficulty that are entailed on the merchants and people of the country?—I hope that, now the subject has been referred to, some arrangement may be made. I have been hoping that.

9132. You are aware that there has been a great feeling of discontent created throughout India by the Government policy last season?—I know it has been commented upon.

9133. Then, I see that you make special reference to the figures produced by Mr. O'Connor, which you think convey a misleading impression with regard to the Manchester goods trade. Will you kindly explain wherein you think Mr. O'Connor was wrong?—The comparison was given, naturally enough, perhaps, for 10 years, 1886-87 to 1896-97; but the year 1886-87 was rather a misleading one to take, because it happens it was a year of great activity itself; there was a sudden increase in that year. It was 5 crores more than any previous year. Therefore, the comparison of it with those following it would create a wrong impression. As a matter of fact the increase over the whole period has been very steady and continuous.

9134. Will you state the figures?—A more accurate idea, perhaps, is given, if you commence from 1876-77, which was the year of the first great fall in silver. The yardage in the year 1876-77 was 1,187 millions; in 1893-94, the year the mints were closed, the yardage was 2,130 millions. Similarly, cotton yarn increased from 33½ to 42½ million lbs., and that is in spite of the great competition of the local mills which, as the previous witness has shown, has taken away the whole trade in coarser cloths and yarns from Lancashire. As a matter of fact, the trade has steadily been increasing all through, and therefore it is a mistake to suppose, as implied by the figures from 1886-87 to 1896-97, that it was only stationary.

9135. Do I understand that you estimate that 232 millions of yards of these cloths have been lost to Manchester?—That is my calculation.

9136. Under the old régime, do I understand you to say that merchants, conducting such businesses as Ralli's and yourselves, had no difficulty whatever so far as exchange was concerned, because you knew the price at which to buy the goods in Manchester, you knew the price at which you could sell in Calcutta, and you could fix exchange forward?—Yes, that was done through the exchange banks.

9137. And there was no difficulty in conducting business in that way?—No, not at all.

9138. (Sir F. Mowatt) It is now more difficult to fix the exchange forward?—Yes, on account of the difficulty of calculating when you will be paid your debts.

9139 Do the banks demand a higher rate?—No. I mean that, on account of the uncertainty in the money market, you cannot rely on getting your debts paid. Much larger credit has to be given now.

9140. (*Sir J. Murr.*) It is more difficult now to recover debts, and larger and longer credits have to be given by the bunneahs?—Yes.

9141. And all that tends to make business more difficult?—Yes.

9142. And there are greater risks?—There is greater uncertainty. As a matter of fact, the outstanding accounts of my firm, which used to form 16 to 18 per cent. of the total business, have lately increased to over 30 per cent. Of course, the plague and famine have had something to do with that. I would not say it was all owing to the stringency of money, but that is the chief cause.

9143. And the same rules which are disadvantageous to your business affect other houses with a similar business?—I presume so.

9144. (*Sir C. Crosthwaite.*) You blame the Government for distinguishing between what you think were Government interests and the interests of the whole country?—Yes.

9145. Do you think that a Government which takes a certain course in order to avoid the necessity of putting more onerous and difficult taxation on the country can be justly blamed in that way?—But that is my point, that there would be no increase of taxation on the country as a whole.

9146. You think not?—I think not. The debts are paid in produce at the gold value, and therefore it makes no difference.

9147. Quite so, for India as a whole, I admit. Your principle is that the rupee is a mere medium, that the real exchange is an exchange between Indian produce and European produce?—Exactly.

9148. And that, therefore, the real question is the sterling price of Indian produce?—Yes.

9149. And you think that, if the mints are reopened, the deficit that will follow, owing to the greater number of rupees which Government will have to find in order to pay the home charges can easily be met by increased taxation on the country?—I think it can be met. I will not say easily, because I quite realise that there will be difficulties; but it can be met, and my point is that that is a lesser evil than that of forcing exchange by artificial scarcity.

9150. You also think that a fall in exchange will stimulate the exports?—Undoubtedly.

9151. That is to say, there will be more exported from India?—Yes, there will be a stimulus to production and more exports.

9152. I suppose you admit that to export more from India merely, in itself, is not necessarily a good thing?—Oh, yes; I look upon a country as like a great manufactory. Its first charges are its own requirements and —

9153. For instance, if 1,000 tons of wheat are exported from India now and fetch 1,000*l.*, it will be better for India under open mints to export 2,000 tons for 1,000*l.*?—Yes.*

9154. The mere fact of increasing the quantity, irrespective of the price obtained, is good, you say?—Yes, I say it is good because it increases production and gives employment to the people.

9155. Would you apply that to any private individual—that if he can sell a ton of any article for 1*l.*, it is better for him to sell 2 tons for 1*l.*?—There are fixed charges, and the on-cost. Up to that point there is no profit. The profit begins after that. As

you increase the quantity, the advantage goes on in an increasing ratio.

9156. But can you apply that to the agricultural products of a country which is worked in small tenures?—Yes, most certainly.

9157. The more they pay out, the better, no matter what they get; the more they export the better, no matter what they get?—Well, of course there is a limit to that.

9158. That is what it comes to—the more they export, no matter what the price is, the better for them?—No, I would not say that.

9159. Therefore it is a question of sterling price?—Sterling price, undoubtedly.

9160. If you stimulate production in this way by opening the mints and having cheap silver, will you, or will you not, lower the price; is not the effect to lower the sterling price if you pour quantities of Indian produce on the market?—I do not think so. It may have a small effect. It is a question of supply and demand. If the supply is in excess of the demand, then the price is forced back on the cost of production, but, if the demand is equal to the supply, or in excess of it, then the price is governed accordingly. In such great articles of Indian produce as wheat and cotton, they are influenced by other circumstances altogether. To a slight extent possibly the quantity from India may affect the price, but it can only be a small per-centage.

9161. Then in what way does low exchange stimulate the exports?—Because the cultivator, instead of selling his produce for 12 rupees, gets 13 or 14 rupees.

9162. He gets more rupees?—He gets more rupees, and he is able to cultivate more. He is encouraged to take in more land and to put it under cultivation.

9163. Then you think he does get more rupees?—Yes.

9164. You think that prices in India do rise?—They must rise, if exchange falls. Cotton, for instance, must rise at the port, and that must reflect itself sooner or later on the grower.

9165. But I understand you to say that silver prices in India do remain pretty steady?—They have done, because there has been a considerable fall in gold prices.

9166. If silver prices in India have remained steady, then the cultivator cannot be said to have had more rupees?—Well, taking it in that way; but on the other hand, if exchange had not fallen, if silver had remained at its old level, he would have had to accept fewer rupees.

9167. He might have got less rupees?—He might have got less rupees, and he would have suffered very much.

9168. Then you say, never mind about the taxation, because the country will get so many more rupees; but what certainly have we that the country will get any more rupees? All that has happened hitherto, according to your own statement, is that the cultivator has not got as many less rupees as he would probably have done if the fall of silver had not for him counteracted the fall in sterling price?—I think the answer to that is that there has been a great fall in the sterling price of commodities, and—that being so—it is certain that, if silver had remained at its old level and the rupee at 1*s.* 10*d.*, there must have been a corresponding fall in rupee prices. The general impression now is, however, that we have got to the bottom.

9169. Then we are to take a great step, on the "general impression" that we have got to the bottom?—Yes.

9170. And, if rupee prices do not rise as you anticipate, and the Government of India has opened the mints, what will be the condition of that Government, where is this extra taxation to come from?—Again the answer to that is that, if prices did not rise with open mints and a lower rupee, it would be because gold prices had continued to fall; and, were such to be the case, then with closed mints you would have a corresponding fall in rupee prices.

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* Note by Witness.—This answer requires explanation. I do not seem to have followed the exact meaning of the question. The idea that open mints would so affect sterling prices is one to which I am opposed, and in my reply I was thinking only of the advantage a country must have in finding a market for its surplus produce. The circumstances which could have brought about such changes in value must have been accompanied by so many other changes of an economic kind that it would have been impossible to reply directly to the abstract question as I now read it.—D. G.

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and great suffering in consequence. It is as broad as it is long, depending upon sterling prices.

9171. Suppose India, in reopening the mints, does pour a quantity of produce upon the London market, the tendency will be to lower the prices?—I do not take that view. Of course, it is a disputed question.

9172. Many of the witnesses we have had have stated that the first effect of a fall of exchange is to lower the sterling price?—I do not take that view myself. Of course it is a matter of argument.

9173. It is not so certain after all?—No. Of course everyone is entitled to his own opinion, and I know that views differ. In some few articles, in which Indian production governed the sterling price, it would no doubt have some effect, but only, I think, if supply exceeded demand.

9174. Then there is another point which bears upon that, and it is a question which I asked a former witness. We have had experience now for years of a falling rupee, and we have not found that the revenue rises to meet the deficit. You are aware that the Government of India has had to put a good deal of taxation on the country since 1884?—I think there was an error about that. It is all given at page 271 of the Herschell Blue Book.

9175. Since 1884, taxation has been increased?—Since 1884, until the closing of the mints in 1893, there have been three crores of taxation. I think you are including the cotton duties, which were imposed subsequently.

9176. I am taking it up to the present time?—But that was after the mints were closed and the cotton duties were reimposed. It was just the reimposition of what was remitted in 1882. Taking the whole period, from 1873 to 1893, there were increases amounting to Rs. 4,15,40,000 and remissions amounting to Rs. 4,57,40,000.

9177. Including those duties, there were 4½ crores added to the taxation since 1884?—Rs. 2,94,00,000 up to 1891. Then there was subsequent taxation—the cotton duties were reimposed in 1894.

9178. Also, taking the surpluses and the deficits for the 25 years from 1873 to 1893, the Government has had a net deficit of Rs. 2,398,088?—Of course, it depends very much on the dates. At each fall of exchange there has been a heavy deficit.

9179. But, taking the 20 years together during which we have had this fall of exchange, we have ended with a deficit. There is a net deficit over 20 years of over Rs. 2½ millions?—Yes, that appears to be so. As I say, at each fall of exchange there was great difficulty and a deficit, but, as trade responded, things revived and there was a great surplus. There was a deficit in 1876-77, which was the first great fall of exchange. Then there were two more bad years, and there was a deficit of Rs. 2½ millions and 4½ millions roughly.

9180. But, taking the whole 20 years and deducting the surpluses from the deficits, there remains a net deficit?—I do not think it is fair to take the whole 20 years—you should take the different periods. The first great fall of exchange was in 1876-77. Then there were some very bad years, but when the trade responded there were great surpluses. Not only trade responded, but revenue increased, and there was a great remission of taxation in 1882-83. Here are the figures: In 1882-83 there was Rs. 1,219,000 of cotton duties abolished; the salt duty was reduced by Rs. 1,400,000, and there were other small sums.

9181. There was a great remission of taxation in 1884?—There was a net remission of taxation of 2½ crores. Then taking the different periods, there was that first great fall of 1876; and, as I point out, the trade at once began to re-pond. There was a very large increase in it, and also in the revenue. In 1880 to 1884 the revenues were very prosperous, so much so that it is dwelt upon in the Budget of 1882-83 as a great period of prosperity for the country. Then came another fall in exchange in 1885-86, and there were three bad years. Then the country responded again, the trade rapidly increased and with it the

revenues, and in 1889, 1890, 1891, and 1892 there were large surpluses. Then came another period of depression, and that was met by the closing of the mints. My contention is that it is a fair inference that, if things had been left to right themselves as before, there would again have been an adjusting increase of trade and of revenue.

9182. Then there was an extra tax put on in the interim?—Yes; the salt duty was raised again, and the income tax was put on; that was Rs. 2,800,000.

9183. Then the *quasi*-local taxation that had been remitted in the North-West Provinces was put on again?—Yes, the patwari tax, Rs. 250,000.

9184. But my point was simply this, that during all that time this influence, which is said to be beneficial, was going on, the rupee was falling more or less steadily, and yet at the end of the time, in 1892, you see that the Government were face to face with the great difficulties with which you say you sympathise?—Oh yes, I sympathise with them, but my point is this, that the country does not respond straight off at once; it takes a year or two, or three perhaps; therefore I hold the view I have stated, and it is illustrated by these previous cases, where, if you allow a year to elapse, the country will respond and the revenues increase.

9185. Without taxation or with taxation?—Without taxation. As a matter of fact in 1882-83 there was taxation remitted, notwithstanding the enormous amount (which is also given in the Herschell Blue Book) paid for the Afghan war.

9186. But taxation was reimposed, and additional taxation added?—Not at that period.

9187. Not at that period, but since that, while the rupee has continued to fall, the Government have been compelled to reimpose the old taxation and to impose additional taxation?—Yes, but I say the country has not had time to respond to that. There was an increase of 2½ crores in 1886-89, but in the three years following that there was no less than 6½ crores of surplus.

9188. What happened after that?—Then there was a fall again, and there was a big deficit, and that is what led to the closing of the mints, and the whole position was then changed.

9189. You say the country has not had time to recover even from that last fall?—I say everything has been checked. I quite admit plague and famine have had an important influence, but I say, more than anything else, the stringency of money has interfered with the progress of the country. That is my experience. I am strongly convinced of that.

9190. Anyhow, notwithstanding those figures, you maintain that a falling rupee will enable the country to meet any extra taxation that will have to be imposed?—Yes, it does not make any difference, it is taking from one pocket and putting into another. The Government save, but at the expense of the country, but it does not do any good to fix the rupee; you could not make the country rich by raising the internal value of the rupee.

9191. You say it makes no difference to the country as a whole whether the rupee is at 1s. 4d. or 1s. 2?—No.

9192. Then how is the country, as a whole, better able to pay the increased taxation, which the 1s. rate would necessitate?—Because the cultivation and produce are so enormously stimulated. If the people get more for their produce, they grow more.

9193. I thought your principle was that they got no more for their produce—that it did not matter to them what the exchange was?—They get more in rupees, which is what they look at. I say the great thing is to give them rupees, and to encourage the production of the country. As Mr O'Connor says, there are 100 million acres of cultivable waste land. Is it not the duty of the Government, seeing that the population is increasing at the rate of 3,000,000 a year, to do everything that is possible to stimulate the productive power of the country, and so to give food and employment to the rapidly-growing population?

9194. Then, whatever they gain on the exports in rupees, I suppose you admit that they would have to lose on the imports?—Yes, I admit that, and I am a sufferer myself; but it is only temporary. I am constantly asked how I, who am an importer of piece goods, take up this line. I say it is not a matter of imports and exports; it is a matter of the welfare of the country; and therefore if an exporter gains by stimulated production, I, as an importer, if I do not gain directly, will gain afterwards by the increased prosperity of the country.

9195. (*Sir F. Mowatt*) Generally, I think, it has emerged from this conversation that you hold that the greater the number of rupees that pass through India, the greater is the benefit to the country?—Yes, that is what it comes to.

9196. (*Sir C. Crosthwaite*) Irrespective of the value of the rupee?—Irrespective of the value of the rupee. Of course there is a limit, as I said, as long as the suitability is maintained.

9197. You think there has been a great contraction of the currency?—There has been a contraction felt; there has been no actual contraction, because no rupees have been taken off, but there has been a constant dispersal, and that has been felt; the wants of the country are always increasing; and, if no increase of currency is given, it is practically contraction.

9198. Has that shown itself in prices? It ought to show itself, I suppose, in the lowering of rupee prices in India?—Yes.

9199. Have prices fallen in response to it?—It is said not; but perhaps it is too soon to judge.

9200. Take the ornament matter. There is a case where the price of silver in rupees has fallen?—Yes.

9201. But do you think the prices of any other commodities have fallen in consequence of the restriction of the currency?—I was saying that I had great difficulty in following prices; there are so many different circumstances that affect them.

9202. *Prima facie*, we might presume that the price of other commodities has also fallen if we could trace it?—Yes.

9203. But they are affected by many other causes?—They are affected by many other causes.

9204. If that is so, is it right to say that a wrong has been done to the people of India by closing the mints, in respect of their ornaments?—I think so.

9205. Suppose a man could have got 2 rupees for his silver ornaments before, and now he gets only 1 rupee 8 annas, or 1½ rupees say, yet that 1½ rupees is worth as much perhaps to buy food and other commodities as his 2 rupees were before?—Well, you cannot tell that. He ought to have the 2 rupees, because he was led to believe that the rupee and silver were synonymous terms—weight for weight.

9206. That is to say, he has been accustomed to think so?—He has been entitled to believe so.

9207. That would not apply to any gold that he had saved or hoarded?—No, because gold is a marketable commodity; that is different, you can scarcely compare silver with ordinary commodities.

9208. Still he would lose on his gold just in the same way?—He might or might not. That is a different thing. He would know, if he bought gold, that he might lose or gain, because gold is a commodity.

9209. I suppose you would admit that of the people's savings there is more saved in coined rupees than there is in uncoined silver?—You mean in ornaments?

9210. I am taking the people of India generally. There is more money saved in coined silver, in rupees, than in uncoined ornaments?—I have no information on that subject.

9211. We were told so, I think, by Sir Antony McDonnell?—He would be a good authority upon that.

9212. (*Sir F. Mowatt*) He put it, I think, at about two rupees for one rupee's worth of ornaments?—I have no knowledge of it myself.

9213. (*Sir C. Crosthwaite*) If that is the case, if the savings in rupees are larger than the savings in uncoined ornaments?—To that extent, my criticism would not apply.

9214. The mass of people have gained on their savings, supposing that to be true?—Supposing that is the case, that is true.

9215. And if you reopened the mints, and you dropped the rupee down below what it ever has been, you hit all those people who have saved rupees?—I suppose you do. They would lose the advantage of the artificial value given to the rupee.

9216. So that it does not seem to me that there is more to be said on the one side than on the other, with regard to hoardings and savings?—Well, of course, there are both sides to be considered.*

9217. As to the prices of food, you say you do not know whether they have risen?—No, I have tried to examine the question of prices, but I have not been able to find that out.

9218. (*Sir A. Dent*) You were saying that, if the mints were reopened in India, there would be an immense consumption of silver, and that would probably be added to in the course of time by a large consumption in Africa and China?—Yes.

9219. Then you say also that silver has about touched bottom?—That is the impression that I have, judging by the state of the market for the last few years.

9220. Do you think the amount of silver can be largely increased?—No doubt it would to some extent.

9221. If that can only be increased to a moderate extent, will not the price of silver be materially forced up in the next few years?—I think it very likely will.

9222. Then on the other hand we have an increasing production of gold?—Yes.

9223. It has increased enormously in the last 15 years?—Yes.

9224. And we know that that gold is absorbed by Russia, Germany, and Japan and other countries?—Yes.

9225. That absorption will cease, no doubt, at some time. All these new supplies of gold will be pressing on the market?—Yes.

9226. Do you not think we shall then have a much higher ratio between gold and silver than we have at present?—I think that is quite possible and even probable.

9227. Do you not think that this question may settle itself in the course of time?—Yes, and I have said that, as long as we keep the money market steady, the thing may be allowed to drift; the money stringency is the only thing that I think is urgent.

9228. I suppose you would sooner see the Indian Government begin at 1s. and work upwards, than adopt their present principle of 1s 4d and work the markets up to that?—Yes, that is my view. I would rather see them go on some sound basis.

9229. It was suggested, (I think by your partner, Sir Frank Forbes Adam), that India should make overtures to America to try to get on a proper basis. Do you agree at all in that?—I think it would suit India. As far as I understand it, the proposal is that India should come under an obligation to keep the mints open for a certain limited period. I think that would suit India very well. I do not care about international agreements very much.

9230. That is the point; it would be very difficult for India to carry out any international agreement?—Very difficult, and I do not think France would come in. What I would be afraid of is that there would be a temptation to enter into negotiations with a view of getting a higher ratio. I think it would be a mistake

**Note by Witness.*—Mr. Harrison (page 306 of the Herschell Blue Book) estimated in 1898 that the silver in India amounted to 510 crores, including 300 crores in ornaments and bullion; 166½ crores of rupees in active circulation; and about 50 crores of rupees in hoards. If this is correct, then Sir Antony McDonnell must be making a mistake.

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for India to propose the negotiations. If an offer was made to India it might be accepted, but I object to her entering into negotiations which would only disturb the market and might never come to any result.

9231. As to your suggestions for additional taxation, one of them is with regard to opium. That would be a very precarious source of revenue, would it not? The trade is largely dying out on account of the large growth of opium in China?—I do not know anything about the trade. I merely take the figures of the trade as it is, and calculate the difference in exchange. Very likely you may be correct in that.

9232. The^y you suggested doubling the import duties. Do you think that Manchester and Glasgow would agree to that?—I think there is a general acceptance of my view, so far as I have heard, and I am in a fair way of knowing.

9233. Then you consider that they have materially changed their views from those that, as we know, they held at one time?—I think one of the strong reasons against import duties at that time, was that the amount to be collected was small in comparison with the amount of trouble and annoyance that would be created. Of course, if the collections were doubled that argument would be in great measure met.

9234. You have made some remarks about the difficulties of buying exchange forward. Have you not found in your business for the last few months that it has been comparatively easy to fix exchange several months ahead?—That is very easy, but I refer to the difficulty owing to the uncertainty of payments. Credit, owing to the state of the money market, has had to be extended very much.

9235. I think we all find in business that exchange can now be settled many months ahead with much greater facility than it could a year ago?—Are you talking of India and China business?

9236. I am talking of the last four or five months as compared with two or three years ago?—No, I do not think so, for many years past there has not been any difficulty.

9237. (Mr. Campbell) One question as to the effect of high or low exchange on prices. You stated that the effect of a falling exchange was to raise the rupee price?—Yes.

9238. I think Sir Charles Crosthwaite suggested that there might be an offset in a fall in the sterling price?—Yes.

9239. But would you consider that, in such articles as cotton, wheat, and hides, and large articles of export of that kind, India is not the only seller to European markets; she has to compete with the United States and other countries?—Yes.

9240. And she is really a comparatively small seller?—Just so.

9241. So that the Indian supply cannot regulate the sterling price?—No.

9242. An increase or decrease in Indian exports will have a very small effect?—That was the conclusion I came to.

9243. Then, again, you said there had been no actual contraction of circulation since the mints were closed?—So far as I know.

9244. But are you allowing for such influences as wear and tear and export?—Well, what I meant was that probably there would be no melting.

9245. There might be less melting, but can you say that there has been no melting?—No, I cannot say that.

9246. From ordinary causes, would you say that there had been no contraction?—There has been relative contraction as compared with the previous times, when there was constant automatic expansion.

9247. While, with the population increasing, as it is, one would naturally expect that they would require more?—Undoubtedly, yes.

9248. Sir Alfred Dent has asked you whether you approve of trying to come to arrangements with other Governments in regard to the opening of the mints. You said that you were adverse to negotiation?—Yes.

9249. Do you think that one great difficulty would be the question of fixing upon a ratio?—I think that would be the difficulty.

9250. And you also think that it would be inexpedient for India to tie her hands?—For any lengthened period. I think if we merely kept the mints open at 22 to 1 for 10 years, that would be a mere nothing.

9251. You could not recede from it once you had agreed to it?—I do not suppose India would wish to recede from it, but, if she was only bound for 10 years, her independence would not be materially compromised.

9252. Then you suggested that, with the view to the gradual resumption of free coinage, the Government might, in the first instance, coin as occasion required?—Yes.

9253. Would not that be a questionable power to confer on the Government?—Yes, it would, but I propose it as a temporary measure—as an expedient—to let the exchange fall gradually.

9254. Would you consider that a proper power to put into the hands of Government?—Well, there are objections to it, but I think for a temporary purpose it would not be objectionable.

9255. Government's interest, of course, would be to maintain exchange for the sake of their council bills?—My suggestion was that it should be guided by the Bank of Bengal rate. If the Bank of Bengal rate went up above 6 per cent, or whatever it was, they should issue rupees and relieve the money market.

9256. Would not that be to transfer the power of regulating the currency into the hands of the Bank of Bengal?—I see that. It is a matter that must be carefully considered, and perhaps I have not sufficiently carefully considered it.

9257. The Bank of Bengal's interest might clash with the public interest?—Yes.

9258. It might be their interest to refrain from putting the rate above 6 per cent, and they might refrain from doing it?—That is a very strong point undoubtedly, but they could not long resist the course of the market, or their reserves would be drawn away from them.

9259. Then, again, there is another point in connexion with that, you cannot eliminate the Government's power of control altogether, because the Government have it in their power to manipulate the money market of Calcutta by means of withdrawing or lodging their Treasury money with the Presidency banks?—Yes.

9260. So that, if they found it to their interests either to coin or not to coin, they might be under the temptation of manipulating their balances at the Presidency banks with that view?—That might be so. They would have conflicting interests, on the one hand to make the profit on coinage, and on the other to support the rupee by restriction; but I should hope that they would aim at doing what was really best for the country.

9261. Do you object to a gold standard altogether?—I object to a gold standard altogether, because I think it is impracticable. It depends upon what kind of gold standard you mean. If it could be made effective and convertible without expense, I would not object to it, but I do not see how it can be done. I would not object if it could be done economically and safely and effectively.

9262. Is the present ratio of 1s. 4d. any part of your objection to the standard?—Well, it is a question of degree. If it was 1s. 2d., it would be more easy to keep it.

9263. It would be nearer the real silver value?—Just so.

9264. And, according to your view, the lower rate would help to maintain the favourable trade balance on which Government depends for payment of its obligations?—That is so.

9265. And to whatever extent the ratio approached nearer to silver, the evils from the present system

would, in your opinion, be mitigated?—Yes, provided the money market was relieved.

9266. That is, a standard established which would promote the flow of gold into India for currency purposes?—Yes; it would have a better chance of doing so.

9267. At present the rate of 15 rupees to the sovereign has not brought in gold at all?—No, because the sovereign has a greater value in the market.

9268. And the question would be whether 16 or 17 rupees would induce people to send gold to the Currency Department, where they will not send it at 15 rupees?—Yes.

9269. Now there was a question that I asked Mr. Cheetham, whether, considering that 80 per cent. of India's trade is with gold-using countries, there would not be certain advantages in having a gold standard on that ground. What do you say to that?—I think there would be certain advantages, but I do not think it matters much. As long as there are no violent fluctuations, I think the trade accommodates itself to gold or silver; so I do not think it matters very much.

9270. If both England and India were on a gold standard, the trade balances could be much more readily adjusted than now?—Yes.

9271. And an adverse trade balance could be adjusted by a shipment of gold home in that case?—Certainly that would be an advantage.

9272. While at present, or with a silver standard, it can only be adjusted at the cost of a heavy fall of exchange or the temptation to increased sterling borrowing?—Yes; if there were not the great practical difficulties to get over, it would certainly be an advantage to adjust trade balances in gold.

9273 India could not adjust her trade balance very well by shipping home silver to Europe, because the loss in exporting silver and selling it in Europe would be so great?—She could not ship it to Europe, she could ship it to Eastern countries, and under open mints she thus exported not only silver but rupees.

9274 You alluded to the trade of India being seasonal, requiring a large supply of currency at one time and involving a plethora at another?—That is one of the practical difficulties.

9275. And that, you say, may lead to a rate of interest of 12 per cent. at one period, while at another the rate may be as low as 1 or 2 per cent.?—Yes.

9276. Would not the gold standard obviate that, to some extent, at all events?—Yes, because you could transfer so much more easily.

9277. Then another advantage would be the stability of exchange?—Certainly, if you could establish an effective gold currency.

9278 Now, suppose a gold standard were thought to be desirable, the question would be as to finding the gold?—Yes.

9279. Would you approve of borrowing for that purpose?—I think it would be very objectionable.

9280. Borrowing ought to be avoided?—Borrowing ought to be avoided.

9281. You think any increase of sterling obligations ought to be avoided?—Any increase ought to be avoided; and I may say here it is one of the drawbacks to what has happened that the Government has had to borrow 6½ millions for the mere sake of supporting exchange. That has been one of the unfortunate results of closing the mints.

9282. Then, at a ratio which would not hamper or embarrass trade, do you see any difficulty in the way of India acquiring the necessary gold in return for her surplus exports, in the same way as she has hitherto acquired the necessary silver for the purposes of currency?—There would have to be some attraction for it.

9283. Suppose a lower ratio is given?—A lower ratio would attract it.

9284. You consider that a better mode than borrowing?—Oh, yes.

9285. And, of course, it would be a slower process?—Yes, and it could only be done if the trade balance was constantly favourable.

9286. Do you consider there would be any disadvantage in its being a little slower?—No, I do not think so.

9287. The gold, as it came out, would relieve the money markets—as it was passed into currency, it would relieve the money markets, would it not?—I do not see how the gold is to be got out.

9288. Supposing the mint price of gold is not lower than the market price, people shipping gold would send it to the currency department instead of selling in the bazaar?—Yes, that would depend on the bazaar price.

9289. But the question of ratio does come in?—Yes; if that were possible, it would certainly be a better way; the question of ratio is very material—the lower the ratio, the better the chance of attracting gold.

9290. I suppose you admit that that would postpone the question of convertibility until a sufficient supply of gold had been acquired?—Yes, it would. Borrowing would be a much quicker process, but would be very costly, and always with risk of eventual failure.

9291. (Mr. Le Marchant) You were alluding to a remission of taxation in 1882. Was it not the fact that that followed a very considerable reduction in the Government expenditure on public works? Financial conditions were more favourable in consequence of diminished expenditure on public works and reduction of establishment?—That may be so. I had not noticed that.

9292. And subsequently the Government did not find it possible to continue so low a rate of expenditure?—I had not noticed that I do not remember that.

9293 I think you quoted a remark of Lord Cromer, in introducing the budget, alluding to the prosperity of that time?—Yes.

9294. Do you recollect that he subsequently, said that if he had foreseen the future, he would never have reduced taxation?—I had not heard of that.

9295. Did not England give India 5 millions sterling towards the expense of the Afghan war?—I think there was such an item, but there was a very large Indian expenditure on the Afghan war.

9296 Yes; but England did contribute to assist India?—Yes. I think in 1880-81 there is no less than 7 crores charged for war, and 5½ crores in 1881-82. That is nearly 13 crores in two years.

9297. I think you alluded to silver, or the rupee, as possibly in the future becoming a coin of widely extended use in Africa?—Yes.

9298. How far is it the case that at present four different Protectorates have moved in the direction of a gold standard rather than silver? Have you given any attention to that?—No I know that the rupee is the coin of Zanzibar.

9299. The rupee is no doubt used by coolies who have emigrated from India, but can you say anything further than that?—What I had in my mind was that for a few years past there has been a kind of scare about silver and a desire to boycott it, which is, I think, very unfortunate; and I think, if the Indian mints were opened, silver would come to be in favour in most of those countries.

9300. You think those countries might follow suit?—Yes.

9301. You say that, in your opinion, "the Government is shifting the burden on to the country and "trade"?—Yes.

Notes by Witness—The expenditure on Public Works is given in the official returns as follows—

	Rx.
1877-78	5,066,965
1878-79	5,171,501
1879-80	6,371,166
1880-81	7,397,443
1881-82	6,393,531
1882-83	7,165,747
1883-84	6,580,721

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9302 But must not the country and the trade bear the burden in any case? The Government cannot be separated from the country and the trade?—The burden thrown on the trade is this money stringency; the Government has artificially raised the rupee for the mere sake of balancing the budget.

9303. But still the Government cannot be isolated from the country. The country at large must bear the burden in some way?—I entirely agree, but my point was that the Government has, as a matter of fact, separated itself and considered itself as something different from the country and trade, and has described the loss in exchange as a loss to the country, which it is not.

9304. It is a loss just so far as taxation would be a loss to the country?—Well, it is as broad as it is long.

9305. When you say that it is as broad as it is long, in what form do you think that a benefit to a country arises from a lower exchange?—My point is that the debt is paid in produce—it is not paid in rupees. The Government save on the Council drafts by a high rupee, while the country suffers in consequence by the artificial contraction of the money market. In my opinion, the loss to the country is really greater than the gain to the Government, but, as far as the actual payment of the debt is concerned, it is the same.

9306 Taking the country as a whole, it is neither a loss nor a gain?—Just so.

9307 It is the sterling value of the produce which you must consider?—Exactly.

9308 Taking the country as a whole, what is the effect of importations of silver? I am assuming that silver falls, and that more is taken by India in payment for exports, so that a larger amount might be available for currency. As between India and countries abroad, England for instance, would you say that there is any difference, for that it is merely that a certain amount of sterling value is sent in silver instead of some other form?—Very much so. It would come in as an import with other commodities.

9309. But a larger quantity, owing to the fall in price?—Yes, and owing to its suitability for India.

9310. Then taking India itself, and the different interests in India, would not some producers and mercantile houses make a profit on the importation of silver and the higher prices of produce?—In the first instance they would.

9311 But would not that be paid by the purchasers in India? Would it not be a transfer of wealth in India itself?—There would be a gradual distribution, but, if there was a general rise, it would be distributed all over.

9312 But, so far as there is a rise, somebody has to pay a higher price. I am assuming that it is not that England pays more, but that in India prices generally are higher. That would be a case where every consumer would pay more?—Yes.

9313. And every seller would receive more?—Yes.

9314. But, so far as there may be a difference of interest between the seller and the purchaser, there would be an unequal distribution?—To a certain extent there would, yes. The poorer classes in India are producers more than consumers.

9315. You say, "for the internal trader to buy gold in order to get it exchanged into rupees at $1s. 4\frac{1}{2}d.$ ", presupposes that he already has the rupees, and therefore, however great the scarcity, the operation would "be a senseless one for him." Would not the producer be in the same position for obtaining gold under the present system as he would have been for obtaining silver under open mints? Has he not in each case to part with his produce or goods, whatever they may be?—Yes; but I was answering the question which has been frequently put, and I think it was put here this afternoon. Why does not a trader in the country take gold to the mints and get silver for it? My answer to that is that no internal trader has any interest in so taking it; he would have to buy gold to take it to the mint, and to buy gold means that he must have the rupees, and he would be just where he

was before. He would only buy gold to take it to the mint, if there was some profit, that is, if the price in the market was less than the mint price, whereas it has always been more.

9316. In any case the silver or the gold would come in as the result of trade?—There is no silver now received at the mint.

9317. But silver under open mints, or gold on a gold basis, would in either case, come into the country for circulation through the immediate agency of foreign trade, and the internal trader would obtain command of gold or silver by selling his produce?—Yes, but he might not sell it for foreign trade, he might sell it to somebody in the interior of the country.

9318. Still, in that case, he would be paid?—He would be paid, yes, but in silver rupees, the only legal tender money. If gold was also made legal tender money, he would be paid in whichever was cheapest in the market. I was thinking of that particular question that has been asked so often: Why is it that gold is not taken to the mints, and rupees got in exchange for it? It is said: How is it possible that money is dear, when people could get it on paying gold for it at the rate of $1s. 4d.$ the rupee? My answer to that is that it is to no one's interest to pay gold at the rate of $1s. 4d.$ the rupee.

9319. Is that owing to the apprehension that exchange will fall?—It is not so much apprehension; it is a matter of market price. As long as they can get $15\frac{1}{2}$ rupees in the market, they will not give sovereigns to Government at the rate of 15 rupees.

9320 But a person who has anything to sell can obtain either rupees or gold?—Oh, yes; if he wanted it. He would first sell for silver rupees, the currency of the country. If he wanted gold, he would have to pay the market price for it. He would not in that case take the gold to the mint.

9321. I think, as to prices, you preferred not to discuss the Government tables?—I said that I had tried to go into the matter of prices, but I found, through the many circumstances connected with different articles, I could not draw any inference.

9322. This diagram exhibits the aggregate of all prices; it would point to the level of prices up to a recent date as being about the same as that in other times of scarcity. Now, just so far as that is a sufficient representation of the facts, it would point to prices not having yet been lowered by the existing policy?—No, they have not been lowered.

9323. That is going so far as one can infer at all; of course there may be other explanations?—Yes, it may be too soon perhaps to judge—the existing policy only began to tell in 1897.

9324. What evidence do you consider there is that low exchange in the past did increase exports on the average?—I think, as a matter of fact, there was a great increase of trade after each of the great falls. The first great fall was in 1876-77. It was followed by a large increase of trade in 1879 and several succeeding years. The next great fall was in 1885-86 and 1886-87. Again a great increase of trade in 1888-89 and 1889-90 followed. Then came another fall in 1892-93, and again a rapid increase of trade in 1894-95 and 1895-96. The check came in 1896-97, but how far this was owing to plague and famine, and how far to money stringency, it is impossible to say.

9325. There may have been other causes that bore upon that?—There may have been other causes. There was very little movement before the great fall; then it increased very rapidly, according to the figures here.

9326. There may have been other reasons, such as the construction of railways and the development of the country?—Oh! yes; and, on the other hand, a point I made was that, if there had not been this fall of exchange, if silver had remained the same, there would have been a fall in commodities similar to what there was in gold countries, and, therefore, that would have been a great loss to the country; the country would have suffered from the general fall of prices.

9327 In the way of not obtaining the same amount of rupees?—There would have been a general fall of prices, and we know that, when there is a general fall of prices, it creates a great deal of distress in all quarters.

9328. During the American Civil War, there was a great increase in the paper currency of the United States and a corresponding rise in prices?—Yes.

9329. Should you say that the rise of prices during that period contributed to a larger export trade and a larger business generally?—Well, I have not any knowledge of the subject. I have never looked into that matter, and I would not like to venture an opinion.

9330. As a principle, you would think that high prices, due to the currency, would contribute to a permanent development of trade?—I think so. An

ample supply of currency must surely help to stimulate production.

9331. A distinction might be drawn between high prices in India that arise merely from the expansion of currency, from a larger amount of silver being brought in and coined, and high prices arising from higher sterling values in markets abroad?—Oh, yes, the two causes would be quite distinct.

9332. A rise of prices from an expansion of currency would not affect the country's position abroad. As you say in your note, India, as a whole, would be in the same position?—It would stimulate her productions.

9333. So far as production was increased, and sterling price was not lowered, that would affect her position, but that is all?—That is all.

9334. That is the measure of it?—That is the measure of it, I think

The witness withdrew.

Adjourned.

Note subsequently handed in by Witness.

I desire to add a few brief remarks on important points which were not touched upon in my examination. The questions put to me referred mostly to the past, and the evidence which I gave was directed towards showing that no sufficient case had been made out for closing the mints in 1893, and that the results had not been fortunate. With reference to the future, I have expressed the view that the only question of currency is the contraction of the currency, and, provided that some plan can be devised for relieving any pressure which, as the active season advances, may bear upon the money market, the question of open or closed mints may remain a little longer in abeyance. In the first place, I think that the full effects of the closing of the mints may not have had time to show themselves, and, in the second, that any new changes of an experimental character should only be entered upon after very full and critical examination. Mr Lindsay's scheme has deservedly received much attention and is supported by many authorities. My opinion is that the elasticity allowed in it is insufficient; that the convertibility provided for involves much greater risk and responsibility than is contemplated; and that the principle underlying it, namely, that the rate of exchange, and not the rate of discount, is the test of deficiency or redundancy of the currency, is wrong and mischievous. I hold that, while exchange may be the measure of the requirements of the foreign trade, that of the internal trade is the rate of discount, and consequently that the scheme makes no adequate provision for the currency wants of the country. There are great practical difficulties to contend with—the great existing silver circulation, the large sterling obligations, the seasonal character of the trade, and the risk of an adverse trade balance. Considering all these, it seems almost impossible to reconcile the necessities of the country, in the way of a free and elastic currency, with the limitation

necessary to maintain the nominal par of a gold standard.

There is the alternative of a gold currency. I take it that the essential conditions of a gold currency are, first, that it must be accompanied by an abundance of silver token coinage according to the utmost requirements of the trade and the people, and second, that convertibility of it with the standard must be at all times and under all circumstances assured. The first difficulty is to get a sufficient gold stock on which to declare convertibility, and the second is to retain that stock when once convertibility has been declared. The cost of creating and keeping a gold stock (which, except as so far as it represented paper in circulation, would be wastefully idle) would be a crushing addition to the burdens of the country, while recent history is full of warnings that only the most favourable circumstances can ensure the retention of the stock.

There remains the plan of reversal and the opening of the mints. Before 1893, India had a free and automatic currency, suitable for the habits of the people and the character of the trade, fairly steady as a standard of value, and under which the country prospered. Why not revert to it? The sterling obligations are no doubt unfortunate, but there they are, and they must be met. It cannot in any way mitigate or modify them to give the rupee a local and fictitious value, which has no recognition on the part of the creditor, and which is forced by a contraction which only hampers the trade and checks the development of the resources out of which alone the obligations must be paid. My belief is that all schemes which are not in full harmony with the special conditions of India, or not backed by sound and accepted principles, are doomed to disappointment, and that a return to open mints is not only the most safe and prudent course, but the one which in the long run will be found inevitable.

DONALD GRAHAM.

Mr.
D. Graham,
C.I.E.
15 Nov. 1890.

TWENTY-FIRST DAY.

Wednesday, 16th November 1898.

PRESENT :

SIR FRANCIS MOWATT, K.C.B. (in the Chair).

SIR JOHN MUIR, Bart.
SIR C. CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

Mr ROBERT CAMPBELL.
Mr F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Mr. DAVID CRUICKSHANK, called and examined.

*Mr. D.
Cruikshank.*
15 Nov. 1898.

9335. (*Sir F. Mowatt.*) Will you state your name and position?—I am a member of the firm of Messrs. Begg, Dunlop, and Company, merchants and agents in Calcutta and London, and especially interested in indigo and tea.

9336. You are Chairman of the new Indigo Association?—Yes, they have elected me President.

9337. Were you opposed to the closing of the Indian mints in 1893?—I expressed no opinion upon it in 1893, but I was opposed to it before, when my opinion was asked on the subject by the Government.

9338. When you say before, do you mean shortly before, or at what previous period?—There was a proposal to establish a gold standard in 1886, put forward by General Strachey. At that time my views were asked by the Government, and I recorded a minute on the subject, in which I was opposed to the closing of the mints.

9339. Was that on the general ground that it would amount to a check on the export trade?—Yes, owing to the divergence which would have been created between the value of the rupee and the value of silver, and the effect of that on the export trade of India.

9340. Your view being that the rupee should exactly correspond with the market price of silver at the time?—The effect of giving an artificial value to the rupee, in my opinion, operates to the disadvantage of the export trade of India.

9341. Your view was that no artificial value should be given to the rupee at all, that it should find its level with the price of silver. May I take it that that was the main ground of your opposition, or were there other reasons then, or are there reasons of which you feel the force now?—What I said at the time in the minute which I recorded was: "Generally, the adoption of General Strachey's proposals would have a prejudicial effect on Indian exports, which it should be the object of the Government to encourage by every possible means, so as to increase the balance of trade in favour of this country" (that is India) "and thus lead to a greater demand for silver." That of course was in connexion with the fact that at that time the price of silver regulated exchange more or less.

9342. I take it that you still entertain those views now: nothing has happened since to alter your opinion?—As regards the effect of the artificial rise in the value of the rupee upon the export trade, certainly my views are not changed.

9343. Taking the trade in which, I think, you are more directly interested, that of tea, will you state what injurious effects have been, in your opinion, produced on that trade by the closure of the mints in 1893?—In the case of tea, sterling prices being settled by means of supply and demand, and taking the sterling value of a pound of tea at 9d, the equivalent

of this at 1s 0½d per rupee (being the lowest point to which exchange fell) would be 9 annas 11 pies. At the exchange at 1s 4d, the equivalent would be 7 annas 9 pies, showing a difference against the planter of 2 annas 2 pies, or about 22 per cent., if he sells his tea in Calcutta.

9344. That is really the price you consider the tea trade pays for the closing of the mints?—Certainly, if exchange had remained at the lowest point to which it fell, 1s 0½d.

9345. At what point, subsequent to 1893, did the trade begin to feel the effect of that? How soon after 1893?—When exchange rose. Exchange first rose materially in 1896. The lowest point in 1895—at least the average for the Secretary of State's Bills, in 1895—was 1s 1·64d, and in 1896, 1s 2·45d. Of course, any rise in exchange affects the rupee price of tea.

9346. What effect had that upon the profits of the tea trade? They continued very considerable through 1896, did they not? The trade was doing very well?—The profits of 1897 were affected by the lower prices.

9347. Has the extension of cultivation in India been checked by a falling off in the profits on tea?—Certainly it is being checked.

9348. The pinch began to be felt in 1896?—It is being felt now worse than ever. It is well known that extensions have been largely stopped wherever it was possible to do so, and the strongest evidence of this is seen in the fact that tea-seed has become practically unobtainable, which it is at the present moment.

9349. You cite that as showing that there is no disposition to extend the gardens now?—Just so.

9350. You said, I think, that tea depended a great deal upon the ordinary law of supply and demand?—Sterling prices.

9351. Sterling prices have somewhat fallen, have they not?—They have fallen during this present year. The average price of Indian tea sold in London for the year 1897 was 9d per lb. The average price of Indian tea sold in 1898, up to the present time, is 8·68d per lb.

9352. How far do you consider that that has been affected by the supply being greater than the demand?—The supply has affected the prices of tea, but the fall in prices led to an increased consumption, which has enabled the increased output to be taken off. As a matter of fact, at the present moment the position of tea is statistically better than it has been for some time.

9353. What do you mean by "statistically better"?—That is as regards stocks.

9354. The stocks in London now in hand are smaller?—The stocks in hand are smaller than they were this time last year.

9355. Should you say that that fall in price has at all been caused by the supply of tea being greater than the demand for it in the markets which are now open to the tea trade?—The increased output of tea has only been taken off by lowering prices, but at the reduced price the increase has gone into consumption.

9356. Now would you state what you consider the direct effect of a high exchange on the tea-growing industry of India, apart from the sterling price of tea in the London market? How does it affect your profits?—It reduces our profits.

9357. It reduces your profits in what way?—(Of course, the prices of tea in rupees are governed by the sterling prices. In reply to a previous question I said, if you take the value of a pound of tea at 9*d.*, which was the average price of tea in London last year, the equivalent of that at 1*s.* 0½*d.* would be 9 annas 11 pies, and at 1*s.* 4*d.* the equivalent would be 7 annas 9 pies, showing a difference of 2 annas 2 pies against the planter; that is to say, he gets less in rupees than he would at the lower exchange.

9358. The cost of producing the tea is unaffected?—The cost is unaffected.

9359. As regards indigo, is that affected in exactly the same way?—Yes, in a similar way. Taking the sterling price of indigo at 4*s.* per lb, the equivalent of this at an exchange of 1*s.* 0½*d.* would be 250 rupees per maund. At the exchange of 1*s.* 4*d.*, the equivalent would be 195 rupees per maund, showing a difference against the planter of 55 rupees per maund, or about 22 per cent., and representing on the present season's crop of Bengal, Behar, and North-West indigo a loss of R*x.* 6 82,000.

9360. What effect has that had on the indigo trade as regards the amount of its output? Has it begun to check it?—It will now. The effect of low prices on the production of indigo is shown by the following extract from a London broker's circular, dated 4th October 1898:—"The final estimates of the crop from Calcutta give the very moderate total of maunds 124,000, or about maunds 13,000 below the average of the last ten years. The very small output in Benares and Doab is largely due to decreased cultivation, on account of unremunerative prices, and should the coming Calcutta season show no improvement on the rates ruling in July, we have no doubt that a considerably smaller area will be sown next season in Lower Bengal and Behar. From Madras we hear of the same complaint, that present prices do not pay the cultivator, and that the area under indigo has consequently been reduced, and the crop is likely to be a very small one."

9361. Who are our competitors with India in indigo?—Java is a competitor, and indigo comes from Guatemala also.

9362. When you say it does not pay the producer, is it the competition from outside that you refer to?—One thing that is affecting indigo at the present moment is an artificial dye made in Germany, which, it is possible, may be developed into something that will materially affect the consumption of indigo.

9363. And that is sold at a lower price?—It is not sold at a lower price at present, but we do not know whether they may not be able to produce it at a lower price.

9364. That is a consideration quite apart from the rate of exchange or the profits of the trade, is it not? I mean, if indigo were supplanted by some invention, it would not very much matter, unless you thought you could undersell it, whether the exchange were high or low in India?—Of course it is hoped that we should be able to undersell it; but, as a high exchange operates against indigo, it handicaps India in its competition with this artificial dye.

9365. So far as price goes; but if the dye supercedes it because it is in other respects better?—It is a matter of price.

9366. But it is the fear of that that you refer to?—No, it is a matter of price.

9367. What relation do you consider existed between the volume of the currency and the rates of discount in India, before the mints were closed? Did the fact that the volume of currency was larger than at present affect the discount rates?—It cheapened money. The more abundant money is, the cheaper it will be, naturally.

9368. Do you distinguish generally between currency and loanable capital?—Capital to be available for trade purposes must exist in the form of currency, and, if money is dear, that is a sure sign of scarcity.

9369. Of scarcity of currency?—Yes.

9370. But may I put what I mean in this way? I understood you to say that there were not enough rupees, for instance, in this last busy season, to carry on the trade of the country?—There was stringency.

9371. But any person producing gold to the Government could have claimed from them rupees at the rate of 15 to the sovereign?—He could have done so.

9372. And they would have been bound to produce it, even if they had to coin more rupees?—Quite so. But the price of gold as fixed by Government was too low.

9373. If there had been loanable capital, if there had been gold, or if there had been securities which would have produced gold, that could have been made to reappear as rupees. So that there is a distinction, is there not, between the loanable capital that could have been made into currency, and the currency itself?—But you would have to attract gold to the country, and you can only do that if you make it profitable to import it in the shape of currency.

9374. Now, as regards the stringency on that occasion, did it extend, do you think, to the internal trade of India generally, or merely to the external trade with other countries?—It extended to the interior. In the course of correspondence with Calcutta, I have got the following information with regard to stringency in the Mofussil, that is to say, in the interior. In a letter dated Calcutta, 18 August 1898, my correspondent writes: "You ask, cannot we from November next get our indigo constituents to draw drafts at 90 *d/s.* to tide over the worst period of stringency?" (The stringency hitherto has been greatest in about December, January, and February) "Now the position is much worse in the Mofussil than in Calcutta, with the result that many indigo concerns this present season have been quite unable to cash their drafts at 60 *d/s.*, and some not even at 30 *d/s.*, and we have been obliged to a certain extent to remit outlays in currency notes. The present currency policy can only increase this difficulty, and I fear it would be quite impossible for us to get concerns to draw at the usance you name." In a letter dated Calcutta, 29th September 1898, it is stated: "It is well nigh impossible to get reliable statistics in reference to India's vast internal trade. That there is great dearth of loanable capital in the hands of native bankers, who were formerly rich and ready to lend largely, there is no doubt. Take a place we know well, like —, the local bankers there, such as the — and others, are practically insolvent, and —, —, —, and others tell me there is literally no money there for trade purposes. In Cawnpore, too, we know money was most stringent during the first six months of the year. But it is generally believed the stringency in India would have been greater but for the help of illicit coinage." Then in a letter dated Cawnpore, April 1898, there is this passage referring to the working of a factory —

9375. Are these from your own correspondents?—Yes. "The result will not be as satisfactory as it should have been, owing to factors entirely outside the working of the factory or our control, viz., exchange at 1*s.* 4*d.*, scarcity of money in the bazaar; high rates of interest (15 per cent and over), and the paralysis in the trade caused by the failure of some big native firms. To give you some idea of the position, a Rajputana dealer, to whom ana-

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" in the trade would have given credit last year, came to out brokers for 500 bags fine grain, and they would not undertake that his account was safe." This refers to the position in the interior.

9376. Those 110 letters addressed to your firm by your own correspondents?—They are addressed to me, personally.

9377 Do you anticipate that this present season will show us great a stringency as last year?—That is generally expected.

9378 Or even greater? We have had opinions both ways?—Well, it is expected in Calcutta that there will be stringency again this year; to what extent it is difficult to say.

9379 But it is rather important, is it not, whether it will be the same as last year, or whether there are other factors which are likely to reduce it?—I should say it would be quite as bad as last year, unless other factors come into operation which either lessen the demand for money or increase the available supply for it.

9380 There have been cases, have there not, of almost equally severe stringency in India before the mints were closed?—The bank of Bengal average rate for half-year to 30th June 1898 was 11·016 per cent, being the highest for over 30 years, the previous highest having been in the half year to 30th June 1866, when there was a monetary crisis at the time of the failure of the old Agia Bank.

9381 But I find, according to a table we have here, that in 1889, and again in 1890, it touched 12 per cent. ?—For a short period.

9382. As we have it in the return furnished to us, it touched 12 per cent. in 1874, 1889, and 1890; and 10 per cent in 1894 and 1897?—I have got the whole returns here since 1854. I, of course, am dealing with the average rate for the half-year, not with the maximum or minimum rates.

9383. Do you regard stability of exchange as of great importance to the trade in India?—Yes, I think it is desirable to have a stable exchange, so long as it is not fixed at too high a rate.

9384 Do you think it is the distrust in the future of exchange that has driven the capital of the banks, and of individuals, out of India?—I think so.

9385 You have said, I think, generally, that you object to the present proposals of the Indian Government. Do you object generally to the principle of a gold standard for India?—Not at the rate at which a gold standard can be maintained without prejudice to the interests of India as an exporting country.

9386 Then it is the rate at which it is fixed that you consider important, and you do not object to the general principle of a gold standard for India?—No. The conclusions to which I have been led by the consideration I have been able to give to the matter are:—(1) That in the position in which India stands as a debtor country, with large sterling liabilities which can only be liquidated in produce, the dominant factor in Exchange is the export trade, and (2) that no scheme for the establishment of a gold standard or gold currency can succeed, if the measures adopted for that purpose have the effect of disturbing the balance of trade in favour of India. It follows that no undue burden should be placed on the products of the country, whereas the effect of the present currency policy of the Government of India, and of the further proposals put forward, is to impose indirectly a heavy tax upon exports and to increase the cost of production by raising the value of money. The result of this policy must be to hamper India in its competition with other countries, and may eventually lead to the balance of trade being turned against her, when any scheme for establishing a gold currency must necessarily collapse, and Government would be obliged then to have recourse to the additional direct taxation which they are now anxious to avoid. With quicker means of communication and greater facilities for transport all over the world, the competition for the supply of commodities becomes keener, and the advantage in the contest must be with the country in which the

cost of production is lowest. Up to the time of the closing of the mints, India competed on a par with other silver countries, but the artificial rise in the value of the rupee operates to her prejudice and must affect her export trade. It is contended, as a reason for adhering to an exchange of 1s. 4d., that prices have adjusted themselves to that rate (Mr. Arthur, 2033), and it is stated that trade will adjust itself to any rate (Mr. Finlay, 3039), rupee prices falling as exchange rises (Mr. Finlay, 2640, 2696, 2702). It is quite true that prices will adjust themselves to any rate of exchange, and, if this was the only point to be considered, there is no reason why 1s. 6d., 1s. 9d., or 2s. should not have been fixed upon instead of 1s. 4d., but, in their despatch dated the 16th September 1897, the Government of India recognise the probable disastrous effects of a great rise in exchange on the export trade and industries of India, and give it as their opinion " that the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16d. the rupee, and that any measure which would raise the rupee materially higher than that level involves great dangers," for which they could see " no adequate compensations." The same objections must, however, be held to apply to the rate of 1s. 4d., if such rate is higher than that required by the conditions of trade. And the difference between what may be termed the natural rate and the artificial one must operate to the prejudice of producers. Mr. Finlay admits (3257) that the material point as regards the Government and the country is that there should be a sufficiency of exports to meet their requirements abroad, and he relies (2696, 2698, 3045) upon the balance of trade being maintained through a fall in rupee prices, resulting from the contraction of the currency and a rise in Exchange. The extent to which a fall in prices is possible must, however, depend upon the cost of production. As soon as an article ceases to pay, its production will diminish, and the exports of some fall off, or stop altogether. In this connexion, the following remarks by the Government of India, in their despatch dated the 16th September 1897, deserve very careful consideration:—" Pressed as we have been for many years by the difficulty of finding the continually increasing number of rupees requisite to discharge our sterling liabilities, we are apt to look too exclusively at the effect which a rise of Exchange would have in diminishing the burden of that demand upon us. We do not deny that a large surplus of revenue will arise from so great an improvement in Exchange; but it is not to be forgotten that there are many respects in which our revenue account must directly suffer by a rise in the Exchange value of the rupee, and that these considerations ought to greatly influence our estimate of the benefit to our revenue account, which is almost the sole advantage which, as a Government, we can expect to obtain from the proposed measures. The anticipated fall in prices is one that will adversely affect both our revenues and the general condition of the agricultural classes in the country. To take the case of our land revenue, a very large portion of the country has passed under land revenue settlement during the last 10 or 15 years. One of the factors in fixing the demand of the Government for revenue is the price of agricultural produce; if that price falls away, the heavier the demand becomes; and, if it falls away materially, the relation between the price that the ryot can obtain for his produce and the assessment he has to meet may be so seriously altered as to affect the agricultural prosperity of large tracts of country. The work of resettlement is a tedious one, it cannot be effected in all probability for some years, and, when it is effected, it will pro tanto dissipate much of the advantage which the rise of Exchange would bring to the Government account. So, also, as regards our railway revenues, which are now so important a portion of our income. They are in part directly dependent

" upon the activity of the export trade, and a blow struck at that trade will be felt by us immediately and directly through our railway account."

Although the importance of the export trade as enabling India to meet its foreign obligations, adding both to the land and railway revenues of the country and improving the general condition of the agricultural classes, is thus fully recognised, the Government have put forward proposals which, by adding to the cost of production and lowering prices, will have the effect of diminishing their own revenues and imposing a heavy burden upon producers generally. As showing the effect on prices, I want to quote what is said in the "Review of the Trade of India in 1897-98", which I only got yesterday. The author writes as regards exports:—"The general causes which restricted the export trade have been already mentioned. The largest decrease is in raw cotton, the exports of which to Europe fell away greatly under the competition of American cotton, which was exceptionally cheap and abundant. Opium and indigo show large decreases both in quantity and price. The decreased values of raw jute and tea are entirely due to a fall in prices, the quantities exported being unprecedentedly large. The trade in cotton piece-goods was depressed, the exports to China showing a great falling off, and the exports of sugar declined to a very low level. On the other hand, large increases are recorded under hides and skins, jute manufactures, and tumber, the trade in which was very active, and there was an improvement in seeds, wool, and oils, which, in the case of the first-named, is still more marked in the present year. There was but a slight increase in food grains, but during the first quarter of this year the rice and wheat was very active, the exports of the latter during that period amounting to 566,138 tons, value Rs. 6,055,308." Of course the large exports of wheat in the present year are owing to the increase in sterling price.

9387. Would your objection to a gold standard, at 16d. the rupee, apply equally to a rupee at a somewhat lower price?—Not equally. Regarding the proposals for the establishment of a gold standard—these, while differing in some points, are all based upon a rate of 1s. 4d., and are open to the objection which I have indicated in regard to the Government scheme, viz. —that they do not take into account the effect on trade of the measures required to maintain the rate proposed, and the danger that the result may be to turn the balance of trade against India, when any scheme adopted would necessarily collapse. The best known of the schemes proposed is that associated with the name of Mr. Lindsay, to which other obvious objections have been put forward: that it would involve the Government of India in an indefinite liability to give gold in exchange for rupees; that it would entail continued interference by Government with the currency, which is undesirable; that it would also necessitate the withdrawal from use, and the locking up, of a large amount of gold which might affect sterling prices to the disadvantage of India, and would add to the sterling obligations of the country. I have already stated that I believe no scheme for the establishment of a gold standard on the basis of the rate of 1s. 4d. per rupee will succeed; and, if a lower rate approximating to the natural level of Exchange required by trade conditions is fixed upon, I do not see that any special measures, such as those suggested by Mr. Lindsay and others, would be required to maintain the same.

9388. Were you there contemplating a 10d. rupee?—No.

9389. What then?—1s. 4d.

9390. But you say, "were a lower rate fixed"?—I was going on to that. The difficulty arises in fixing upon the rate which, it may be expected, would be maintained by the conditions of trade. An indication of this might have been got if the value of the rupee had not been affected by the closing of the mints, as

it has been apparent that, while the fall in the value of the rupee in relation to gold has been beneficial to India, by maintaining the rupee values of produce in the face of the fall which has taken place in sterling prices, and by enabling its exports to compete advantageously with the productions of countries using a gold standard, this benefit must have a limit, which would be reached when the purchasing power of the rupee fell, or, in other words, when a general rise took place in the prices of Indian commodities. Up to the time of the closing of the mints there is no decided evidence, so far as I can judge, of any material rise in the rupee values of the principal articles of export —

9391. Do you say prior to the closing of the mints?—Up to the time of the closing of the mints,—which would indicate that this point had been reached. With regard to prices, Mr. O'Connor states (850): "In the case of articles which are chiefly intended for export, prices have not risen in all cases; in some cases they have remained stationary or fallen. The tendency is to follow gold prices." He goes on to add: "The prices I refer to as having risen are prices of ordinary food grains, which do not enter really into the export trade." Sir A. P. MacDonnell in his evidence states (5721, 5722): "From 1860 to 1873, about the time when the currency depreciated, there was considerable oscillation in prices; from 1873 until 1885 there was less oscillation. The tendency was generally upwards, but the variations were marked. Prices steadied from 1885 till the mints were closed in 1893. There was a great stability in prices with a tendency upwards." Further on (5774) Sir A. P. MacDonnell states: "Apart from the dislocation caused by the famine and bad seasons, the purchasing power of the rupee has remained pretty steady. There have been local variations of course, owing to scarcity and so on, but, apart from these, the purchasing power of the rupee has remained steady from the middle of 1886 to the middle of 1893." The explanation in regard to a rise in prices in some parts of the interior of the country, is, no doubt, that the extension of railways and improved means of communication have tended to equalize prices by raising them in districts in which, owing to previous want of access to central markets, commodities were cheap, and this is brought out in Sir A. P. MacDonnell's replies to Questions 5812, 5813, 5814. Assuming, then, that the purchasing power of the rupee had not fallen up to the time of the closing of the mints, or, in other words, that the rupee had not depreciated in value in relation to commodities in India, the limit of the benefit resulting from the fall in its value in relation to gold had not been reached up to that time. I should have expected, if exchange had remained at about the lowest point to which it fell in 1894, say, between 1s. and 1s. 1d., that the tendency would have been for the purchasing power of the rupee to fall, and, assuming this to be the case, the natural level of Exchange required by conditions of trade would approximate to that point. The nearer the rate fixed upon approached that point, the greater the probability that the scheme for the establishment of a gold standard would be successful. Having regard, however, to the benefit which would result from a comparatively stable Exchange in the influx of capital for industrial purposes and in cheaper money, it may be expected that the trade of the country could stand a somewhat higher rate of Exchange, and, in suggesting a modification of the present currency scheme of the Government, I should be in favour of adopting the rate of 1s. 2d. in place of 1s. 4d. If 1s. 2d. is fixed upon, there are, I think, reasonable grounds for believing that the rate could be maintained by the conditions of trade without any special measures being necessary for the acquisition of gold, which, under the system of giving rupees in exchange for same, would gradually accumulate in the hands of Government as the requirements of trade necessitated expansion of the currency. It is generally recognised that a gold currency is not required for India at present,

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and it would rest with Government, as gold accumulated in exchange for rupees, to decide whether, and when, it might be desirable to adopt it.

9392 Have you any opinion as to the convertibility of the rupee into gold otherwise than, as now, through Exchange?—I do not quite follow that.

9393 Should you hold that the rupee, at whatever rate was fixed, should be convertible into gold absolutely? Do you contemplate the rupee and gold being absolutely convertible in all cases, if the gold standard were introduced?—No, not until it was desired to make the gold currency effective. I think it would be sufficient in the meantime if the Government undertook to give rupees for gold.

9394 Failing some modification of the Indian Government's proposals, you would reopen the mint to silver?—I think that would be better than continuing the present condition of affairs.

9395 And better than a gold standard with a 1s. 2d. rupee?—I do not say that. My suggestion is to take 1s. 2d. and endeavour to introduce a gold standard, as the best way, in my opinion, out of the present difficulty.

9396 How would you propose that the Government of India should meet the difficulty of its gold payments in England under those circumstances, have you contemplated any increase of taxation?—That might be necessary, or it might not be. Taking the financial position of India for the last six years, I note that in the two years in which the exchange was lowest—below 1s. 2d.—there was a surplus, in the other four years there was a deficiency, although the exchange was higher, which would indicate that the revenues of the country would expand with a low exchange.

9397 You would contemplate that a rupee at 1s. 2d. and a gold standard would so increase the export trade of the country that additional taxation would not become necessary, unless as a temporary measure?—The revenues would increase by expansion of trade. Whether that would be sufficient to meet at present all the sterling obligations of the Government, it is difficult to say. There might be necessity

for some additional taxation, which might take the form of increasing the import duties.

9398 You are of opinion that that is the best method of increasing taxation?—I have not gone into the question, but I should think the imports might stand additional taxation.

9399 But you would not advocate an export duty?—Certainly not. I am altogether opposed to duties on exports.

9400 Is there anything you would like to add?—I should like to refer to the effect of the rise in Exchange upon imports. While the currency policy of the Government is shown to be prejudicial to the interests of Indian producers, and likely to affect in consequence the revenues of the country, the artificial rise in Exchange operates in favour of foreign manufacturers, and, by stimulating the importation of manufactured goods, tends to injure Indian industries, and to check new enterprises which would help to develop the country and increase its capacity for exporting. The principal article of merchandise imported into India is cotton goods, and, while the manufacturers of same have been favoured by the rise in Exchange, they have also had the advantages of the low prices ruling for raw cotton during the last five years. A reference appeared in one of the daily papers last week to the unprecedented cheapness of raw cotton at the present time, and, in explanation of same, it was stated that an exhaustive report furnished by bankers in the Southern States of America estimates that in most sections the cost of production is only about one half what it was ten years ago, the current price—five cents a pound at port of loading—yielding, consequently, about the same profit as double the price did a decade back. European manufacturers of cotton goods have, therefore, a double advantage, in the unprecedentedly low price of raw cotton, and the artificial rise in Exchange. An article the imports of which into India have been stimulated and largely increased by the rise in Exchange, is beet sugar. The following statement shows the extent of the increase.—Extract from Trade and Navigation accounts of British India for the month of March 1898, and the twelve months, 1st April 1897 to 31st March 1898:—

IMPORTS—FOREIGN TRADE.
Sugar—Refined and Crystallised.

	Month of March			Twelve Months, 1st April to 31st March.		
	1896.	1897.	1898.	1895-96.	1896-97.	1897-98.
	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.	Cwt.
Austria-Hungary	1,626	39,710	176,902	4,934	115,514	954,745
Germany	12,878	90,581	164,234	718,218	758,806	1,203,309
Mauritius	163,684	211,011	151,181	1,866,733	1,366,733	1,406,047
China	30,257	11,211	27,479	206,049	139,210	291,175
Java	—	—	—	109,998	97,468	140,465
Straits Settlements	7,834	11,054	9,612	107,743	63,332	74,357
Other countries	708	3,723	3,087	11,209	19,203	174,276
Total	216,987	367,290	588,495	2,524,974	2,682,463	4,235,894

Average rate of Exchange for Secretary of State's bills, - - - 1s. 1.64d., 1s. 2.45d., 1s. 3.85d.

It will be observed that the imports from Austria-Hungary and Germany have increased three-fold during the past three years. In the Review of the Trade of India for 1897-98 the following reference to this matter is made:—"The increase in the importations of sugar is one of the most noticeable features in the import trade of the year. The quantity imported is 61 per cent. greater than in 1896-97, and the value is higher by Rs. 1,632,650. The first place is still held by Mauritius, but, whereas the importation of 1,666,845 cwts in 1896-7 was 58 per cent. of the whole trade, last year its share was reduced to 38 per cent., with an import of 1,778,016 cwts. There is an increase from all the sources of supply, but the bounty-fed beet sugar from Austria-Hungary and Germany has flooded

the market. These countries have been forced to find an outlet for their sugar in the markets of the East, by reason of the closing of the United States market by the Dingley tariff, which imposed a countervailing duty equal to the export bounty, and the competition of France in the English market due to an enhanced export bounty on French sugar." In connexion with this matter, a note on the effects of the unrestricted importation of bounty-fed sugar on the sugar-cane industry of India was submitted some months ago by the Bengal Chamber of Commerce to the Government of India, and the following extracts from same are of interest:—

9401. That is raising the question of bounty-fed sugar, and the best way of meeting it: I do not know that we need go into that?—It is the effect of the

rise in Exchange in stimulating the import of bounty-fed sugar, because the imports have increased so enormously since the rise in Exchange took place.

9402. Very well, will you read the note to us?—
 “Broadly speaking, the sugar industry has passed through two phases, and has entered upon a third. India was a sugar-exporting country at the beginning of the century. It became, in the course of years, a self-supplying country, more or less stripped of its exports. It is now fast taking the position of an importing country. The causes which led to the restriction of exports are explained in historical accounts already in the possession of the Government of India, and are summed up in State Blue Books and in the Imperial Dictionary of Economic Products. Imports, when this last was written, had already begun to take the place of exports. And ‘they were drawn,’ writes the editor, ‘from the very countries which were formerly the chief consumers of our exports.’ But at that period—about 1890—the effect on the price of sugar in India and on home consumption had not become alarming. ‘So far,’ Dr. Watt remarks, ‘it may be safely affirmed that the loss of the markets to which India formerly exported sugar, and the creation of a foreign supply, have not told injuriously upon the production of sugar in India, notwithstanding that already India imports 3 cwts. for every cwt. exported.’ But the prospects of the future were regarded with great apprehension. ‘If,’ continues the article, ‘the Colonial sugar manufacturers were to produce an article competing in price with even more expensive qualities of *gur*, the import trade would at once become of graver moment than it has yet assumed.’ That this critical period has been reached is the main fact which the present note is intended to illustrate. That the foreign bounty system benefits Great Britain is well understood. It assists materially in the provision of a cheap breakfast table, and the whole population gains. But in India, a sugar producing country, its effects are more complicated, and very different; consumers (of refined sugar), as in Great Britain, are, of course, *pro tanto* equally benefited, but these do not, as in Great Britain—and this is an important point—represent the whole community. On the other hand the State, which does represent the whole community, must, as well as a very large section of the agricultural population, be very injuriously affected. For the importation of cheap sugar from abroad means the diminution of sugar production in India, and that means, as will be shown, the lessening of the ability of the cultivator to pay rent, of the proprietor to pay land revenue, of the canal system to realise its rightful income, and of the manufacturer to compete against the foreigner. It means, in short, a future necessity to impose fresh taxes as a set-off against the curtailment of land and water revenue, and this seems to be the ultimate calamity which has to be averted. The importance of cane cultivation in the agricultural scheme of almost every province in India is, perhaps, hardly appreciated, except by those officials whose duties have brought them into association with the settlement of land revenue. The remark may be found in many a settlement report that in such and such tracts the entire rent, and therefore the entire revenue, is paid from the cane field. ‘The peasants say,’ writes the Settlement Officer of Bareilly, ‘that sugar cane is to other tillage as the elephant to other beasts.’ In almost every settlement report and district gazetteer of the Punjab, of the North-Western Provinces, and of Oudh, the extremely important position held by sugar cane in maintaining agricultural prosperity is prominently noticed, as the extracts quoted below sufficiently indicate. While the cultivator, the landlord, the land revenue, and the canal revenue, will thus be affected, the manufacturing interests of the country will also suffer. These, perhaps, are less important than those already dealt with, but they ought not to be ignored. The manufacture of better classes of sugar is a natural

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“outlet for capital in a sugar-producing country, and is one, among many other investments, which tend to the employment of non-agricultural labour. Nor must the fact be overlooked that the rise in the value of the rupee has been in recent years an important factor in the encouragement of foreign importations. As that rise has been mainly due to State action, so the remedy can only be found in action by the State. The value of the rupee has, since the closing of the mints, been enhanced by something like 30 per cent., and the advantage has been to the foreign importer immediate and positive. To the cultivator of cane the advantage has been—if he has gained anything at all—indirect; but, as has often been argued, many years will elapse before the loss involved in a lower rupee price, so far as that lower price is due to an enhanced value of the rupee, will be equalised by lower rupee prices for labour and for household necessities. In the meantime the foreign importer will have had the opportunity to establish a position against him.” The note goes on: “In conclusion, in the event of the Continental subsidies not being done away with, the measure proposed would free India from the injurious effects of a pernicious bounty system, which has enabled beet sugar to disturb the best market, and threatens, in the interests of alien agricultural populations, not only to bring industrial ruin on a large class of our own industrial classes, but to add to the existing difficulties of the Government the most dangerous of all problems, an agrarian grievance calculated to give rise to distrust and discontent, which, once aroused, might be difficult to allay.” The average area under sugar cane for the five years 1892-93 to 1896-97, according to the Government returns, was 2,808,528 acres. The position of the sugar market in August last is thus referred to in advices from Calcutta. “Market here is being seriously affected by excessive beet imports, and prices are the lowest on record.”

9403. (Sir, J. Muir.) Is there no other topic upon which you wish to give evidence?—I should like to refer also to the position of salt.

9404. That is one of the first questions upon which I was going to examine you?—In the Calcutta *Englishman* newspaper of the 6th October last, I find the following remarks with regard to a falling off in the salt revenue, and the increased imports of European salt favoured by the high rate of Exchange:—“The resolution on the report of the Board of Revenue on the administration of the Salt Department for the last year lays stress on the fact that the administration of the Salt Department in Bengal has a widely different significance from that which attaches to the same term in the other great Maritime provinces of Madras and Bombay. In the two latter provinces there is no import of foreign salt from over sea, the whole salt supply of the people being provided by local manufacture, either by Government agency, or under an Excise system of licenses. In Madras, for example, the quantity of salt imported by sea during the past year was only a little more than 12½ lakhs of maunds, of which almost all came from Bombay, whereas 64 lakhs of maunds were manufactured locally. Similarly, in Bombay during the same year only a little over 8,000 maunds of foreign salt were imported by sea, while the quantity manufactured locally exceeded 103 lakhs of maunds. In the case of Bengal, the imports by sea exceeded 122 lakhs of maunds, while the quantity manufactured locally, under Government supervision, was relatively insignificant, being under two lakhs of maunds. After rising steadily for three years, the salt revenue last year showed a decrease amounting to Rs. 4,94,637 or 4.9 per cent., as compared with the preceding year. The decrease is attributed to smaller clearances owing to the famine, and to a marked falling-off owing to reduced sales of salt at the Government factories in Orissa, the opening of the East Coast Railway having facilitated the import of Ganjam salt on a larger scale, and at a smaller

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"cost: towards the close of the year the imports of foreign salt into Calcutta were very large. In this connexion, the collector of customs observes that the increased importation of Liverpool salt was due to the action of the Salt Union in sending out a larger quantity of salt to compete with the crushed salt from Aden and the Red Sea, and they succeeded in doing so, as the high rate of Exchange was in their favour, and they were able to obtain plentiful and cheap freights from England. The result of this increased importation was to send down the prices of salt, and to check the sale of crushed salt in favour of the Liverpool and Hamburg article."

9405. I do not quite follow you in your replies to the Chairman in connexion with his question on tea. In 1896, what did you say the average rate of Exchange was?—The average rate of Exchange for Secretary of State's bills in 1896 was 1s. 2. 45d.

9406. What did you say was the general result of the tea trade as brought out by the reports of the companies for 1896?—I made no remarks about 1896. It was 1897 I dealt with.

9407. We will take 1897. What was the average rate of Exchange then?—1s. 3. 45d.

9408. What was the result of the tea industry in 1897?—It was seriously affected by the rise in exchange in the matter of its profits. I will hand in extracts—I suppose I need not read them now—from various tea companies' reports for the year 1897, which bear that out. [For these extracts, see Appendix.]

9409. Then I think you said that tea-seed had now become practically unsaleable on account of the stoppage of the extension?—That is the case.

9410. Then, I think, you said that the average price in 1897 of tea was 9d.?—Yes, of tea sold in London.

9411. In 1898 it was 8. 63d.?—Up to the end of October.

9412. That is rather more than a farthing a lb drop?—Yes; it is not quite a halfpenny.

9413. That is no great thing, the fall being rather more than a farthing a lb. Then you made a remark in reply to the Chairman which led me to think you did not quite understand his question. The question was, "Is the cost of producing tea in India unaffected by the variations in exchange?" You said, Yes; but I would like just to remind you that, in order to lay down rupees in Calcutta for the payment of wages of your coolies, you must get them at a certain rate of Exchange; it makes a vast difference to the planter whether he can sell his bills upon London to procure his rupees at 1s. 0½d. or must sell them at 1s. 4d.?—That is quite true. My reply to the Chairman's question referred to the cost in rupees, not to the laying down of rupees.

9414. Still, in order to provide your funds to pay your coolies' wages and for cultivation expenses, it does make a difference to the planter whether he can get that money from London at 1s. 0½d. the rupee?—It does make a great difference, and the dearness of money adds to the cost of production.

9415. Then, with regard to indigo, and this artificial dye in Germany, am I correct in saying that that is no better than the real article that we have hitherto had from India, but it is a question of price?—Exactly.

9416. If they increase the production largely in Germany, as it is reported they are trying to do, it may very materially affect the price at which they can produce it; that is to say, they might produce a very big quantity at a lower rate than they can produce a small quantity of the artificial dye?—They may be able to do so.

9417. Therefore, it is of vital importance to the indigo planter in India that he should be able to put down his indigo in Europe at the lowest possible price?—Exactly.

9418. And, therefore, if the rupee cost him 1s. 4d. in Calcutta, it makes a great difference between that and 1s. 0½d., that is to say, it will cost him far more

when Exchange is at 1s. 4d. than when it is at 1s. 0½d.?—He gets a lower price for his indigo in Calcutta if he sells it there. The sterling price being regulated by supply and demand, if he sells in Calcutta he gets a smaller price for his indigo with Exchange at 1s. 4d. than he does with Exchange at 1s. 2d. or 1s. 1d.

9419. But, so far as the cost of production is concerned, the same rule applies to him as to the tea planter. He has wages also to lay down for his indigo cultivation?—Quite so.

9420. And, therefore, if he can lay down these wages at 1s. 0½d., it is very much better for him than if he has to lay them down at 1s. 4d.?—That is quite correct.

9421. Then you make in your statement here some reference to illicit coinage. Perhaps you will just briefly express your views as to that, as we have had that question before us on two or three occasions?—A notice that appeared in the Pioneer newspaper of September 1898 stated:—"Mr Henry, the Inspector-General of Police in Bengal, has some noteworthy remarks on the subject of illicit coinage in his annual report: 'During last year,' he observes, 'over 1,000 tons of silver were imported and distributed throughout the country; and, having regard to the fact that there is a very large number of persons competent to manufacture from silver, of the value of 11d., rupees which have a fictitious value of 1s. 4d., the possibility of the counterfeit coining of silver rupees being carried on extensively should not be lost sight of. Many of the specimens of counterfeit rupees which come into our hands are of excellent workmanship; were it not that they are of base metal, their genuineness as Queen's coin would in all probability never have been challenged.' This is evidently a very important piece of evidence. During the examination before the Currency Committee of Mr. O'Conor, the Director-General of Statistics, the following dialogue occurred: "Q. In your judgment, there has not been much illicit coinage since the closing of the mints?—We have no evidence at all of illicit coinage other than what has been going on from time immemorial." "Q. And you would have known it, had there been any exceptional illicit coinage?—I think it is practically certain we should have known it." Here, however, is the Inspector-General of Police in Bengal declaring that, if some of the coiners who came under cognizance of the police last year had only been content with a smaller profit, and had made their counterfeit silver instead of base metal, their workmanship was so excellent that the fraud "would in all probability" never have been discovered. In other words, Mr. Henry virtually says that, if coiners as skilled as those whom he had found operating with base metal, had coined a large portion of the 336 lakhs of "unexpected rupees" of date 1840 and 1862 which emerged last year, their work would in all probability never have been challenged. Thus the evidence of the Director-General of Statistics and that of the Inspector-General of Police in Bengal are almost diametrically opposed on this point.

9422. I understand that your views are in favour of the present system being continued, but on the basis of 1s. 2d., instead of 1s. 4d., the rupee?—Yes, that is so.

9423. You have given a good deal of consideration to this matter. Is it your impression that, in so far as the two large industries you represent—indigo and tea—are concerned, a 1s. 2d. rate would enable the trade to go on fairly well?—Certainly, the burden on the industries would be lessened by adopting the lower rate.

9424. Whereas both industries will be killed by the 1s. 4d.?—They will suffer very materially. It will be a case of the survival of the fittest.

9425. In fact, there may be a repetition to some extent of what has occurred with regard to sugar, which the Government would, equally with the merchant, very greatly deplore. Are you aware that in Calcutta there is a very strong feeling, not only among

Indigo planters and tea planters, and dealers in wheat, but among the great majority of the merchants, against this 1s. 4d rate?—I believe that is the general feeling.

9426. We have had evidence to that effect from other witnesses. I would just like you to place on record your views in regard to the remarks made by Lord George Hamilton in the House of Commons on the 17th June last?—Lord George Hamilton, in the House of Commons, on the 17th June last, is reported to have made the following statement:—"I want the Committee just to realise what difference a slight rise in the Exchange value of the rupee has done for Indian finance during the critical period of the last three years. I will assume, for a minute, that the rupee had remained at the figure which it reached during my predecessor's tenure of office—12'7d. At the present moment the silver value of the rupee is 10'5d. I think all will agree that that is a reasonable figure at which the rupee might be taken if the Indian Government had done nothing but stand still, and, if it had remained at that figure,"—by which I understand 12'7d.—"the loss by Exchange during the past three years would have been Rs. 50,000,000, an excess of Rs. 17,000,000 over the actual loss that did occur." The gain referred to of Rs. 17,000,000 did not come out of nothing. It was obtained at the expense of Indian producers, including the Government itself, which

in 1897 sold 39,000 chests of Bengal opium for Rs. 4,090,198, as against Rs. 5,116,555 realised for a similar quantity in the previous year, showing a deficiency of Rs. 1,026,357. The average price in 1897 was Rs. 1,048'12'3, as against Rs. 1,311'14'11 in 1896. Mr. O'Connor, in the "Review of the Trade of India for 1896-97," remarks on the embarrassed state of the opium trade caused by the stringency of the Indian money market, which induced a fall in prices, such fall in prices being further assisted by the increasing divergence between the Exchange value of the rupee and the taal.

9427. Is that all you have to say upon that point?—Yes.

9428. Then you know something of the jute mill industry in Bengal. Is it a large industry?—A very large and very important industry.

9429. You have something to say in regard to the effect of dear money on the working of jute mills?—Taking 6 per cent. as a fair charge for interest during the first six months in normal years, the average cost of money for the six months of 1898 was fully 11 per cent., giving an excess of 5 per cent. per annum for interest incurred on overdrafts against working stocks of jute held by the companies named below. The following statement in regard to some Calcutta jute mills, shows the six months' excess interest, and the per-centage this excess would represent in dividend per annum on the paid-up capital of the companies:—

Company.	Capital.	Bank Overdrafts.	Excess Interest incurred on Overdrafts for Half-year ending 30th June 1898.	Excess Interest represents following Dividend per Annum on Capital.
	Rs.	Rs.	Rs.	Per cent.
Kanknarrah - - - -	14,00,000	6,51,280	16,282	2½
Khurdah - - - -	12,00,000	7,38,361	18,459	3½
Standard - - - -	10,00,000	5,80,237	14,505	2½
Union - - - -	9,00,000	10,46,680	26,167	5½
Scubpore - - - -	10,00,000	26,69,407	66,735	18½
Gowropore - - - -	19,00,000	10,66,752	26,668	2½
Central - - - -	7,00,000	4,67,775	11,694	2½
Hoochly - - - -	39,60,000	22,46,161	56,153	3½
Alliance - - - -	11,00,000	8,63,453	21,566	3½

9430. That is all you have to say in regard to the jute mill industry?—Yes.

9431. (Sir C. Crossinwaste). I understand you hold that it is a good thing for a country to export as much as possible?—Certainly; undoubtedly for India, to export as much as possible. I understand you refer to India.

9432. I meant generally, first of all?—Certainly it is a good thing, and a most important thing for India that she should export largely.

9433. You do not look to the price of what is exported, it is the quantity?—Well, I hold this, that it is better to be able to export something at a low exchange than not to export anything, or to export a materially reduced quantity, at a higher exchange.

9434. But, if you can pay your debts with a smaller excess of exports over imports, that would be an advantage, you think?—Certainly.

9435. Now, do you think that the rate of exchange affects sterling prices? I think you said, with regard to tea, that supply and demand regulated the sterling prices?—I think that sterling prices are more or less regulated by supply and demand; that is the general rule.

9436. And with regard to the principal products of India for export, would you say that that was the general rule?—Certainly.

9437. Now, turning to the case of tea, do you think that the rise of the rate of exchange has damaged, or is likely to damage, the production of tea?—It will certainly damage it.

9438. I suppose you will admit that the quantity of tea that has been exported from India has so far con-

tinued to increase. I have the figures here up to 1896 of the total production of tea in India, and I see there has been a steady increase. For example, the exports in lbs. were in round numbers 132 millions in 1893; in 1896 they had risen to 156 millions?—Yes, I know the output of tea has gone on increasing from extensions that were carried out before the effect of the closing of the mints was felt.

9439. Anyhow, it has gone on increasing?—It has, but then —

9440. So far, on your principles, certainly no harm has been done?—The harm is being done now, and the effect will be felt.

9441. But, so far as we have got the figures, the quantity exported, which you say is the main thing, has gone on increasing?—Because the effect of the rise of exchange was not felt on the industry; it is only within the last two years that that has been felt.

9442. What do you mean by the effect of the rise of exchange?—The effect in adding to the cost of production and lowering the rupee price of tea.

9443. I thought you said that the rupee cost of production had remained the same, that it had not been added to?—Yes, but in reply to Sir John Muir's question I said that it cost the companies that are financed from London more to lay down the rupees required to work their factories at an exchange of 1s. 4d. than would be required if they worked them at an exchange of 1s. 1d.

9444. What I mean is this. You say now that the disadvantage is in the cost of production being increased, and the rupee price lowered. But you must not say both those things. The cost in rupees

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has remained the same, has it not?—The rupees are the same, yes.

9445. Therefore, whatever loss there is, is confined to the reduction of the rupee price?—Yes, but it operates in different ways. In the case of English tea companies, financed in sterling, and where teas are sold in London, the effect of the higher exchange is shown in their accounts as adding to the cost of production, in consequence of the fewer rupees obtained for the money sent out to India to carry on their gardens. In the case of Indian tea companies, financed in rupees, and whose teas are sold in Calcutta, the effect of the higher exchange appears in the lower prices obtained for their teas. But the result is the same in both cases—a reduction in profits.

9446. I know it operates in different ways; but what I want you to admit is that you must not say that you are cut both ways?—Oh, no, I did not intend to say that. It reduces the returns to the producer.

9447. Practically it reduces your profits?—It reduces our profits.

9448. Because it costs you more to lay down the rupees which are wanted for production?—Yes.

(*Sir J. Muir*) I am not quite sure that the witness exactly grasps your question.

(*Sir C. Crosswaite*) I think Mr Cruickshank has grasped my question, but I will put it as plainly as I can.

9449. The rupee cost of production you admit has remained the same?—In rupees yes, about the same.

9450. But of the sterling price which you get in London, it costs you more to lay down those rupees in Ceylon or India?—Yes, it costs more to lay down.

(*Sir J. Muir*) But I think the witness in reply to my question said it cost him more to obtain his rupees in Calcutta to pay his wages at an Exchange of 1s. 4d. than at a rate of 1s. 1d.

(*Witness*) That is the same thing, I take it.

9451. (*Sir C. Crosswaite*) In your memorandum you say, "The effect of the present currency policy of the Government of India, and of the further proposals put forward, is to impose indirectly a heavy tax upon exports, and to increase the cost of production by raising the value of money." That means the cost of production in India, I presume?—Yes, it would tend to increase the cost of production.

9452. You also hold that there has been a great contraction of the currency owing to the closure of the mints?—The currency is insufficient for the requirements of trade.

9453. Has that shown itself in any lowering of prices, or not, have rupee prices fallen in India in consequence?—Rupee prices are falling in India.

9454. They are falling?—Yes.

9455. And you think they are falling in consequence partly or mainly—we cannot tell, I suppose, exactly how much is due to each cause—but you think the cause is partly the closing of the mints, and the consequent restriction of currency?—Certainly.

9456. The tendency of the Government policy is to raise the value of rupee money, and therefore to reduce, gradually or quickly, the price of produce?—Certainly.

9457. And, I suppose, with the price of produce, the rate of wages will also tend to fall?—I do not quite follow that.

9458. In a country like India, the food is the main thing, I suppose?—Yes. I think the tendency should be for wages to fall.

9459. Therefore, the tendency of the policy of the Government appears to me to be, on those principles, to reduce the cost of food and of labour. According to what you have said, the tendency is to lower the price of food, and as a consequence there is a tendency to reduce the wages of the labouring class?—But what benefit would it be to the labouring classes, when, as a matter of fact, they have smaller wages, and have only the same return in food?

9460. But, suppose in England bread was cheapening, and that the labourers and workmen and opera-

tives were content to get less wages owing to the great cheapness of food, would an English manufacturer say that that was likely to increase the cost of his production?—No, it would tend to lessen the cost of production.

9461. In India, does not the same thing apply? I mean, supposing the value of money is being increased, is it not obvious that the tendency would be to lessen the cost of production *pro tanto*?—Well, you may lower prices to a point at which it would not be profitable to produce at all, as in the case of tea, and in the case of indigo.

9462. But, as I understand it, the sterling price of tea goes by supply and demand?—Yes.

9463. Now your cost of production with a high exchange was so much, and you admit that the tendency of the raising of the value of money by the Government policy will be to lower the price of labour and food; therefore the tendency would be for the cost of production, so far as it depends upon labour and food, to diminish, not to increase. Of course, I admit that things in India sometimes turn out very differently, but it seems to me that, given cheap labour and cheap food, the tendency of the currency policy advocated by the Government being, as you say, to raise the value of money and to lower prices—it seems to me that that must diminish the cost of production rather than otherwise?—Well, if it makes money dear, it adds to the cost of production, and we do not find that the artificial rise in the value of the rupee has diminished the cost of production in the case of tea and indigo. In England, notwithstanding the largely increased purchasing power of its gold currency, wages, I believe, have not fallen. Nor have they done so in India since the artificial rise in the value of the rupee.

9464. "Makes money dear" is a different phrase. What you said here was "raising the value of money." Money might be dear for the purpose of borrowing or getting large advances, and that might embarrass you, but it is quite a different thing from raising the value of money?—Probably that was not the correct expression. It might have been more correct to have said, dearness of money, because "value" might attach to the purchasing power of the rupee; whereas I meant the cost of money.

9465. Then you do not think that the Government policy will add to the purchasing power of the rupee?—It will, if it reduces prices—as it is doing.

9466. It will add to the purchasing power of the rupee?—Certainly.

9467. At the same time, you mean, it would make difficulties in getting advances of money in the money market?—Yes, it costs you more for any money you have to borrow.

9468. It raises the sterling value of the rupee; I suppose there is no doubt about that. If the closure of the mints has been ineffective, as some people say, and has not caused a contraction of the currency at all, then the charge which you bring against the Government of restricting the coinage by closing the mints falls to the ground, does it not—if there was no contraction of currency? Your case is that the Government by an arbitrary act has raised the sterling value of the rupee to 1s. 4d?—Yes.

9469. I say that, as you hold that, you must admit that the contraction of the currency has had an effect—that the closure of the mints has had an effect?—It has certainly made money dear and stringent.

9470. And the effect has been to raise the sterling value of the rupee?—The sterling value, yes.

9471. Now, in the cost of production, certainly in the case of tea to some extent, and more largely I suppose in the case of cotton mills and jute mills, the price of European machinery and the cost of European supervision enter into the calculation, do they not?—To some small extent; in the case of tea, to a very small extent.

9472. In the case of tea, as I say it is to a small extent; in the case of mills, it is to a larger extent?—As regards their machinery, certainly.

9473. And as regards their European supervision?—Where that is paid in sterling, but not if it is paid in rupees.

9474. I suppose, even when it is paid in rupees, if the rupee is worth more sterling, you are likely to get English labour for less rupees than where it is worth less sterling?—English labour can be got on practically the same terms as it could 20 or 25 years ago, so far as supervision goes.

9475. It has not affected it?—It has not affected it.

9476. But the policy of raising the value of the rupee is not one which you would say tends to increase the cost of production of tea, or indigo, or cotton, or jute?—If you make money dear, it increases the cost of producing those articles.

9477. I am not talking of making money dear; I am talking of raising the sterling value of it?—I do not follow you quite.

9478. What I mean is this. You have to pay for European labour, and you have to pay for European machinery. The sterling value of the rupee enters more or less into the burden of those payments?—Certainly.

9479. I say more or less?—More or less—to a certain extent.

9480. Therefore, the higher the sterling value of the rupee, the less will be the cost of the machinery and of the European labour?—So far as it is paid for in sterling.

9481. The European labour, I should say, in any case, because the Englishman, so far as I know, looks more or less to the sterling value of what he is paid in; at least if he is a Government servant, or if we are engaging him for the Government, I know that that is so?—Yes, theoretically, that is quite correct.

9482. Therefore, what I want to ask you is this, looking to those facts, do you still maintain that the policy of the Government in raising the sterling value of the rupee is a policy which increases the cost of production?—Yes.

9483. You still maintain that?—Yes.

9484. Will you explain how?—Because what you stated as regards the sterling cost is a small item, comparatively, to the total outlay necessary for the production, say, of tea or indigo; it is relatively a small one.

9485. Will you say in what those outlays mainly consist?—Wages is the principal item in a tea garden.

9486. You have admitted that the tendency of the Government policy is not to increase the wages, but to decrease them?—(Sir J. Muir.) No, I do not think the witness has said that.

9487. (Sir C. Crosthwaite.) Yes, in rupees. You are going back now to the question of profits. Of course your sterling profits will be less if you have to pay more for your rupees; but what I say is that the cost of production in India cannot be raised, so far as I can see, by raising the value of the rupee?—Take the case of a tea garden. The cost of production will be increased if you add to the dearness of money; and the interest on the working capital required, if you have to pay 10 per cent for it, instead of 7 or 8 per cent., will be an item which adds to the cost of producing the article. Now, you say, as I understand it, that as against that there is a saving in the lower price paid for machinery and other things obtained from England. That is so, but that item is a very small one. In the case of tea, I do not think over a series of years it amounts to more than 10 per cent. of the total outlay.

9488. This other item which you have brought forward, namely, the cost of procuring the loans which you want, or the money on your bills, to what do you attribute that increasing cost?—To the rise in exchange and the dearness of money.

9489. But is it due to the rise in exchange?—If I have to send out from this country 1,000*l.* to carry on a tea garden, and I can lay that money down at 1*s.* 1*d.* exchange, I get more rupees for it than if I laid it down at a 1*s.* 4*d.* exchange.

9490. But that is money that you send back from the proceeds of the sale of your tea?—Certainly it goes back in the shape of tea.

9491. I was questioning you as to what you say here as to "raising the value of money." When you talk of "the dearness of money," I understand you to mean that, to get your advances in Calcutta or Bombay or wherever it is, you would have to pay more?—Yes.

9492. You would have more interest and heavier discount?—Yes.

9493. To what do you attribute that heavier discount?—Scarcity of money.

9494. At present the whole thing is in a transition state, is it not?—Yes.

9495. But suppose that a gold standard was established firmly, and that people had confidence in it, that cause for the dearness of money would not exist, would it?—If the money went out. You must attract it out there.

9496. I suppose it will go out if there is confidence?—Money will only go out if it can be profitably employed, and, if you injure the industries in which European capital is employed, tea, indigo, and so on,—if you destroy them, and there is no prospect of a return to attract money, it will not go out.

9497. If you destroy them, those industries of course will not want money at all; but is it not begging the question to say that they will be destroyed?—You may so injure them that they will not attract capital for investment in them.

9498. So far as we know at present, the industries are going on?—They are going on certainly, but their prosperity is being seriously affected.

9499. Now I will come to the remarks which you quote from a letter from the Government of India of the 16th September 1897, which, as quoted by you, would seem to be very much against any raising of the sterling value of the rupee?—Beyond 1*s.* 4*d.*, yes.

9500. Can you tell me what was the subject of the letter from which you have quoted those remarks?—I believe it was in connexion with the proposals put forward by the French and American Governments.

9501. In connexion with the proposals for an international agreement to establish bi-metallicism, was it not?—I understand so, or something of that kind.

9502. Can you tell me what the ratio was which France and America proposed?—No, I cannot.

9503. The Government of India's remarks were directed, were they not, against attempting to raise the rupee to 2*s.*?—Against raising it above 1*s.* 4*d.* as I understand it. They indicate their own opinions in the passage that I have quoted. The Government say in that despatch, "that the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from 16*d.* the rupee, and that any measure which would raise the rupee materially higher than that level involves great dangers."

9504. Quite so, but in the quotation that you have made, beginning "pressed as we have been" and so on, what I want to know is whether those remarks were made with reference to raising the rupee to 1*s.* 4*d.* or a trifle over, or were they made with reference to raising the rupee materially higher?—I should say with reference to raising it materially higher. They say themselves, "which would raise the rupee materially higher than that level."

9505. The proposal before them was to raise it to what?—That I do not know.

9506. At present, they propose to put it at 1*s.* 4*d.* do they not?—Yes.

9507. Therefore, is it fair to quote these remarks of the Government of India, with reference to their present proposals?—I think it is quite fair. I have gone on to say, "the same objections must be held to apply to the rate of 1*s.* 4*d.*, if such rate is higher than that required by the conditions of trade."

9508. You say, the same objections apply. Would they apply in equal degree?—Not in equal degree

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certainly—the effect would be greater if the rate was made 1s 6d or higher.

9509 Do you think that the exports from India have as a matter of fact been affected by rises and falls in exchange? Have you looked into the figures? Have you examined year by year the exports to see whether there is any visible connexion between the amount of the exports and the exchange of the year?—I have not gone into the figures lately; but what I hold is that a low exchange stimulates exports from India by enabling the products of India to be laid down cheaper in other countries.

9510. What I wish to ask you is whether the facts and figures of the trade confirm it?—I have not got the figures before me.

9511. If you will refer to No. 1 of our Statistical Tables (“Exports of merchandise &c., 1850–51 to 1897–98”) the figures show, do they not, that there has been a practically steady increase year by year in the exports?—Yes, as exchange fell.

9512. With slight variations that always occur in trade, sometimes up and sometimes down?—Yes, until within the last two years.

9513. But do you see any obvious relation between the exchange of the year and the increase or decrease of exports?—I see in 1897–98, which is the year in which latterly exchange was highest, exports had fallen off.

9514. That was the year of famine and plague?—And also in 1896–97.

9515. Had famine affected trade in 1896–97?—To some extent possibly.

9516. Not to its full extent, but to some extent?—Yes.

9517. Look, for example, at 1890–91, when the exchange was 1s. 6.089d; and again go up to 1888–89, when the exchange was 1s. 4.379d. In 1888–89 you had a smaller export with 1s. 4d. than you had in 1891 with 1s. 6d.?—You cannot take one year exactly with another, because there were special influences at work.

9518. But do you see anything that would lead one to deduce a law that the exports must vary with the exchange; in other words that the exchange is such a factor as to override the other causes?—The exchange is a very material factor in enabling India to compete with other countries in laying down its products.

9519. I am not contesting the theory: what I want to know is, do the facts bear out that theory?—On the whole they do.

9520. You think so?—I think so. There may have been influences at work in some years that modified the effect of the low exchange, but on the whole I consider they do.

9521. That is to say, when the facts were against the theory, you would hold that there were some influences at work?—Some influences at work.

9522. And, when they are in favour of the theory, you would hold that there were no influences at work?—Not at all. I think these figures might have been submitted with some explanations. I saw an article in the *Economist* the other day, pointing out that the mass of figures recently given in these returns were given without any information or explanation to enable you to arrive at any definite conclusions as to their effect.

9523. I do not see how we can expect anyone to explain them. Of course you can invent explanations, but there is the broad fact that the trade goes on increasing. Now, with reference to the causes that might increase the trade, do you think that the exchange is as great a factor as the improvement of communications by railways and by the Suez Canal?—They all help, of course, but it is impossible to say to what extent and in what proportion each contributes.

9524. For example, there has been, and there is, I believe, this year, a great export of wheat from the Punjab. The distance from the wheat-producing

districts of the Punjab to the sea is, I suppose you would say, roughly, from 1,200 to 1,500 miles?—Yes.

9525. Now, suppose that there were no railways, would any exchange have got that wheat out of the Punjab? Supposing that there were neither railways nor the Suez Canal, do you think the wheat, no matter what it sold at, could have been brought down in country carts and on bullocks?—Probably not. I quite recognise that railways in India have helped to increase exports.

9526. And that, from some of the largest exporting districts, there could have been no export without these means of communication?—Certainly.

9527. No matter what the exchange was—at least within reasonable limits; of course if there had been a bounty or anything of that sort, it might have come out. Do you know Central India at all?—No, I have only passed through it; but I have here a statement, if you are interested in the exports of wheat, that will show you the various causes that bear upon it (see *Appendix*).

9528. That shows the prices of wheat?—It shows the exports, and it shows the exchange; and it shows the rates of freight.

9529. Take the years 1893, 1894, and 1895. There was a small export of wheat in those years?—The figures are there. The smallest of all was last year, 1897. Of course that is exceptional.

9530. Practically there was no wheat to export then, or rather it was too dear?—But it gives there the sterling price, which has also an effect on exports. India competes with other countries. If other countries have a full crop, and are able to lay down their wheat at lower prices in Europe, naturally that affects India's capacity for exporting.

9531. When the exchange in 1894 was less than 1s. 1d., or about 1s. 1d., and there were only about 700,000 tons exported from India?—The sterling price is given there.

9532. Therefore we might, by re-opening the mints, drop the rupee to 1s. or less, and yet, owing to other causes, we might not get any greater export of wheat?—It depends on the cost of production in other countries.

9533. But you cannot say that the lowering of the rupee by the re-opening of the mints will necessarily increase exports?—It will enable India to compete more advantageously with other countries than with a 1s. 4d. rupee.

9534. But it will not necessarily increase exports?—If other countries can reduce the cost of production to a corresponding extent, it will not.

9535. Now I think you said that silver prices in India had ruled pretty steady?—That is my general opinion.

9536. But have you examined that opinion by the light of tables of prices?—I have tables here, and I have examined them. Of course there have been fluctuations in prices.

9537. You know that this opinion has been contested by some, for instance, by Mr. Atkinson. Have you seen his tables of prices?—I have not seen those. In connexion with that, this paper that I have here shows that wheat in Calcutta, with exchange at 1s. 10½d., in 1873–74 sold at 3 rupees 1 anna; in 1894, with exchange at about the lowest point, wheat was sold at 2 rupees 12 annas; so that the purchasing power of the rupee had not fallen with regard to wheat in 21 years.

9538. That was in Calcutta?—In Calcutta.

9539. But the price in Calcutta or Bombay would be greatly influenced, would it not, by the cheapness of communication from up-country? There is not much wheat grown, I take it, about Calcutta?—No.

9540. Nor about Bombay?—No; but the cheapness of communication has not very much fallen in that time. The railway charge for the carriage of wheat from Cawnpore, for instance, to Calcutta, has fallen in the last few years, but not much. In 1888, the rate was Rs. 58 per 100 maunds, but it has since been reduced to Rs. 47. 14. 8 per 100 maunds.

9541. With reference to the price of other food grains, would you say that they had not increased; in price?—I say that they have been more equalised; that is to say, in places where formerly, through the absence of communication, the prices were exceptionally low, they have been raised to a level with other districts.

9542. At places that were land-locked, where prices were very low, they have been raised?—Yes.

9543. But, on the whole, would you maintain that there has been no rise?—On the whole, my opinion is that the purchasing power of the rupee up to the time of the closing of the mints, as I have said, has not materially changed.

9544. I have here a table showing the variations in the retail prices of seven food grains from 1861, in which the price of 1873 is taken at 100. This table shows that since 1873 down to 1893 there was a very considerable rise?—That is in retail prices. There has been a rise in certain parts of the country, but, as regards the matter of exchange, I think the prices of export articles have more to be taken into account.

9545. And at the seaports?—Yes, but prices in the interior must be lower than at the seaports, allowing for the cost of carriage.

9546. But I ask whether you would contest these tables, or whether you would admit that the prices of food grains have risen?—I do not contest the tables, because I have no means of seeing whether they are accurate or not. But I have other tables showing the prices of rice and salt and wheat in different parts of India, and, certainly, at the ports of export they do not show any great variation in price.

9547. When you advocate the re-opening of the mints, I think you take it for granted, or as pretty nearly a matter of certainty, that prices would rise?—I have not advocated the re-opening of the mints.

9548. That is quite true. I am mistaken; you have not advocated the re-opening of the mints. In the quotation you have given from Mr. O'Connor's evidence you have inferred that prices have not risen?—That the purchasing power of the rupee has not generally fallen throughout India.

9549. Owing to the low exchange; I mean, during this period of low exchange the purchasing power of the rupee has not fallen?—Has not generally fallen.

9550. But, when you are advocating a lower rate of exchange than 1s. 4d., you appear to me to assume that the purchasing power of the rupee will fall?—Eventually I believe it would have fallen, had the mints remained open.

9551. And you tell us that that fall will enable the country to bear more burdens of taxation than it now has to bear?—No. You will notice that I said this: "I should have expected, if exchange had remained at about the lowest point to which it fell in 1894, say, between 1s. and 1s. 1d., that the tendency would have been for the purchasing power of the rupee to fall, and, presuming this to be the case, the natural level of exchange required by conditions of trade would approximate to that point." So long as the purchasing power of the rupee does not fall, India continues to benefit by the low exchange in the matter of export; or, so long as the purchasing power of the rupee in relation to commodities in India does not fall, India is put in a better position to compete with other countries by a low exchange.

9552. I think in another place you said that the low exchange enabled the exporter to give higher prices to the ryot?—I never said so.

9553. Then you do not hold that the ryot has gained anything hitherto by the fall in exchange?—He is enabled to produce more; that is to say, he is enabled to grow more, and, owing to being able to export more, he gets in some districts higher prices for his products. The ryots generally have benefited by being able to produce and export more, rupee prices not having fallen.

9554. You mean by increasing the area cultivated?—Yes.

9555. But not by getting higher prices?—No, I should not say by getting higher prices.

9556. Because you think prices have not risen?—They have not risen—not materially.

9557. Supposing that we allow the rupee to fall still lower, by fixing a lower ratio or other means, on what grounds can you expect that the ryot will get any higher prices than he gets now, or do you anticipate that he will get higher prices? I gather that you think it will come on in time?—As regards articles exported from India, the rupee prices depend more or less on the sterling prices; and the view I hold of the matter is that, the lower the exchange is, the better India is enabled to compete with other countries that produce similar commodities in supplying the requirements of Europe. If the range of sterling prices is such that she can do so, and give higher prices to the ryot, of course the ryot gets the benefit. If the range of sterling prices is such that she can merely compete on the level of rupee prices, the ryot would not get any benefit.

9558. He would get the present price?—Yes.

9559. And still the product would go into the market at a cheaper sterling cost?—Yes.

9560. But do you not think that that process would bring down sterling prices?—Sterling prices do not depend altogether on the exports of India; they depend on the production of other countries as well, which compete with India.

9561. Then if the amount which should be added to the exports by this means were not sufficient to meet the debt, it would be necessary to reduce the sterling price of Indian produce?—It might have that effect.

9562. Now there are one or two questions I should like to ask you about the effect which you say the high exchange has had on indigo. Of late years, and for a good many years past, have not the natives come into competition with the large European indigo factories by establishing small factories of their own?—Do you mean in Behar?

9563. I cannot speak of Behar, but I know that in the North-Western Provinces a great many small indigo factories have been established?—Yes.

9564. Is it not the case in Behar too?—Not in Behar, I think. The indigo industry in Behar is principally in the hands of Europeans. In the North-West it is almost entirely in the hands of the natives. When it pays them to grow indigo there, they grow it; when it does not pay to grow it, and prices are low, they stop growing it.

9565. But that competition has brought down the prices, has it not?—It is a different class of indigo altogether. It goes to America largely.

9566. (Sir F. Mannatt.) So far as it goes to America, does it stand in the place of the European indigo that before went to America?—There are certain qualities of indigo taken for Europe. The finest of all indigo goes to Russia, and they take higher priced indigo than would be required for England or America. Russia and France take the finest indigo, and pay the highest prices for it. In America they take principally Oudh indigo—the North-West indigo.

9567. Taking the commoner sort of indigo that goes to America, was that in the hands of Europeans before the natives began to grow it?—No, it is grown principally in the North-West; it is almost entirely in the hands of the natives.

9568. It has not affected the European trade?—Well, of course, the larger the crop is, the more effect it has on prices.

9569. (Sir C. Crosswhite.) With regard to your remarks about beet sugar, I understand you to say that a high exchange favours the import of beet sugar?—Yes.

9570. And that has caused a fall in the local prices?—Yes.

9571. If it has caused a fall in the local prices—I dare say you are right—I ask you to explain how it also gives the importer into India of beet sugar a

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higher price?—I did not say that he got a higher price.

9572. I understand you to say that the high exchange enables the importer to come in?—Yes, because it enables him to lay down cheaper in India.

9573. How does it enable the importer to come in, unless he gets a higher price?—It enables him to lay down cheaper in India, in the same way that a low exchange enables an exporter from India to lay down his product at a lower price in Europe.

9574. But you say at the same time it tends to lower the local price?—Yes.

9575. I have no doubt you are right, but I cannot understand, if it has lowered the local price, how it has given the importer a higher price?—It has not given him a higher price, it has only given him a lower laying down cost in India.

9576. Then I suppose the diminution in price has not been enough to swamp the advantage that he got?—No.

9577. Will you kindly look at what you said about salt, and the quotation that you make from the Calcutta *Englishman* with regard to the falling off of the salt revenue, and the increased imports of European salt favoured by the higher exchange. Are not those remarks of the Calcutta *Englishman* made entirely with regard to the salt revenue of the province of Bengal?—Apparently so. I gave the extract as it is, merely to point out how the exchange operates in favouring the importation of foreign salt into India.

9578. When they say that the "salt revenue last year showed a decrease amounting to 1·9 per cent," that refers merely to the salt revenue of the Bengal province?—I cannot give you any further information about the salt trade than I have put down here.

9579. They say, "The decrease is attributed to smaller clearances owing to the famine, and to a marked falling off owing to reduced sales of salt at the Government factories in Orissa. The opening of the East Coast Railway has facilitated the import of Ganjam salt on a larger scale and at smaller cost." Ganjam salt is not seaborne salt?—I believe not. I am not familiar with the salt trade at all.

9580. I think you may take it from me that Ganjam salt is salt manufactured in Ganjam, in the Madras Presidency, and therefore exchange cannot have affected it in the least?—But the importation of foreign salt has affected it.

9581. They say, "The result of this increased importation was to send down the prices of salt, and to check the sale of crushed salt in favour of the Liverpool and Hamburg article"—that is to say, it affected the Aden salt in favour of the Liverpool and Hamburg salt, but that substitution of one foreign salt for another foreign salt would not affect the salt revenue in any way?—It might affect the production of salt in India, if importation increased to a very large extent.

9582. If it displaced the home-made salt, yes, but the duty is collected on all salt, is it not?—But is it of benefit to India to injure one of her industries?

9583. Of course it is not to her benefit if that industry is injured, but, in what you have quoted, is there any evidence that the native salt industry of India has been affected?—This is all I can give you, and you can draw your own conclusions from it.

9584. I think you did not put forward any specific proposals as to the modes of taxation to be adopted?—No.

9585. Nor did you express an opinion as to the amount that it may be necessary to raise?—No—if it is necessary to raise anything extra at all.

9586. (Sir A. Dent) You gave us a short time ago your views about the wheat trade, and how it was affected by exchange, and tables were referred to showing how the export varies from year to year from various causes. Now wheat is an annual, and that same argument would not apply to tea at all?—No.

9587. As the tea production must be exported to the United Kingdom or the colonies?—Yes.

9588. Then the effect of this exchange last year has been to check the extension of tea, you say?—It has.

9589. In your opinion, is that check to extension altogether a great blow to the tea trade as a whole?—In what respect?

9590. If tea is being produced at the same rate as it has been during the last 10 or 15 years, are you not afraid that there may be no market for it? There must be a check in some form, must there not, otherwise, by producing so much, the price will be brought down to such a level that the production will cease to pay?—There comes in the question of supply and demand. Of course, if you produce more than can be consumed, the prices will naturally fall, and production will be checked.

9591. But the consumption of tea is not quite the same as the consumption of wheat?—I understood that you were referring to tea.

9592. Yes. An argument that might apply to wheat, which might be put to many uses, would not apply to tea, which has only one use?—In the case of wheat, if sterling prices fell so low that it could not be laid down profitably from India, the production of wheat would naturally decrease, and, being an annual, some other crop would be substituted for it.

9593. Wheat can be used for other purposes—if it cannot be made into bread, animals may consume it; whereas only a certain section of the world drink tea. My question is, is it a great blow to the trade as a whole, that the large production of tea has had a check through this rise of exchange?—I think it is a blow to the country that one of its principal exports should be checked.

9594. Have not you heard amongst your many friends who grow tea, that some of them think that this rise of exchange is rather a blessing than otherwise, because it checks production?—Some people seem to think so.

9595. You have heard that said?—I have heard that said.

9596. One gentleman, the other day, said he thought it would be a good thing if exchange went up to 1s. 6d.?—It would not necessarily follow. The natural effect of curtailing production would be to curtail consumption, that is, if it had the effect of raising sterling prices. Now the sterling price of tea has fallen, and this has led to increased consumption. If the sterling price were raised by curtailing production, the effect might be to curtail consumption also, and there would be no benefit, while an opening would be given for the cheaper China tea to come into use more largely again.

9597. In regard to the Indian and Ceylon tea trade, do you anticipate any great competition from China?—Mr Cameron, in reply to question 8382, has stated: "The competition of China will go on increasing year by year. As we have seen already, during the last 10 years the trade has increased very largely, and I should look for that increase going on; but it is only, perhaps, as you say, in the course of a generation that it will increase by leaps and bounds." In my note I say, "Mr. Cameron's views as to the increased competition to be expected from China are supported by recent reports from Her Majesty's Consuls in that country, as shown by the following extracts." I can read the extracts; they are embodied in consular reports, which are published and available.

Extract from Diplomatic and Consular Reports,
No. 2156, July 1898. Shanghai.

"Black Tea.—Nearly the whole of the first crop was as usual sold at Hankow. The Shanghai season opened towards the end of June, but little business was done until August, when the rapid decline in the value of silver, alluded to above, enabled buyers to lay down their purchases cheaply on the London and New York markets. The increase in the amount of settlements compared with last year's (69,000 against

46,000 half-chests) is no indication of the trade returning to Shanghai, but an accidental occurrence, owing to violent fluctuations in exchange and freight. The result to foreign buyers has been on the whole fairly satisfactory. The second and third crops amounted to 75,000 and 61,000 half-chests respectively, against 61,000 and 15,500 half-chests for the previous season. The increase in the third crop shows the wonderful elasticity in possible supplies, when prices rise a little above the bare costs of production.

"An interesting incident in the past season was the experimental use at Wenchow of a machine roller, which proved beyond doubt that the most ordinary China tea is capable of astonishing improvements if treated by modern methods. Wenchow tea made by the old native process is of the most inferior description, but, by being carefully made and machine rolled, a very fair drinkable tea resulted.

"A company under the auspices of the Commissioner of Customs at Hankow, Mr. R. B. Moonhead, is being formed to experiment in this line in the Hupoh tea districts, the safety of men and machines being guaranteed by Imperial edict. A somewhat similar company is already working in Foochow, and has, I understand, had some measure of success. It is now enlarging its operations.

"The Chinese Government appears at last to be awakening to the fact that the tea trade is rapidly slipping away from their country, and there are signs that it will be willing to make some concessions to encourage measures for the improvement of the tea produced. A very efficient and feasible way would be to grant facilities to foreigners to take up land in the tea districts, so as to introduce more careful cultivation of the plant, and to offer a premium in the shape of a large reduction in duty on tea prepared by modern methods. The wisdom of such a course would appear obvious, for, if the measures for tea improvement were crowned with success, the revenue would soon recoup itself for the reduced duty by increased export, while, in the event of failure, the revenue would simply revert to its present footing."

Extract from No. 2072, May 1898. Foochow.

"The export of tea in 1897 was nearly 16,000,000 lbs. below that of 1896, but the earthquakes in Assam, the appreciation of the rupee, the small output of Foochow teas, and a local combination not to flood the home markets precipitately, tended to make the season not unprofitable.

"Some of the old faults of Foochow teas appear to have been eradicated; such as mixing the leaf of the old season with that of the new, or introducing an excessive proportion of dust; and the native firing of the teas is very highly spoken of, and is, I am assured, on a par with that of Ceylon. But none of the new methods of preparing teas appear to have proved a complete success. Hand-rolled teas are said to have been a failure, and shade-dried teas are not well spoken of except in a few small parcels, where the quality was excellent and would command very high prices.

"The establishment of the Foochow Tea Improvement Company, Limited, may do something to improve the conditions of the trade. It will doubtless give foreigners and Cantonese a more personal interest in the plantations, and an improvement in the company's gardens is likely to induce the natives to pay more attention to their own. The only plantation at present owned by the company is at Doon Ling, about 15 miles from Foochow, and already it is found in the neighbourhood that teas are picked with more care, and leaf is at last being bought directly from the producer without any middleman's charges. Further, the yield of the old shrubs on the company's estate is found, now that they are properly manured, to be surprisingly large.

"The company has recently been reconstituted with a capital of over 70,000 dollars, and now proposes to experiment with plants raised from Indian seed, in order to compete directly with Indian teas; but freight,

wages, and taxation, are three items which are likely to handicap the company adversely.

"The local government regards the company not unfavourably, and itself is making an effort to restore the tea trade by reducing the likin charges. The reduction is intended also to benefit the provincial government, which is apprehensive that teas may be brought down under the transit pass, the duties under which would be paid to the central Government. The proposed reduction is nominally 4 mace (about 1s. 2d.) per 100 catties, but the manipulation which weights undergo at likin stations prevents these figures being of much value. The intention, as I am assured by the officials, is to underbid transit dues, and, if this is carried into effect, the likin charges must be under 1 tael 25 c. (about 3s. 9d.) per picul."

Extract from No. 2156, July 1898. Shanghai.

"Cotton Goods—Nine large cotton-spinning factories were running at the close of the year with 290,000 spindles. Additional spindles will shortly be erected, to the number of another 100,000. The labour employed is principally female, and, with the sudden demand, wages have been forced up enormously, the supply of skilled hands being naturally unequal to the demand. Wages, which began at 20 c. (4½d.) per day, rose to 30 c. (6½d.), but have since gone down again, as the supply increased, to 25 c. (5¼d.).

"In spite of this difficulty, the mills have already paid small dividends, and, it is believed, have good prospects before them. When in full working, the existing mills should produce about 240,000 bales of 400 lbs. per annum. To meet the demand for raw cotton, large areas in the neighbourhood are being put under this crop.

"China cotton, though apparently dearer than Indian or American, has certain advantages which fully compensate for its higher price. In the first place, it takes the dye very much better than other kinds, and consequently the yarn spun commands better prices. In the second place, though about 13 per cent. dearer than Indian cotton on the spot, Shanghai cotton is much cleaner, and the loss in weight, which is 12 per cent. on American and 13 to 16 per cent. on Indian, is less than 10 per cent. on Shanghai cotton. This is due to the nature of the soil here, which is alluvial instead of being sandy. Moreover, Chinese cotton can be worked on one machine less than Indian or American, which is so much saving on working expenses. The staple is somewhat short, 20's being the extreme limit for which it can be used."

Extract from No. 2059, April 1898. Chungking.

"Indian yarn is the one object of foreign import which has firmly and generally established itself all over the province in the face of rising prices. Contrary to what might have been expected, the greatly increased import of raw cotton (chiefly from Chekiang and Kiangsu) has had no prejudicial effect, and the yarn has risen by 3,000,000 lbs. Prices have varied from 101 to 81 taels per bale. But the large increase of Chinese and Japanese yarns is especially worthy of note. With a rising rupee, India will compete with these yarns at a disadvantage, and Chinese yarns have a further advantage in lighter taxation. Foreign imports for the interior have to pay tariff duty plus one-half for transit dues or native likin, while the product of the steam mills at Shanghai only pays tariff duty, and is then entitled to a free pass all over the province. The yarns produced by the Hankow mills are also growing in favour, they are sent by the Yang-tze under transit pass and do not come within the cognizance of the Chungking customs. Large quantities of the same yarns are sent from Hankow into Kwei Chou and the Tung Ting Lake and the Yüan River. Particulars of this trade must be sought in the Hankow reports. Hitherto the Indian article has been more plentiful and of superior quality, but the output of Chinese yarn is now rapidly increasing, and, instead of being confined to local markets, is seeking for distribution in the western provinces."

Mr. D.
Crutchshank,
16 Nov. 1898.

Mr. D.
Cruckshank.
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The future of manufacture by Western methods in China is a subject of the utmost importance to every Englishman. The following facts and opinions may help experts to a judgment:—

Extract from No. 458, May 1898. Central and Southern China.

"In regard to wages, employers in China are at a great advantage. The wages of an adult man on the lower Yang-tze for a day of 12 hours, for, say, 320 days in the year, in such industries as native hand-weaving and dyeing, average, at the present gold price of silver, 10s. to 12s. a month, all included. Wages may be expected to rise somewhat in the future for the more skilled classes of labour, as the number actually efficient must be limited, at least until the system of apprenticeship, which is universal in China, has had time to take root in regard to the new industry; but any great change in the level of wages amongst the plain workers must be very slow, as the operatives will have pressing upon them the mass of millions of cheap workers with just as good capacity as themselves—unless, indeed, manufacture is congested in one place, and labour allowed to get into the power of Chinese middlemen. The truth is that a man of good physical and intellectual qualities, regarded merely as an economical factor, is turned out cheaper by the Chinese than by any other race; he is deficient in the higher moral qualities, individual trustworthiness, public spirit, sense of duty, and active courage, a group of qualities perhaps best represented in our language by the word manliness, but in the humbler moral qualities of patience, mental and physical, and perseverance in labour, he is unrivalled. Physically, he is a hard man—I am speaking of the labouring class—far from an Asiatic, as we use that word in English.

"It seems probable that, under the leadership of skilled European managers and foremen, of character and temper, firm, just, and reasonable, the Chinese coolie and his wife will make excellent textile factory hands. European superintendence is essential, precisely because of their moral short-comings above stated. Judged by our standards we must pronounce all organisations in China (with a few exceptions noted in Secs. 34 and 36) above the family and the small business partnership to be hopeless failures. The upper class seem to lack the moral tone to carry on big enterprises; indeed the laws and the courts of justice are wanting as well as the men.

"Still, here, these millions of patient, reasonable workers are only wanting leaders to make them producers on a gigantic scale, and leaders they will most certainly find. Whatever the future in politics of China may be, here these workers must remain; and they are, in my opinion, destined to modify profoundly the condition of the world's industries.

"To return to cotton manufacture, all Western employers and overseers of Chinese agree that they excel in lightness and deftness of hand, and that they are suited in physique and intelligence for work in cotton mills. They show extraordinary powers of endurance; for instance, boys in the Hankow mill work through the whole night without leaving the mill, and with only a little rice congee by way of food. There may be temporary difficulties with labour. The Chinese have always practised a form of strike against bad government, directed at the officials, by ceasing to do business, shutting their shops, &c; but we hear little of combinations of workmen directed against employers, probably because these latter are many, scattered, and in a small way. It is probable that workmen employed in cotton mills will combine, but there is in China a dreadful poverty of the masses, due to rapid increase of population, wherever a district has been spared rebellion and famine for a few tens of years, and nothing can keep up the wages of common labour, which must remain, under the present system, close on starvation point.

"In regard to land, the lower Yang-tze Valley is as perfect a site for manufacturing industries as can anywhere be found, with coal and iron in easy reach, a temperate climate, and good means of communication by water.

"In regard to capital, the third agent besides land and labour in production, the Chinese have not sufficient to develop their country, even with the present backward methods of industry; and interest is accordingly very high. The country does not now produce the precious metals to any extent; and the Chinese have, it is believed, no more of silver and copper than is required for the ordinary circulation; but they are likely to get ample capital for enterprises under foreign management from abroad, and there is no more promising field for the investment of English capital; no English money has been lost in China through the act of the Chinese Government, and little in any other way than by bad business."

9598 Do you think Mr. Cameron's remarks apply particularly to tea?—No

9599 If you refer to his answer 8388, you will see that he rather meant that it should not apply to tea?—I see what he says there.

9600 Anyhow, whether Mr. Cameron's remarks apply to tea or not, it is the fact, is it not, that the supply of China tea that is taken in the United Kingdom has enormously decreased?—Enormously decreased, yes.

9601 As shown in the tables which Sir James Mackay gives, and which are published on page 18 of Part I of our Evidence, it has gone from 143 million lbs in 1884 down to 35 million lbs. in 1896?—The decrease is very large, but China still exports a large amount of tea to America, where it competes with Indian and Ceylon tea.

9602 Then you are still afraid that China might eventually interfere with the Indian and Ceylon trade?—Well, the capacity of China as a tea-producing country remains to be seen. It has materials, according to the reports submitted to Her Majesty's Government, for almost limitless production.

9603 It is said, I believe, in one place that China only exports one-twentieth of her production?—I do not know how that is.

9604 Anyhow the amount of tea that China exports is very small, compared with what she uses in the country, where the whole population drinks tea? No doubt.

9605 Now about the jute mills, to which you refer. You gave us a table in which the amount of the bank overdrafts is shown, and the excess of interest which had to be paid in consequence of those overdrafts reduced the dividends of the companies by 2½ per cent., and up to as much as 13 per cent.?—It is stated, "The excess interest represents the following dividend on the capital of the company."

9606 My only question with regard to that is rather for information than anything else. Have these companies any working capital?—Most of them, I think, work almost entirely on borrowed capital, and they have to hold very large stocks of jute and manufactured goods, and these bank overdrafts are taken from their figures.

9607 Then are we to understand that it answers their purpose better to get overdrafts from the bank than to call up additional capital from their shareholders?—So far, it has answered their purpose better, while money was cheap.

9608 (Mr. Campbell.) As regards the effect of exchange on tea, as to which Sir Charles Crosswhite put some questions to you, taking the sterling price realised for the tea, the exchange affects all that portion of it which has to be remitted out to India to be expended there?—Yes.

9609 It is only those portions of the proceeds which are spent in England which are not affected by the exchange?—Certainly.

9610 Can you tell me what the proportion between the two is: what per-centage the one bears to the other?—Taking it over a series of years, it is about

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10 per cent., I think; that is to say, that represents about the cost of the stores and other things that have to be procured from England for the working of tea gardens.

9611. So that, if that is the case, exchange affects 90 per cent. of the total proceeds of the tea?—Yes, about that.

9612. Now, as regards the lower cost of production to which Sir Charles Crosthwaite alluded, caused by the rise in exchange, have you found that you get your coolie labour much cheaper than you did three years ago?—No.

9613. Any cheaper?—No cheaper.

9614. In the last three years exchange has risen to something about 1s. 3½d. a rupee?—Yes.

9615. That is close on 30 per cent.?—Yes.

9616. So that you have been prejudiced to the extent of 30 per cent., and you say you have no advantage in the shape of cheaper labour at all?—No, none.

9617. Do you consider the present exports of tea from India to be any criterion of the present prosperity of the industry?—None whatever.

9618. The larger exports which have been referred to, are the result, are they not, of extensions which were made when exchange was at a lower level?—Yes.

9619. It is only three or four years hence that the effect of the exchange in checking production will make itself apparent?—Yes.

9620. Now, as regards the effect of exchange on exports and imports, you admit, of course, that exchange is not the only factor in increasing or decreasing exports?—It is not the only factor.

9621. There are markets, and prices, and crops, and demand, all to take into consideration?—Yes, and cost of transport.

9622. A large crop may produce large export, whatever the rate of exchange is?—Yes, it might.

9623. If a country grows a very large crop of anything more than it can use, it will export it, whatever the rate of exchange may be?—Yes.

9624. And, on your theory, a large export would actually lead to a higher exchange?—Yes, the effect would be to raise exchange.

9625. Allusion has been made to the year 1890–91 as an instance of large exports when exchange was comparatively high. Are you aware that that year was the year when there was a Russian famine, and a great failure of the Russian wheat crop?—I was not aware of that.

9626. And that that led to a very large increase in the price of wheat, and a consequent very large increase in the exports of wheat from India?—From the figures I have, the price of wheat in England in 1890 was from 3s. to 3½s.; in 1891, 3s. to 3½s.; and in 1892, 3s. to 3½s. Since then it has been always lower, until this year, when, owing to exceptional causes, the price rose very considerably.

9627. You contend that a low exchange gives a higher rupee price, provided the sterling price remains the same?—Yes.

9628. And I think it has been brought out—in fact you replied yourself—that India is not the only country that determines sterling prices?—Certainly it is not.

9629. There are some remarks in your memorandum as to prices and markets adjusting themselves to exchange. Do you take it they would so adjust themselves?—Well, a high exchange would lead to contraction; and a lower exchange would lead to expansion.

9630. A high exchange would lead to contraction of what?—Of production.

9631. And to a checking of exports?—Yes.

9632. Low exchange, on the other hand, would lead to an expansion of exports?—Yes.

9633. And checking of imports?—Not necessarily; because the price of imports depends on the sterling price of the commodities. Take, for instance, the case of cotton. Cotton is lower now than ever it was

before, and Manchester is able to produce cotton goods at a smaller cost, which enables her, even with a low exchange, to go on importing largely into India; but of course the tendency is for low exchange to check imports.

9634. Then would you say that the tendency of a high or a forced exchange on trade would be towards establishing more and more of an equilibrium between imports and exports?—Certainly it would check exports and encourage imports.

9635. It would, in fact, diminish the balance of trade?—It would diminish the balance of trade.

9636. And thereby diminish India's power of paying her foreign debt?—Certainly.

9637. I see that, in the memorandum from the Chamber of Commerce which you put in, they allude to high exchange as an important factor in the increased import of sugar into India?—Yes.

9638. They allude there to a proposed remedy; what was the remedy?—I believe the remedy was an increased import duty.

9639. A countervailing duty?—A countervailing increased import duty.

9640. Are you aware whether the Government have taken any action on that report?—The Government have taken action. They took steps to be represented at the Brussels Conference; one of their officers was appointed to go there on behalf of the Government of India; and I see from a telegram to the *Times* last week that they have ordered local inquiries to be made by the provincial Governments as to the effect of these imports of beet sugar on the cane production in India.

9641. So that the matter is engaging the attention of the Government of India?—Yes.

9642. Now, as regards Chinese competition with India, it is not only in tea that China is likely to compete with India. Is it not the case that China is a large competitor with India in the production of cotton goods?—Yes. I will read an extract from the Shanghai Consular Report of July, 1893. "Nine large cotton spinning factories were running at the close of the year, with 200,000 spindles. Additional spindles will shortly be erected to the number of 100,000. The labour employed is principally female, and with the sudden demand wages have been forced up enormously, the supply of skilled hands being naturally unequal to the demand. Wages, which began at 20 c. (4½d.) per day, rose to 30 c. (6½d.), but have since gone down again, as the supply increased, to 25 c. (5½d.). In spite of this difficulty, the mills have already paid small dividends, and, it is believed, have good prospects before them. When in full working, the existing mills should produce about 240,000 bales of 400 lbs per annum. To meet the demand for raw cotton, large areas in the neighbourhood are being put under this crop. China cotton, though apparently dearer than Indian or American, has certain advantages which fully compensate for its higher price. In the first place, it takes the dye very much better than other kinds, and consequently the yarn spun commands better prices. In the second place, though about 13 per cent. dearer than Indian cotton on the spot, Shanghai cotton is much cleaner, and the loss in weight, which is 12 per cent. on American, and 13 to 16 per cent. on Indian, is less than 10 per cent. on Shanghai cotton. This is due to the nature of the soil here, which is alluvial instead of being sandy. Moreover, China cotton can be worked on one machine less than Indian or American, which is so much saving on working expenses. The staple is somewhat short, 20's being the extreme limit for which it can be used."

9643. The China mills have hitherto used Indian cotton very largely, have they not?—Indian cotton and Indian yarn.

9644. And to the extent to which they use Indian grown cotton, for instance, is it the case that the China manufacturer is in no better position for production

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than the Indian competitor by the fall in China exchange? I mean this Is it not the case that the Chinese buyer of Indian cotton has to suffer a loss in remitting to India for the purchase of the cotton, equal to the loss sustained by the Indian manufacturer in selling his goods in China?—Yes, I should think they equalise each other.

9645. But would not a different aspect be given to the question if China were to begin to produce her own cotton on such a scale as to enable her to dispense with the Indian article?—Certainly, and that is what she is going to do, apparently.

9646. I see from one of the consular reports that the area of cotton-growing in China is being largely increased?—Yes.

9647. You make a suggestion that the exchange should be fixed at 1s. 2d. instead of 1s. 4d., and you give your reasons fully as to that suggestion, which I will not go into now. You have put them on record, I think, already. Then, allusion was made to some of the other schemes that have been put forward—the Lindsay scheme for instance, which aims at establishing a ratio of 1s. 4d. Did I understand you rightly to say that, in your opinion, if that is a proper and a natural ratio, no artificial support should be necessary?—Yes, certainly.

9648. And, if it is not a proper and a suitable ratio, you consider it a mistake to attempt to force it upon India by artificial means?—Most certainly.

9649. Mr. Lindsay's scheme is 1s. 4d. If that is not a natural ratio, would it not be a mistake to attempt to force it upon India by artificial means?—Yes, I think so.

9650. You say that no special measures for acquiring gold would be necessary; that is to say, gold would flow in by the operations of trade?—Yes.

9651. (*Sir J. Muir.*) There is a vast difference between 1s. 2d. and 1s. 4d., so far as the trade of the country is concerned?—The question to my mind is, what rate will the conditions of trade make effective. I hold that trade will not make 1s. 4d. effective, and it might make 1s. 2d. effective; and I say further that, as regards the reduction of the rate from 1s. 4d., the railway and land revenue will increase by the stimulus given to the export trade; and it is better to have an increased revenue from expanding trade than to increase the taxation. Then there is one other point I might mention. It seems to be supposed that, if you establish a stable exchange between England and India, capital will flow out to India, but I say that capital will only be attracted to India if it can be profitably employed there; and, if the effect of any measures adopted by Government is to injure the industries of India, capital will certainly not be put into them.

9652. (*Mr. Le Marchant.*) Has there been any marked change in the conditions of the production of indigo in India in recent years?—We had three large crops of indigo in the three years preceding the last two years, which has affected sterling prices.

9653. Has there been a tendency in sterling prices for some years to droop, compared with the prices of, say, 12 years ago?—Yes, certainly, there has been a tendency in sterling prices to fall. There has been a tendency in all gold prices to fall in recent years. Partly that may be due to the appreciation of gold.

9654. But is it not the case that indigo fell away somewhat rapidly in price?—I can give you the prices of good consuming Bengal indigo since 1881. In 1881 the price of indigo was 6s. 9d. per lb.; that is good consuming Bengal indigo. In 1882 6s. 6d.; in 1896, 4s. 3d.; in 1897, 4s.

9655. I think there was a corresponding fall in other indigo?—I have not the prices here for other descriptions, but the sterling prices of all classes of indigo have fallen.

9656. Would you attribute that to any cause especially affecting indigo? Have the inferior qualities tended to supplant the superior qualities, and reduced the demand for them?—The finest indigo, as I say,

goes to Russia and France; it does not come to England.

9657. Is it not the case that discoveries in the process of dyeing have enabled the inferior qualities to be used to a greater extent than formerly?—Well, dyers in this country are, I think, going in more for the cheaper indigos.

9658. And that would tend to lower the average price, would it not?—Certainly.

9659. Would you consider that the area of use for indigo was limited?—Yes.

9660. And that any supersession of the natural indigo by artificial would have consequently a more marked effect?—Certainly.

9661. It has been suggested, I think, that artificial indigo may be very much reduced in cost of production and price; that is an apprehension?—That is an apprehension, yes.

9662. Supposing you have a constantly cheaper price at which a competitive article can be placed upon the market, do you think it would be a wise thing to endeavour to meet that by a lower rate of exchange?—A lower rate of exchange would enable the Indian product to be supplied at a lower cost.

9663. For the time being; but if the cost were still further reduced in Germany?—Well, it would become a case of which could survive.

9664. But you think the method of lowering exchange is a reasonable way of meeting the greater competition?—Lowering exchange benefits all products in India that compete with those of other countries. I do not quite follow you. Do you mean to say that it would be desirable for the Government to go on lowering exchange?—

9665. I understand your suggestion to be that a lower rate of exchange, by enabling Indian indigo to be laid down more cheaply in London, would be a desirable mode of meeting German competition?—It would be an effective mode of meeting it for the time being. I have stated that I think there is a limit to the benefit from the fall of exchange. As soon as the rupee depreciates in relation to the volume of commodities in India, it will cease.

9666. Then you would wish exchange to be such that the rupee price of indigo should remain without alteration, not that it should rise?—I do not want the rupee price of indigo to fall by an artificial rise of exchange or an artificial value given to the rupee.

9667. Then what would be the effect of lowering exchange? Would it not be to maintain the rupee prices of indigo?—Yes, or increase them. The rupee prices of indigo have been lowered by the rise in exchange.

9668. What would be the limit to the advantage of lowering exchange?—When the purchasing power of the rupee generally in relation to commodities falls, as it might have done had the mints remained open.

9669. In fact you would not wish to see higher rupee prices generally in India?—Well, rupee prices have been lowered by raising exchange. As to certain commodities—indigo for instance, which competes, say, with the artificial dye and with indigo from other parts of the world—I should like to see the price of it rise; or, to put it in another way, I do not approve of the rupee prices of Indian products being lowered by an artificial rise in the value of the rupee. The action of the Government in India has raised exchange and has lowered the rupee value of indigo, but it has not affected the sterling price, which is regulated by the supply and demand and competition with other countries.

9670. Guatemala indigo is much less in the market now, is it not?—I am not acquainted with that.

9671. But that indigo has not been affected by currency at all?—I am not acquainted with these currencies.

9672. You mention in your paper the competition of cheap cotton from the United States?—Yes.

9673. Was that cheapness of production owing to the general conditions of production in the United States?

—I believe so. I have quoted a reference to that: "A reference appeared in one of the daily papers last week to the unprecedented cheapness of raw cotton at the present time, and in explanation of same it was stated that an exhaustive report, furnished by bankers in the Southern States of America, estimates that in most sections the cost of production is only about one-half what it was 10 years ago, the present price—five cents a pound at port of loading—yielding consequently about the same profit as double the price did a decade back." The general conditions, apparently, of production are such that cotton can now be produced at about half the cost that it could formerly.

9674. That is in a gold-using country?—Yes.

9675. Would lowering exchange (or depreciating the currency) be a satisfactory way of meeting that competition?—Well, I hold that the low exchange enables India to compete better with a country where the cost of production is lower.

9676. In the two cases, the causes of low prices are different?—It is all a matter of the cost of production. If the United States can produce cotton at half the cost that it could 10 years ago, it is in a better position to compete for the supply of cotton to the world than it was before. India, on the other hand, by the raising of exchange, is put at a disadvantage in that competition.

9677. Would a low exchange be in the long run the most effective means of meeting the difficulty?—It is a means of meeting competition.

9678. If the United States were still further to cheapen the production of cotton, what then?—Then it is a case of competition—which could supply it cheapest.

9679. In fact, the method of meeting it by low exchange would extend up to a certain point, and no more?—Exactly.

9680. Is it your opinion that rupee prices have fallen?—They have fallen within this last year. Up to the time of the closing of the mints, or probably a little later, the purchasing power of the rupee had not materially changed. That is the conclusion I have come to. Rupee prices are now falling, according to the reports that we have.

9681. Has your attention been directed to the Government tables giving the result of prices taken in the aggregate?—This is the latest information I have. It is set out in my memorandum, but may I read this extract from the "Review of the Trade of India in 1897-98"? "The prices quoted for rice and wheat are at the end of the period of scarcity, and hence the great decline, but the average price last year for both was higher than in 1896-97. All the other commodities mentioned in the table also show a marked fall in price."

(*Mr. O'Connor.*) That is alluding to the prices of exports at a port. In the table I supplied I have given the prices of grains in the interior of the country.

(*Witness.*) I am speaking of the prices of exports, which are the only ones affected by exchange.

9682. (*Mr. Le Marchant.*) You were saying that rupee prices, at all events of certain commodities in certain places, have fallen?—Yes, they have lately.

9683. And you attribute that to the closing of the mints?—Yes, or the rise in exchange. It is borne out by Mr. Finlay in his evidence. He said they quite expected there would be a fall in prices from the closing of the mints. I have quoted from one of his answers: I say, "It is contended, as the reason for adhering to an exchange of 1s. 4d., that prices have adjusted themselves to that rate" (*Mr. Arthur, 2,033*), and it is stated that trade will "adjust itself to any rate (*Mr. Finlay, 3,039*), rupee prices falling as exchange rises;" that is what Mr. Finlay says.

9684. Would not that mean general rupee prices—rupee prices throughout the country?—The prices obtained for articles exported affect, to a more or less extent, the prices ruling throughout the country.

9685. But do you find that they have affected them in such a way as to produce a general fall?—This book, "The Review of the Trade of India in 1897-98," is the latest information I have on the subject. Of course the conditions of the last two years were abnormal, and can hardly be taken as a criterion of the normal state of affairs in India.

9686. I think that is eliminated in our tables?

(*Mr. O'Connor.*) Yes. This table of prices here has reference to the level of prices in 1873; and the general rise of prices in India may be taken as anything between 7 and 30 per cent. Those are the prices of the seven principal food grains, taken from a very large number of districts, from the year 1873.

9687. (*Mr. Le Marchant.*) Now, comparing 1873 generally with June 1896, the figures which I have before me, and which go over the whole ground, show a rise in the index number from 700 to 1,000, in round figures?—Yes. There is not much variation if you go back to 1876, 1880, 1891, 1892, and 1893; then there was a rise in prices in 1894-95.

9688. Would that be so, if you took the periods of three years and averaged them? In the earlier years are not the numbers, as a rule, lower?—You have got here 1897 and 1898. There was an increase of prices in 1897, and a fall again in 1898.

(*Mr. O'Connor.*) 1897 was the famine year.

(*Witness.*) Quite so.

9689. (*Mr. Le Marchant.*) But the other intermediate years are at a lower figure?—Well, there may have been some special reason for it. That is not explained.

9690. Or there may have been special reasons for the higher years?—Yes.

(*Mr. O'Connor.*) The higher years include the years of the great famine, 1876 and 1877.

9691. (*Mr. Le Marchant.*) In referring to the Government statistics, you quoted a remark that no explanations are given of this great mass of figures?—I was referring to an article I saw in the *Economist*, in which they said they had tried to explain the figures, and they complained that the figures were not very clear.

9692. In the statistical returns of the English Board of Trade, are there any explanations or comments given?—I do not know at all.

9693. In the Government publication from which you are reading, are there not comments and explanations?—In the "Review of the Trade of India" some explanations are given.

9694. So that anyone who wishes can find there whatever explanations the Government can give?—If they searched for them, certain explanations would be forthcoming.

9695. The explanations take up a considerable portion of the page, I think? Now, with regard to an expression towards the close of your memorandum where you speak of a "natural exchange," you allude to the lowest point to which exchange fell in 1892, and then you appear to infer that the natural level would be one that approximated to that?—That is my belief. I have not got very satisfactory figures to go upon, but I think the indications tend to show that that was about the natural level.

9696. Why is the level more natural at that particular time, when exchange fell, than in other years?—Because it is the exchange required by the conditions of trade.

9697. Of that time?—For instance, I have said that I do not think the conditions of trade will maintain an exchange of 1s. 4d., whereas it might more easily maintain an exchange of 1s. 3d., and might more easily still maintain an exchange of 1s. 2d. The position of India, as I look upon it, is quite exceptional in this respect; that it has a large foreign indebtedness which it must meet by its exports, and to enable it to meet that debt it must continue to export large quantities of produce in excess of what it imports; therefore, if you check the exports, you affect India's ability to pay its indebtedness.

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9698. And you think the imports would be materially increased by a rate of 1s. 4d. instead of 1d. or 2d. lower?—Certainly.

9699. Would that be owing to India having command of more sterling in England with which to buy imports?—No; there would be an equilibrium, that is to say, India could only buy to the extent that she exported; and, if the imports were cheapened, there would naturally be an increase of volume, and she would probably not be able to export produce sufficient to meet her debt.

9700. How would those additional imports be paid for?—By the exports.

9701. But I think you were saying that the sterling proceeds of those exports would be rather less, if anything, than more?—I do not quite follow you.

9702. I thought your view was that at a rate of, say, 1s. 4d. the exports would be less than at a lower rate?—Yes.

9703. So that, unless there were a change in sterling price, there would be less sterling at the command of India to buy with?—Yes, and therefore she would import less.

9704. But I understood you to say that India would import more?—She could not import more than she could pay for, but she might import as much as she exported, and leave no balance over.

9705. The payments by the public for imports, and the payments by the Government on account of home charges, are all ultimately made out of the sterling proceeds of exports?—Yes.

9706. And there is a certain competition between the Government and the public for the command of so much of those sterling proceeds as each may require?—Yes.

9707. And we may exclude from consideration the mechanism of exchange, and say that the Government buys, and pays rupees for, one part of the sterling value which is at the command of India, and the public buys, and pays rupees for, the other part?—Yes.

9708. In principle, would not the process be the same, whatever the rate of exchange?—Well, there would be competition between, say, the Government and the commodities imported into India, in other words, the exchange which the Government would have to accept might be very much lower.

9709. I am excluding that consideration for the moment. The process would be the same at any rate of exchange?—The Secretary of State competes with importers of commodities into India, and the effect of that competition would be that, if there were not sufficient exports to pay for both, either imports would have to fall in price, or the Government would have to accept lower rates of exchange for their bills.

9710. But I wish to ascertain why people who wish to import into India should have greater advantage in competing with the Government at, say, 1s. 4d., than at 1s. 2d.?—A greater advantage?

9711. The assumption that imports would displace Council bills, means that the public who import would obtain command of a greater proportion than before of the sterling proceeds of exports in London?—From the higher rate of exchange, importers into India

derive a benefit in the laying-down cost of their goods. It cheapens the goods in the laid-down cost in India.

9712. Are you taking rupee prices in India as remaining the same, or as tending to be reduced by the restriction of the currency? If the rupee price of imported goods fall in India, would not that tend to counterbalance the rise of exchange and leave things very much *in statu quo*?—Supposing the cost of an article imported into India in sterling is 100l., and exchange is 1s. 4d., that article can be laid down in India at less cost at 1s. 4d. than it could be at, say, 1s., because the rupee price would be lower, and it would depend upon how far the rupee price fell, as regards the quantity of that article that would be imported into India, or how long its importation could go on.

9713. And the tendency of the rupee price to fall would, to that extent, counteract the tendency of imports to increase owing to a rise of exchange?—Yes, certainly.

9714. Now, comparing the position of the Government with that of the public, if we assume that rupee prices are to some extent lower, would not the rupees with which anyone in India contemplated paying for imports have cost him more—or, in other words, would not the consumer in India have fewer rupees to spend?—He might have fewer rupees; but, take the country as a whole, the country as a whole must pay for imports by means of exports. If it has had fewer rupees for the quantity exported it will have less available to pay for imports.

9715. I was rather dealing with the difference between the position of the Government and that of the purchaser of imports?—It is not a question of the purchaser of imports, it is a question of the exporter from England of commodities. The question lies between him and the Government in selling its exchange bills.

9716. I thought we started by assuming that there was a certain amount of sterling proceeds of exports available in London?—Yes.

9717. And the question was, why should the Government be at a greater disadvantage in obtaining command of a portion of that at 1s. 4d. than at 1s. 2d.?—Because the commodities have to compete with the Government; that is to say, the imports can be laid down in India at a lower cost with an exchange of 1s. 4d. than with an exchange, say, of 1s. 2d. Therefore, to that extent, the Government suffers in its competition with commodities.

9718. If the rupee rises in sterling value through the supply of currency being less, relatively to the work it has to perform, will not that condition affect rupee prices generally and thus remove the special advantage which importers might otherwise derive from a high exchange?—Yes, rupee prices generally would be affected, but, as regards importers, the high exchange will make up to them for the lower rupee price, while as regards exporters the high exchange will reduce the rupee prices paid for exportable products, thereby tending to diminish exports, until the competition between importers and the Government for the proceeds of the reduced exports leads to the fall in exchange required to restore exports again to the necessary volume.

The witness withdrew.

Mr.
Merwanjee
Rustomjee

MR. MERWANJEE RUSTOMJEE called and examined.

9719. (Sir A. Dent.) You represent the Bombay Native Shares, Stocks, and Exchange Brokers' Association?—Yes.

9720. What is your business?—I am a Parsee broker and partner in the firm of Messrs. Merwanjee and Byramjee, dealing in exchange, finance, bullion, and Government securities.

9721. How long have you been in business?—For the last 35 years.

9722. Were you in favour of the closing of the mints in 1893?—I was against the closure of the mints.

9723. Will you give us your reasons for that?—I was personally opposed to the closure of the mints, on the fundamental assumption that India was prospering under the free silver currency, and trade and industry were in a thriving condition. The best answer against the closure was the then existing

prosperous condition of India. There were, no doubt, difficulties in the way of Government to meet the fall of Exchange in respect of their own remittances, but a large majority of the Natives thought that was not a sufficient reason for the closure, and I was much afraid of an adverse effect on the cotton mills, owing to an expected fall in the price of silver and stringency of money.

9724. What, in your opinion, has been the effect of closing the mints?—Government set before them deliberately the task in June 1893, to produce scarcity of money by closing the mints and to reach the goal of 1s. 4d. exchange, and to maintain it there, so that the public might pour gold into their treasuries, and take rupees from them. This is the object with which they acted as they did, and the question is, have they succeeded? The most favourable circumstances one can imagine as helping that object have come into play since the end of 1896. They incurred heavy expenditure for famine and war, they curtailed their council drawings, and even bought rupees in London to the extent of Rs. 1,000,000. The result was that Rs. 359,381 worth of gold was tendered to the treasuries. Mercantile credit has been shaken a good deal from January to March 1898, money rose to an unprecedentedly high rate of interest, ranging from 13 per cent to 24 per cent. per annum on best securities, and that was its current value for some time, although the Bank of Bombay rate was nominally at 13 per cent; and when all these circumstances, which have caused a great deal of distress to the country, have not been sufficient to pour gold into the country, the question is whether it is wise to persevere in the experiment, I mean the experiment of continuing the stringency or increasing it.

9725. What have you to say as to the currency proposals of the Government of India?—The Government of India evidently believe, to judge from their proposal of March 3rd, 1898, that they will succeed in getting gold by taking further measures to create stringency of money. The plain meaning of the proposal is, in a famishing money market, irrespective of manifold miseries inflicted on trade and Government credit already, to starve it further by drawing Rs. 12,000,000 from public circulation. This is an absurd proposition, and that it has taken the mercantile and banking community of India by surprise is a matter of public notoriety, and I need not enlarge upon it. To withdraw Rs. 12,000,000 in times when Government practically fail to float their own loan successfully of Rs. 1,200,000, when the municipality of Bombay and Port Trust of Bombay have entirely failed to raise their small loans, although the latter offered half per cent better rate of interest than on its previous loan, and although they are open to accept a reasonable price, when the mills and other industries pay a fixed rate of 8 per cent. to 10 per cent. for 12 months' finance against 5 per cent. to 6 per cent. in previous years—when we plainly see all these serious results of the stringency of money, how can we still further persevere in the direction of tightening the screw and throttling the trade and industry of the country? In the third paragraph of its despatch of the 3rd March 1898, the Government says:—"The average annual addition to the currency when the mints were open was about Rs. 7,000,000, of which, however, a part only, perhaps half, was a remanent addition, an amount equivalent to the remainder being removed from the circulation principally for the purpose of conversion into silver ornaments". The meaning of this Government estimate is that Rs. 3,500,000 of currency were added every year to the existing coinage for the necessities of India. If the country were left to automatic currency, it would absorb every year Rs. 3,500,000 of fresh coin to supply its needs. The mint being closed in June 1893, the currency starvation to the country in the five years has been to the extent of Rs. 17,500,000, less about Rs. 2,000,000 coined for the banks immediately after the closure, and Rs. 2,000,000 received from the Currency Depart-

ment: the deficit has been, in the matter of fresh coinage, Rs. 13,500,000, which alone would have kept the circulation to its normal condition. In the event of the Government of India proposal being carried out, the deficiency would amount to Rs. 33,000,000, and what would be the effect on the country, on its trade and industry, to what extent prices would fall and interest rise, one is at a loss to know, and why all this infliction of misery on the previously happy condition of the country should be brought about.

9726. Can you lay any evidence before the Committee with regard to the stringency prevailing in the beginning of this year?—The stringency of the money market from January 1898 to March 1898 in Bombay, when I was present on the spot, was so severe that it was impossible to sell Government paper or get advances upon it. Our firm was repeatedly asked by a firm of undoubted standing, trading with England and China and other parts of the world, to get advances on Government paper. This firm was always holding more than Rs. 100,000 worth of Government paper for the purpose of raising money whenever it required it. But we were unable to negotiate assistance for them, we did get them the money at times, but on condition of repayment within two or three days, and very often the banks confessed that they were unable to lend owing to want of cash in hand to spare for the purpose. This is a most serious inconvenience to trade. The firm in question, if they had got money, could buy produce or advance to their constituents to facilitate trade. The result of such tightness, it can be easily imagined, would block trade; exports would be slow to move; and importers would find it hard to meet their obligations. There is a large business done by brokers for exchange banks and presidency banks in Government paper for a short settlement ahead, and the brokers avoided as much as possible executing such orders, and requested the banks not to sell paper for delivery on one fixed day, as they could not guarantee payment, and, in fact, portions of such settlements were postponed beyond due date, as nobody would buy Government paper or advance upon it. With Government paper in such a predicament, one can easily realise how difficult it would be to sell other securities. Holders of shares and municipal bonds and other first-class securities could not either sell or raise money on their securities. It was a terrible state of affairs, and would be intolerable in London for a day. I state this at length to point out to the Committee the considerations on which I base my opposition to the Government proposals of March 3rd, 1898. A glaring illustration of the far reaching hardships resulting to India from the stringency of money is furnished by the recent failure of the Municipality of Bombay to float a loan of 29 lakhs at 4 per cent. interest. The municipality has always commended nearly as good credit as Government paper, and the failure to float its loan is due to the experience of the stringency of money for the last two years, augmented by plague expenditure. Government are unable from the same cause, more or less, to help the municipality. Thus the most urgent works, such as sanitary measures on a large scale, and the improvement of the drainage and dwellings of the poor, which are the crying necessity of Bombay, run the risk of being indefinitely postponed,—to the great danger of the health of the people. I might forecast a similar fate awaiting the new project for the improvement of the City of Bombay, which is passed by Government as an important measure for the health of the people. There is the City of Bombay Improvement Trust started by the Bombay Government to beautify the city and to put it in a sanitary condition, but, unless they could raise money, they could do nothing.

9727. Now, was the stringency of the money market such as to require, in your opinion, measures of relief?—Yes. Whilst on this subject I would suggest that, until the Currency Committee has evolved some scheme of currency or suggested remedial measures, the one urgent step that ought to be forth-

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with recommended to the Government of India is, that during the busy season, viz., January to June, the Government should help the trade as much as possible by putting a portion of the public money at the service of the trade. It should be the settled policy of the Government to maintain a very high credit for its paper.

9728. Are you in favour of establishing an effective gold standard for India?—Yes.

9729. At what rate the rupee?—I am personally in favour of a ratio of 1s. 2d., and I will give you my reasons for it. It is advantageous to the trade in opium and yarn with China, and other Indian trades competing with silver countries. It will facilitate the reopening of the mints if deemed advisable ultimately, as it will reduce the difference between the gold price of silver and the gold price of the rupee. It will also be favourable to the establishment of a gold standard, as the public will have to pay Rs. 17·2 instead of Rs 15, to get a sovereign, and thus the owner of a sovereign will get Rs 17·2 instead of Rs. 15. These are my reasons for reducing the ratio—that, even if you came to a gold standard, it will be better for the country; and, if you returned to a silver standard, it is good for the country to reduce the ratio from 1s. 4d. to 1s. 2d.

9730. You favour a gold currency?—Yes.

9731. Could it be established by the Indian Government?—Yes. My view is that Government should open to free coinage either of silver or of gold. I say gold for preference, because, now that the country has suffered so much from the closing of the mints, it is better to go on towards an effective gold currency, if possible. I am a believer in gold currency in active circulation with Imperial guarantee and assistance, or, failing that, in the reopening of the mints to silver. It is time now the Imperial Government came forward to assist India in this policy of establishing a gold standard, which, however, she is incapable of undertaking on her own responsibility, as it involves indefinite liability. If I were asked why Great Britain should come forward to help India in this matter, my reply is that the currency question of India does not relate merely to that country, but that the credit of Great Britain is intertwined with the solvency of India. As against that, what is a guarantee of 50 millions sterling to England for the sake of India? This is a question for statesmen to answer, and I need not do any more than point to it here, and merely remark that such a measure on the part of Great Britain would make the union which binds India to England inseparable for ever. My idea is that, on obtaining the Imperial guarantee, the Indian mints should be opened to the free coinage of gold at a ratio of 1s. 2d., convertibility of rupees not to be guaranteed until Government has collected sufficient gold. Immediate coinage of gold will relieve stringency and help the trade of the country.

9732. Now, what are your views as regards the reopening of the mints to silver?—I submit it as an alternative measure from myself and not the Association. Failing an effective gold standard, I am in favour of reopening the mints to silver, and in support of my views I would point out what were the trade and revenue figures from 1872 downwards to 1893:—The exports, including treasure, in 1872-73 were about Rs. 56½ millions. The exports including treasure in 1892-93 were about Rs 113½ millions. The Government revenue in 1876-77 was Rs. 58½ millions. The Government Revenue in 1892-93 was Rs 90 millions. The price of English bar silver in 1872-73 was 59d to 60d. The price of English bar silver in 1892-93 averaged 37d. Silver fell in 20 years from 59d. to 37d or by 22d. per oz., and export trade expanded from Rs. 56½ millions to Rs. 113½ millions or an increase of Rs. 57 millions. Revenue expended from Rs. 58½ millions in 1876-77 to Rs. 90 millions in 1892-93; in 16 years, an increase of Rs. 31½ millions. These figures, no doubt, point to great prosperity of the country during the time when silver was falling. I do not mean to attribute the prosperity to the fall of silver alone, but this much

can be said with certainty, that the fall did not hamper or check the development and prosperity of the country, or the expansion of the Government revenue. The circumstances were not grave enough to prevent Government from meeting the charge for exchange. In 1872-73 it paid Rs. 743,000 as charge for exchange. In 1892-93 it paid Rs. 10,070,000 as charge for exchange, nearly Rs 9,000,000 more, whilst the revenue increased Rs. 31,500,000 in 16 years. The fact stands out clearly that the country and the Government were flourishing during the time the fall of silver was going on, and Government were quite able to pay their way. What we have seriously to consider is this question. Now, if it is an established fact that the country prospered under the open mint system, and, if Government were able to meet the loss in Exchange, is it safe and warranted by past experience to reopen the mints in future? It would conduce to the continued progress and prosperity of the country.

9733. Then, if the rupee fell in the way you indicate, how would you propose to enable the Government to meet its obligations?—Such a loss can either be met by a saving in expenditure, or by fresh taxation, or both, and I would suggest that a committee should be appointed by the Government of India to consider these points in detail. A mixed committee of Englishmen and Natives combined would carry with it the confidence of the country.

9734. Are you prepared for the fall of the rupee to a lower figure than 10d.?—The Government should meet the circumstances as they arise, as they met them in the past. In 1887 and 1888 the Secretary of State drew 14,628,540l. at 1s. 4·927d., realising Rs. 20,817,667. In 1895 and 1896 he drew 18,742,216l. at 1s. 1·597d., realising Rs. 33,080,876. The charge for Exchange in 1887 and 1888 was Rs. 6,135,127, the charge for Exchange in 1895 and 1896 was Rs 14,338,660. A difference of Rs 8,203,533 has been met by Government in eight years without resorting to any unbearable taxation, and it is reasonable to suppose that Exchange will not go under 10d. at once on the opening of the mints.

9735. What are your views as regards a duty on silver, or prohibiting the import of silver into India?—India has been a great absorber of gold and silver for generations past. The innate desire to import silver into the country continues unabated after the closure of mints, and it is now importing as much silver, if not more, as it did before the closure of the mints for its general use. The Government of India has been very wise hitherto in not interfering with this habit of the people, and, in spite of all advice to the contrary, have not increased the import duty on silver nor checked its importation in other ways. Gold and silver ornaments are regarded as a source of happiness by the people of India. Silver is now a commodity as much as any other imported into India, and the Government has no more right to deprive the people of their liberty to enjoy the possession and use of this great factor of their happiness, than they have to interfere with other commodities. The prohibition of silver importations into India would cause the people to become discontented. Any increased import duty on silver would seriously injure her mill industry, which finds a market in China, and likewise all her industries which have to compete with silver currency countries. My view is that the present policy of leaving silver alone is the best, and it meets with the wants and wishes of the vast population of India. Leaving the rich alone, to the poor of India the possession of silver is not only a great luxury, but it is a sort of bank to put their savings in. Would it be wise to deprive the poor man of the power of buying silver, or to depreciate further that which he possesses? The Government of India after the closure of the mint have not tampered further with silver. But, in its despatch of 3rd March 1898, it proposes to melt Rs. 20,000,000 and sell the metal for the price of Rs. 12,000,000. Such a process would obviously cause great depreciation of silver in India and at the same time in England. Now the question is—Can the

Indian mills which find a market in China for their production stand any further strain, which will be caused by such a depreciation?

9736 How does the price of silver affect the Bombay mills?—The fall of gold price of silver in London has an adverse effect on Exchange between India and China, if gold price of the rupee does not fall in the same proportion, and the fall is all the greater when there is a rise in the gold price of the rupee and a fall in the gold price of silver at the same time. Let me point out how the mills are facing in their China Exchange since the closure of the mints 1893–94, 197 average rate in August for 100 dollars. 1894–95, 197 average rate in August for 100 dollars. 1895–96, 199 average rate in August for 100 dollars. 1896–97, 186 average rate in August for 100 dollars. 1897–98, 143 average rate in August for 100 dollars. On the 2nd July 1897, bar silver in London was 27 $\frac{1}{2}$ and China Exchange 159 $\frac{1}{2}$, on 27th August 1897, silver fell to 25 $\frac{1}{2}$ d., and China Exchange went down to 133. Average of silver for three years, 1893–95, was 29d., and Exchange in India on London was 1s 1 $\frac{1}{2}$ d. for the same time. Average of silver in 1898 is 27d. in London, and the price of India Exchange on London 1s 3 $\frac{1}{2}$ d. There is a fall of 2d. in silver in London, and at the same time a rise of 2d. per rupee in Exchange, resulting in a fall of 20 per cent in China Exchange. These falls in Exchange inflict a great loss on merchants trading with China, and such downward fluctuations do great harm to mill industries, with the prosperity of which the prosperity of Bombay is bound up in a great measure. Serious loss of money is inflicted on merchants having trade relations with China, and they suffer in their credit when there is a sudden and great fall of silver in England. There can be no doubt of the hostility of these merchants, if they find that such loss is deliberately inflicted upon them by the Government of India, if they carry out their policy of March 3rd 1898. The mill industry of India is threatened with great competition by China and Japan. Japan already competes largely, and China is going to erect mills on a large scale in the near future. The Indian mills have thus the prospect of a severe rivalry to face. The industry deserves every favourable consideration at the hands of Government with such dark prospects before it. It is an industry which, since the ruin which overtook Bombay at the end of the American War in 1865, has been its mainstay, and has enabled the city to retain its prominent position both as a centre of industry and in respect of the public-spirited generosity of its citizens. I respectfully submit that the Committee bound to take into its most anxious consideration the danger that may accrue to that industry by any decision it might arrive at antagonistic to its interests. It has been argued that cheap silver would make China rich, and she will be able to give higher price for Indian yarn. This argument will not avail in future, as China is going to manufacture its own yarn. With this prospect in view, and considering that between the tea and mill industries Rs. 50 millions are invested, it behoves Government to protect those industries against the further depreciation of silver, which would strike at their very root. Already the mill industry is passing through very gloomy times. There are heavy stocks of yarn in China remaining unsold, and the general body of mills is only just able to make both ends meet, and some are even said to be working at a loss, in proof of which I will read an extract from the market report of the *Times of India Overland Weekly Edition*, 6th August 1898:—“The mill industry is still in a bad way, and is passing through a very severe crisis, owing to the very depressed state of the yarn market in China. Things are really going from bad to worse. Never before were such bad times witnessed, not even during the Franco-Chinese wars, the Russian scare, or the legislation of 1893, which by the closing of the mints gave a severe blow to the industry. Most of the mills are now working at a loss, some of them manage to live from hand to mouth, and only a few work at a small

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margin of profit. How long such gloomy times are going to last cannot be imagined. Our energetic millowners, who in former years, when circumstances were adverse to the industry, caused a great stir and entered into certain movements with the view to remedy the evil, have of late taken no interest in this all important matter. Why do they not unanimously agree to close the mills for two days in the week, as they did before? This short time movement, if carried, will in some measure curtail production, and what is more, control labour, which is at present a very disturbing and annoying element in the management of mills. Surely it is high time now that some measures be adopted.” In the report of the Committee on Indian Currency of 1893, at paragraph 120, they say: “We have already referred to the argument that China might, in the altered circumstances anticipated, produce for her own consumption commodities which she now imports, from India. It is alleged that not only would she do this, but that she would also increase her production of cotton and other articles, for which her soil and climate are said to be suitable, and send them into the market to compete with Indian products. To this it is replied, and we think with force, that the want of railways and other means of communications in China, the heavy and arbitrary imposts to which production is there subjected, and other causes, deprive the apprehensions of any very serious foundation.” We now see what transformation is going on in China, and the same arguments that were used in 1893 cannot be used in 1898. The future competition of China is a serious matter, and more so to the mill industry of Bombay than to any other Indian trade with that country.

9737. Have you any other observations to make?—Nothing further. But I should urge again that, as I have recommended here, an effective gold currency should be established.

9738. Do you say a gold standard or a gold currency?—A gold currency with Imperial guarantee and assistance. I do not see that there could be much difficulty in putting that scheme into operation. The Government of India, in their proposal of the 3rd March 1897, say: “We have been led by public discussions in England to believe that Her Majesty’s Government might be willing to entertain the proposal to give assistance to India in some shape towards the attainment of the object we have in view. While we cannot plead inability on our own part to carry our proposals into effect, at any rate so far as the stage to which at present we propose to confine them, we think it our duty to represent that the establishment of a gold standard in India is a matter of Imperial concern, and that India may fairly claim that the whole burden should not be put upon her. We would urge that Her Majesty’s Government should contribute not only in material assistance, but by creating that greater confidence which will undoubtedly be the result of their publicly assuming a share of the liability.” The Government of India are ready to go in for a gold standard if they are assisted by the Imperial Government, and, if this Committee will support this view, it is the easiest way of obtaining the establishment of a gold currency on a sound basis. You would thus get the means to obtain the gold, and all troubles would be ended. Of course these things will take time. You cannot borrow the money required to establish a gold standard at once, these things require time; in the meantime I would give it as my personal opinion that the present policy should be continued with a ratio of 1s 2d. By the time that you make a gold standard possible, you might reduce the ratio to 1s. 2d., and see the effect of it—whether you get gold in the country by the time the standard is established. Failing a gold standard, the Association’s view is in favour of continuing the present policy, with the proviso that Government should lend, if necessary.

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9739 (Sir C. Crosthwaite) You described the stringency in Bombay during last year?—Yes, up to March 1898

9740 You are aware that in that year the Secretary of State in Council sold a very few bills only?—Yes.

9741. That probably had some effect on the stringency, had it not?—Yes.

9742 Now he has resumed selling, has he not?—Yes.

9743 Still the Exchange has kept up at 1s. 4d or thereabouts?—Yes. As to the reason of the Exchange being higher, I will read a paragraph from a letter addressed to me by Mr Broacha, the chairman of the Brokers' Association. He says, "One of our points is that artificial scarcity has but a very temporary effect on Exchange, unless accompanied by great preponderance of exports over imports. Our point has received strong confirmation recently. Although money now is very cheap, and goes begging at 24 per cent, Exchange remains strong in the neighbourhood at 1s. 4d. This is owing to the greater preponderance of exports over imports this year over last year. This year, from April to the end of July, the export has been 38 crores and imports 20 crores; or the excess of exports over imports of merchandise is 18 crores. Last year, from April to the end of July, the export was only 28 crores, and import same as this year, namely, 20 crores; or this year there is an excess of 18 crores during the first four months of the official year, whereas last year there was an excess of only 8 crores"

9744. This year the Secretary of State is selling bills freely, and therefore, though Exchange is at 1s. 4d. or thereabouts, the discount rate in Bombay is only 4 per cent.; that is not a high rate, is it?—No, but last year, at the beginning of December, the rate was 5 per cent., and it went up to 9 per cent. at the end of December. At present the season is not in full swing, so you cannot judge anything from the present state of the money market.

9745 Still, you admit that not selling the bills had a considerable effect on the stringency?—Oh, yes, there is no doubt of that. Of course, it will not be so tight as last season in that way.

9746 Why do you advocate the 1s. 2d. as against the 1s. 4d. rate?—I advocate it on the principle that you are going for a gold standard, and I would impress upon you that it is advisable from many points of view. In the first place, take the mill industry, that is an important matter, and take the other trades in which India competes with China.

9747 Your principal reason is that you think that a 1s. 2d. rate will be better for Indian trade?—I am taking the Indian mills, and trade carried on in competition with China.

9748 Do you think that the 1s. 2d. rate will materially lessen the competition with China, if China really begins to make railways, and so on?—What I say is, we shall be able to lay down our yarn cheaper than we can now.

9749 Permanently, or for a time only?—In comparison to the 1s. 4d., rupee we shall lay down always cheaper. If you fix the ratio at 1s. 4d., and you alter it to 1s. 2d., you can always lay down the yarn cheaper in China, and that is an advantage.

9750. But do you think it would give us a permanent advantage, or that that advantage would be gradually lost as prices in India rose?—The effect of reducing the ratio from 1s. 4d. to 1s. 2d. will be to increase the rate of China Exchange, and to that extent the mills will be always benefited.

9751. You think there will be no great difficulty in establishing a gold currency and a standard?—No, if you get the Imperial guarantee. I think it would go off easily.

9752 We have been told by some witnesses that, if anything of the sort is attempted, large hoards of silver will be brought out, which will sweep up all the gold either in hoards or in ornaments. Do you believe in it?—What I say is that the hoards are mostly with

the princes. The hoards that are likely to come out are mostly with the princes and the large bankers. As far as we know, the princes will not do anything against the interest of Government; I am not much afraid of hoards coming out from them, because they can be always watched by the Government. Whether there may be hoards coming out, it is difficult to say, but, if you have the guarantee of the Imperial Government at the back of the Government of India, you will be able to meet all that.

9753. I suppose, if you went to 1s. 2d., you would have to raise more taxation?—It ought not to be met by increased taxation, because the Government, when Exchange was at 1s. 1d., have been able to pay their way. I do not see why, if you reduce the rate to 1s. 2d., that should necessitate fresh taxation. During 1891-95 and 1895-96, Government were able to pay their way at a lower exchange, they need not go in for fresh taxation, they ought to accommodate themselves to the revenue.

9754. Do you know how much was borrowed by Government in sterling in the last two years?—I suppose the whole borrowing since the mints have been closed is about 17 millions.

9755 Is it paying your way if you borrow to that extent?—But the question is whether that was necessary. The Government stopped Council bills in 1893-94, and they went to the London market and borrowed. There was no necessity for borrowing that money. They have been borrowing for famine purposes and for war expenditure, but these are necessities that compel them to borrow. I think, the sooner the gold borrowing is put a stop to, the better. I wish to bring forward one point, that, as long as the present policy is continued, it may be difficult for the Government or for the municipalities or other bodies to borrow money in India.

9756. You mean by "the present policy," closing the mints and doing nothing?—Exactly.

9757. (Mr Campbell.) You spoke of the monetary stringency that prevailed in Bombay last season. Do you expect a recurrence of that stringency during the next season?—No, not to that extent.

9758 Do you expect it to any extent at all?—Yes.

9759 Can you give us any instance of the higher rates of interest that you say were charged on such securities as Government paper and gold?—As a proof of the high rate of interest prevailing, I would say that the Secretary of State sold between the 9th February and the 28th March demand bills for Rs. 1,850,000, and T.T.'s for Rs. 2,310,000, at a difference of one eighth in his favour, which gives 18 per cent. per annum interest, and the banks had to pay that 18 per cent. per annum as interest to the Secretary of State to lay down money in India.

9760 I was speaking more of the rates charged by the banks?—Further, I asked Mr Broacha to let me know what was the current rate of interest within those months. He says that the interest on loans on gold was 15 per cent., and selling ready silver and buying for a month was done at as high as 24 per cent. per annum.

9761. That is not quite the same as a loan, is it? That means that a man makes a bargain and gets the bargain extended at that rate?—No. Fresh bargains are entered into. If you have 10,000 rupees in your hand, you can go into the silver market and invest them in silver at the moment, and sell it for a month, and get the 24 per cent. interest. It is not carrying forward anything. You can buy the ready silver and get the 24 per cent.

9762. Still it is more or less of a speculation?—It is not a speculation at all. If you have the money, you can go into the bazaar and sell for the month, and that brings you the 24 per cent. interest.

9763. You say, the rate for loans on gold and securities, such as Government paper, was 15 per cent.?—On gold it was 15 per cent. On Government paper it was very difficult to get money at any price

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9764. You refer to the difference between the Government demand bills and the Government telegraphic transfers as $\frac{1}{4}$ th. My information is different to that?—I have given you my information.

9765. Might not that refer to special sales?—These are sales on one day—on Wednesdays.

9766. Is it not the case that, if the Government were selling at a rate for demand, they would always give you the option of taking telegraphic transfers at $\frac{1}{3}$ nds, higher?—The Government might be quite willing to give you the option, but the banks, seeing that there would be great competition at $\frac{1}{3}$ nds, might tender at $\frac{1}{4}$ th, and, as a fact, they did tender at $\frac{1}{4}$ th.

9767. The difference of $\frac{1}{3}$ nds represents an interest of 12 per cent. about?—But the actual sales are at 18 per cent. I can give you the figures. On the same day that the Secretary of State has sold T.T.'s he has sold demand bills at $\frac{1}{4}$ th lower. Whether he was prepared to sell at $\frac{1}{3}$ nds is another matter, but he has not done so. I suppose the banks being more anxious, and seeing that they must secure the money, offered $\frac{1}{4}$ th. The fact is, at any rate, that the Secretary of State got $\frac{1}{4}$ th, and the banks had to pay 18 per cent. during that period.

9768. You allude to the mill industry in Bombay. What is the amount of capital invested in that industry?—The amount of capital invested in that industry in Bombay is Rs. 9,000,000.

9769. They work largely, do they not, on borrowed money?—They work on borrowed money.

9770. They require to raise money to lay in stocks of cotton?—Yes.

9771. Do they fix these loans for any period?—For one year as a rule.

9772. What rate do they pay for the year?—Just now we have arranged a big loan at 9 per cent., and another at 10 per cent.

9773. That is, although the bank rate is 4 per cent., they are paying 9 per cent. for a years' loan?—Yes.

9774. On what security?—The agents give their own guarantee in addition to that of the mill itself.

9775. You alluded to the Government loans and Municipal loans. There was a $3\frac{1}{2}$ per cent. loan raised about three months ago of 120 lakhs?—Yes.

9776. Can you tell me what rate they got for that?—The last loan was raised at an average of 94 rupees, 12 annas, 5 pies, the amount was Rs. 1,200,000, and the total tenders were Rs. 1,700,000, and the interest was $3\frac{1}{2}$ per cent.

9777. They originally budgeted, did they not, for 3 crores?—Yes.

9778. Do you think, if they had offered 3 crores at the time, it would have been subscribed?—I doubt it.

9779. If it had been subscribed, would it have been at a lower rate, in your opinion?—Yes.

9780. How does that compare with the previous loans?—In 1896 they floated a 3 per cent. loan for Rs. $3\frac{1}{2}$ millions; the total tenders were Rs. 12 millions, the minimum rate accepted was $102\frac{1}{2}$; the average rate was 103; so that the tenders in that year were Rs. 12 millions against Rs. 1,700,000 this year. It shows that the contraction of the currency is telling upon the securities of India.

9781. (Sir A. Dent) In the meantime there had been the plague?—The plague has nothing to do with this, because the loan is an international thing. London may tender to any amount, if they have confidence, but no sooner does Exchange go to 1s. 4d than London is inclined to sell.

9782. (Mr. Campbell.) What is the present price of that loan?— $93\frac{3}{4}$.

9783. As against 94 rupees 12 annas, at which it was taken up?—Yes.

9784. Money, you say, is now at 4 per cent. in Bombay?—Yes.

9785. How do you account for the fall in price?—Because everybody is afraid that money will be dearer again later on.

9786. The subscriptions to these loans are paid into the Presidency Banks?—Yes, into the Bank of Bombay for Bombay subscriptions.

9787. How do the Government deal with these subscriptions when they are paid in?—They withdraw them from the Presidency banks, and put them into the general treasury.

9788. That is to say, they remove the money from the open market and lock it up?—Yes.

9789. Do you consider action of that kind opposed to the interest of those who have taken up the loan?—Yes.

9790. Does it tend to sour the money market against the holders of these loans?—Yes.

9791. And lower their market value?—Yes, and suppose a banker in India had tendered for a large amount, and wanted to pay for it and sell it in London, he has no time to do so.

9792. You alluded to the failure of the Bombay Municipal and Port Trust Loan. Is it the fact that the municipal loan was wanted for sanitary public works?—Yes.

9793. Would the failure to place that loan be very prejudicial to the interests of the community of Bombay?—Yes, at the present time it is very prejudicial.

9794. It is not issued yet?—It was issued, but it failed; they could not get the money.

9795. Now we have heard a good deal about illicit coinage—the coinage of illicit rupees of full silver value. Have you any information with regard to that?—When I was in Bombay there was nothing much said about illicit coinage, but, after I left, there have been some cases in the police court of illicit coinage. I have nothing important to say on that subject beyond what is before the Committee already.

9796. You have no evidence of any large illicit coinage going on?—No, I have no evidence.

9797. (Sir A. Dent) Have you any reason to believe that illicit coinage is going on?—Well, I was rather surprised when I was in Bombay that there was not much of that illicit coinage.

9798. (Mr. Campbell) Is there not a large demand for silver ornaments all over India?—Yes there is.

9799. You may have seen the estimate made by the Government some time ago that about $3\frac{1}{2}$ crores of rupees were annually melted for conversion into ornaments?—Yes.

9800. That is when the mints were open?—Yes.

9801. Now it is cheaper to make these ornaments from bar silver?—Quite so, nobody can melt rupees now.

9802. And the cost of these silver ornaments is very much reduced by the lower value of silver?—Yes, those who are buying now, of course, are getting the silver at a cheaper rate.

9803. Would you consider that this great cheapening in price may have led to a more extensive use of silver for ornaments?—Oh, yes, for many reasons. There is a cheapening of price, and they might be thinking that the mints would be re-opened, and so they might hoard them. Also there is a great idea among the natives that the present is a good price to buy silver at, and I think that creates a demand.

9804. Then we have heard of hoarded rupees; would the effect of about 50 per cent more weight of bar silver being obtainable as compared with rupees be an inducement to the holders of those hoards to exchange their rupees for bars?—It would.

9805. They would get 50 per cent more in weight?—Quite so.

9806. Then we may add to that the knowledge that, if ever the mints are opened again, these bars could be immediately converted back into coins, and what cost them 71 rupees would be turned into $106\frac{1}{2}$ rupees?—Yes.

9807. Have you any doubt that rupees have been largely exchanged for silver in this way since the closing of the mints?—They must have been.

9808. Then, from your knowledge as a broker, would you say that there is always a great deal of speculation in silver among the bullion dealers and others?—Yes.

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9809 And, if there were any idea among these classes of an even probable re-opening of the mints, would not that be a strong inducement to buy and hold silver for that eventuality?—Yes, but my latest information from India is that people are buying silver for ornaments and art work. There is not much speculation going on in silver just now.

9810. But still, would not the profit between 71 rupees and 106½ rupees be a considerable inducement?—Yes.

9811 Taking all these circumstances into account, do you think it necessary to assume a great increase of illicit coinage to account for the large imports of silver into India?—I would not put it down to illicit coinage; at least I have no information on the subject whatever. We were all surprised that there was not illicit coinage, to a large extent, for so many years. It is only lately that we have heard so much about it.

9812. If the people of India were to become fully convinced that the mints would not be reopened, would not this inducement to speculate in silver be removed?—No, I think they will go on speculating because silver is cheap.

9813. But, if it were firmly believed that the mints would not be reopened, would you expect to see a diminution of the present imports?—There might be to a certain extent.

9814. Do you mind giving us your view as to native opinion in India upon the subject of the re-opening of the mints?—Bombay is largely interested in mill industries, and it does a very good trade with China in opium also. The opinion in Bombay in general is in favour of re-opening the mints to silver. If I may judge from that, I should say the feeling of the country would be favourable to reopening the mints.

9815. But your knowledge does not extend beyond Bombay?—No, but, if I may take the commercial people of Bombay, who are the leading community in India, and judge from their feeling, they would be pleased to have the mints reopened to silver.

9816. (Mr. A. Dent.) You yourself disagree with that view?—My idea is that, if you can establish a gold currency with a guarantee, it would be better to do so; if not, I should go for the opening of the mints.

9817. (Mr. Campbell.) Would you suggest a correct means of ascertaining the feeling of the natives of India?—The best plan, I think, would be to address the Chambers of Commerce in India, and request them to get native opinion on the subject. They could easily find it out, because they are in touch with native traders, people connected with commerce and mints, and the shroffs, and, if the Committee ask them, they could get native opinion; they would be able to find it out.

9818. (Mr. A. Dent.) Do you think it would not be coloured by their own opinion?—No. I think all the Chambers of Commerce can be safely trusted; they are all honourable bodies, and they would submit to you whatever is the correct opinion of the country on the subject.

9819. (Mr. Le Marchant.) You were making some reference just now to a statement as to forged rupees?—Yes.

9820. Perhaps you were alluding to the forging of Farrukhabad rupees?—Yes.

9821. They were not used for currency purposes?—No.

9822. They were used for ornaments?—Yes.

9823. With regard to the difference between the rates for telegraphic transfers and for Council Bills, which you describe as having been equivalent to interest at 18 per cent. per annum, were not the higher rates given for transfers on the occasion of special sales, which were subsequent to the weekly allotments, and formed separate transactions?—If you will permit me, I will read you a few of these sales; and you will be satisfied about it. We know that the extra bills sold on off days are for small amounts.

9824. (Mr. Campbell.) Sometimes?—Sometimes they are. On the 9th March 20 lakhs of Council

bills were sold at 1s 3¼d.; on the same day 20 lakhs of transfers were sold at 1s 4¼d. Then on the 2nd March 20 lakhs of bills were sold at 1s. 3¾d. and 20 lakhs of transfers were sold at 1s. 1½d. On the 23rd March 17 lakhs of bills were sold at 1s 3¼d., and 32 lakhs of T.T.'s were sold at 1s. 2¼d. Looking at a table that I have prepared from a reliable source, I find that from the 9th February to the 28th March the difference paid by the banks against T.T.'s was one eighth of a penny.

9825. But Government were always willing to sell at ¼ above the demand rate?—They may be willing, but, seeing the value of money, the banks may have offered more.

9826. Still that does not do away with the fact that the Government were always willing to sell at ¼ above the demand rate?—What I say can be easily confirmed. I have taken the statement from a bank's books, and for my own satisfaction, to prove that 18 per cent. was the rate that the banks paid to the Secretary of State. They preferred to take T.T.'s to taking the demand bills at ¼ less, because they wanted to pay their way. They may have thought that forward demand bills were no use.

9827. They were willing to pay ¼ more than they need have done?—Well, in those times one must be sure of getting the money anyhow.

9828. They may have made a bad shot?—If they did not make a bad shot, they might have had to pay ½ more.

9829. (Mr. Le Marchant.) What effect do you think has been caused by the fixed gold point of 1s. 4d.? You may have noticed what has been said as to the "evasion of the maximum"?—Yes.

9830. Do you consider that the effect of fixing a certain rate is to prevent exchange from rising to that limit? If no limit had been fixed, might not transfers have risen still higher?—Yes, and it would have been bad for mills and trades competing with China. If this maximum was not fixed, things would have been much worse for them. As it is, I am not sorry that that maximum is fixed, because it keeps exchange from flying up all of a sudden and then coming down, so that I think that maximum is a check, and, as to those industries that have been suffering to some extent from the closing of the mints, it has been some amelioration to them.

9831. But, in endeavouring to state the effect on the exchange itself, account may be taken of the effect of the maximum that you have just mentioned, that is to say, it has had some effect in preventing exchange falling?—Certainly.

9832. With regard to the system of borrowing on Government paper, is it the custom of many traders in India to keep their capital in Government paper, and to borrow on that when they require funds?—Yes, the rich merchants do that.

9833. In that way they get the interest on the Government paper?—Yes.

9834. And they prefer this course to having a deposit at a bank?—A deposit at a bank is no use. If I am a merchant, and I have my money deposited in a bank, I cannot use it for trade purposes.

9835. Because of the fixed term?—Yes.

9836. And if you do not deposit for a fixed term?—Then you do not get a good rate of interest.

9837. Does that system of keeping capital in the form of Government paper increase the stringency when money is dear? For instance, there would possibly be a demand for advances from many borrowers at the same time?—It is good for the Government of India. Why should the merchants not keep Government paper? I do not see. Because it is the safest security, and it is best for the Government of India that the merchants should keep the Government paper. These very big merchants cannot keep their money in any other form but Government paper, so as to raise money on it whenever they like.

9838. Would not that cause a greater stringency of money?—I do not think so. The fact of people

holding Government paper in India has nothing to do with the stringency of money.

9839. But when they want money in an emergency they are compelled to borrow?—They are compelled to borrow. There must be facility for them to get the money. It is a good thing that people keep the Government paper, I think, because it is for their safety. I do not think it is a bad thing.

9840. It has a tendency to increase the number of borrowers when money is required?—Certainly. If many people have Government paper, it increases the demand for money, no doubt.

9841. And there were circumstances at the time of pressure, I think you have already mentioned, which caused the supply of money to be short. The banks had not been provided with resources by Council bills and other means?—They did their best to supply themselves with means, but there were not the channels to get the money for trade purposes, and it was a question of whether it would pay to get Council bills.

9842. Or to import gold?—Yes.

9843. It is a question of price—of cost?—It is a question of cost certainly, they would hesitate to bring it up to gold point.

9844. Many people may have anticipated that exchange would fall again rapidly. Exchange had risen from 1s. 3d. to about 1s. 4d., and it was natural to anticipate a fall when the pressure was over?—Yes.

9845. That would be a reason for London houses objecting to buy exchange at that price, and for their not sending sterling out at what might be the top of the market?—Quite so.

9846. And equally a reason for borrowing in India for a short period, expecting exchange to become more favourable after the crop season. Traders would prefer to supply their immediate requirements for money by short loans in India?—Quite so.

9847. Rather than to convert sterling into rupees at 1s. 4d.?—If anybody wanted to convert sterling into rupees, it would be a disadvantage.

9848. To part with gold for rupees would have meant getting only 15 rupees for the sovereign?—They would not do it.

9849. And the same motive would make them hesitate to buy exchange on India from this side?—Yes.

9850. So that at the time the chief strain was thrown on borrowing?—Quite so.

9851. Do you think also that the difference between the rate of 1s. 3d., at which exchange had been about the turn of the year —?—It was in last December 1s. 3½d., then it suddenly went up.

9852. May the sudden rise of about 1d. have operated to cause a subsequent fall—a reaction—to be anticipated?—Yes.

9853. So that there would be more objection to deposit gold after such a sudden rise than there would be if exchange had been ruling at 1s. 4d. for a considerable period?—If I may speak from the experience of last season, when exchange was at gold point, that is over 1s. 4½d., everybody thought it was the time to buy gold and keep it—not to give it to the Government.

9854. And that was to some extent owing to the fact that the rise had been sudden?—No, it had reached a point from which there could be no further rise in exchange, and that was the principal reason why people at that point would rather buy gold than sell gold.

9855. Does that feeling still continue to the same extent?—Well, I have left India for the last six months, and I do not wish to say definitely what it is at this moment, but I think the same feeling would continue, should circumstances be the same.

9856. Would it partly depend upon the prospects of future exchange? Suppose it were thought that ex-

change would remain at about gold point, there would be less reason for converting rupees into gold?—Well, how could you create that sort of feeling, I want to know. You cannot create the feeling that it will remain at 1s. 4d. or 1s. 4½d. for a long time. People must have reasons to judge, and then they would not convert the rupees. As long as they are not satisfied on that point, they would go on converting the rupee into gold, but there must be some facts to go upon.

9857. What kind of facts do you think there could be?—Supposing we have 1s. 4½d. exchange now, why should it not go down to 1s. 3½d. after two or three months? Can anyone give any reason for it?

9858. If, on the other hand, it were lower, would not the same argument still apply, that it might fall?—It would depend on the circumstances of trade and the money market at the time.

9859. What is the estimate of the trade position now?—Just now, of course, there are big crops, and they expect a large export season, and I suppose people are sending money there while the rate is under 1s. 4d.; but, if it goes over 1s. 4d., I think people would not send money; they would think that they ought to wait—I mean until the necessity arises. As we have seen, last season a man would rather pay a higher rate of interest, and amongst bullion dealers they carry a large amount of gold at a big rate of interest rather than sell it. There is a point when there is a temptation to buy sterling—when it goes over 1s. 4d.

9860. As an exchange operation, or as an operation in gold?—For both.

9861. Do you think any circumstances would counteract that? Perhaps you consider that the particular mode you mention of introducing a gold standard would be an effective way of dealing with it?—To stop them from buying?

9862. No; to create confidence in the maintenance of the rate?—Comparatively there would be much greater confidence.

9863. You mentioned that the price of Government paper in India was higher some time ago than recently?—If you wish to have some of the figures, as this is an important matter, I will give them to you. The quotation in May 1896 for 3½ per cent. paper was 110½; the quotation in May 1897 was 103½; the quotation in May 1898 was 94½.

9864. Would you ascribe the difference directly to the limitation of the currency?—What I say is that, if there were no new loans, the rate would not be so low as that, comparatively; but the present rates represent the closure of the mints together with the new loans floated. If there were no new loans floated, the price would rise again. Of course, in the present state of the market in India it would rise. If this season Government had not floated the new loan, we should have seen much better rates for Government paper than we see now.

9865. So that it is the supply of additional loans, together with the effects of the closing of the mints?—The supply of additional loans and the closing of the mints, taken together, make the present rate of the market.

9866. In the ordinary conduct of business in Bombay, do you make payments by cheque or by currency notes? What is the usual system of payment?—Among the English mercantile community the rule is cheques; among the Native mercantile community it is more in notes.

9867. Are notes coming into more general use in Bombay?—I think so. There is as much confidence in the currency notes as in actual coin.

9868. Do you consider it desirable that notes should be issued by the Government, as commanding more confidence than if issued by any other body?—The present system has the entire confidence of the public.

The witness withdrew.

Adjourned.

Mr.
Marwanjee
Rustojee.
16 Nov. 1898.

TWENTY-SECOND DAY.

Tuesday, 29th November 1898.

PRESENT :

The Right Hon. SIR HENRY H FOWLER, G.C.S.I., M.P. (in the Chair).	
SIR FRANCIS MOWATT, K.C.B.	MR. ROBERT CAMPBELL.
SIR DAVID BARBOUR, K.C.S.I.	MR. EVERARD HAMBRO.
SIR CHARLES CROSTWAITHE, K.C.S.I.	MR. W. H. HOLLAND.
SIR ALFRED DENT, K.C.M.G.	MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

MR. JOHN GALLOWAY called and examined.

Mr.
J. Galloway.
29 Nov 1898

9869 (*Chairman*) You reside at Glasgow, and you are President of the Glasgow Chamber of Commerce and Manufactures?—I am, but I wish it to be distinctly understood that I do not appear here in my official capacity.

9870. The evidence you are going to give us to-day is evidence in your private capacity for which you alone are responsible?—Exactly.

9871. You can, however, tell us whether the question of the Indian Currency has been considered at all by the Glasgow Chamber of Commerce?—It has been very fully considered. I should say it has been more fully considered than any question which has come before the Chamber for the last 15 or 20 years at any rate. It came up before a committee of the directors first of all, and a long discussion took place upon it. There were two motions proposed: one in favour of the re-opening of the mints, and the other in favour of a gold standard. A number of the directors who were present did not see their way to vote at all, but, of those who did vote, six voted for the establishment of a gold standard, and four voted for the re-opening of the mints.

9872. The directors, I suppose, are a committee of their whole body?—The managing committee of the whole body.

9873. May I ask how many members there are of the body of directors?—There are 36. Then, after that, it came up before a general meeting of the Chamber and was discussed there, and it was remitted back to the directors to be considered. In consequence of that remit, it came up before the directors, and they discussed it for a considerable time and appointed a committee in order to consider it and bring up a report. That committee met and considered it carefully, and they found that the opinions were so divergent that they could not come to any conclusion, and they remitted it *simpliciter* back to the directors again. It came before the directors after that, and they again discussed it carefully, and they found they could not come to any decision, and they remitted it back to the whole body of the Chamber to be considered by them; they remitted it back *simpliciter*. The Chamber met and it was considered there again. There were three motions proposed; one for the re-opening of the mints; another in favour of the gold standard; and the other motion was that, owing to the fact that this Committee had not yet fully examined into the question, the Chamber should not come to a decision until the full evidence was taken. The movers of the two first motions withdrew, and the last motion became the finding of the Chamber. That is the position in which the matter stands at the present moment.

9874. When did all these discussions commence?—Three or four months since.

9875. After this Committee was appointed?—Yes.

9876. All this that you have been telling us took place after the appointment of this Committee?—Yes.

9877. I suppose the views you are going to express, although they do not represent the views of the Chamber of Commerce, yet do represent the views of a considerable number of your members?—It is very difficult to give anything like the proportion, but I should say that I represent the views of, at least, half of the Chamber.

9878. Now, have you in your business any direct connection with India?—I have a direct connection with Burma.

9879. Will you tell us in what capacity?—Until about five years ago, when I retired from business, I was senior partner in the business of P. Henderson and Company in Glasgow. That firm for upwards of 45 years has conducted the trade between Glasgow and Rangoon, first by sailing vessel and then by steamer. They also initiated the Irrawady Flotilla Company in 1865. The Irrawady Flotilla Company navigates the River Irrawady and its Delta. In connection with this business, and in connection with our representatives in Burma, I know the trend of trade, both between Scotland and Rangoon, and also the inland trade of the country.

9880. As the result of your experience, what is your opinion of the policy of the Government of 1893 in closing the mints?—I strongly approve of it.

9881. Would you give us your reasons for that?—I approve of it because of the great amount of friction and annoyance and loss that resulted to large numbers of trades in connection with Burma through the fluctuation in the rupee. The fluctuation in the rupee was such as to turn trade into a perfect gamble, and the consequence was that those who were engaged in that trade never knew what was before them; they did not know when they entered into a particular contract but that, before the contract was completed, the rupee would have fallen and would have involved them in a loss. In addition to that, the strain has been very great; so great that, as you are aware, the Bengal Chamber of Commerce petitioned the Indian Government to intervene.

9882. Apart from any question of the ratio as between gold and the rupee, what I understand you to say is that the inconvenience arose from the absolutely unstable exchange?—Exactly; and I have spoken to a very large number of exporters, manufacturers, and dyers connected with the West of Scotland, and I may say they are unanimous, with one or two exceptions, in condemning the policy of re-opening the mints, as bringing back a state of things that they felt was extremely hurtful to their interests.

9883. I suppose that a good part of the trade of Burma is with gold-using countries?—I understand that in that respect it is something like India, nearly the whole of the trade is with Great Britain.

9884. I think we have it in evidence before us that above 50 per cent. of the trade of India is with Great Britain and with other countries having a gold standard?—I would say that the trade of Buima is in a greater proportion with gold-using countries.

9885. Do you think that the falling rupee has stimulated the exports from India?—Well, I would say yes, and I would say no. I have no doubt whatever that the falling rupee has had a good effect at first upon a number of exports. It is quite possible, I do not know all the trades of India, but it is quite possible that some of them have been permanently benefited, and there are others where the adjustment of prices and other things coming in have taken away the extra profits, and there are other exports which have received permanent damage. If you take the jute trade of Dundee: suppose when the rupee was at 2s., I had gone to a Dundee manufacturer with a ton of jute and six sovereigns. He would have given me for that, a ton of manufactured goods, and he would have spent the six sovereigns in the manufacture—in wages. Suppose I had gone to a manufacturer in Calcutta and suppose that at that time he could have done the same thing; if I had gone when the rupee had fallen to say 1s. to the Dundee manufacturer, he would still have done the same thing with the six sovereigns; but, if I had gone, when the rupee was at 1s., to the Calcutta manufacturer, he could have done the thing cheaper, because in the meantime the rupee had fallen, and his wages instead of being 6l. would only have been 3l. In that way the Dundee manufacturer is handicapped, and all foreign manufacturers are handicapped; and in this matter, as you are damaging the interest of those who take the jute, naturally you damage the export trade in jute, and, if it goes on to a certain length, you will strangle the trade altogether, and in that way do permanent damage to the export of jute.

9886. What you mean when you talk about the wages, I suppose, is this, that the Calcutta manufacturer would be able to buy for three sovereigns the number of rupees which, supposing the rupee had remained at 2s., he would have had to give six sovereigns for?—That is so.

9887. He would not have raised the wages?—He would not have raised the wages. Then, again, take the tea trade; that is another illustration of the same thing. I have no doubt whatever that, when the rupee began to fall and continued falling, the tea-growers got large profits, but these large profits stimulated the planting of tea gardens, and the consequence is at the present moment there is an over-supply of tea, and the market is glutted. Now, it matters not although the rupee were to fall further, so long as there is a glutted market, you cannot increase the exports from India. These are two illustrations of the way in which this law acts—that is, that, when the rupee falls, it does not necessarily benefit all the export trade of India.

9888. Now, how has it affected the imports?—The whole of the imports have undoubtedly been injured in the first place, because, until the prices were adjusted, the people had sent them out on the old basis: in the meantime the rupee had fallen, and the consequence is that they came in for loss. I have spoken to a large number of exporters in Glasgow, and they spoke with very great bitterness on that subject, and stated that in their experience it was not only the irritation and the annoyance and the consequent strain that was put upon them in arranging their business transactions, but also that serious loss accrued from it.

9889. Are there any other trades you would like to mention that have been injuriously affected by the falling rupee?—There are some other trades. Wherever there is a business in India financed from England, the return from which is in rupees, and the part which represents the profit, the working expenses on this side, and depreciation, has to be remitted to this country, then there is a decided loss accruing to these trades. It is quite apparent. When the

rupee was at 2s., one thousand rupees gave 100l., but when the rupee had fallen to 1s., if it did fall to that, one thousand rupees only gave 50l., and the consequence is that a great deal of loss has accrued. These interests are made up of oil wells, the coasting trade, railways, and river navigation, and there may be other.

9890. Has there been any recouping of this loss by advancing prices?—There is in a number of trades, but not in all. There has been a recouping in prices, but that recouping results in an injury to India, because it is actually throwing a tax on the whole population of India; that is, that in India, when the manufacturer who sends out goods from this country increases the price of his goods in order to recoup himself for the decreased payment in rupees, the native who gets no more, or a very little more, for his wages, is obliged to pay a higher price for his European goods.

9891. He is obliged to pay more rupees?—More rupees.

9892. And he does not earn any more rupees; his power of earning the rupees remains the same and he has to pay more rupees for what he buys?—Exactly, and that, as is well known, acts as a restriction on trade.

9893. Then, taking your statement just now that 80 per cent. of the trade is with gold-using countries, does that mean that the bargains are concluded, both imports and exports, entirely upon a gold basis?—The merchant who sends out from here makes all his transactions in gold, but, when he has to deal with the natives, they make their transactions in silver.

9894. But are their calculations based on the gold value of that silver?—Do you mean the calculation of the natives?

9895. Yes?—No, certainly not. They know the rupee and they know nothing more. For instance, if our steamer going up the Irrawady takes on board 100 passengers, those 100 passengers simply know the rupee, they know nothing of the gold standard or gold currency.

9896. There you are dealing with the internal trade. I want you to confine yourself for a moment to the foreign trade. Let me put these two cases. The Manchester man sells to India a bale of cotton goods. The Indian merchant sells to Manchester a quarter of wheat. Are both prices calculated in the first instance on their gold value in Manchester?—I am not in a position to answer that.

9897. You see what I mean?—I see what you mean, but I cannot answer that.

9898. I suppose there is a very considerable trade on the Irrawady from Rangoon to Bhamo?—Yes, it is a thousand miles from Rangoon to Bhamo, and then the Flotilla Company also navigates the Chindwin river, and the towns and villages on the Delta, including Bassein.

9899. Dealing with the internal trade, I understand you to say that practically the depreciation of the rupee has not had any effect on that trade. The rupee remains the same?—The rupee remains the same exactly. You mean the raising of the price to 1s. 4d. has had no effect?

9900. No, I was going back. What I call the starting point is not the raising of the rupee from 1s. to 1s. 4d.; I call the starting point the reduction to 1s. It is now a recovery, it is not a starting point?—Then, so far as that goes, our rates for carriage have remained very much the same; they are somewhat lower in consequence of the opposition of the railway, but, so far as we are concerned, they have not been raised at all.

9901. I suppose you practically could not raise them?—We practically could not raise them, for two reasons: one is, that, the moment we raise our rates, we should at once get the native boat-hirers and boat-owners on the Irrawady coming into competition. In addition to that, we are running alongside the railway, and we could not raise our rates in consequence.

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9902. Now we come to another question about the stringency of currency. Have you had any difficulty in carrying on your business in consequence of the stringency of currency alleged to have arisen from the closing of the mints?—None whatever.

9903. Was there a great demand at the commencement of the famine for rice?—There was. There was a stringency of money in the country for a short time when the demand for rice came, but I think that that stringency would have taken place, even although the mints had been open, because it was a thing quite independent of the opening of the mints. Afterwards, in consequence of the great demand made by India on Burma for rice, the whole of which had to be paid for in rupees, there was actually a redundancy of currency in Burma, and I would presume that that, together with the vast sums sent to the frontier for war and for famine relief purposes, would, in great measure at all events, account for the actual stringency which took place in commercial centres.

9904. Then you would attribute the stringency partly to the money sent to the frontier for war purposes, and partly to money sent for famine relief purposes, and partly to the large sums paid for rice?—I am not prepared to say that the whole stringency arose from that.

9905. But partly?—Partly, certainly.

9906. Has there been any difficulty in conducting the internal trade of Burma in consequence of the stringency of money?—That is a question that I have consulted our agents in Burma very particularly upon, and they answer emphatically that there has been none.

9907. What rate of interest has prevailed in Burma?—At the time that that stringency took place to which I refer, it ran up to 15 per cent.

9908. That was the highest rate?—I understand that that was the highest.

9909. Have you any opinion to give us as to whether any discontent exists among the natives of Burma on account of the closing of the mints?—There has not been the slightest discontent. The fact of the matter is that most of them do not know that the mints were closed, and, even if they were told, I do not think they would be in a position to argue the matter out. I am perfectly confident that there has not been the slightest discontent.

9910. Is there much hoarding of rupees?—The Burmese are quite different from the Indian people, they have different habits altogether. The Burman is a pleasure-loving man, and, whenever he gets a certain amount of money in his possession, he thinks his first duty is to go and spend it, he visits the pagodas, makes votive offerings in the pagodas and shrines, he spends money also in travelling. Of course they have a love for jewels and ornaments, and they spend a great deal of money in these, but hoarding in the sense in which it is understood in India does not take place. I should presume that in India itself, owing to the closing of the mints taking the Government as a competitor out of the road, the native would be able to purchase his ornaments cheaper than he would otherwise have done. So that, so far as that goes, I presume it would be a benefit to him.

9911. Are many of the ornaments in Burma in coins? Do they hang coins round their necks, and so on?—I think there are a few, but it is not so much that as in manufactured ornaments and in precious stones.

9912. If the fall of the rupee were arrested, and it were put on a permanent ratio, do you think that any loss which might arise would be temporary or permanent?—I think it would be temporary, that prices would adjust themselves, putting out of account the benefit that would arise to trade otherwise.

9913. We have had some evidence before us that the trade with China and Japan and the Straits might be affected by adopting a gold standard. Have you any opinion on that point?—I have no fear whatever of that. Statistics show, I think, that that is not the fact, but, over and above that, China has not a silver

currency; the currency that it has is copper, if it is anything. Then in regard to Japan; Japan has gone on to a gold currency. As to the Straits, I am perfectly certain that, if India adopted a gold standard and a gold currency, the Straits would follow suit. I feel quite certain that that would be the result.

9914. That would settle, of course, the Straits question; but with reference to the commercial development of China, which is supposed to be in the near future, how do you think it will affect that? Take the case of the tea trade: the Indian tea-planters say that to raise the price of the rupee is to give a bounty to the Chinaman as against the Indian?—I have no fear in regard to the tea trade. Mr Ralli, when he gave evidence here, mentioned, and I think he was quite correct, that the methods in China were 4,000 years old. In addition to that there is the very large export duty in China, and then there is a want of facilities for carriage, making the carriage to the ports very high. In addition to that there is the greater amount of freightage required from China to the European ports than from India to the same ports. I think that all those matters put together place India in a very safe position, in so far as competition from China is concerned.

9915. I suppose there is also the competition of quality?—There is also the competition of quality, and I understand both the Indian and Ceylon teas are very much better than the China tea.

9916. Your opinion is that the maintenance of the rupee at its present value will not prejudicially affect the trade with China and the Straits, but, if it could be proved that the raising of the rupee injured the trade with those countries, would that affect your opinion?—Certainly not, because the trade with gold-using countries is 80 per cent. of the trade of India. With China and other silver-using countries, it is only 20 per cent. In addition to that, in China and Japan and the Straits, they have a climate similar to the climate of India, raising the same kinds of exports, and therefore there is not the room for expansion in that trade that there is in European markets where the climate is different, and where the products are so different from those of India, and, as the trade with gold standard countries is an expanding trade, it would be folly, independent altogether of its greater amount, to seek to foster the trade with silver countries at the expense of the trade with gold countries.

9917. I gather from the evidence that you have given us that you are in favour of putting India on to a gold standard?—Certainly.

9918. Have you considered the question of the gold standard apart from gold currency, or have you considered it in connection with gold currency?—I have considered it in connection with gold currency.

9919. Do you think it is possible or wise or practicable to establish a gold standard without a gold currency?—I think it would be much better if a gold currency could be got, but that is a matter for currency experts, and I should not like to give my opinion upon it.

9920. Do you think that, if a gold standard were adopted, the habits of the people would remain the same as you have indicated they have remained during all this transition stage—that the rupee is the rupee in India and will be the current coin of India?—Certainly. I have a very strong opinion with regard to that. I suppose you are speaking with regard to some of the fears that have been expressed about a gold currency disappearing through the hoarding habits of the natives.

9921. Yes. Will you deal with that first of all?—With regard to that I have not the slightest fear. The natives have had this habit from time immemorial of hoarding silver coins, and the whole of us know that Eastern habits are habits that remain with the people from generation to generation, and that it is one of the most difficult things to change the habits of an Eastern's mind, or the habits of an Eastern's doings. Therefore, I am perfectly satisfied that the

hoarding of silver will continue. In connexion with that, I may say that I have been in Turkey. In Turkey, gold and silver circulate together; and the Turks are a hoarding people just like the Indians. In that country it is the silver that has continued all along to be hoarded. In the fields of Syria I have seen women with 20*l.*, 30*l.*, and even 40*l.* in silver come upon their heads—a weight so heavy that they had pads to protect their heads—and it was only in one or two cases here and there that you saw a gold coin. I have travelled through Syria and Asia Minor, and I found the same thing. Of course at Jerusalem and Damascus, where there are so many travellers, you do find gold, and at the large seaports; but in the inland towns you never come across a gold coin: gold does not seem to have penetrated the country beyond the maritime ports, and I am perfectly satisfied that in India it would be the same thing. It would take years and years for the gold currency, if it were established, to go beyond the centres of trade—Calcutta, Bombay, Rangoon, Madras, Karachi—and the vast mass of the people would remain exactly where they are; and with regard to hoarding, even in those centres, I feel satisfied that the great bulk of the Indians would continue to hoard in silver and not in gold: first of all, because of habit, and in the second place because their earnings are small, and, therefore, their savings must of necessity be small; they could not pass a sovereign into hoard; it must be in the shape of a silver coin. Then, in addition to that, when they are wanting to spend their money, these small silver coins are much more handy than gold coins would be. For these three reasons I certainly think that the gold currency would not be absorbed, and would not disappear in the hoards of the natives.

9922. Would that lead you to the opinion that a moderate amount of gold currency would be sufficient?—Certainly, supposing I am right, that takes away one of the great evils that it was anticipated would flow from the establishment of the gold currency, and therefore would naturally make a very much smaller quantity of available currency sufficient for the purpose.

9923. (Of course, if everyone who had 15 rupees came and demanded to have the 15 rupees turned into a sovereign, that would make a tremendous call on the Government?—But you can scarcely conceive that every one of the 300 millions of the natives of India is going to rush to the mints with all the silver he has, and get it exchanged for gold. All the more, that the gentlemen who are opposed to me in opinion tell us that the gold standard is a thing that the natives do not want, that the natives do not understand it; that they are not accustomed to it and will not use it, and that the thing will be a total failure in consequence. The two arguments are flatly opposed the one to the other.

9924. Then your opinion would be that the really effective gold currency would be for international transactions and not internal transactions?—That is my opinion. I think that very likely in the course of years the gold currency might penetrate into the country, but it would be gradual.

9925. Have you formed any opinion as to illicit coinage?—That is a matter on which I have had considerable doubts. It seems to me to be a very great temptation to a native to have the difference between the coin value of the rupee and the bullion value, and it would be a great temptation to the Indians to take to illicit coinage; but that is a matter on which, I understand, the Government is making inquiries, and I would not like to give a definite opinion upon it.

9926. Reference has been made to the prosperity of other countries under a silver standard. Have you any experience of South America?—I have been in South America and I have travelled over a large part of Argentina. I have talked on this subject with the principal members of the English colony there, with merchants, bankers, and others, and my opinion with

regard to it is that the ideas which have been put forward by those who favour a falling rupee are entirely wrong. In the first place, I never, during the whole time I was in Argentina, saw either a gold or silver or copper coin in circulation. Such do not exist. The whole currency is in paper, and the standard is not silver but gold. You could not get better proof of the danger of an unstable medium of exchange. When I first went to Argentina in 1887, the premium on the dollar was 14, that is, it took 114 paper dollars to purchase 100 gold dollars. Before five or six years had elapsed, the premium had risen to 860, that is, it took 460 paper dollars to purchase 100 gold dollars, and the consequence of this was the revolution in which President Selman was ejected from his office; then the Baring collapse came and hundreds of firms out there were ruined. You could not possibly get a better object lesson than Argentina as to the danger of having an unstable medium of exchange.

9927. Have they any gold coins out there at all?—No gold coins at all, neither gold, silver, nor copper. Everything is in paper. I never saw a coin of any kind while I was in Argentina; trade is conducted in paper currency.

9928. Does that apply to internal transactions?—Yes; when you went down to a railway station, for instance, to purchase a ticket you did not know what it would cost.

9929. They added the premium to it?—They added the premium, and you had to give so much more paper. It has been stated that Argentina is a prosperous country. Now the very opposite is the case, although I believe that it is the best of the South American Republics. Argentina has an area equal to the whole of Europe, excluding European Russia. It has some of the most fertile tracts in the world. It has only 3½ millions of people, and it is labouring under a debt which, to a country of such resources, ought to be nothing. Therefore I do not look upon it as a country which can be quoted as prosperous, and over and above that, from time to time there are revolutions there in which the merchants and dealers lose all that they have.

9930. That is politics and not currency?—But the currency leads to the politics. The currency led to the revolution which I have referred to, when President Selman was put out of office. That was undoubtedly in consequence of the premium on the gold.

9931. Have they not constructed in recent years one of the finest docks in the whole world at Buenos Ayres?—They have, but it is all with borrowed money.

9932. Is it borrowed money in the sense that the Government have borrowed the money and have built the dock out of it; but does it not pay a very large percentage?—I am not aware that it does.

9933. Now what is your opinion with reference to the proposal to re-open the Indian mints?—I think the re-opening of the mints would be something very disastrous to the trade of India, and in a great measure to the trade of England also. The fall of the rupee from 1*s.* 4*d.* to 10*d.* or 9*d.* would be something too dreadful to contemplate.

9934. I suppose, if a catastrophe arose from such a cause, the effects of the catastrophe would be felt in Liverpool, Manchester, Glasgow, and London, almost as much as they would be in Bombay and Calcutta?—No doubt; the two countries are bound together in such a manner that a catastrophe to one must be felt by the other.

9935. It has been suggested to us that the mints might be gradually opened so as to prevent this catastrophe?—I have no faith in such a course: the moment such a policy is commenced, the whole thing would be discounted and the rupee would drop at once to the bullion value of silver. Whenever you began to bring it down gradually, supposing that were possible, everybody would know what it was tending to, and the whole thing would be discounted.

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9936. You do not think the bankers of London or India would be deceived by a gradual process of that kind?—Certainly not.

9937. What do you say about increasing the taxation of India?—In the first place, I do not approve of it as a free trader, because it is going into the old system of taxing trade. And, in addition to that, it is taxing the multitude for the sake of the few, and I am decidedly opposed to anything of that kind. I am quite certain, for instance, that the tax that is proposed to be put on, would ruin the Dundee mills.

9938. You mean the proposed tax on jute?—A tax on jute would ruin the Dundee mills, and a tax on jute is one of the things which has been pointed out as possible.

9939. You mean an export duty?—An export duty.

9940. Then, I understand, in addition to that, it has been proposed to put a tax on the export of tea?—It seems to me to be terribly absurd, when the tea trade is the principal trade for which all this agitation is going on, to think of putting a tax on tea. To quote a homely illustration, which is very apt, I think, it would be like a dog trying to live by eating his own tail.

9941. I suppose, if a tax were put on tea, it would be paid by the consumer?—It would be paid by the consumer in England, certainly.

9942. Therefore, the proposition is, that the consumers of tea in England are to pay a tax for the benefit of the tea-growers in India?—Exactly. And, in addition to that, there would be this offset, that it would bring the price of Indian tea nearer to the price of good China tea.

9943. As an experienced merchant, having seen a good deal of the public life of this country, do you think it a reasonable supposition that the Parliament of Great Britain would impose such a tax?—Certainly not; but still it has been put forward as a proposition.

9944. Now, as a manager of the Burmese Navigation Company to which you referred, have you had much contact with the exporters from this country to Burma?—I have, and lately I have purposely put myself into communication with them.

9945. I suppose I may say the export firms in Glasgow?—The export firms in Glasgow; and I may say the export from Glasgow to Burma is very large.

9946. Will you tell us what their views are?—You can divide the exporters into two sections. There are the exporters pure and simple, and there are the manufacturers and dyers who not only manufacture but who also export. As I have said, I have put myself into communication with these. I have seen 18 of the principal exporting firms in Glasgow. I may just mention that I did not go to James Finlay & Co. because I know that Sir John Muir sat upon this Committee; but I went to 18 other firms. Of those there were two that were uncertain; there was one that was opposed to the gold standard, and one that partly agreed and partly opposed. The rest of these firms, amounting to 14, gave me authority to state before this Committee, "That they found the falling rupee extremely disadvantageous; that they have been much benefited in trade since the rupee became fixed at or about 1s. 4d., and would approve of a gold standard if it fixed the rupee." I have been authorised to state this on behalf of the following firms: Alexander Reid & Sons, Smith, Smith & Co., Robert Brown Limited, Robert Binning, W. Milne & Co., J. R. Russell, R. Cochrane & Co., R. R. Grier & Co., J. & M. P. Bell & Co., R. F. & J. Alexander & Co., Stephen Robertson, A. & B. Mackay, D. C. Paton & Co., and J. Lean & Sons.

9947. You say "if it fixed the rupee" Do you mean if it fixed the rupee at 1s. 4d.?—They merely asked for a fixed rupee. Then, in addition to that, I have been in communication with the manufacturers and dyers in the west of Scotland, and these are a very important class. I may mention that three of the firms whose names I have here employ between 5,000 and 6,000 employés; that will give you some idea

of their importance. I am authorised by the following 14 firms, manufacturers and dyers of Glasgow, representing nearly the whole of these trades in the Glasgow district, and whose business is principally with India and Burma, to say, "that they object most strongly to an unstable rupee, and find that their trade has been much benefited since it became fixed at or near 1s. 4d., and would deprecate any action which would bring matters back to the old basis, whilst they would welcome any policy which would give fixity to the rupee for the future." "Mr. Kinloch, of J. R. Cochrane & Co., muslin manufacturers; Mr. Alexander Maclaurin, of A. Y. Maclaurin & Co., muslin manufacturers; Mr. J. Pearson, of J. J. Cochrane & Co., muslin manufacturers; Mr. John Galloway, silk manufacturer; Mr. J. Frew, silk manufacturer; Mr. Alexander Balfour, of A. Balfour & Co., earthenware manufacturers; Mr. James Fleming, of Cochrane & Fleming, earthenware manufacturers; Mr. Moir, of the I hornliebank Company, Limited, calico printers; Mr. John Glen, calico printer; Mr. Turner, of Wm. Turner & Co., cotton yarn dyers; Mr. T. P. Miller, of T. P. Miller & Co., Turkey red dyers; and Mr. John Christie, Mr. Henry Brock, Mr. James Templeton, and Mr. Maclaurin, all of the United Turkey Red Company, Limited, comprising the firms of Archibald Orr Ewing & Co., John Orr Ewing & Co., and Wm. Stirling and Sons."

9948. Then, is the present period of suspense as to the currency policy of the Indian Government felt to be any grievance in Scotland?—All parties, whether they were for the opening of the mints or not, are agreed that the present state of suspense is very detrimental to trade, and they would certainly like it brought to a close as soon as possible. I may say with regard to the jute trade, in addition to what I have said, there are other things which put that trade in a very hampered position by the falling rupee. I have mentioned how Dundee is handicapped by the falling rupee, and the exports from India put in danger thereby. But in addition to that, they claim that, if you have the rupee at 2s., then a mill in Calcutta would cost 10l. per spindle; of that 10l., 4l. would be spent in labour in the erection of the mill. If the rupee falls to 1s., that takes off 2l. per spindle from the cost of the mill, and to that extent over and above, by reason of the falling of the rupee, the Dundee manufacturers are handicapped as against the Calcutta mills.

9949. And, therefore, they are anxious to arrest the fall of the rupee?—Naturally.

9950. (Mr. Campbell.) You were alluding just now to the jute trade. You say that a high exchange tends to favour the Dundee manufacturer as against the Calcutta manufacturer?—The Dundee Mills think that they are placed at a disadvantage by the falling rupee.

9951. Is not that an argument in favour of a low exchange?—The Dundee people consider that, if you, by having a falling exchange, handicap them, then it is in reality putting a tax on the export of jute, and benefiting the Calcutta manufacturer at the expense of Dundee.

9952. I presume it is in the interests of India that we are examining into this question now. Would you not say that anything that tended to drive the manufacture of jute out of India and into Dundee is bad for India?—It is really a question of holding an equal balance, not favouring one at the expense of the other, especially when, in seeking to favour India, you injure the export of India's raw material. If you stop the purchasing power of the Dundee manufacturers, they cannot purchase, and as a matter of course it strangles the export trade in jute.

9953. But I suppose the world would use jute goods supplied by Calcutta, as readily as jute goods supplied by Dundee?—It is possible that they will.

9954. Therefore if you do anything to favour the manufacture of jute in Calcutta, as compared with its manufacture in Dundee, you give India the benefit not only of growing jute, but of manufacturing it?—

You may do that, but you are doing it at the expense of Dundee, and I do not see that it is right to do that.

9955. The point I want to make is this. If a high exchange would handicap India in favour of Dundee, is not that an argument against a high exchange? If a low exchange would benefit India at the expense of Dundee, is not that, from the point of view of India, an argument in favour of a low exchange?—There should be no benefit conferred on one at the expense of another—that is in the end bad commercial policy.

9956. You are connected with several large steamship companies in India?—Yes.

9957. Of course you must have suffered considerably by the fall of exchange in the matter of remitting home your freights?—Yes.

9958. Have you found that this has been made up to you in any other way?—It has been made up in this way: we trade in Burma, and after the conquest of Upper Burma the country was developed very rapidly, and we have benefited very largely in consequence of that. Had it not been for the development of Burma in consequence of the change of Government, we would certainly have been in a very poor position.

9959. Then you attribute your prosperity more to the development of trade than to any other compensations?—I do.

9960. You agree that 1s. 4d. ought to be the rate?—It appears to me to be a reasonable figure.

9961. As regards the rate of 1s. 4d., are you aware that the Government of India did not come to any final decision on that point in 1893?—I was not aware of that.

9962. Their proposal left the rate open to be fixed by the light of future experience?—I was not aware of that; but, taking it as it is, I think it is a very fair compromise.

9963. One object of the currency scheme was, was it not, to attract gold to India for currency purposes?—I know that was considered part of the scheme.

9964. Has it succeeded so far in doing that?—It could not possibly do so, because we are in an interregnum—we are in a time of transition, and no person who has gold to send there will do so until the medium of exchange becomes stable.

9965. But gold does go out there to some extent now?—I know it does, for certain purposes; but in the way you are speaking of, and in the way that the Government want, it would be absurd for people to send it out.

9966. It goes into the country because a better price can be got for it in the bazaar?—Exactly.

9967. Would not that be an argument in favour of 1s. 4d. being too high a rate?—No, it would be merely an argument that, the sooner the present state of suspense is put a stop to, the better. Instead of the banks removing their capital to this country, they would return to their old habit of having their capital in India with the view of lending it out for the development of the country.

9968. Would any capital go to India unless it was considered certain that the Government would be able to maintain the rupee at 1s. 4d.?—I am going on the supposition that this is a thing that will be accomplished. I am saying that when once the present state of suspense has come to an end, and when the Government has established a gold standard, with the rupee as a subsidiary coin linked to the sovereign at the value of 1s. 4d., then the banks will return to the habit that they had previous to the falling of the rupee; that is, they will take back their capital to India for the purpose of loaning it out for the development of the country, and I suppose the capitalists will do the same as the banks.

9969. Then, how is Government going to manage that?—That is a matter for experts and not for me. I understand that the Government think they are perfectly able to do it, and I have faith in them. Then, again, I argue in this way, that if Germany, with the vast number of little States of which it was made up, and with the vast number of different coins that

were in circulation, made the change from a silver to a gold currency, and unified that currency, I think the British Government will be able to do it also.

9970. But Germany was very much assisted by the large indemnity paid by France in gold, was she not?—To a considerable extent that was the case, but that indemnity is still unused; they have it hoarded up against any contingency in the future.

9971. Would you approve of the Government of India borrowing gold in order to establish a gold currency?—Certainly.

9972. You would?—I would.

9973. That is, they would borrow gold, take it out to India, and offer to let it out at 15 rupees to the sovereign?—Exactly, the sovereign for 15 rupees.

9974. Suppose the balance of trade were to go against India, in which case gold at that rate would make a good remittance home, would there not be a chance of the gold going away from the currency and returning to this country?—Of course, that is a danger that exists in the case of Germany and France and the United States, and would exist with any other country.

9975. But would there not be more danger of gold remitted in that way leaving the country again than of the gold which might be attracted to the country naturally through the ordinary operations of trade?—I do not think so, because the gold would, of necessity, get into circulation, and, in circulation, it would be in exactly the same position as the gold in any of these other countries.

9976. You say, there was no great monetary stringency in Burma?—There was none, excepting at that one period when the sudden demand came from India at the commencement of the famine for rice. The demand was very great, and it came suddenly, and there was a stringency then for a short time, but only for a short time.

9977. What period was that?—I cannot say exactly, but it was simply at the time of the famine; it was the demand for rice for the relief of the famine.

9978. About a year ago?—It is more than a year ago, in 1896 I think.

9979. Are you aware that from about November 1897 to about April or May 1898, money in Burma stood at 12 or 15 per cent.?—I am not aware that it stood so high as that excepting at that particular period, but I know that both in Burma and India at certain seasons of the year the discount and interest rates did go very high.

9980. (*Mr. Holland.*) I should like to ask a question in regard to one that was put to you by Mr. Campbell just now, touching the jute trade of Dundee and Calcutta, and with regard to the necessity of giving prominence to Indian interests. I suppose if there was a benefit to the Calcutta manufacturer, that benefit would not extend to the labour in the mills?—Only to an extent. I understand that labour has advanced to some extent, but not to the full extent.

9981. Then to the extent of the deficiency, the remuneration of labour would be practically reduced?—Yes.

9982. You are in favour of a gold standard, even without a gold currency, if a gold currency should not be found attainable?—I think that a gold standard with a gold currency is the thing that ought to be aimed at, but, if that is found to be impossible, I would certainly have the gold standard without the gold currency rather than return to the old system of things.

9983. In the course of your evidence you mentioned Argentina as an instance of a country where, although they had a gold standard, there had been a great deal of instability?—That instability would not have occurred, I think, if they had had a silver subsidiary currency; but they had a worthless paper currency, and that currency was issued just at the will of the Government in a great measure. When they were in

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straits they set the printing press to work and flooded the country with so many more notes.

9984 So that that is not the kind of gold standard that you would like to see adopted in India?—Certainly not.

9985 If there is to be a gold currency as well as a gold standard, would you admit the necessity of having the gold and silver on an equal footing in regard to each being legal tender for an unlimited amount?—That is a matter that belongs more to India than to here I cannot speak with certainty as to that.

9986 You say in your evidence that Turkey-red dyers in the west of Scotland would welcome any policy which would give fixity to the rupee for the future: do you think that they would welcome such a policy even if it involved an international arrangement with the United States and France?—That is the bimetallic question. I suspect that if you were to introduce that question amongst them, you would probably find a difference of opinion, but I really cannot say what their opinion would be. With regard to myself, I am very strongly against it. What was before their minds when they signed the statement I have read was the policy by which a gold standard and a gold currency could be introduced into India. I can say for certain that that was what was before their minds when they made that statement. Such a thing as a bimetallic arrangement was not before them.

9987 (*Str A. Dent*) With reference to what you said about an export duty on tea from India, which you thought would be a very iniquitous tax, what would be your answer to the Indian and Ceylon planter who says that tea is already taxed by a 1s. 4d. exchange, and who also adds: "I would sooner have a duty of 5 or 10 per cent, and my silver at bullion point, than be taxed as I am by an exchange of 1s. 4d."?—It seems to me to be a contradiction in terms for an arrangement to be made by which the rupee should fall for the benefit of the tea-planter, and that then you should put a tax upon him, destroying to a certain extent the benefit that you give him. It seems to me to be a contradiction that the two things should be coupled the one with the other.

9988 He thinks that a tax of 5 or 10 per cent. would put him in a better position than he is in now?—No doubt.

9989 Then about the Straits. You say that, if India were to go on a gold basis, the Straits would no doubt seek to follow suit?—Yes.

9990 Have you any special information about the Straits?—I have spoken with merchants dealing with the Straits, and that is their opinion. I was speaking to a merchant this morning, and he emphatically gave it as his opinion that the Straits would be glad, if India got a gold standard, to follow suit.

9991 Have you seen all the debates in the Singapore Chamber of Commerce on that subject?—I have not.

9992 In Singapore itself it seems they are very much divided?—It appears to me, whatever their opinion may be on this question, that they would be obliged to follow suit. It would never do, I think, for them to be on a silver basis and India on a gold basis; the connexion between the two countries, as well as between them and England, is too great.

9993 (*Sir D. Barbour*.) You said that, owing to the fluctuations in exchange, trade had been reduced to a gamble?—Yes.

9994 I daresay you are aware that evidence has been given by other persons to the effect that they were able very easily to get over that inconvenience to trade, chiefly by fixing their exchange forward?—I am aware of that; when I said it was reduced to a gamble, I was simply repeating the opinion of the exporters in Glasgow. In addition to that, they tell me that very frequently, when they had covered themselves forward, they found they would have been better off if they had not covered themselves forward—that they had really fallen into a trap. Moreover, it is plain that either the exporter or the bank must suffer, so that there is a loss either way.

9995. I am not arguing against your view. I was merely pointing out what others have said, in order that you might have an opportunity of expressing your views upon the subject?—I explain it in that way, and I am just repeating what has been said to me by the Glasgow exporters.

9996 Have you any practical experience of this matter yourself?—None. I am a carrier, not a merchant.

9997. I think you said you found that you could not raise fares and freights on your navigation steamers in order to meet the fall of exchange?—No.

9998. That is owing to competition by the boatmen and by the railways?—Yes, principally by the railway.

9999. I suppose that raising fares and freights has the effect of rather limiting the total amount of business?—It has, and I may say that, as the country advanced, and even before we had to face these oppositions, we reduced our fares of ourselves, because we did not consider that it was good policy to take advantage of the position that we were in.

10,000. Even when the rupee was falling in value, you found that, by lowering fares and freights, you got a larger amount of business which compensated for the reduction?—No, I did not say that. This company has been in existence since 1865, and therefore before the rupee began to fall. It was previous to that that I am speaking of. We did, on several occasions, in order to help trade, lower our freights, but since the rupee began to fall, the loss has been very serious to us.

10,001. Since 1873 you have not lowered fares or freights, is that so?—We have not lowered fares or freights.

10,002. Not since 1873?—Not since 1873. I am wrong in saying that we were not forced to lower our freights in consequence of the action of the railway. What I meant was that we did not lower freights for the reasons which, as I have explained, influenced us before; it was not in the hope of securing an increase of trade, it was in consequence of the railway lowering their rates.

10,003. I suppose you, acting independently of the railway, could not profitably raise your freights and fares?—No, unless to certain places not touched by the railway. Generally we could not.

10,004. And, on the other hand, I suppose the railway, acting by itself, could not raise its freights and fares either?—No, unless to certain places.

10,005. Taking it as a general thing it could not?—Certainly it could not.

10,006. Therefore the persons who argue that the loss to Government by the fall of exchange may be met in India by raising fares and freights upon the Government railways, may possibly be mistaken?—Quite so, and in this case it is so.

10,007. At any rate, it would not be safe to pronounce an opinion upon the subject unless you actually looked into the case of each railway?—Exactly.

10,008. Then you said you were very much afraid of illicit coinage?—Yes.

10,009. Why should there be more danger of illicit coinage in India than in England?—I presume that, being a larger country with a very large population, it would be more difficult to have police supervision, but, of course, as I have said, that is merely an opinion. I merely give it as a passing opinion. Government officials and those who are acquainted with the habits and customs of the people of India, are better able to speak as to that than I am.

10,010. At any rate, have you ever seen a rupee illicitly coined in good silver?—I am not aware that I have.

10,011. Have you ever seen any satisfactory evidence that such a rupee has ever been discovered by anybody?—No, but I may say that a Government official, Mr Henry, made a report recently in which he seemed to indicate that illicit coinage was going on.

10,012. Does Mr Henry say that he had ever discovered a rupee that had been illicitly coined in good silver?—No, he only said that he had a suspicion, and, of course, if a Government official has a suspicion, a private individual may have one also.

10,013. (*Sir F. Mowatt*.) Was it not also stated that a rupee made fraudulently from good silver would be so made that it could not be distinguished in the market?—That was stated.

10,014. (*Sir D. Barbour*.) But, although it could not be distinguished, it would be quite possible to detect a man making those rupees and to take the instruments from him?—Certainly.

10,015. You said the fall in exchange damaged the export trade in raw jute from India?—Exactly, that is the natural outcome of it.

10,016. Mr. Campbell asked you whether the result of that was not that the Calcutta manufacturer would

manufacture the jute that was raised in India?—Yes.

10,017. I suppose our object should be to hold the scales fairly between the Calcutta manufacturer and the Dundee manufacturer?—Exactly, because the purchase of jute from Calcutta by the Dundee manufacturer is part of the trade of India.

10,018. They are both parts of the same Empire, and if we could get a fair rate of exchange, and could maintain that rate permanently, neither side would gain at the expense of the other?—That is exactly what I meant to say.

10,019. 1s. 4d. may or may not be the proper rate, but it is a rate which is fair, and, if exchange can be kept at 1s. 4d., every interest will be fairly treated, and no interest will gain at the expense of another interest?—Exactly.

The witness withdrew

✓ SIR ROBERT GIFFEN, K C.B., called and examined

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10,020. (*Chairman*.) You were the head of the Statistical and Commercial, afterwards the Commercial, Labour, and Statistical, Department of the Board of Trade for upwards of 20 years ending in 1897?—Yes. The name of the department was changed at different times, and the business increased a good deal, but it was always the same department.

10,021. You retired, I think, from the service of the Board of Trade last year?—Yes.

10,022. Previous to being at the Board of Trade, you were assistant editor of the *Economist* under Mr. Bagehot for eight years ending in 1876?—Yes, at the time that great changes were taking place in the monetary arrangements of different countries.

10,023. During the time that the great monetary changes were taking place from the adoption of the gold standard in Germany, the preparations for resuming specie payments in the United States, and the suspension of the silver coinage by the Latin Union?—Yes.

10,024. Mr Bagehot also took a great interest in Indian finance?—Yes.

10,025. In 1879 you were a member of a committee for considering a proposal to stop the coinage of silver at the Indian mints?—Yes; that was the proposal of the Indian Government, of course, when it took an official form; but it was popularly known as Colonel Smith's.

10,026. I think the proposal then was to raise the rupee to 2s. ?—That was the idea.

10,027. You wrote a memorandum upon the despatch of the Government of India relating to a gold standard?—That was for the use of the committee.

10,028. It was a departmental committee, I think?—A departmental committee meeting at this office. ✓

10,029. A joint committee of the Treasury and of the India Office?—It was not a joint committee of the two departments, I think, because a good many people connected with India were members, and the Treasury, to the best of my recollection, were not specially represented, though they must have been consulted. I was at the Board of Trade at that time, and Lord Farrer, who was a member, was also at the Board of Trade, and I think we had one or two non-official members, to the best of my recollection, but they were chiefly India Office people who were connected with the committee.

10,030. There are two or three questions I should like to ask you about that memorandum of yours before we come to the question immediately before us, because that memorandum is a standard document in connexion with these matters?—I should say there were two memorandums. The first of these is the one you have printed here. That was specially dealing with the proposal of the Indian Government, and was for the use of the committee.

10,031. This is the "Memorandum on Despatch of Government of India (No. 423 of 1878) relating to a Gold Standard"?—Yes. That was the first memorandum and was specially for the Committee. The second one was not so much for the use of the committee, because it went a good deal beyond the reference. It was more for the use of the Indian Government, dealing with their position generally as affected by the fall of the rupee. It was handed to Mr. Staulope, who had been with us at the Board of Trade, but I am not aware that it was really part of the proceedings of the committee in the sense that the first memorandum was. With regard to the first memorandum, that forms part of the proceedings of the committee; with regard to the second, I have no objection—of course, circumstances have changed a good deal, and you must take things as you know them at the time—but I should have no objection to the whole of it being printed now. It is a matter for the discretion of the committee how they would use it.

10,032. Let us just go back to the first memorandum, and let me read you this extract from your remarks under the heading "The Alleged Evils." You say: "Coming to the second point mentioned, the misleading and exaggerated character of the statements as to the loss of the Indian Government by the fall in the exchange, the first point to notice is the assertion as to the probable duration of the present fall in silver. The despatch asserts that 'the current of all the most trustworthy opinion tends more and more towards the conclusion that, so far as can now be foreseen' (that is in 1878) 'there is no prospect of an early or complete recovery in the value of silver and, on the contrary, that the probabilities are all in favour of a further fall.'" At that time, in 1878, silver was at 54½d. the ounce. Then you go on there to say: "No opinion is cited to this effect, and, so far from its being correct, the contrary is undoubtedly the case. The late Mr. Bagehot, as is well known, was of a contrary opinion. He held that, from the nature of the operation, there could be no great depreciation of silver without an enormous increase of the export of silver to India, and the demand for silver thus arising would arrest the depreciation before it had gone very far. Mr Bagehot also entertained doubts whether the rumoured production of the American mines, which made so much noise several years ago, would continue, and for this reason, also, he looked forward to a recovery of silver when the present causes of temporary depreciation, such as the sale of the demonetised silver of Germany, had passed away." Then you go on to say: "The actual falling off in the production of the American mines has since confirmed Mr. Bagehot's opinions in a very striking way. Mr. Goschen, it is well known, while advocating the policy of waiting

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"on other grounds, has also inclined to the opinion that the price of silver would again rise, at least if no such measure as that now suggested by the Indian Government, still farther diminishing the demand for silver, were taken." Now that was your opinion, and I have no doubt it was your very carefully considered opinion, 20 years ago. What I want you to tell us is whether that opinion is affected, and, if so, how it is affected, by the fact that silver which was then 54*d.* per ounce is now 27*d.* per ounce?—I am very glad that you have asked me that question, because I put it on my notes that probably, when the Committee read over my memorandum, that would be one of the points to which their attention would be directed. What I would like to say upon that subject is this: I think Mr. Bagehot's opinion, and the opinion of those who held with him, was quite justified at the time, but in forming an opinion of that kind you cannot make a judgment as to the entire future, because circumstances may arise—such circumstances, for instance, as those which have occurred with reference to gold in the great discoveries in the Transvaal and the more recent discoveries in Klondyke—which at a given time no one is able to foresee. The opinion which Mr. Bagehot was then expressing, and I agreed with him, was an opinion on the circumstances at the time, and I think that he has been fairly justified by the event; because, although the price of silver is now about 28*d.* instead of 54*d.*, the great fall of silver did not come till the year 1892-3; in fact it was simultaneous with the closing of the mint itself.

10,033. It went to 43*d.* in 1888; then it went in 1892 to 45½*d.*; in 1893 to 30*d.*; then it has been steadily falling from that date. The Secretary of State's bills in 1878 were sold at about 20½*d.*?—Yes, in 1877-8. In 1878-9, when I was writing, the figure was 197*d.*, and, down to 1891-92, they did not fall below 167*d.*

10,034. In 1891 the figure was 1s. 6*d.*; in 1892, 16½*d.*; in 1892-93, 15*d.* practically?—The date at which I was writing was 1879, when the price was 52½*d.*, and the fall, down to 1891-92, was to 45*d.* Of course that is a considerable fall in a certain way, but it is not so extreme a fall as that which the Indian Government appeared to be contemplating, and it is not the same kind of fall that we have had since 1891-92. What really happened, I think, was that some years after Mr. Bagehot's time—a good many years after—the production of silver enormously increased. At the time we were writing, everybody was affected by the demonetisation of silver in Germany and by the operations in France, the Latin Union suspending the coinage of silver, and it was said that, mainly owing to these causes, there would be a great fall of silver. Writing specially with reference to all this, Mr. Bagehot was of opinion that the circumstances were such that the effect of these causes would, to a certain extent, be mitigated in the way he described. I think on the whole that that opinion was very well justified by the event—that you had not the unlimited fall and the kind of tremendous fall which was anticipated in 1879 by other people.

10,035. But Mr. Bagehot's opinion was that there would be no further fall. His opinion was "that there could be no great depreciation of silver." There has been an enormous depreciation of silver since then?—Chiefly in 1891-92, owing to the increased production of silver which came long after the date at which Mr. Bagehot was writing.

10,036. No. The depreciation from 1872 to the time at which you were writing was about 6*d.*, and the depreciation from the time when Mr. Bagehot expressed his opinion up to 1886 was about another 6*d.*; that is exactly the same depreciation during that number of years as the depreciation which had alarmed the Indian Government. Your argument then was that not much value should be attached to the opinion of the Indian Government, which was that "There is no prospect of an early or complete recovery in the value of silver, and, on the contrary, that the probabilities are all in favour of a further fall." I do

not want to make it any stronger; I only want to know how you will deal with it to-day—whether it has or has not affected your mind to-day that there has been an enormous fall since then, no matter from what cause. Silver was then 4s. 6*d.* an ounce, and to-day it is 2s. 3*d.*?—In the second memorandum I discussed hypothetically the probability of an extreme fall. Before we leave this point I should like to call your attention to this. If you look at this table, you will see that when I was writing (that was in March 1879), the average rate of exchange in that year was 19 961*d.* In the following year it was 19 956*d.*; in the following year, 1881-82, it was 19 895*d.*; in 1882-83 it was 19 525*d.*; in 1883-84 it was 19 536*d.*; in 1884-85 it was 19 308*d.* So that you had six years of practically the same value of silver as that about which Mr. Bagehot was writing (or rather seven years including 1878-9). Mr. Bagehot wrote in 1876-7, partly at a date when silver had temporarily fallen to 47*d.*, and there was no immediate fall after he wrote of a very remarkable character. I think six years is a very long time indeed to which one can look forward. We do not write, in going into these matters, about what is going to happen a good many years hence; we can only look forward to what is going to happen immediately; and it seems to me that, although silver did not recover further after 1878-9, the actual facts which happened after the time at which Mr. Bagehot wrote, which was in 1876-77, are that, at most, you had from Mr. Bagehot's time a fall from 20*d.* to 19*d.* in the rupee on the average, and after the time at which I wrote you had a stationary condition of things for about six years. Whatever happened after that, I think was due to circumstances which could not very well be foreseen at that time. I admit, of course, that a fall has taken place, but we must not judge after the event altogether in these matters. We must take the circumstances of the time. Looking at it in that way, I think Mr. Bagehot was right, because you had not that immediate fall which people were expecting, but, on the contrary, you had a stationary condition of things for six years.

10,037. I do not think the Indian Government contemplated an unlimited fall. What the Indian Government contemplated was, "that there was no prospect of an early or complete recovery in the value of silver, and, on the contrary, that the probabilities are all in favour of a further fall." Mr. Bagehot's opinion was "that the present causes of temporary depreciation" would pass away, and that there would be a recovery?—I do not think he committed himself to the idea of a recovery, except with reference to the extreme depreciation of 1876-7 when he was writing. That would be an extreme thing to do.

10,038. But at that time the Indian Government's opinion was seriously criticised by the authorities of that day. Now I want to get your opinion whether, after the lapse of 20 years, the facts of to-day do not prove that the Indian Government were right?—I do not think the facts of to-day prove that the Indian Government were right, because what happened since was from causes which they did not foresee and did not pretend to foresee.

10,039. Then you deal with the statement that had been made, that all the important mercantile countries had adopted gold for their standard, and you say: "Unfortunately, a very large part of the world is on a paper basis still, but the standard in which countries like Austria and Russia will probably resume will be silver, not gold"?—Yes, I have been disappointed in that illustration. I think they have chosen very unwisely, but still I admit that I have so far turned out to be wrong in that view.

10,040. Then, again, you say: "The countries resembling India have therefore not only accepted the fall in silver as India has done, but one of them, Austria, has extended its use of silver. The assertions in this paragraph as to the depreciation of silver are therefore entirely erroneous. *Pro tanto* also, as is admitted in the despatch, the legislation of the

" United States has been for the increased use of silver. So far, therefore, from the general tendency of legislation among the chief mercantile countries being to diminish the use of silver, the one important act in that direction has been the demonetisation by Germany; all other legislation has either been in favour of the increased use of silver, or has been for the protection of a virtual gold standard against the natural effect of bi-metallic regulations." As you say, nobody can foresee what is going to happen, but there again the course of events has rather proved that the gold standard has extended?—It is quite lately that Austria-Hungary has introduced the gold standard, and it was after many things had happened. It is the same with Russia. The introduction of a gold standard into Russia is quite a new thing. So that I think it is such an entirely new state of circumstances that it cannot have been foreseen in 1879. The point of my statement was that the use of silver had in fact increased, and that was quite true, and is still true.

10,041. But what I want is your opinion, as of to-day, on the two questions as to the fall in silver and as to the extension of a gold standard in the world?—As a matter of fact, I believe the introduction of an improved monetary system in Russia has been accompanied by a considerable use of silver there. They have taken a considerable amount of silver of late years that they were not taking in 1879. They have taken a great deal more gold.

10,042. They have got a great accumulation of gold?—They have got a great accumulation of gold, and it is the same in Austria, I think. But the use of silver was in fact extended a good deal after the date on which I wrote. I think it would have been better for both countries to have gone for gold, and I think it is extremely doubtful whether the gold standard in both countries will be maintained. It has not been tested very much as yet. They are just at the beginning of the operation, but, of course, as a matter of fact, you would call them gold standard countries at the present day, although I am not quite aware that the final step has been taken. I believe in Russia the people still prefer paper.

10,043. I suppose they prefer paper, just as the Scotchman prefers 17. notes to sovereigns?—Just so.

10,044. Now that being so, what do you say as to your views in 1893 with reference to the closing of the mints?—I did not express my opinion publicly at that time, but I was not in favour of the step. Evidence was given by a great many friends of mine in 1892. I may particularly refer to Mr Gairdner of Glasgow, as one to whose opinions I thoroughly adhered.

10,045. Will you tell us what were the main differences between what was done in 1893 and what was proposed in 1879?—Substantially I do not think there was much difference between the two ideas. The idea was in 1879 to stop the coinage of silver, to close the mints, and then to trust to the gradual contraction of the currency, which would follow from the increase of the population, to its being brought up to about 2s. It was then about 1s. 8d., I believe; and they thought it would go to 2s. almost at once, and a good deal of criticism was directed to show that that was not a sound anticipation. After that, the idea was that gold would become legal tender and take the place of silver to a certain extent.

10,046. What was the exact proposal in 1879? My impression is that the Government proposed to make gold unlimited tender?—I believe that was intended after they got it up to 2s. There was not much use in proposing it till the rupee got to 2s.

10,047. The sovereign was proposed to be taken as legal tender?—Yes.

10,048. The sovereign was to be taken at 10 rupees?—Yes, but that was rather postponed till the rupee got up from 1s. 8d. to 2s.; it was not an immediate thing, of course.

10,049. Will you tell us, after an experience of five years, on what ground you did disapprove, and as we know you still disapprove, of the closing of the mints?

—There are two questions. There is the provisional stage, and then there is the question of the gold standard itself. I took a great deal of objection to the reasons assigned for the proposals altogether. I was very much dissatisfied with the reason assigned for the proposal, viz:—that the Indian Government was likely to be, or would be, involved in a deficit which could not be dealt with unless you made sure of keeping up the value of the rupee, and, of course, at that time the idea was not merely to keep it up (I am speaking of 1879) but to raise it to 2s. I do not think that in 1893 the proposal was so objectionable, on the ground of raising the rupee from the point at which it stood, as was the proposal with which I was dealing in 1879; because in 1893 the rupee was 1s. 2½d., and had only just fallen to that point; and the proposal to fix it at 1s. 4d., if that had been all the proposal, would not have been so very objectionable as the similar proposal in 1879. There would have been great objections, I think, to the idea of raising it from 1s. 2½d. to 1s. 6d., because that was a much greater change than the raising of it from 1s. 2½d. to 1s. 4d. But the objection to such a provisional state of things was, as I pointed out very fully in my first memorandum, that you introduced a managed currency—a currency that you had to manage; it would not be an automatic metallic standard money, such as was recognized to be the best. Then I pointed out that you could not be sure that such a kind of money would be free from fluctuations itself, and I dwelt very emphatically, quoting from American experience, on the point that probably the provisional state of things would last much longer than the proposers of that state of things expected. I saw nothing in the papers that I recollect as to what idea the Indian Government in 1892 or 1893 had as to the length of time over which the provisional state of things would last—the state of things before the stoppage of the mints would raise the rupee to 1s. 4d. or 1s. 6d., or any other figure that was thought of—but I think experience since 1893 has fully justified the anticipation which I expressed in 1879, that probably the provisional state of things would be much more lasting than people supposed, and that a great deal of harm might happen.

10,050. A great deal of harm might happen in the meanwhile?—Yes, during that period. That was the general idea that I had, but I think, as my opinion about it is being asked generally, I ought to go a little into the question of the necessity of the step altogether. We must all admit that a step of this kind is a very serious thing, and, unless there is good ground for it, it is not a thing which any government ought to undertake. My opinion was based, and is still based, very much on the idea that the proof of the deficit and of the serious disturbance of the finances of the Government has not been sufficient, that the thing ought to have been taken more calmly, and that probably it would have been found after an interval of time that, even with a very great fall of the rupee as compared with gold, the finances of India would have come right. I am disposed to give every credit to the statements made by responsible members of the Indian Government to the effect that the limit of taxation had been reached, and that the only way to avert a deficit in consequence of the fall of the rupee was to alter the money of the country so as to preserve the value of the rupee in relation to sterling, but, I think, perhaps, they proved too much in the case they put forward. What has been done—I am speaking with reference to the evidence which has been given before this Committee by Indian officials, and similar evidence given before Lord Herschell's Committee—is to go over the list of taxes in India, and to show that the land revenue, for instance, cannot be increased at once without breach of contract, and that there are difficulties in the way of imposing new import duties, and so on. I think the matter ought to be looked at in a more general way. It is not merely sufficient to go over the list of taxes in this manner, because, when you have such a great change happening as a fall in

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the value of money, many other changes are certain to happen. You must not reason about the difficulty of finding more rupees now, as if you will find the same difficulty two or three years afterwards when the fall of the rupee has had its effect. Then the difficulty I have in accepting the conclusion that you cannot increase the number of rupees that you obtain from the community of India, or that you cannot increase the taxation, or that you cannot find the means of meeting your gold obligations, is this.—The community of India—the Government and the people together—are not affected in any way by changes in the value of their own money with reference to any foreign money in which their obligations have to be paid. As far as the community of India is concerned, the gold to be paid in London is the same thing whatever their money is. It occurred to me, in writing about the subject at a very early time, to ask this question: Is the position of India, or of any silver standard country, different in any way from that of a gold standard country as regards the gold debt which it has to pay? We see that the government is embarrassed a little, but is the gold debt really a greater burden to them in consequence of the change in the value of money in relation to sterling than is the gold debt of a country like Australia for instance? Australia was very much in my mind at the time I wrote this, and I said, if it be true that a fall in the value of money of a country of silver standard affects its power to pay gold debts, then the position of countries whose obligations are in gold must surely be worse, because everything they have to pay is in gold. Then, if India was worse off in consequence of its gold debt, Australia must be still worse off, because all its obligations, everything it had to pay, was in gold, whereas in India a good deal had to be paid in silver. My view is that the gold debt is paid undoubtedly by the remittance of surplus produce from India, the magnitude of which depends upon the yield of harvests and the value for which the produce can be sold in the money which has to be obtained outside India. What the money of India may be has thus no relation whatsoever to the debt that has to be paid. As between the Government and the people, there may be embarrassment and friction of some kind in providing means to meet the debt, but the debt itself is no greater and no less on account of the money of India being different from that of the money in which the debt has to be paid. Then I put two cases, just as I did in the second memorandum which is before you. If the debt should happen to be increased, as far as India is concerned, by the necessity for sending a larger amount of produce than formerly to meet the debt, this being the result of the increased purchasing power of the gold, the case is one in which there must be increased taxation in some form or other if India is to be solvent. That is a case where the gold debt really increases, and you have to send more produce to pay it. Either there must be new taxes *eo nomine*, or the old taxes must be made to command more produce by an artificial enhancement of the value of your own money; and in either case the final result is the same, there is an increase of the taxation of the people of India of an entirely unavoidable kind. Then I take the second case, that of your money really depreciating. If the case is one in which the same produce has to be sent from India as before, but the Indian Government is not able to command the same produce in consequence of the depreciation of its money, then what the Indian Government loses at the moment, through its revenue not being sufficient to obtain command of the produce required to pay its gold debt, clearly amounts to a remission of taxation of equal amount to the people of India.

10,051. Will you just explain that a little?—I am dealing here with produce. My idea is that, if you send less produce to England, so that you are not quite able to pay your gold debt, then the Indian community, as a whole, has that produce in its

possession. It “fructifies in the pockets of the people”—to use a very old phrase in connexion with these matters.

10,052. Given the same quantity of produce and the same gold price in London, in the one case a certain amount of money in India will buy that gold, and in another case you must double that amount?—Yes.

10,053. But I want to see where you say that that is a remission of taxation?—It is a remission of taxation in that the community of India does not contribute the produce. If the taxes remain the same until you make the change, the people of India do not contribute the produce; the Government is short of so much produce. But what I say is the people of India have it.

10,054. Take a concrete case of sending to London a quarter of wheat, the gold price of which is, say, 2*l.* That 2*l.* would have taken, so many years ago, 20 rupees; it would be worth 20 rupees. Now, assume that the price has altered, so that it is worth 40 rupees. Just tell me how that affects India?—That is a case in which India is sending the same thing, and I am assuming that, owing to the fall in the value of money, the Indian Government is not able to command the same produce. You are assuming that it is able to command the same produce.

10,055. No, I do not want to assume anything. I just want to understand the position before we get further, applying it both to an import and to an export?—Of course, I am applying it to the case of exports.

10,056. What I understood you to say is this—and I do not dispute that for a moment—no matter for what purpose, India has an obligation to find so many sovereigns in London; those sovereigns can only be obtained by the export of Indian produce, Indian taxes are paid in Indian money; the gold has to be provided out of the taxes. If the gold requires twice as much taxation when the rupee is at 1*s.* as it requires when the rupee is at 2*s.*, I want you to tell me how that works out, in other words, if India is called upon to find an additional quantity of rupees, how does that amount to a remission of Indian taxation?—India does not send the rupees. I think you are repeating, if I may say so, the first case that I gave you. I quite admit that, if the Indian Government has to send a larger share of the produce of the country, that leads to unavoidable taxation. You must either have it by imposing new taxes, or by increasing the value of the money in which your taxes are paid. But the case I am dealing with now is a case in which the Indian Government sends the same produce.

10,057. The same quantity?—The same quantity and the same value in gold. The same produce must command the same gold in London in the case which I am now putting. The case I am putting is that you send the same produce commanding the same quantity of gold, but the rupees which the Indian Government obtains in India are not sufficient to buy the same produce that it sent before. Then, I say, if it gets rupees that are not able to buy the same produce, but gets a less amount of produce so that it has not got quite sufficient to pay its gold debt in London, that amounts to a remission of taxation to the people of India.

10,058. By the retention of the produce?—By the retention of the produce. I hope I have made that quite clear, because it is a little difficult to follow.

10,059. (Sir F. Mowatt) Of course the result of that is that the debt is not paid?—The debt is not paid, but still the money is fructifying in the pockets of the people. The problem in the case supposed then becomes, not how to increase taxation as compared with what it was before, but how to make the taxation equivalent to what it was before. For this purpose new taxes may be necessary; but this is not new taxation on the community generally: the burden of taxation after they are imposed is not any greater than

it was before the depreciation of the money had taken place.

10,060. Then do I understand that you view the new taxation as a substitute for that part of the produce which remains in the pockets of the people?—Yes. It is to take out of the people the produce which the old taxes are unable to take out of them. For this reason the statements of responsible officials in India that new taxes cannot be imposed in the latter case comes to this: that there is a mechanical difficulty in imposing upon the Indian people, not an increase of taxation, but the same taxation that was imposed upon them before the depreciation of the rupee. This is a conclusion which it seems to me most difficult to accept. In the former case, also, that of a real increase of the burden of India through more produce having to be sent to obtain the gold necessary, I think we must hesitate to accept the statement that the taxation of India can be really increased by means of an artificial enhancement of the value of the money, and that it cannot be increased by imposing openly new taxes. That seems to me to be “a large order,” as Mr. Dagehot would have said. Then with regard to the other statements made as to the difficulty of imposing new taxes, I do not feel prepared to go into these statements generally in detail, and discuss the matter with the responsible officials of the Government of India, who have been on the spot and who know the circumstances of the people as I cannot pretend to do. I notice, therefore, merely the question of particular items of revenue on two points. One is with reference to the railway charges. I say we must assume the railway charges, which are charges for services done in the way of business, to be modifiable in a way that ordinary taxes are not. I may mention, with regard to that, that English companies in the Argentine have had that experience, and that they have varied the charges for goods and passengers in accordance with the changes in the value of their inconvertible paper. It is a thing that can be done, and that business people do when the difficulty arises. It seems to me that what private companies can do in the case of Argentina, the Indian Government must also be able to do in the case of its own railways.

10,061. That is to say, raise the fares as the value of the rupee falls?—I mean, you must treat it as a business; and, if you are not getting so much, owing to the rupee being depreciated, you must alter your fares. Of course that is a work of time, and it must be a matter of careful consideration and detail, but the thing is what ought to be done.

10,062 (*Sir D. Barbour*) You do not mean varying from day to day?—Oh, no.

10,063 (*Sir F. Mowatt*) Not automatically, varying with the changes in the value of the rupee?—I do not propose anything automatic: that would be quite impracticable.

10,064 (*Chairman*) But you are not representing that as part of the taxation of India?—It is practically part of the taxation of India. It is a large part of the income of the Government.

10,065 You have passed over the land revenue altogether. I do not admit that the land revenue is taxation; nevertheless it is revenue, and the revenue now from land is 26 crores, which is a very large sum out of the real net income of India; it is a third to a half of it, I think?—I am not prepared, as I said, to go into the question of the revenue of India in detail with the officials.

10,066. I do not want you to do that; but you said that you considered that this was a “mechanical difficulty” with reference to imposing taxation, and, without going into detail, I want to show you that there are only four or five great items of revenue in India. The first item is land revenue, that is paid in rupees as you know, and in Bengal it is fixed for ever; it does not vary at all. In the rest of India where there is no permanent settlement, it is subject to a re-settlement once in 30 years. Now I want to know whether you think it would be possible for us to

increase that revenue on the ground of the rupee having fallen in value?—I am not prepared to go into the question of the land revenue or to discuss the whole subject generally. I think it is necessary for me to say that, because it would not be a proper thing for people outside India, like myself, to go into matters of detail of that kind. I am merely mentioning one or two points where, without knowing the particular circumstances of India, one may say that there is something which can be done, and this matter of railway working is one thing about which we have general knowledge and know what happens in other countries. The gross income of railways, according to the Statistical Abstract of India, is a very large item—I think about as large as the income from land revenue; about Rs. 25,000,000, is the latest figure I have; therefore it is a very considerable figure, which is absolutely modifiable in my judgment, although the land revenue would not be. That is all I am putting with reference to it, that you must not treat it as if this large item was itself quite unchangeable; because, if the rupee depreciates, this is a sum which I should hold, speaking from general experience, is capable of modification.

10,067. Of course, the Government of India does not own all the railways; there are some companies that were in existence before the Crown took over the government of India, and there are private companies that have been formed since; but you mean, the Government might, so far as its power extended, raise railway rates and fares; that is what it comes to?—Yes.

10,068. But, after all, that is merely a bagatelle in this question. We are dealing with a deficit which is put at from 10 to 12 crores. As you have now raised this question of additional taxation, let me put this to you. In order to enable the Government of India to meet its liabilities, it would require an amount varying from 8 to 9 crores (I think that is the lowest estimate) to 12 crores, which is the figure put by Mr. O’Conor. Now what we want to know when we talk of taxation is, where is it to be found. We know we cannot find it out of the land revenue; we know we cannot find it out of the opium revenue. It would not be wise to double the salt tax. Where is it to come from?—You say it is a “mechanical difficulty.” Let me put a parallel case. Suppose in this country the Chancellor of the Exchequer, there being no income tax, was called upon to find 20,000,000*l.* a year more; somebody would have to point out to him how it could be done?—No doubt in a country like this, where there is any amount of public discussion and where we know, and are familiar with, the sources of revenue, the Chancellor of the Exchequer would get a good many hints.

10,069. But you say you are putting this consideration on one side?—I am putting it on one side because I am holding a critical position; I am criticising the statements you have made; but it does not follow that I should be expected to tell you how to make up the budget of the Indian Government. That is perhaps rather going too far, but, by way of criticism, when you say that you have got to the limit of taxation, I point out that, as regards one large item of revenue, Rs. 25,000,000, quite as large an item as the land revenue, it is modifiable to any extent, and it seems to me quite clear that, if the rupee was to go down from 1*s.* 4*d.* to 10*d.*, which would be an enormous change, you ought fairly to expect, if that is the real depreciation of the rupee, that these receipts from railway working should be almost doubled.

10,070. (*Mr. Hambro*) Do you make the railway receipts Rs. 25,000,000?—I quote the figure from the “Statistical Abstract for India.” Of course, I am subject to any correction which may be made by those better acquainted with the figures.

10,071. (*Sir D. Barbour*) I should think it is the gross receipts which would come to about that?—There is expenditure on the other side, which would also increase, but there is no doubt you ought to have a considerable increase in that way.

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10,072 (Sir F. Mowatt) Without affecting the traffic?—Without affecting the traffic You are really putting on the same charges that you have now, but you are providing for the depreciation of the rupee

10,073. (Chairman.) In the year 1896-7—it was better I know in 1897-8—but in 1896-7 the net loss on the working of the Indian Railways was Rs. 2,609,000 owing to the charge for exchange?—As I say, I am not going to make up a budget for the Indian Government.

10,074. No, but I want you to see that this spring, which you think is a good one to tap, is already almost exhausted?—It might happen in this case, as it happens in many other things, that it would be better for the Indian Government to reduce its charges I do not know how that may be; it is a question of business

10,075. The suggestion you make, so far, is that by an increase in railway fares and freights there might be an increased profit to the Government of India?—Yes. I am suggesting that by way of criticism, as I have said. Then the other thing I should suggest by way of criticism is with reference to import duties. I know that that has been the subject of a great deal of discussion in India and in this country too, and it has been said that there would be great difficulties with the House of Commons in inducing them to consent to imposing what I should consider would amount to fair import duties in a country in the economic circumstances of India. I have looked at the Indian Customs Tariff a little. According to my experience of Customs Tariffs, it seems to me that the Indian Customs Tariff is one of the lowest that I have gone through amongst countries in a similar economic position. It comes to about something like 5 per cent *ad valorem*, and a good many articles, I think, are admitted free. I do not think it worth while to go into detail very much, but it appears to me that it ought to be possible in some way to raise a good deal more money than is done in India by means of Customs duties generally, but I speak especially of import duties, as there are great and special objections to duties upon exports. How much could be done is really a question that cannot be settled without going into the whole subject, as the officials in India who would be responsible for the matter would have to do; but, speaking broadly, the fact of a 5 per cent. *ad valorem* rate of duty in India shows to my mind that this source of income has not been gone into and made the most of by the Government of India. With regard to the objection that the House of Commons would not permit you to put import duties on certain classes of goods, what one would say is that, if import duties of that kind are really required in the circumstances of India, the interference of the House of Commons in that way, in preventing the Indian Government raising its income in a proper manner, and compelling them in a way to alter the money of the country, would not be justified. It would show that the House of Commons is not qualified to be the ultimate Government of the people of India.

10,076. I do not think anybody has said that there would be any difficulty in the House of Commons. The difficulty that has been pointed out here is that there possibly would be, and I have had painful experience of it, considerable difficulty with the English manufacturers in relation to any proposition that their goods should be taxed with import duties, unless there were corresponding Excise duties put on in India?—I do not like to speak in any absolute manner about it but I fear that in point of fact the objection has gone a little further than that.

10,077. As far as it has gone in this room, it is this: Mr. O'Connor, who is the best authority we have on the point, has told us that, if we could double the present Indian import duties, the additional revenue would not come to more than three crores?—But three crores is a considerable item.

10,078. Out of 12 crores?—I call it a considerable item, but, of course, I am not making up a budget for the Government of India.

10,079. (Sir F. Mowatt) But you are contemplating a considerable increase of that sort?—Yes. It might be that, in the case of some goods, you might even more than double the duty. If you go through the tariffs of our other Colonies, and see what is done all over the world, you will see that the import duties of India are not high, but extremely low. Then, I think, in a question of a serious deficit of this kind, so far as I have been able to judge, sufficient stress has not been laid upon the regular growth of revenue in India; that, if you are met by a case of sudden deficit happening from any cause, it is quite possible that, although you may not fill up the deficit all at once, and that would not be easy to do, still, you may know, if you have patience and wait a little, in two or three or five years the natural growth of the revenue may help you very much to fill up the deficit, and that you ought not merely to decide on the actual facts of the moment. That, of course, is again a question of detail for the consideration of the Government of India from year to year, and I am merely making the criticism upon the statements that have been made from time to time.

10,080. (Chairman.) I should like to put one figure to you there. In the 20 years ending with 1892-3—that is, ending in March 1893, just before the closing of the mints—there was an aggregate surplus of Rs. 17,000,000 and an aggregate deficit of over Rs. 19,000,000, the nett deficit amounting to Rs. 2,398,000. That was the result of 20 years' finance during the time when India was supposed to be extremely prosperous. Of course that accounts for all the normal increase which you have been mentioning?—That enables me to say, what I have often thought and what has never been dwelt upon very much, that, so far as my judgment goes, Indian finance on the whole has been exceedingly prosperous, that there are very few countries in the world indeed which can show such a good record for 20 years, that actually you have gone through these 20 years with so small a deficit in the aggregate. I think also, if the thing were looked into, it would be found that the permanent burden of India has not been increased in any substantial way even by borrowing for new works, but that considerable conversions of the debt have been effected. I must speak with all diffidence, but I have a strong impression that the permanent indebtedness of India did not increase, or at all events did not materially increase, during all that time, so that I think we may say that India has had a prosperous period. That would be one reason the more for being very careful with any deficit when it comes suddenly, and not to be in too great haste to take quick and rash measures, but to take time to consider what ought to be done. The Government in India appears to me also excessively apprehensive about a sudden deficit arising from a change in its money with reference to gold. I do not wish to speak lightly of financial troubles, but, in a country like India, a sudden deficit ought to be faced calmly, and there ought not to be an attempt, such as would be justifiable in a rich country like England, to meet that deficit at once. Time ought to be taken to give room for the ordinary sources of revenue to grow, and to find out the means of adding to the taxation, if necessary. Some of the mischief in dealing with Indian finance appears to me to arise from the hurry to make good a deficit, which in the circumstances of a country like India should only be attempted by slow methods. The experience and practice of finance in England are not quite models for a stationary country like India, and an example that is more to the point would be that of Italy after its unity was established in 1859-62, where many years passed before the annual deficit with which the United Italy started was finally extinguished.

10,081. (Sir F. Mowatt.) "Finally extinguished"?—From their point of view it was extinguished.

10,082. But finally extinguished?—I do not mean that in totally new circumstances you may not have a new deficit, but the deficit which the people who made the unity of Italy had to find in the sixties and seventies was finally extinguished. That deficit was about 15,000,000*l.* starting upon an expenditure of 35,000,000*l.*, so that it was really an enormous deficit. The financiers of Italy and all the people were occupied for years in finding new taxes. I happen to know the case well, as I had to write a great deal about Italian finance at that time. They made a genuine and honest effort at that time to cover up that deficit, and they finally succeeded, not all at once, but they put the finances of Italy right in about 15 years. No doubt Italy has gone wrong since then, but that does not alter the fact that, in circumstances of great difficulty, they managed, slowly and painfully, to make good the deficit. The last point I shall mention with reference to this question of finance is that there is reason for suggesting in all the circumstances that the whole question of Indian expenditure should itself be reviewed. The statements I have seen are confined almost exclusively to the question whether more taxes can be imposed in India or not, but in financial questions the other side of the matter should be looked at also. It may be the case, and I fear it is the case, that the Imperial Government unfairly charges a great amount of expenditure to India which ought rather to be borne by the Empire in general. The army in India is maintained, not exclusively for the advantage of the Indian people, but also for the general benefit of the British Empire. It may then be possible to make the deficit in India more manageable than has been represented, and thus avert the supposed necessity for altering the money of India. That is perhaps trenching upon the domain of politics very much, and, as we all know, there has been a Royal Commission sitting for some time under the chairmanship of Lord Welby, dealing with the question of what ought to be charged to India and what ought not to be charged in respect of military and other expenditure; but I should like to put very strongly the impression which I have formed that in this matter India substantially is not dealt with in a fair manner, and that something ought to be allowed for the advantage which the Empire in general gets from the existence of the European army in India, which is not exclusively for the benefit of the Indian people. I should say that from 3,000,000*l.* to 4,000,000*l.* sterling is the idea that I have formed as to what ought to be deducted from the permanent charge upon India. This, then, is the main ground, that is the want of proof as to a deficit, upon which I take the objection to the alteration of the money of India, and, of course, there remain all the objections to the nature of that alteration itself. With regard to the first part of it, that of the transitional state which was established in 1893, I think I should confine myself to saying that apparently the objections which I brought in my memorandum of 1879 have been justified so far that you have had a good deal of trouble and distress in India in consequence of the forced contraction of the currency with a view to raising its value. You have had also considerable fluctuations in the value of that monopoly currency since the change was made in 1893.

10,083 (*Chairman*.) Do you mean by fluctuations, variations?—Yes.

10,084. Up and down?—Up and down.

10,085. But is that so?—You had, first of all, the variation from 1*s.* 2½*d.* down to 1*s.* 0½*d.* I think, in the earlier years after the change was made.

10,086. If I am right, the lowest figure it ever touched was in 1894?—But the change was made in 1893.

10,087. But it did not come into actual operation for 12 months?—Of course I know all the special reasons that are assigned for it.

10,088. But once the thing was fairly started, say in 1894-95, has not the rupee been steadily rising?—After that, yes, but there have been some fluctuations

since. I should not like to say that, since the thing was fairly started, as you phrase it, it has been steady, because the period since then has been short; but, taking the whole period from 1893 to the present time you have had a good many fluctuations, and it remains, to be seen whether you may not still have fluctuations—whether this improvement which commenced in 1896, or something like that, will really be so lasting as you think it will be. Up to now you have had fluctuations.

10,089. In 1893 it was 1*s.* 2½*d.*; in 1894-95 it was 1*s.* 1*d.*; in 1895-96 it was 1*s.* 1½*d.*; in 1896-97 it was 1*s.* 2½*d.*, in 1897-98 it was over 1*s.* 3½*d.*, and I suppose this year it will be 1*s.* 3½*d.*?—I should have thought almost more than that, but however, after the change was made, I am pointing out that we have not been free from fluctuations, whatever the cause may be. The other things stated in the 1879 memorandum which seem to me to have been fairly justified by the event are, first, the anticipation that you would have times of considerable dearthness in the money market whilst the process of appreciation was going on. I hardly remember now whether I said so in my memorandum of 1879 or not, but, as a matter of fact, I think there is hardly a case of money appreciating by reason of a contraction or refusal to add to the amount, in which you have not, at some time or other, had difficulties in the money market. The case I remember best is that of the United States Government between 1865 and 1878, whilst their inconvertible paper was being brought up to gold value. You had several times of enormous difficulty in the money market—great stringencies of money and difficulties of that kind. Then, again, in this country we had some difficulties of the same kind when we were returning to specie payments. I think in Argentina they have had difficulties of a similar kind. With reference to a case that has been mentioned frequently in these matters, that of Java, I believe when the system of making the coinage there equivalent to gold was introduced, you also had a time of very considerable stringency in the money market at the beginning of that period. Whatever may be the cause of stringency in the money market, I do not think you can say that any measure for contracting a currency and making it of greater value is likely to be carried through without periods of considerable stringency in the money market.

10,090. Then about the question of a gold standard?—I have formed an opinion upon two points: the one is as to the question of a gold standard, if it is introduced in what I should allow to be a proper manner, and the other is as to the objections to the particular method now in question of introducing a gold standard.

10,091. Will you take the general question first?—Taking the general question, I am inclined to doubt very much whether a gold standard would in any case be the suitable standard for India. The general objection to a gold standard for India is that the main currency, whatever the standard is, would be in silver all the same, so that silver is the natural standard for India, if we are to secure identity between the standard and the principal metallic currency, which is, in my opinion, a desirable object. I do not know whether I should say very much upon this point of a metallic currency being the same as the standard, but it really is a very important matter.

10,092. It seems to me a very important point, and we should like your views upon it?—I should like to say that this enters into the whole discussions about money in the earlier part of this century in this country. A strong opinion existed against paper issues of small denominations, on the express ground that they would drive money of the standard out of the country, and that you ought to have money of the standard circulating in the hands of the people. I do not think I can give you any reference to any published book on the subject, but that was really the essence of the views of the leading men of those days, about which I can speak to some extent from my

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reading, and to some extent from my acquaintance with Mr Bagehot and older people acquainted with the currency controversies of that time. They looked with great apprehension upon the issue of notes of small denominations, because the issue of those notes would tend to drive the principal standard coinage out of the circulation. I may say that I found a similar opinion in the course of my reading about currency matters in France. I found that, when the Bank of France was established, in 1803, in the Napoleonic time, the circulation of notes in France was limited to notes of the denomination of 20*l.*, that is 500 francs, and upwards. It did not go below that point, because it was considered injudicious to have notes of small denominations. Afterwards the limit was lowered, but I am speaking here of the state of opinion in the early part of the century. There is an obvious convenience in having actual standard money circulating in a country, and these were certainly the opinions of the founders of the present monetary system in England, and they agreed with the general opinion of that time, that paper of small denominations was not desirable, because it would deprive the country of the coins of the standard substance in actual use in circulation. Even if India had a gold standard, the reserves and the till-money of bankers and leading merchants throughout the country would continue to be in silver (because that is the usual money of the people), and any gold reserve kept in order to maintain these various currencies at a level with gold would be additional to the usual money arrangements of the country. There would consequently be two reserves, one in silver and one in gold, and, apart from the complication, this would be a heavy burden to the community.

10,093. But is not that so in this country at this moment? What does a country banker keep his reserves in; he keeps them in notes, does he not?—And in gold.

10,094. Not much in gold?—In gold to some extent.

10,095. But the great bulk, I presume, of a bank's reserve is in Bank of England notes?—I should not like to go into detail upon a point of that kind, because I believe there are great difficulties in ascertaining what the facts are, but a considerable amount of gold is kept by the banks in this country. I mean considerable in proportion to the total gold in circulation. Even in England, it may be pointed out that there are silver reserves and till-money in the banks, and even copper reserves and till-money, although gold is the standard. These things are unimportant in England, because the gold currency so much preponderates. On that point I think I may mention figures which you will find in the report of Mr. Roosevelt to the American Government, which has been published in some papers upon currency by the American Government. I quote this because I happen to know the origin of that report and the figures that Mr. Roosevelt gives. The silver currency in this country may be taken to amount to something about 22,000,000*l.*, I do not know what the exact figure may be. The circulation of gold is about 60,000,000*l.* I mean by that, gold in the hands of the people, as distinguished from what is in banks and what is in the Bank of England. So that the silver currency in this country is unimportant compared with the gold currency.

10,096. But are you deducting what is in the Bank of England?—No, I was just going to mention what happened. In addition to that 60,000,000*l.*, you have about 30,000,000*l.* in sovereigns in the Bank of England and in the country banks taken together. In addition to that, you have 30,000,000*l.* of bullion in the Bank of England itself—that was two years ago; I do not suppose that the figures will be quite the same now, but the 60,000,000*l.* I spoke of was the gold currency in the hands of the people.

10,097. That is purely an estimate, I suppose; you have no figures about that?—I think to some extent

those figures are taken from the Mint report; they are not purely estimates.

10,098 (Sir F. Mountt.) Your figures only give 90,000,000*l.* in sovereigns?—Yes. Practically I happen to know that the report of Mr. Roosevelt was based to a large extent upon the actual figures of the Mint report, because it was an official report made by Mr. Roosevelt to his Government about the circulation in this country; and the figures as to the bullion held in the Bank of England, as distinguished from other bullion, were as a matter of fact obtained by me from the Bank of England for the information of Mr. Roosevelt.

10,099 (Chairman) Your point is that there is a preponderance of gold currency in this country as well as silver currency, and that in India the bulk of the currency must still remain in silver, and therefore you consider the standard should be in the same metal as the bulk of the currency?—That is really what it comes to, but I may also point out this important fact, that, when you have token currency, the banks have to keep till-money at any rate, and sometimes other money, in reserve, so as to meet the demands for these token currencies, and sometimes that may be an important matter. In India, if your preponderating currency is a token currency of silver, you would have to prepare to have a reserve of till-money and token money in silver because of the mere fact that silver was the preponderating currency.

10,100. That, you say, would not reduce the gold reserve which you would have to keep?—If you are to have a gold reserve to preserve the convertibility of your token money into gold, the amount of that reserve would have to be determined on different conditions, and practically the result would be that you would have two reserves. That is what you would have to fear. I may say that, with regard to the possibility of a gold currency which India might use, I regret very much that I see no statement in detail by those who are well acquainted with the circumstances of India, as to what the amount, or the probable amount, of such currency would be, supposing the thing were to be begun to-morrow.

10,101. Are you talking of gold standard or gold currency?—Gold currency. The impression I gather from the evidence of Lord Northbrook—which I have had the opportunity of reading—is that in his opinion a certain amount of gold would come out and be used as currency in India. The point I am on now is, what figure would you put upon it?

10,102. There are three possible situations. First, gold standard with no gold currency at all; secondly, gold standard with a limited gold currency; thirdly, gold standard and gold currency unlimited, that is, absolute convertibility between gold and silver, and silver and gold. You are now dealing with the third of those propositions?—Yes.

10,103. But have you finished upon the other point? I understand your argument would be, totally irrespective of amount, that the bulk of the currency of India would remain silver?—Yes.

10,104. I understand that your argument is that it is undesirable to have a gold standard, even if you could get a gold standard easily, because gold would not be the same metal as the preponderating currency of the country?—That is the very thing I am discussing, the case of a proper gold standard with convertibility, and allowing a gold currency to be used; I say that, even in that case, the amount of gold currency must in the nature of things be comparatively small, and I regret that those who have been putting forward the idea of having a gold currency have not supplied information as to the amount to which it could rise.

10,105. Then I suppose you will come back to a limited currency?—That I will come back to afterwards.

10,106. I understand you to say this, that, assuming a gold currency and a gold standard established, you object to that, because there has not been sufficient evidence given us to show what amount of gold would

be required for that purpose?—That is my point, and I think it is a very material one. In the absence of statements by those acquainted with India as to what the amount required would be, I should like to put this to the Committee. If we make the comparison with England, where we have just been discussing the amount of gold in circulation, and comparing the economic circumstances of India, taking out, for the purpose of comparison, the figures of income tax when there was an income tax, or the figures of assessed taxes now, if we compare that with the receipts from income tax in England, and other direct taxes, you would find this: if we can carry on with 60 millions of gold currency in the hands of the people, I doubt very much whether that would give you much more than 3 millions for the people of India. No doubt, gold could be used by certain classes in India, and in certain wholesale transactions, but I should like to have some information as to what the highest amount of that gold would be. As far as I can judge, it must necessarily be a small figure, and gold would not be familiar to the general mass of the population in India.

10,107. Are we to understand that you think that, supposing a gold standard were accompanied by an unlimited gold currency, the real amount of gold that would be required would be very small?—That is my opinion, for the currency.

10,108 You say there has been no evidence, but I think Lord Rothschild put it that, at the beginning, 20 millions of gold would be sufficient?—My own opinion is that 20 millions of gold would be sufficient both for currency and reserves in ordinary cases, and my doubt about the amount of gold that India would require for establishing a proper gold standard and gold currency arises from the existence of the hoards of rupees in India. You must make an offer, if you introduce the gold standard properly, to give gold in exchange for rupees; and the element of uncertainty is the hoards of rupees in existence, which might compel you to provide a much larger sum than the 15 or 20 millions, which apparently would be sufficient if you had only the actual circulation to deal with, and were not impeded and hindered by the existence of these hoards of rupees, which you might find it very difficult to deal with.

10,109 Then, that being so, what do you say to a limited currency?—Before we come to that, I should like to mention this point as to India being a poor and indebted country, which makes it difficult to maintain a gold standard. I mention the fact that many countries which tried to introduce a gold standard, or something like a gold standard, in my early days at the *Economist*, at the beginning of the seventies, have since lost the standard. I mention, among other countries, Brazil, the Argentine Republic, Uruguay, Chili, Portugal, and afterwards Italy.

10,110 Were not all those countries, countries where there was unlimited paper money?—I shall mention that presently. In addition to these, I have noticed Spain and Peru, which were hardly gold standard countries proper, but which certainly used a certain amount of gold. Almost all these countries have lost the gold standard subsequent to the date at which I was writing, although they had it at one time in a tolerably effective manner. How they lost it, of course, is a question for discussion and consideration, but that they had it at one time is certain, and that they did lose it is, I think, also the fact. I believe the great evil in all of them was the issuing of inconvertible paper, but the point will be whether the issuing of inconvertible paper was not itself caused by the difficulty that these people had in maintaining a gold standard. The difficulty was a very serious one, the moment you asked them to pay their debts. It was all very well in 1870, 1871, and 1872, when everything was booming, to have a gold standard; but in a few years afterwards, when you asked them to pay their debts, they did not pay, and it was then that the issue of inconvertible paper began. I am speaking quite generally, but that is how it occurs

to me, going back to the history at that time. I think there is a real difficulty for countries like Chili and Brazil and some other countries that we have named, in their economic conditions, to maintain a gold standard, because the pressure upon them in times when money is stringent in London is really overwhelming and they can really hardly resist it. That was what was present to my mind as a difficulty which might arise in the case of India.

10,111 I suppose all those countries very much outran the constable. They all spent more than they got?—But still, you have a case of a country in a very similar economic condition to India, namely Mexico, which has been able to keep a silver standard. I doubt if Mexico would have been able to keep a gold standard.

10,112. (*Sir F. Mowatt*) If those countries which, as you have mentioned, outran the constable, had had no gold and had had no silver, what difference would it have made to them which their standard was in? If they had spent more than they had got and had had to pay their debts, how would it have made any difference if they had had to pay their debts in silver or in gold?—There is greater demand for gold, and gold is the money which they owe to their creditor countries as a rule. The creditor countries are the gold countries, and there is a great squeeze for gold when these other countries are called upon to pay their debts. I may mention that about that time you had Turkey and Egypt, which have been mentioned in these discussions, also on a gold basis. Egypt, I should say, is undoubtedly a case of a country which is really much richer economically than some of those that have been mentioned, and it has had great advantages in regard to payment of its gold debt. I do remember the time very well indeed when Egypt was in a state of financial chaos, and would have had that difficulty which Sir Francis Mowatt has mentioned of retaining even a silver standard, but since then Egypt has improved, and with good financial management and with the wealth which it possesses, it has been able to maintain a gold standard. Turkey, I think, has not a proper standard of either gold or silver, and that is not a very good country to mention in connection with these discussions.

10,113. (*Chairman*) However, your opinion is that India would have a difficulty in maintaining a gold standard, even if introduced in a proper manner, because it is a poor and indebted country?—Yes, that is my view.

10,114 Now, what is your next point?—The next point is as to the production of gold, and whether there will be gold enough. Upon that point I refer to the state of matters before 1848, and compare the increase of gold at that time with all the ideas that we then had as to what effect that increase would have with the state of things at that time.

10,115. What is the gold position in the world?—The gold position seems to me to be very well expressed by Lord Rothschild.

10,116. Lord Rothschild entertained no doubt as to there being plenty of gold?—His judgment as to there being plenty of gold, I doubt. As to the facts that he stated, I generally agree with him. You may put it in this way. The production of gold has greatly increased of late years, but not so much relatively to the previous annual production as the increase in the fifties was to the annual production before that. Down to about 1836, before the gold discoveries in Russia, the production of gold throughout the world had got almost to a vanishing point, being from about 2,000,000*l.* to 3,000,000*l.* sterling yearly. Before the Australian and Californian discoveries, about the year 1848, the production had got up to about 7,000,000*l.* to 8,000,000*l.*, but, a few years after that, the annual production had risen to from 30,000,000*l.* to 35,000,000*l.*, and remained somewhere near that figure for some time. The production was thus four or five-fold what it had been immediately before, and, if we make the comparison with the period before the Russian gold discoveries, it was ten or twelve times

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what it had been. At the present time, the increase spoken of appears to be as from 30,000,000*l.* to between 50,000,000*l.* and 60,000,000*l.* annually, or about double. Or, if we go back to the period of lowest annual production since the Australian and Californian gold discoveries, viz., to about 1880, when the figure was little more than 20,000,000*l.*, we may say that the production is now about three times what it was at the outside. The proportion of increase is accordingly much less now than it was. We cannot assume then that gold will now be available for new fields as it was in the 'Fifties, or will have so much effect as it had then in raising prices and wages. At that time, very extravagant ideas were formed as to what effect the new gold discoveries would have. As a matter of fact, although Germany undoubtedly, and the United States probably, were influenced by the opinion as to the abundance of gold, they were enabled to obtain the gold which they required for their purposes by squeezing the rest of the world, and causing that loss of the gold standard which many other countries sustained. That is the broad view of the case. It seems to me now that there is great danger in assuming that, in consequence of the increase in the production of gold, you will have enough gold to go round everywhere. That is exactly the mistake which was made 30 years ago, and which the people who have charge of these matters—the Governments of the leading countries—ought to be careful not to make again. There may not be gold quite sufficient for all these purposes; but I am quite sure of this, that, if the abundance of gold continues, and causes a great accumulation of gold in the banks and a great rise of prices, which is quite a possibility again, it seems to me that the rise of prices, and the rise of wages consequent upon it, in the old countries, and the general prosperity, would lead to the consumption and absorption of a much larger amount of gold than I think Lord Rothschild appears to calculate upon. He assumes that the demands in this country and in the old countries would remain pretty much the same; and then he makes the calculation that so much surplus would be left for other people. What I believe ought to be reckoned is that the demands for the old countries themselves, in the case supposed, might be incalculable, and I believe that they will be very large, and that the difficulties of countries in a less favourable economical position in adopting a gold standard would still be very considerable indeed.

10,117. It is a question of opinion with you upon that point?—I do not think that Lord Rothschild mentioned any reasons to the contrary. He simply made a calculation that, assuming things remained as they are in the old countries, there would be so much for the new countries. What I am pointing out is that the demands for the old countries are themselves subject to modification to any extent, and that, just as it happened in the fifties and sixties, you would have a very large demand for the old countries such as you cannot now foresee, and then that the pressure on countries in a secondary position would be very extreme.

10,118. Then what have you to say with regard to the present methods suggested for inducing gold to go to India?—Speaking specially in reference to the proposal of the Indian Government itself which is before you, my objection rather is to the leading idea at the root of the suggestion, quite apart from any criticism which may be made in detail. This idea is that a given value of money or currency is required by a community with a certain range of prices, and that, if prices rise or fall, the currency is proportionately increased or diminished, and *vice versa*. Further, that one form of money in value may be made to replace another exactly, so that, if you make a gap in the one, the other comes in. The unsoundness in this idea is that you may in fact have great changes in prices, with no change in the quantity of currency, and great changes in the quantity of currency without changes in prices. I would give, as instances, what happened in Russia during the fall of the rouble

about 15 to 20 years ago, when there was much speculation in the rouble in Berlin. In spite of the great fluctuations in the value of the rouble which then occurred, it was observed that the quantity of the inconvertible paper, although changing greatly in the aggregate, was accompanied by the absence of change in the quantity of small notes circulating. I have here with me a table in which I have extracted figures from Mr. Kaufmann's *Statistique Financière de la Russie*, in 1886. Mr. Kaufmann, who is an official in the Russian Ministry of Finance, published this book many years ago, and when I met him in Paris in 1889 he called my attention specially to the point I have mentioned. I extract from this book a statement showing the issue of notes in Russia outstanding on January 1st of the following years, distinguishing notes issued temporarily, and showing amount of issues deducting temporary notes.

(In Millions of Roubles.)

Year.	Total issue	Notes issued temporarily.	Total issue deducting Notes issued temporarily
1860	687	—	687
1861	713	—	713
1862	713	—	713
1863	691	—	691
1864	636	—	636
1865	679	28	651
1866	678	37	641
1867	709	59	650
1868	715	34	681
1869	724	—	724
1870	732	10	722
1871	757	41	716
1872	778	49	724
1873	771	7	764
1874	797	5	792
1875	797	—	797
1876	797	—	797
1877	790	55	735
1878	1040	305	735
1879	1188	468	720
1880	1182	446	716
1881	1132	417	716
1882	1132	417	716
1883	1133	417	716
1884	1103	387	716
1885	1073	357	716

The point is that, in the years 1877, 1878, and 1879, when there was a great increase in the issue of roubles in Russia, the increase was not in the ordinary circulation of the rouble, but in special blocks of rouble notes of large denominations, which were the subject of speculation on the Berlin Stock Exchange. This table shows that the ordinary circulation stood at about 700,000,000—sometimes a little less, sometimes a little more—the whole of that time during which these immense changes in the total quantity were occurring through the issue of the rouble notes which were the subject of speculation in Berlin.

10,119. (Sir F. Mowatt.) Do I understand that that circulation is confined to the small notes?—So I understand, the active circulation.

10,120. Do you know the limit of the notes?—The limit of notes is about 50 roubles. The table does not show the particular size of rouble notes. The book was given to me by Mr. Kaufmann as bearing upon this particular point, but, I believe, the actual circulation of the rouble notes looked at in detail will quite confirm this. The other case I should like to give is that of the United States of America, where, for a good many years after 1868 or 1869, the circulation of greenbacks remained absolutely the same down to 1878, when specie payments were resumed, and yet you had the greatest fluctuation in prices and in the value of gold in relation to those greenbacks, and it was only slowly that they came up to a value with gold. Although the total amount of the greenback issue remained exactly the same all that time, you had a considerable change in prices. At this point I might refer the

Committee to a table about the price of gold which is contained in the first of these memorandums which I wrote in 1879, where you will see the exact figures. Then a more recent case is that of France, where the note circulation in recent years has enormously increased, without corresponding changes in prices, and without any increase of population. My conclusion on this point is that it is a wrong idea altogether that, if you make a gap in the currency of India, it will be filled up by gold or any other new form of money which you desire. It is impossible indeed to foresee what makeshifts will actually be employed by a community subject to this inconvenience. You cannot say that the particular substitute which you propose will be used. As to whether you can substitute one currency for another, I should refer to my evidence before the Herschell Committee, questions 2061 to 2082, where I gave my opinion upon this point. It arose incidentally before the Herschell Committee, and I there gave my opinion that one kind of currency cannot be exactly substituted for another.

10,121. (*Chairman*) I do not quite understand how this is bearing upon the proposals of the Government of India?—You will find that they based their proposals on the idea that a currency which is just sufficient when the rupee is at 1s. 3d., would be redundant at 1s. 4d.

10,122. You are now going into the question of redundancy?—Yes. It is the same question, and I give the case of the American money. You had American greenbacks at all sorts of prices with the same amount actually in circulation.

10,123. The greenback was, after all, another shape of the National Debt. It was really a Government obligation. I do not see how that bears on the proposals of the Government of India. What they want is to establish a gold standard on a certain basis, and their argument is, that, if there is a redundancy of currency, they ought to reduce the number of rupees in the first instance, and then to restrict the circulation in the way mentioned in their proposals. Your point is that there is no redundancy?—The theory that there is a redundancy of currency is based on the idea that, if you have a currency that is sufficient at 1s. 3d., it must be redundant if the rupee is at 1s. 4d., because you want so much less currency. Then I gave these cases of the greenback circulation of the United States, and the rouble circulation in Russia, and I show that, with all kinds of prices of greenbacks and roubles respectively, you have the same amount of circulation. There is no such thing as redundancy of currency at one price or the other.

10,124. You say there is no redundancy of currency in India?—I say it does not follow by merely showing that, if you have enough at 1s. 3d., you must have too much when it is at 1s. 4d. That is a wrong idea altogether. In addition to the question of value, you have to consider the number of coins circulating, and the number of bits of paper circulating as well, and you cannot say that in one case the currency is redundant and in another case it is not. That is a wrong idea altogether.

10,125. Then you object to the argument of the Government of India upon that ground?—Yes. It may look an abstract question, but it really goes to the heart of their scheme.

10,126. Is not the question, how much the currency would have to be increased assuming that they are quite wrong? Now let us come to their real proposal?—I should like to add this observation: If gold, therefore, is rated to the monopoly coinage, which has now been established in India, at any point that may be fixed, the difficulties that will arise will apparently be of the same nature as those of a bi-metallic standard itself. There will be a double standard, although not exactly a bi-metallic standard, because one side of the standard will be a monopoly coinage at a value much greater than that of its metallic contents, and only on the other side will there be a metal. Still, the two will make a double or alternative standard, and it will

be impossible to fix upon any rate between the two which will be maintained. It is quite conceivable, in my opinion, that the monopoly coinage might continue to increase in value, because it is required for special purposes, and that gold may not enter into the currency when the rate at which it is allowed to enter is exceeded, because the gold will in fact not be able to do the work which is done by the monopoly coinage. The instances of Germany, France, and the United States, where a small amount of legal tender silver coinage is used in proportion to the total currency, are not in point. In these cases, the legal tender silver coinage is not specially in demand for any purpose, is really superfluous, and is kept at its value by gold being more or less freely exchanged for it at the will of the Government. The case will be quite different in India under the conditions suggested, because the monopoly coinage will be the main coinage, and will be indispensable for the performance of certain work which gold cannot perform.

10,127. Have you anything to say about Mr. Lindsay's scheme?—Nothing special, because it seems to me that all these different schemes are covered by my objections to a managed currency of any kind. My objection is more general than to specific details. No doubt these schemes, in fair weather times and for a certain time, might work, or appear to work, but I do not think they can be depended upon permanently, because essentially it will be having a managed currency, and that is not a thing, I believe, which will answer permanently and which ought to be recommended by any government.

10,128. Have you at all considered what the effect in India is of a depreciated currency?—I am inclined to think, but with some hesitation—because in the present circumstances any course which is taken seems to present great difficulties—but, on the whole, the least disadvantageous course to follow would now be to go back to silver in spite of all its deficiencies.

10,129. And risk depreciation?—Risk a great deal. There would be a great shock; it is not a thing that ought to be done lightly, and the fullest amount of time ought to be given to the consideration of it, but the important thing is this, that, to have a good money at all, you ought to have an automatic standard.

10,130. Is that all? To have a good money you must have an automatic standard, you say?—Yes.

10,131. Should you not have a metallic standard that fluctuates as little as possible?—I think any metallic standard you are likely to adopt is not likely to fluctuate in the sense in which we are using the word.

10,132. To-day we are faced with a metal which has fluctuated, and is fluctuating enormously, and we are face to face with the fact that the country where it prevails is a country 80 per cent. of whose trade is done with countries which do not recognise this metal and require another metal?—I should not accept the statement that it is silver which fluctuates enormously. I think that raises the very much debated question whether it is gold that fluctuates or silver that fluctuates enormously. I think, if you raise that question, speaking economically, there is quite as much to be said against gold as there is to be said against silver. My own impression is that silver did better for India in the last 25 years than gold would have done, and gold is better for England than silver would have been for England.

10,133. Is it your opinion, then, that the purchasing power of the rupee in India has not varied, and that the variation has taken place where it has been brought into contact, so to speak, with gold-using countries?—That would raise a great many questions which it would be very difficult for me to go into without specially preparing myself about prices and wages in India. I think myself in India, where silver had not changed very much down to 1892 or 1893 with reference to commodities, at the chief ports in India at least, that silver on the whole was steadier than gold during all that time at the chief ports

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in India; but it would require a great deal of consideration and study for me to say what had happened up country in India at different points and in different places. These things involve very difficult statistical considerations. What I am quite sure of is, that nothing has happened to silver which has not happened in former times to any standard money which you can possibly select for your standard. In the early sixties, I remember, you had a great change in your standard money in this sense. At that time gold and silver, I believe, were to a certain extent depreciated, and you had great changes in India in consequence of the depreciation of silver at that time. I do not think that of late years there has been depreciation of silver sufficient to make it unfit for standard money in a country which chooses to use it, and the case which I should put before the committee of a country which does use silver, and which has not come to grief in any way by using it, is the case of Mexico.

10,134. You say, "If it is impossible or undesirable to go on to the proposed new metallic standard, then the only two alternatives open are, either to return to silver at the present rate of exchange and put more silver into the rupee, or to go back to the old standard itself, for which there are many reasons of convenience." Do you attach any importance to putting more silver into the rupee?—I attach a great deal of importance to it. It seems to me that the putting of more silver into the rupee would cost a good deal of money to the Government.

10,135. Then you are against doing it?—I am against it, on the score of expense.

10,136. To call in the whole 120 crores of silver and reissue it would be very costly?—Certainly I am not sure that in this country, which is a very rich country, having regard to the state which we have got into with reference to our token coinage, we might not call in our silver token coinage and replace it by a token coinage with the silver contents more nearly approaching the real value. At present we have not a token coinage quite in accordance with the principles of Lord Liverpool. But in India it would cost too much. There are also other objections with reference to contracts and things of that kind, which it would be difficult to discuss, which might make it undesirable to "thicken the rupee," as it is called.

10,137. Your opinion, I gather, on the whole is this: you think that the course which is the simplest and involves the least permanent loss, and is the most practicable, is to reverse what was done in 1893, to open the mints to the coinage of silver, and not to attempt either a gold standard or a gold currency, to leave the bullion value of silver to settle, so to speak, the exchange value of the rupee, and that the evils which would follow from any other course are greater than even the worst evils that could be predicted from that course?—That is the idea I have. Of course, that is my general impression. I am not at all responsible for the present state of things, and I feel sorry indeed that such a state of things as we now have should have arisen; but I think on the whole the least disadvantageous course is to face the difficulty, and to go back to the right path, which I think was gone away from in 1893.

10,138. (Sir D. Barbour.) You said you thought Mr. Bagehot was right in the opinion he gave in 1879, that silver was not likely to fall much more, but that it might rise?—At that time. Mr. Bagehot's opinion was given in 1876-7, and was only quoted by me in 1879.

10,139. I do not think you mean that the result justified his opinion, but that on the evidence as it existed at that time he came to a proper conclusion?—No, I meant to say that the result had rather justified his opinion; because, when you are making a statement of that kind, you are not looking to the whole future, you are only looking to the immediate future, and the steadiness during the next few years after he gave that opinion did justify it.

10,140. And therefore you say he was more justified in his opinion by the result than the Government of India were in theirs?—I have not the paper before me

now, in which the Government of India gave their opinion, but I think he was fairly justified in his view that there would be steadiness.

10,141. The Government of India say this: "The current of all the most trustworthy opinion tends more and more towards the conclusion that, so far as can now be foreseen, there is no prospect of an early or complete recovery in the value of silver, and, on the contrary, that the probabilities are all in favour of a further fall." That was the opinion of the Government of India?—But how far that was supported in detail I cannot say at this moment, and everything would depend upon the particular details on which that opinion was founded.

10,142. I see your observation in reference to that statement was, "we must take leave to suggest that the statement quoted is entirely without justification"?—As far as I knew from current opinion at that time; but, of course, there is very little use discussing it without enumerating the opinions; and the Indian despatch does not mention the opinions to which they refer. I think I quoted Mr. Bagehot as certainly a man of some authority at that time; and he gave the reasons for his opinion, which I think have so far been justified.

10,143. But has not the course of events been pretty much what the Government of India ventured to predict it would be?—I do not think they "ventured to predict"; that was an opinion, and it, in consequence of something which they did not foresee at all, an event happened which they predicted, I do not think that that shows they were justified in their opinion.

10,144. Mr. Bagehot, as you say, came to what you think was a reasonable decision on the evidence as it then stood. If the Government of India came to an opposite decision, I suppose you would hold that they came to an incorrect decision, even though circumstances so altered that in the long run the Government of India happened to be right, and Mr. Bagehot happened to be wrong?—I do not think you can say that, because you can only give an opinion as to what is going to happen in the immediate future, and the Indian Government were wrong as to the immediate future—the six years immediately following their opinion.

10,145. The important question which the Government had to decide at that time was the question of the future standard of India—whether it should be gold or silver?—I do not think that was before them at all.

10,146. Was it not proposed to stop the coinage of silver?—That was moot with reference to the immediate future.

10,147. Still, having once adopted the policy of a gold standard, they could not propose to go back to silver after six years?—No, and that shows the difficulty of raising a question of that kind, because they can only perceive a few years ahead, and you would not say that they were making the proposal with reference to the circumstances of 50 or 100 years hence, because the answer to that would have been that no one can possibly say what circumstances will be 50 or 100 years hence.

10,148. They say in their despatch, "We have considered it inexpedient to interfere at all with the British Indian gold coinage, thinking it best to restrict all changes in the law to what is essential for accomplishing the first step towards the change of the standard. We aim, it is true, at the eventual adoption of the British standard, and the extension to India of the use of British gold coins." Is it not clear from that, that they intended to alter the standard from silver to gold?—Undoubtedly that was the intention then.

10,149. In discussing a question of that sort, viz:—the standard of value for a country, do you consider it reasonable to limit yourself to what may happen during six years?—I think it is quite impossible to go into questions of what may happen 50 or 100 years hence. The whole thing is a mistake, because

you cannot have the materials of judging except as to what is to happen within the next few years.

10,150. Then do you think, in making up your mind whether you shall or shall not change the standard, it is sufficient to confine yourself to what is going to happen in the next few years?—I think it is a thing you should not think about at all, unless there is immediate necessity for making the alteration, and almost all the proposals that have been made for changes in the standard of value have been more or less incorrect, if you take a long period afterwards. For instance, Ricardo, at the beginning of the century, was rather in favour of silver at first as the sole standard for England, but he changed his mind in the course of a few years, because he thought, from what was happening in South America and elsewhere, that silver was going to fall in value, and, as a matter of fact, we know that after 1816, and down to 1873, silver did not fall in value. I think it is hardly possible to take into view considerations such a long way ahead.

10,151. If that is the case, you ought never to change the standard of value?—I should think you should almost never change the standard of value.

10,152. Are you aware what the proposal of the Government of India in 1892 actually was?—I have not followed it myself very minutely; but I have read the proposals to some extent.

10,153. I thought you suggested that the proposals of the Government of India in 1893 were to finally adopt the ratio of 1s. 4d?—No. I believe I mentioned that there was some idea of, perhaps, going to 1s 6d.

10,154. Perhaps you will take it from me—I can read you the document if you like—that the proposal was this: The original proposal of the Government of India was to close the Indian mints to silver, not to declare any ratio at the time at all, but to promise that they would not in any case choose a ratio higher than 1s. 6d., but might choose a lower ratio, and to wait and be guided by experience as to what ratio should ultimately be adopted. You know nothing to the contrary of that?—No, that is quite consistent with what I have read.

10,155. I dare say you are aware that the modification made by the Herschell Committee in that proposal was to substitute a provisional arrangement by which the exchange could not rise above 1s. 4d., in order to prevent any sudden and excessive rise of exchange, which they apparently thought probable. Is it not the case that up to the present time the Government of India are at liberty to choose any ratio they think best?—That would be quite consistent with what they proposed originally: that is to say, the measure of 1893 was specifically a measure for stopping the coinage of silver, and not so much for fixing an exchange for gold as the measure of 1879; but substantially I think the arguments against the one measure apply to the other.

10,156. Then you said that the difficulties of establishing a gold standard would probably be much greater than the proposers of that measure had anticipated?—That is the general idea; that it is a very difficult thing to do.

10,157. Do you think that the Government of India did not recognise at the time that there might be great difficulties?—It is one thing to express an opinion recognising difficulties, and quite another thing to take action which does recognise them.

10,158. That may be; but, if the Government of India expressly said that there might be very great difficulties in doing what they proposed, it is not fair, is it, to say that they did not recognise the difficulties?—I do not think that they realised all the substantial difficulties. A man may say that he realised difficulties in doing a certain thing; but, if he does not realise the real difficulties, that is the same thing as saying that he did not realise them at all.

10,159. Now, you are doubtless aware that at the time the mints were closed I was in India, and was the member of Council in charge of the finances of India. I will read you a passage from the speech

that I made when the bill was introduced for closing the mints, and of course I must be taken to have been the mouthpiece of the Government of India at that time; in fact, to compare great things with small, it was very much as if the Chancellor of the Exchequer in the House of Commons made an announcement of the policy of the Government here. I said, "It might be that the gold standard may be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle, and necessitate heavy sacrifices. Time alone can show which view is correct." Looking to that statement, I hope you will be prepared to do the Government of India the justice of saying that, at any rate, they realised that they had what might prove to be a very difficult task before them?—I do not think they fully realised that it might be an impossible task.

10,160. But still they did realise that it might be a very difficult task?—That it might take a considerable time.

10,161. And might involve heavy sacrifices?—But I do not think that that has always appeared in all the discussions on the subject. If I might make a suggestion to you, Sir David Barbour, it would be that you do not mention what kind of sacrifices were looked forward to at that time.

10,162. It might be that the Government of India, as I believe was the case, thought that there might be sacrifices the exact nature of which it was not possible to foresee at that time. At any rate I can say that that was present to my own mind?—I do not think that that view of the subject was present to many people who considered the matter even in 1893.

10,163. But perhaps you would accept my statement that it was present to me individually?—I accept your statement undoubtedly, that in your view the thing might be very difficult to do.

10,164. And I do not think I ever said absolutely that it was possible to establish a gold standard?—I do not think it was present to most people's minds, who had to deal with the subject in this country, that it was such a long and difficult operation. Of course that depends upon the people with whom one may happen to have conversed, but I do not think it was ever represented that it was an operation, for instance, which might go on for 20 years before you could establish a gold standard.

10,165. I should like to read you another passage from a statement of the policy of the Government of India. This is a deliberate statement of the policy of the Government of India; in making it, I was merely the mouthpiece of the Government; it was made by me in answer to a question put in the Legislative Council:—"The avowed object of the Government of India in closing the Indian mints to the free coinage of silver was to alter the Indian monetary standard from silver to gold; but it was expressly stated in this Council, on the 26th of June last, that it was not intended for the present to do more than stop the free coinage of silver, and, as a provisional arrangement, to provide for the issue of rupees at the mints in exchange for gold at the rate of 16d. per rupee. The object of providing for the issue of rupees in exchange for gold at 16d. the rupee, was to prevent any great and sudden rise of exchange, and the Government did not undertake either to establish 16d. per rupee as the permanent ratio of exchange between gold and the rupee, or to establish any other permanent ratio immediately, or within any specified time." That would show that the Government thought that it might take a considerable time to establish a gold standard?—But not 20 years. There is no indication, so far as I can judge, in anything that I have seen as to what length of time the operation would take, and I think, as Sir David Barbour has quoted so much about his own point of view, and the point of view of the Indian Government at that time,

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I may say that, as far as I can judge from the people on this side who were concerned in the matter, there was very little idea of going over to a gold standard at all. I speak especially with reference to the opinions of Mr. Bertram Currie, who was quite satisfied with having stopped the coinage of silver at the Indian mints.

10,166. I was only anxious that it should not be thought that the Government of India entered on this measure hastily, or that they thought or expressed the opinion that a gold standard could be established in India in a short time?—There is no doubt of course about the *bona fides* or the good intentions of the Government of India, and of all the people who were officially promoting it at that time, but that does not affect the question as to whether they adequately recognised the difficulties they were going to encounter, and it seems to me that, unless you look forward to providing a sufficient reserve of gold at once, and up to this moment no sufficient reserve of gold has been provided, you were not realising adequately the difficulties which lay before you.

10,167. Now you said that you thought there was too great a hurry in India to meet indebtedness when it arose, and that the Government might wait until the growth of revenue filled up the deficit. Do you not think it is a very dangerous thing for any poor country like India to accept a deficit for one moment longer than it is absolutely necessary to do so?—I quite agree. It is merely a question of what the time ought to be when the emergency arises. It is a mere question of degree. I am quite sensible that that is a very vital question indeed.

10,168. I daresay you recognise that the strongest answer a Chancellor of the Exchequer can make to his colleagues, when he is pressed to increase expenditure, is to say, "If you do not incur that expenditure you will have a surplus, and if you do incur it you will have a deficit"?—Quite so, but what I recognise is that there are many countries which are in an inferior economic condition to England that cannot do that. In this country we have numerous taxes—for instance the income tax, which we can shift up and down at will; but there are many countries where they cannot do that, so that it might be in those cases very judicious to impose new taxes when perhaps by waiting a little they could get into better circumstances.

10,169. I do not know whether you are aware that the Government of India has on more than one occasion accepted a deficit—has budgeted for a deficit. That was the case in 1893-94?—I can quite understand that that should be so, there may be sometimes willingness to face a small deficit.

10,170. You say the Government of India should have waited. I daresay you will recollect that there were financial difficulties in 1874, when the exchange first began to fall in Lord Northbrook's time?—I do not recollect precisely those difficulties. I recollect the difficulties when Sir Richard Temple was Minister of Finance, and the difficulties afterwards in the time of Sir John Strachey, I think, but I cannot give you the exact dates.

10,171. When exchange fell, of course you would expect a difficulty, and a difficulty of that nature arose in 1874. So that the Government of India had to meet a fall of exchange, and did meet it at that time without altering the standard. Then, I daresay you recollect that there was a subsequent difficulty when those proposals to which reference has been made came home in 1878. A difficulty arose at that time from the fall of exchange, and led to these proposals regarding which you wrote your memorandum?—All the same, for 20 years before 1892 there was practically no deficit in India.

10,172. There was a difficulty—it might be great or little—but there was a difficulty in 1877-78, which led to those proposals coming home in 1878?—I am quite agreed in substance with what you are putting.

10,173. (Chairman.) In 1864 the Indian Government sent home a series of resolutions as to a gold currency, and Sir Charles Trevelyan proposed a gold

currency for India by declaring sovereigns and half-sovereigns to be legal tender at the rate of 10 rupees to the sovereign. That was strongly supported by the Bengal Chamber of Commerce, who sent home a resolution declaring their opinion that a gold standard was almost universally admitted to be a positive benefit to India. Sir Charles Wood eventually disapproved that proposal, but he gave a sort of compromise, namely, that a rate should be fixed. Then, in 1865, the Directors of the Bank of Bengal stated that the time had come when sovereigns and half-sovereigns should be declared legal tender. In 1866 the Government of India appointed a Commission to enquire into the operation of the paper currency. That Commission took a very wide range of evidence; and they reported that the evidence they had taken unanimously proved a demand for a gold currency, and that gold coins would be more popular than notes, and they objected to the note currency on the ground of the popularity of gold. Their general report was that the currency of India should be gold, silver, and paper. Then we come to the year 1878, about which Sir David Barbour has been questioning you, and upon which you wrote your two memoranda. Then in 1892-93 Sir David Barbour takes the thing up again. So that there has been nothing rash or hurried about the action of the Government of India; but this question concerning a gold currency and a gold standard has been under discussion in India for between 30 and 40 years, and it has always been, so far as I can find any evidence, a popular opinion among the banking and mercantile and general circles of India?—I can say that I am very well acquainted indeed with the correspondence and the papers about 1864-65, and some of the papers that were published in the Blue Book at that time are amongst the most useful that I can remember with reference to the discussion of the bi-metallic question. But, all the same, I do think that the proposals for a gold standard in 1864-65 were of a different nature essentially, being produced in different circumstances, from the proposals in 1892-93. In 1864-65 gold was supposed to be, and no doubt was, comparatively abundant throughout the world, and India in particular had been the recipient for a good many years of very large quantities of gold. It was quite a legitimate thing for people at that time to think more of the gold standard than would have been possible or desirable afterwards, when the circumstances had changed a good deal. But it does not follow, from the general opinion amongst the people engaged in the foreign trade of India, they being in favour of a gold standard for India, that that was conclusive of the matter; and it would not alter the fact that, even if you were to introduce a gold standard and gold currency now, the gold currency would be used as a matter of fact to a very small extent in the transactions of the people of India. But, as far as regards the point that the thing has been a great deal considered between the Government and the people of India at different times, that I should not dispute, because that is really a matter of history in which I should quite agree with you.

10,174. (Sir D. Barbour.) You may take it from me that there were difficulties in 1874—there naturally would be—when the exchange fell, and there were difficulties later on which led to the proposals of 1878, and you are aware that there were further difficulties about 1884 and 1885 which led to the Gold and Silver Commission of 1886. Then, after that, there was a sudden rise in exchange owing to the speculation caused by the increase of the American purchases. I think you drew attention at that time to the fact that the rise would be only temporary. Then, you will recollect that there were further difficulties arising from the same cause in 1892, and there was a great fear that the Americans would cease to purchase silver. Do you not think that, if the Americans had gone on purchasing silver, they would have gone to a silver standard?—That is an important question, because, I think, there has always been a danger of the Americans going in for

a silver standard. But, when you point out that the Indian Government went into the matter in 1874 and 1878, and again in 1885 and 1892, you are talking of different times altogether, when silver was about to have a severe fall. Indeed, it shows that, on the whole, their policy in taking the matter up was not quite justified, because they did not succeed in 1874; they did not succeed in 1878-79; they did not succeed in 1885; and no particular harm has happened to India. It might have been the case that, if they had failed in 1892-93, we should all be recognising at this date that the Indian Government might as well have left the subject alone, and that no particular harm was going to happen to India.

10,175. Or, on the other hand, it is just possible that we might have been preparing at this moment to meet another fall?—No doubt. One cannot tell what the future is going to be. We might have a fall in gold in the same way, as many people suppose is going to be the case, but no one would propose to alter the gold standard of this country because of that.

10,176. The fact that the Government of India had difficulties to meet in 1874, and again in 1877, and again in 1885 and 1892, and that there were apprehensions of further difficulties in the future, would show that the process of waiting which you recommend might have proved to be a very long one?—It does not show that any of the difficulties were of a kind even to suggest an alteration of the money of the country. That is where the great difference arises.

10,177. I merely say that it shows that the process of waiting might have proved a very long one?—But every Government must deal with all the circumstances affecting its finances; there are good times and there are bad times, and bad times do not even suggest to me the expediency of altering the money. Every alteration of the currency ought to be treated as a matter requiring the greatest care. That is the difference between Sir David Barbour and myself.

10,178. If the Government had, for instance, an inconvertible paper currency, would you recommend that they should change it or adhere to it?—Inconvertible paper, of course, has great difficulties and evils of its own, which ought to cause everyone to discourage it, and it is not a proper thing to have. It is not a good money.

10,179. Do you think the Germans were justified in changing from silver to gold?—It was a matter of which the Germans were the exclusive judges, they had very good advice about it. I think on the whole they might have done as well to keep to silver; but they had an undoubted necessity for making some change in their money, because they had such a great variety of currencies, not exclusively silver—a certain amount of gold was legal tender money in Germany before 1872—so that they had great excuse for changing their standard.

10,180. The pressure on them to change their standard from silver to gold was not nearly so great as the pressure has been upon the Indian Government?—There was no pressure on the German Government except one of convenience. The step was not taken in consequence of pressure, it was taken because they thought that, on the whole, gold would be better than silver; they had to make a change of some kind; they had to unify their money, part being gold and part silver.

10,181. Practically it was all silver?—No, they had a considerable part of it in gold and they unified it on a gold basis, but it was not done from any pressure, it was simply done because it was found absolutely necessary to make a change of some kind.

10,182. If they were justified in making the change by the prospect of the comparatively moderate difficulties they had to meet, *a fortiori* the Indian Government are justified in proposing this change now?—No. I think the Germans changed from a cause belonging to the nature of the money. The Indian Government proposes to change from a cause which

should not have to do with currency or money at all. I think you took a false view of what it was expedient to do, when silver money changed in value in reference to other money.

10,183. You said that you thought India was unfairly charged with Imperial expenditure by England?—That was the opinion which I expressed.

10,184. I dare say you are aware that the Government of India would be glad to get the Imperial Government to bear a portion of that expenditure with which India is now charged?—I have no doubt that that raises questions of very high policy indeed.

10,185. I dare say you are aware—at any rate you may take it from me that it is so—that the Government of India has at times urged that matter on the attention of the Imperial Government?—I believe that has been the case.

10,186. And a Commission has been appointed to enquire into the matter, which is sitting now?—I have referred to that in my evidence.

10,187. You say you think the Imperial Government should bear a portion of the cost of the British Army in India?—That is the idea I suggest.

10,188. Then would it not be possible to argue that the Government of India should bear a portion of the cost of the British Navy, which protects Indian trade all over the world and prevents any naval expedition by foreign Powers against the coasts of India?—I duly took that into consideration, but on balance I thought the advantage ought to be given to India.

10,189. At any rate it is a matter to be settled after consideration by the persons interested?—No doubt. All I wished to express before this Committee was that, in statements by responsible officials in India as to the finances, they should not have confined themselves so exclusively to the question of their having reached the limits of taxation.

10,190. In point of fact, whatever view we may take as to the just proportions in which India and England should share that expenditure, the Government of India could only deal with matters as they stood?—That is so, no doubt, but to a certain extent we must recognise that the Government of India is the Secretary of State for India and the House of Commons.

10,191. But the Secretary of State for India at that time had not got any premises from the Imperial Government or the Chancellor of the Exchequer to give him three or four millions sterling a year, and he had to deal with the question on the basis on which it then stood?—I hope that one of the results of this Committee, and of the whole question of the money of India being raised, will be to compel our leading public men to consider the farther question of the relations between India and this country with regard to expenditures.

10,192. Then you said you thought that, if there was a gap made in the rupee currency of India, it might not be filled up by gold. I do not know whether you accept to any extent the quantitative theory of money?—The quantitative theory of money is explained so differently by different people. My own expressions about it have been interpreted in a very strange way. Ultimately, I have no doubt that the amount of the standard substance, the quantity offering in the market, and the quantity being supplied, have a material effect in regulating its value in exchange with other commodities. But that is not an opinion which can be taken to mean that a given quantity of money must be in existence in reference to a particular state of prices in a given country.

10,193. I merely asked you whether you accepted the quantitative theory of money to any extent, and you say you do to some extent—you do with certain limitations?—To the extent I have explained.

10,194. Then, if it were the case that the quantity of rupees in India was steadily reduced year by year, would not the value of the rupees rise?—It might rise to a point, but you do not know, when you are introducing an artificial measure of that kind, what else might happen, and what substitutes may come in.

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10,195. I quite see that there might be difficulties, but, if the quantity of rupees in India is steadily reduced, the value of the rupee will tend to rise?—If nothing else happens; but that is the whole point, that you cannot do a thing of that kind without something else happening.

10,196. Still the tendency is for the rupee to rise, other things being equal?—Yes.

10,197. Then, if the rupee rose to gold point, that is over 1s. 4½d. under present conditions, would not gold come into India?—But it might be that it would not rise over 1s. 4d.

10,198. But, if you carry on the process of reduction to a sufficient extent, would not the value of the rupee tend to rise?—I think substitutes would have to be introduced to perform the work which the silver currency now performs. Whether gold would be the substitute is another matter.

10,199. But I cannot think of any substitute, except coins that are made legal tender?—We know that gold itself is used in many countries where it is not legal tender, and the same thing might happen in India; they might have other things in use; they might have silver bullion for example.

10,200. But how would you pay your debts in silver bullion?—Just as you do in China.

10,201. It is the law there, is it not, and silver is accepted by the Government?—No, I think not, it is simply the custom of people there to buy and sell in silver bullion.

10,202. Suppose a man accepted silver bullion in India, how could he pay his debts or taxes with it? The Government would not take silver bullion from him?—I do not wish to be judged by particular cases, but I do affirm that, when you stop the coinage of a particular country, and say that people are not to have money of a particular kind, you do not know what effects will be produced, and what substitutes will be made use of. Suppose you were to stop the coinage of copper in this country at this moment, and to say that no more copper coins should be issued, you could not say that gold would replace copper to any extent in the particular work which the copper performs; neither could silver; and I say that in India, supposing you stopped the silver, you do not know beforehand whether the gold to any material extent could perform the work which silver is now doing. That is a thing which you have to show in detail, and you must not assume it. You must show in detail what transactions gold would be useful for, how much gold would be used, and so on, but you cannot assume beforehand that gold is able to do the work of silver. Take the case of paper money. You cannot assume that gold alone would do all the work that paper money now does in this country, and still less that it could do the work which is now done by cheques. You have always to consider the particular currency, and what it can do.

10,203. But is there any intention expressed by the Government of India of limiting the quantity of rupees in India, if found necessary for the purposes of currency, any more than the Government of England limits the quantity of shillings below the amount found to be necessary in this country?—I have certainly seen expressions of that kind, but, if there is no intention of that kind, that brings you to the second point, that, unless you limit the rupees, if you provide for the expansion and contraction of the rupees just as shillings expand here in good times and contract in bad times, then you may have this difficulty before you; that you issue in good times more rupees than will circulate in bad times, and in bad times your rupee coinage goes to a discount. You are committed to the limitation of it, or you are committed to the abandonment of your gold standard.

10,204. But, if the arrangement was, as there is no doubt it would be, that no silver rupees would be issued in good times, unless gold were given for them, you would have that gold in hand to meet bad times when they arose?—That is to say, you would have the double reserve of which I have spoken, the gold as well as the silver reserve.

10,205. I merely wish to point out that with that reserve you could provide the means of increasing or decreasing the number of silver rupees according to the actual wants of the country. If you argue that that involves a gold reserve, which is a source of expense, that is another matter?—That brings you to the difficulty of the hoarded rupees. If you have to give gold for the rupees which you have issued in the manner you have described, you must make the offer of gold for rupees quite general, and then all the hoarded rupees may come out in exchange for gold. I do not see how you can make a distinction between the rupees which you issue in good times and the old rupees which are known to be in existence.

10,206. Nor do I make the distinction. The only limitation on the exchange of gold for rupees would be the amount of gold you have actually received beforehand?—If you limit it to that, and that gold should be exhausted, away goes your gold standard.

10,207. To that I agree. You also say that the hoarded rupees coming out might break down the gold standard. Again I agree, but that all depends on whether the rupees do come out of hoards?—No doubt.

10,208. If it should prove that the rupees that are in hoards are not brought out in exchange for gold, that would make the thing somewhat easier?—Of course, if the Indian Government is prepared to offer gold for rupees, a great many of my objections to their proposals fall to the ground. But I understand from Lord Northbrook's evidence, and from the expressions of the Indian Government itself, that that is the one thing which they are determined not to do.

10,209. They are determined not to be bound by law to offer gold for rupees to an unlimited extent?—But it must be unlimited, or it would not be effective.

10,210. Would you not rather say it might not be effective?—It might not be effective.

10,211. And the rupees that are in hoards may not be presented, and, if so, that difficulty would not arise?—We must go by the light of human nature a good deal in this matter, and I should think probably they would be presented, especially if there was an opportunity of replacing them immediately after by rupees at a lower rate. Still, a great many of my objections to the Indian Government proposals would fall away if that were so.

10,212. (Chairman.) We are dealing with the whole question. We might recommend, as you say, that rupees should be convertible: that is an open question. Your opinion, I take it, is that they ought to be made convertible, and that, if they were made convertible, that would do away with many of your objections to the Government's proposals?—I have no hesitation in saying so.

10,213. What I mean is, this Committee is not bound by what the Government of India have proposed?—I have no objection to say that a great many of my objections would disappear if that were so. Of course, another chief objection remains, which would be the expense. The objection would remain that on the whole, I think, silver would be the better standard still; but, if you make the rupee quite convertible, and if you are prepared to face the expense, and if that should prove to be a kind of monetary arrangement which the people of India would willingly accept, then I have no objection to a gold standard for India in that way.

10,214. (Mr. Hambro.) As long as it is a real standard?—As long as it is a real standard.

10,215. (Sir D. Barbour.) Assuming that it was decided to introduce a gold standard, or to attempt it, would you recommend that the Government of India should undertake to give gold for rupees to an unlimited extent?—I do not think it can be done properly without that.

10,216. But do you think it would be a safe thing to do?—I do not think it would be a safe thing, on account of the evidence as to the magnitude of the hoards.

10,217. And, if the Government of India did it to a limited extent only, it might succeed, or it might not?—Quite so. It is more or less an uncertainty.

10,218. I dare say you will admit that the Government of India recognise that, if the money now in hoards were presented in exchange for gold, it would create a serious difficulty?—They seem to lay it down very much that it is not a thing to be thought of—to offer gold for rupees.

10,219. But they recognise that people who have silver rupees in hoards might come forward and take gold instead of them, and get the rupees into circulation, and in that way possibly a serious difficulty might be involved?—That is so.

10,220. On the other hand, if the people who have hoards did not do so, that difficulty would not arise?—No.

10,221. And still more, if people went on hoarding rupees as they did before, there would come into play a force which would facilitate the establishment of a gold

standard?—I am not quite sure of that. That might create this difficulty: that the Government of India would not know at any moment but that the people who hold the rupees might come forward.

10,222. But for the time being, at any rate, it would make the establishment of the gold standard an easier matter?—That would be so.

10,223. Then a great deal depends on what the action of the people who are the hoarders of the rupees may prove to be?—Yes. You mean with regard to people selling rupees, demanding gold for their rupees.

10,224. Or continuing to increase their hoards of rupees?—That would be so.

10,225. And we must, I suppose, wait to see what happens and be guided by experience?—That is just one of the difficulties of the matter. I do not think you should leave the money of a great country like India quite at large.

10,226. Unless you cannot help it?—Necessity has no law, of course.

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The witness withdrew

Adjourned.

Sir ROBERT GIFFEN, K.C.B., recalled and further examined.

10,227. (*Chairman.*) Have you anything you wish to add to your previous evidence?—I should like to add one or two words to make quite clear the answer to the Question 10,204 and 10,205.

10,228. Question 10,204 is: "But, if the arrangement was, as there is no doubt it would be, that no silver rupees would be issued in good times, unless gold were given for them, you would have that gold in hand to meet bad times when they arose." Your answer was: "That is to say, you would have the double reserve of which I have spoken, the gold as well as the silver reserve"?—I should like to add something almost by way of a question, it comes to that, because the question reads as if you would always have gold to be given out for the rupees that were brought back to you, and that would apply to the rupees given out now. When people bring gold to the Currency Department in India, I understand that you have rupees in the Currency Department to give out. But suppose after a time you have no more silver in the Currency Department than what you think it necessary to keep as a reserve, it is quite clear that you would then have to apply the gold to the purchase of silver with which to coin rupees. Then, if these rupees came back, you would not have that gold, or, at least, you would have only a part of it, with which to take these rupees back in bad times when they were more or less redundant. I do not know that the point is very material, but it seems to me that the question may arise in course of time.

10,229. Is there any other point on which you wish to add anything?—The other point was with reference to the remark you made about silver being so fluctuating a metal. Without going into a discussion of the matter—I do not wish to go into any controversy upon it—I should just like to state what my own view on that subject is. Since the beginning of this divergence between gold and silver, I do not think the depreciation has been all through of the same character. I think in the first part of it, about 1876 or 1877 or thereabouts, about the time when Mr. Bagehot was writing, you had the beginning of what was a depreciation of silver in the sense in which Mr. Jevons and the older economists had written about the depreciation of money. But that did not last very long, and, for a good while after that, the position rather was, not that silver had depreciated in the old sense—I am speaking specially from the point of view of India—but that the gold in which a part of the obligations of India were payable had appreciated in the old economic sense. Since 1892, however, I should be inclined to say that, if the Indian Government had

maintained silver as its standard, you would have had a depreciation since that time in the old sense, as economists understood the word, that is to say, measured by the leading wholesale commodities, which was the kind of measure which the old economists used to take. I wish to state that as my view of the depreciation of silver, so that there should not be any confusion when questions are put to me.

10,230. Is that entirely irrespective of the excessive production of silver?—That would be so. The excessive production of silver produced no depreciation, in the old sense of the term in which we economists used to speak of money, until 1892, with the exception of that brief interval in 1876 or 1877.

10,231. But was not the ratio between silver and gold practically a fixed ratio?—That is quite true. There had been a fixed ratio, but in the economic sense you had a depreciation of both gold and silver in 1843 and 1862. That was the theme of Mr. Jevons' famous essay. That depreciation was both in gold and silver, in the old sense in which these words were used.

10,232. You think that the depreciation practically has nothing to do with the fall in the price of silver?—The fall was with reference to gold; and, of course, if you simply measure gold and silver by each other, it leaves open the question as to which the movement is in. That is a controversial matter. The points I have been mentioning just now, are, I think, a little away from controversy. I am trying to explain what is the exact view I have of the course of events since about 1872.

10,233. (*Sir F. Mowatt.*) How long after 1876 did the depreciation of silver (in what I may call the legitimate definition of "depreciation") go on?—It was a very short time. Mr. Bagehot at that time said that the depreciation, which he considered—and I think rightly at that time—to be mainly due to the sales of silver by Germany and the cessation in the coinage of silver in France, did produce a very considerable flow of silver from this side to India. And, I think, at that time it was just the beginning, not very well marked, of an actual depreciation of silver in the old sense.

10,234. How long do you say that lasted?—Not very long; for a very short time.

10,235. For years?—Two or three years merely. What came about after that—and what was really underlying it for the whole time—was the appreciation of gold, as we should call it, and there was nothing in India to justify you in speaking of the depreciation of silver, in the old sense, with reference to commodities.

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10,236. (Sir D. Barbour.) There was one explanation that you gave, which, I think, refers to a question of mine; that is, as regards the case where the gold was presented for rupees, and the Government had to purchase silver before it could give out rupees in exchange. That, of course, absorbs a portion of the gold handed in; but, if the rupees are afterwards brought forward and gold demanded, the silver in those rupees would be available to replace a portion of the gold with which that silver had been originally purchased?—I was rather putting a question than giving an explanation.

10,237. That would be the case, would it not?—That would undoubtedly be the case, unless you had in view that the silver would have to go out again, and then you would not put yourself to the trouble of selling it.

10,238. (Mr. Campbell.) You state, as one objection to a gold standard for India, that India is a poor and indebted country?—That is the statement; and it seems to me that there can be no question of the poverty of the people as a whole, compared, at any rate, with the people of a country like the United Kingdom; and, equally, there can be no question of the indebtedness of the country as a whole to other countries.

10,239. But, as regards debt, India is able to discharge her foreign obligations by means of the surplus produce exported?—That would be so.

10,240. And besides doing so, she is able to command a large amount every year of the precious metals?—That is also quite true.

10,241. For the last 11 years the average import into India of gold has been 12 crores?—I should thank you not to speak to me in crores, because I do not quite follow it.

10,242. Rx. 12,000,000?—There is no doubt that India for many years has been what has been called a sink of the precious metals, and quite as much in the past few years as in any previous time.

10,243. Then, in view of this large command of the precious metals over and above paying her indebtedness, can you say that India is a country that can be justly described as poor?—I think so. If you look at the general condition of the inhabitants of India, who are hardly able to bear any taxation whatever, I think you must describe them as a poor people, taking them all round.

10,244. I am not speaking of individuals, but of the country as a whole. Would you not say that a country which can pay its way and command such an immense amount of the precious metals is a country of large resources?—I have no doubt there are large resources in India, and that, if you come to the question of the distribution of wealth, you may find very considerable classes in India who are well off. The result of that would be that there are two Indias. But, as to the fact of poverty generally, that is surely a thing about which there can be no sort of doubt; and surely the fact that India owes very large sums to foreign countries is also quite clear. Hitherto India has paid its obligations, not altogether without borrowing. There has been a certain amount of borrowing for a good many years, but that does not alter the fact that it has had to pay debts.

10,245. Has the borrowing been so much for the purpose of escaping the payment of debt as for the purpose of productive public works?—Whatever the origin of the borrowing may be, it facilitates the operations of India altogether. It is a kind of resource to the people in India while the borrowing lasts.

10,246. But it is naturally a very different thing to borrow in order to escape payment of your debt, and to borrow for the purpose of investing in a remunerative undertaking?—But the immediate effect is, to a certain extent, the same.

10,247. When the mints were open to silver, India acquired through her trade balance the silver necessary to maintain her currency?—No doubt India acquired

a large amount of silver. I do not think very much was required to maintain the active currency.

10,248. Is there any reason why she should not, in the same way, be able to command the necessary gold, if gold were to be her currency in future?—I think there would be much greater difficulty in commanding the gold, because gold is so much sought after in comparison with silver by other countries.

10,249. If a gold standard and currency could be established on a sound basis, would it not have the advantage of giving stability of exchange with those gold standard countries with which the great bulk of India's foreign trade is conducted?—There is no doubt that, if you could establish a gold standard in a proper way, India would come to be in much the same position, as far as the foreign trade is concerned, as is Australasia, and I do think that that would be advantageous to a certain extent. The whole question is one of a balance of advantages and disadvantages.

10,250. Then, as regards the Government's position, the Government would also, under a gold currency, be freed from the uncertainty now attending every Budget, as to whether the fluctuations of exchange might not upset its estimates and convert a surplus into a deficit?—I think the Government might manage, in the way I explained in the second memorandum which was before the Committee, to deal with these fluctuations.

10,251. (Sir F. Mowatt.) Fluctuations of exchange or fluctuations of expenditure?—Fluctuations of exchange owing to its having a gold debt.

10,252. (Mr. Campbell.) These fluctuations of exchange depend on trade, not on the action of the Government, do they not?—But suppose the Indian Government had all its obligations expressed in silver, the question of exchange would not affect it. India is subject to the same difficulty in exchange as is every country which has a gold debt and has not got the same money as the money in which the debt is payable; but that is a difficulty which is not to be spoken of as altogether incalculable, because it is a kind of difficulty which many countries have had to deal with from time immemorial, and which many countries have to deal with as well as India at the present moment. It was a difficulty of Russia, for instance, for many years; it was a difficulty of Austria-Hungary. It is a difficulty now with Mexico; it is a difficulty with South American countries; but all of those countries may get on very well and be prosperous, although they have that difficulty of exchange, and there is no insuperable obstacle in them to a government having good finance.

10,253. But might not good finance be more difficult on that account?—Then it is a question of degree. It may be desirable to have a fixed exchange, but it is a question of degree whether that is a sufficient reason for altering the money.

10,254. You would say, would you not, that those are difficulties which ought to be considered in deliberating whether India should have a gold standard or not?—Yes, and my own opinion is that any difficulties that arise from exchange are not big enough to justify a government in altering the money of a country, providing the money is quite satisfactory in other ways, as I think silver was in India before 1892.

10,255. With a gold standard and a gold currency, India could settle her foreign obligations (if produce were not available) by a shipment of gold, in the same way as the foreign obligations between this country and America, for instance, are settled?—It could always be done even now. Without a gold standard in India itself, it could always settle its gold obligations by taking part of that gold which is in India, though it may be difficult to get at it.

10,256. India might not part with it except at a prohibitive price?—I mean, there is no difficulty in settling your gold obligations if you have your resources in some form or other, and India, if it has got the resources, may purchase gold in some way, if

it was not willing to part with any of the gold in its possession. If India had a gold currency, and were to ship gold in payment of its gold debt, then, of course, that would give rise to the very difficulty which I have pointed out in my evidence, that the gold standard itself might be endangered if the gold were taken out of the currency.

10,257. If too much were required?—If it were taken out of the currency.

10,258. But with a silver standard there are two alternatives before the Government as regards settling foreign obligations, either to submit to the drop in exchange necessary to command the required exports, or there is the temptation to meet it by borrowing?—Would not that difficulty always arise, as far as borrowing is concerned, that that is an easy way of paying your debts? But I think, on the whole, that, as you must submit to some loss on your produce in selling it to meet your gold debt, it is more advantageous to a country like India to meet it by a fall in the value of its own money, with reference to foreign money, than by an open fall of prices which would otherwise have to be submitted to.

10,259. Then, in addition to the considerations we were just alluding to, there are the financial difficulties, which have already been discussed with you at some length, which also require to be taken into consideration in deliberating on the question of a gold or silver currency?—As I have understood the matter all along, these financial difficulties were the chief reasons for the Indian Government proposing to alter the money; it was mainly the difficulties of the Government.

10,260. You think that was what influenced the Government more than the other considerations which I have alluded to just now?—Of course, this Committee will have its own opinion on these matters, but that is the impression that has been conveyed to me in all the discussions—that the difficulty of the Indian Government in adjusting its Budget was the serious matter.

10,261. (*Sir F. Maclatt.*) Did you say a serious matter, or the serious matter?—The serious matter.

10,262. (*Mr. Campbell.*) Assuming that a gold standard and currency for India should be resolved upon, you have seen the various recommendations as to the best way of introducing it—the Government scheme, and the Lindsay scheme, and others?—I have given some attention to the different schemes, but, for the reasons I stated before, perhaps not so much as most members of the Committee will have done, because I object so much to most of them on the ground of general principle.

10,263. One of the first questions would naturally be, would it not, as to how the gold is to be acquired?—That seems to be the chief question in the matter altogether—that you ought to have a sufficient stock of gold before you begin; that is the general idea.

10,264. You are, of course, aware that India has a very large stock of gold in the country already?—There is no doubt of that.

10,265. And that, so far, practically none of that gold has been tendered to the Government under the present regulation?—Very little has been tendered.

10,266. Do you think there would be any probability of that gold being tendered if a more favourable ratio than 15 rupees to the sovereign were adopted by Government, if, say, 16 or 17 rupees instead of 15 were offered?—I do not like to speak of matters which are more properly within the province of people acquainted with India, but I should think, according to one's experience of human nature, that, if it was possible to exchange gold for rupees at a fixed rate at which it would be of advantage, probably some gold would be tendered; but what are the exact motives of the people of India in hoarding, and how these would operate, I cannot profess to say as well as people acquainted with India would be able to say.

10,267. I suppose you know that a good deal of gold has been shipped out to India recently, within the last 18 months, and sold at somewhere about

15 rupees to the sovereign?—I am aware that a good deal has gone out.

10,268. If a higher price, say, 16 or 17 rupees were offered, might not some of that gold be attracted in order to secure a profit? If they could sell at 16 or 17 rupees the gold which they bought at about 15 rupees, would not that be a temptation to send it into the mints or into the Currency Department?—All one can say is that no great amount has as yet been sent into the Currency Department, but I think that some would certainly go, if not from India, at any rate from this side, if there was an advantage from the exchange.

10,269. In 1894-5, gold was shipped from India to England on balance to the extent of Rs. 4,974,000?—I would hardly have thought as much as that came back, but I know at different times certain amounts have come back from India.

10,270. And that was not under pressure of famine, there was no famine during that year, it was simply that the fall of exchange raised the price of gold to a point which induced the natives to sell. I mention that in order to put it to you whether there is not a point at which India would sell gold as well as buy it—would send gold into the mint as well as hoard it?—That is a point as to which I think Mr. Campbell would give better evidence than I could, as to what would happen in India. I merely speak as to what would be likely to happen, according to the general experience of human nature; to what extent, I would not like to say without knowing the circumstances of India.

10,271. You have seen in the Government proposals, and in some of the other schemes that have come before us, recommendations that gold should be obtained by borrowing?—If the Indian Government has not a surplus itself and desires to put the transactions straight through and quickly, I do not see any other course open but to borrow, that is to say, if the thing is to be done quickly and thoroughly.

10,272. But would you consider it any advantage to do it quickly and thoroughly, at the expense of adding largely to the debt, rather than to do it slowly and quietly by ordinary trade influences?—I think the difficulty in the matter would be that the Indian Government would have to keep the reserve of gold by which the value of the rupee at 1s 4d., or whatever other rate was fixed, was to be maintained. And as far as the Indian Government is concerned, I do not see how they could get hold of that reserve except by having a surplus in their Budget or by borrowing. As to what might be in other people's hands, it seems to me so doubtful whether you would have so large an amount of gold circulating at any time that that is not material. The main question is how the Indian Government is to get the gold.

10,273. (*Chairman.*) Do you think it better that the Indian Government should get the gold slowly by ordinary operations of trade, or get it at once by borrowing; just say "yes" or "no" to that question, please?—I do not think the Indian Government can get it by ordinary operations. It must have a surplus, or it must borrow.

10,274-5. But, for the sake of the question, assuming that it is possible to do it in the two ways Mr. Campbell mentions, which do you think the better way?

(*Mr. Campbell.*) I may say just one thing. When I speak of the Indian Government, I mean the Currency Department.

(*Chairman.*) Assuming it to be possible, which do you think the better of the two operations that Mr. Campbell put?—Would you say that it is desirable to pay the extra cost of borrowing in order to do the thing at once?—I should think not; but I should like to qualify that by saying that, to bring about a great change like this, the preparation of the gold reserve ought to have been taken in hand at the very beginning.

10,276. (*Mr. Campbell.*) Then, in connexion with the question of acquiring gold, would not the ratio established, or attempted to be established, be a very

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important question—the rate at which gold is to be valued in relation to the rupee? If the ratio, for instance, undervalues gold, would not that be a difficulty in the way of getting gold, or, if you did get it, in the way of keeping the gold?—I am not quite clear whether you refer to the difficulty of getting gold out to India itself, or to the difficulty in the way of the Government getting it.

10,277. I allude to the difficulty in getting gold into the Currency Department. For instance, if the Currency Department offered 15 rupees to the sovereign, is it as likely to get sovereigns as if it offers 16 rupees? And, if it has got the gold, is it as likely to keep it, if it offers to give a sovereign away for 15 rupees, as it would be if it demands 16 or 17 rupees?—I think, putting it in that way, there is no doubt that the more rupees you give for the sovereign, the more likely you are to get the sovereigns.

10,278. Therefore, the ratio is a very important question?—In enabling the Indian Government to get it in that way.

10,279. Now, you allude to Italy as a country which attempted a gold standard some time ago, and was not able to keep it. She attempted to establish a gold standard by means of borrowing, did she not?—Italy borrowed, I think, about 16 millions, to the best of my recollection.

10,280. But has she ever been able to declare convertibility?—I think they attempted to declare convertibility at the time, and the premium on gold was very small at one time, but that was a good while ago. The exchange, I think, is now between 26 and 27. It is not a very heavy discount, but quite sufficient to make you say that they have not got the gold standard.

10,281. In fact, is it not the case that, given convertibility, it would now pay about five or six per cent. to send gold away?—About five or six per cent.

10,282. That is an example of an attempt to establish a gold standard with borrowed money. Now, the ratio between gold and the rupee is only another expression for the sterling rate of exchange, is it not?—A different form of the same thing.

10,283. Fifteen rupees to the sovereign, for instance, is 1s. 4d per rupee?—Yes.

10,284. Do you believe that the rate of exchange, by its effect on rupee prices, has an influence on trade?—The rate of exchange, like everything else, has a certain amount of influence on trade; what the precise amount and nature of it is, and how it operates, I should think some of the gentlemen around me could speak upon better than I can.

10,285. A high rate of exchange would act prejudicially on prices in India—would send prices of exportable products down?—Of course, all these phrases are relative to what has gone immediately before. Any rate of exchange might come to be the normal rate, and then you could only speak of high or low in reference to that normal rate.

10,286. But a change from a low rate to a high rate would act prejudicially on prices, it would lower prices?—That is to say, if the money of a country like India became of more value, that would operate unfavourably upon prices in India—if it became more valuable with reference to gold. I think, instead of speaking of high and low rates of exchange in these matters, it would be almost more convenient to speak of depreciation or appreciation of the money of the country. One would follow it more closely, because sometimes rates of exchange between this country and others, as Mr Campbell knows well, are quoted in the money of the foreign country and sometimes in the money of this country; so the high becomes low and the low becomes high, and it is very difficult to follow.

10,287. I will put in this way, that the appreciation of the rupee in relation to gold would have an adverse effect on Indian prices?—That is so.

10,288. And it might check production?—For the time.

10,289. And, if production were checked, exports would tend to diminish?—How far that would operate is really the difficulty which I have in these matters. The adjustments might take place very quickly, but the immediate effect would undoubtedly be what you have described.

10,290. And what bearing would this appreciation of the rupee have on India's competition with silver standard countries?—For the time, I think, there is no doubt it would be adverse, as I think it has been adverse to some extent during the last two or three years, but I am speaking for the time now: I am not speaking of what the permanent effect might be.

10,291. Now, assuming that a workable ratio between the rupee and gold were adopted, and that gold was coming into India in consequence, the question of convertibility would arise, would it not?—In what form? The question is hardly specific enough for me to give an answer to it until I see what you are coming to.

10,292. Assuming that, at 15 rupees to the sovereign, sovereigns have come into the Currency Department on balance, and that the Currency Department has accumulated a fair amount of sovereigns, the question would arise whether the Government could safely undertake to give a sovereign for 15 rupees as well as 15 rupees for a sovereign?—That is the object at which you wish to arrive by a gold standard.

10,293. And the question would arise as soon as you had a sufficient stock of gold to enable you to undertake it?—That would be so.

10,294. Then, if the standard were to be maintained, would it not be necessary to ensure convertibility at least to the extent necessary to prevent gold from rising to a premium, or in other words to prevent exchange from falling to below gold point?—If you undertake to give gold for rupees, it is impossible for gold to rise to a premium. If you undertake to give gold for rupees so long as your gold lasts, it is quite impossible for your gold to rise to a premium. That is what you mean by convertibility.

10,295. If the standard is to be maintained, gold must be found for that purpose, or let out for that purpose?—That is the view I have always taken, that that would be a real gold standard when you made the rupee perfectly convertible.

10,296. I do not mean absolutely convertible; I mean convertible, to begin with, to the extent necessary to prevent gold from rising to a premium?—That is surely the same thing. You give out the gold for rupees, and, so long as you do so, you keep gold from rising to a premium.

10,297–8. I am referring now rather to keeping the foreign exchange straight.

(Mr Hambro.) You are referring to what is called a halting convertibility, not a perfect convertibility.

(Mr Campbell.) Convertibility sufficient to enable the exchange to be kept at whatever figure it is fixed at?—Convertibility is convertibility as far as it goes, but, when you come to consider how far you can manipulate the thing or “correct the exchange,” and things of that kind, I am against any Government undertaking to do that, on principle. To say that you will make money convertible, by means of exchange operations, and will take sufficient means to make it convertible, is, I think, hardly a matter for the Government. On the whole, the Government had better keep out of any business of that kind, and work their money automatically. That is a question of general principle. Of course, if the Indian Government finally decide on attempting to manage exchange, and things of that kind, all these questions would be applicable; but they are not questions which I am very much prepared to go into.

10,299. (Chairman.) You are opposed to their attempting it?—I am opposed to their attempting it.

10,300. Your opinion is that, if there is to be a gold standard, it must be a gold standard accompanied with absolute convertibility of the silver coinage?—Just so.

10,301. (*Mr. Campbell.*) Suppose that exchange threatened to fall below the gold point, and the Government were unable to sell its Council bills at the gold point, would it be any interference with the automatic working of the currency for the Government to ship home gold in payment of its obligations?—If the Government were to undertake convertibility, the difficulty would hardly arise if they had sufficient means to maintain it, and I do not think the Government would do much good by going into operations outside the ordinary operations of Government, and acting as merchants. Of course, the questions which you have put indicate the kind of operations into which many governments have entered that have had obligations to pay in London, and whose money has depreciated, when they have found difficulty in maintaining convertibility; but I think experience has shown that governments would do wisely to look to convertibility and let other things take care of themselves.

10,302. You expressed an opinion at Question 10,107 that, if a gold standard and gold currency were introduced, the amount of gold required for circulation in the country would be very small?—I think I said that I should have liked more indications of opinion from official sources in India as to what they thought the amount of gold circulating in India would be, as compared with silver; but I said that the best opinion I could form was, comparing the community of India with the community of England, that the amount circulating would not be very large.

10,303. In the previous question, 10,106, you said about 3,000,000?—That was the sort of general notion that I formed. I do not put it forward as being a very good figure; I put it forward in the absence of any figure from the authorities of India upon the same subject, to which I should rather like to defer if they gave sufficient reasons.

10,304. If that were the case, apart from hoarded rupees, which might or might not be presented for gold, would this necessitate any large stock for the purposes of convertibility?—I think you would require a certain stock in order to give confidence; but I think I said, in answer to the Chairman, that probably 15 or 20 millions at the outside would suffice in my view. That is my opinion, looking at what one believes to be the amount of gold likely to circulate in India—that, if you had not that difficulty about hoarded rupees, such a sum as that, held in reserve, would be sufficient to enable the Indian Government to cope with convertibility. That is always, of course, subject to the difficulty about hoarded rupees.

10,305. With reference to the question of hoarded rupees, you are aware that for some months exchange has been steady at about 1s. 4d?—I should say for nearly 18 months now.

10,306. That means that gold is obtainable at close on 15 rupees to the sovereign?—That is so.

10,307. That is about the price of the day, 15 rupees to the sovereign. Now, so long as exchange does not rise over 1s. 4d., that is the cheapest price at which gold can be got, is it not?—That is so.

10,308. Then, if these hoards are not brought out now for conversion into gold at the cheapest possible price, would not that seem to indicate that the danger arising from these hoards being presented would be very small?—That is a conclusion, of course, upon which the Indian Government would have to form a practical opinion, but I should say from practical experience that you should not be too hasty in coming to a conclusion that something which it is quite obviously to the interests of many people to do would not, in fact, be done at some time or other, just because at a given moment the operation that you expect has not taken place. I have frequently been struck in past times by noticing that certain things that one expected *a priori*, and according to reason, did not "come off" as it were, but that often, after you have been disappointed and have given up the expectation, you would find that your *a priori*

reasoning was right after all. There is always that difficulty, I think, about hoarded rupees, that at any moment it might occur to the people in possession of the rupees that they might go and get gold for them. Even if you find that for a certain time they are not acting as you think they are likely to act, you must always go, to a certain extent, by general principles in these matters, and not be too sure.

10,309. But if the danger arises from these hoarded rupees being presented, would it be wrong in the Government to guard itself against that danger by making convertibility optional, as in France?—That is to say, by the Government assuming to convert or not, as they pleased.

10,310. That is to say, if they thought that the danger arose from an improper operation of this kind?—Of course, in France you would have great mischief arising even now, but for the Government doing all that is necessary; but I suppose you will admit that even France, rich country as it is, does not gain by that system, and that it would be much wiser to accept convertibility absolutely.

10,311. You refer at Question 10,116 to the production of, and demands for, gold, and you admitted that the production had increased very greatly?—There is no doubt of that.

10,312. And I think you also indicated that the demand for gold has also greatly increased?—It would be likely to increase, but, of course, the demands for gold in the last three or four years have been much greater than anything known before.

10,313. But some of those demands have been rather abnormal, have they not, on the part of some of the European Governments?—That is quite true, but I should add the qualification that, at any time that I can remember, you have always had abnormal demands for gold; the market is always more or less in an abnormal condition.

10,314. You think that, if India were to go on to a gold standard, the demand for gold on account of India might inconvenience the market for gold?—I think, like other demands, it would have this effect, *pro tanto*. I was looking forward very much to the case of India going upon a gold standard absolutely, and taking all the risk of those hoarded rupees. In that case, suppose you took to a gold standard, and provided a very large reserve, that would probably cause difficulty in the money market; but I have seen very small demands indeed create very much disturbance. At the present moment I have in my mind the demands of Egypt, to the extent of 2 or 3 millions, producing a distinct effect on the money market.

10,315. But the effect produced by India would be much less, if she acquired the gold gradually, than if she acquired it at once by raising a loan?—I am speaking of India having fully established a gold basis. Then you would have operations from season to season going on, and, at a given time, India would be one of the countries which might produce in certain circumstances a great effect on Lombard Street. In fact, that is one of the difficulties you have to face in Lombard Street with every addition that you make to the number of countries with a gold standard working automatically.

10,316. But looking to the growing increase in the supply of gold, would you attach so much importance to a demand for two or three millions annually on the part of India?—You must not leave out points of that kind altogether, and I should like to remind you of what happened in the years 1863 to 1865 in the money market, at the time when gold was depreciated, and was considered to be very abundant indeed. That was a time when you had very high rates of discount in consequence of demands which had sprung up everywhere—India and France were both countries taking large amounts of gold—and that seemed to show that, if you have gold very abundant, it sets in motion business of different kinds, prices and wages rise, and a great many changes happen, and the people concerned have to fight for their share of gold as much as ever they did.

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10,317 (*Mr. Le Marchant*) Do you think that, of the conditions bearing on the maintenance of a ratio, the more important is the factor of convertibility or the particular figure which may have been selected?—I think the rate, being fixed, ought to be fixed with reference to considerations as to what the money had been. If you are changing from one standard to another, you ought to change at some rate very close to the market rate at the time, not necessarily the exact market rate, but having regard to the general condition in which the market had been for some time before. If that is selected, that is a fair rate at which to change from one standard to another, provided the change is justified on other grounds.

10,318 In fact it would bear a close relation to the prevailing level of prices in India. One may take it that for any given period there is a relation between the level of prices and the prevailing rate of exchange?—I think these are the sort of questions which should guide you in making a change of that kind.

10,319. And if a rate much higher or much lower than the prevailing rate were taken, it would lead, just so far as it was efficient, to an alteration in the level of prices, that is to say, prices would, adjust themselves to the rate, if it were rendered efficient?—That would be another reason why you should stick to something very near the market rate, so as to avoid any disturbance of any kind; but perhaps you ought rather to make it lower than higher, that might be one of the reasons for taking a low figure rather than a high one. These are all matters of consideration at the moment of making a change.

10,320 You were alluding to some difficulties as likely to arise from the volume of rupee currency being large—large in proportion to any probable margin of gold?—I think that is the effect of the evidence you have had as to the amount of active rupee currency in India, and as to the guess that I thought I was able to make as to how far gold would really come into currency; but, I think, in any case there can be very little question that the silver currency in India must be always larger than her gold currency.

10,321 Then do you think there would be some risk of rupee prices moving in a direction divergent from gold prices?—I did not mention it from that point of view, because, if the rupees are convertible, then there would be gold prices.

10,322 Perhaps in speaking of it you were assuming that the rupee would not be convertible—that the rupee and gold would move independently?—If the rupee is not convertible, then, of course, there is all the effect of having two moneys—really the gold and silver would be independent.

10,323. Do you regard silver as having been in the past an automatic currency for India?—I think so.

10,324. Automatic in respect of both flowing in and flowing out?—It seems to me that silver was a very good currency indeed for India.

10,325 (*Chairman*) The question put to you is, do you regard it as having been an automatic currency or not?—I do. I consider no currency as good that is not automatic.

10,326. (*Mr. Le Marchant*) With regard to flowing in, it plainly flowed in with great freedom, but would not one of the conditions associated with the word "automatic" in currency be a freedom in flowing out?—I do not follow that part of the question, because "automatic" is with reference to the operation of the mint. If you can take bullion to the mint and get it coined, that is an automatic currency, and I do not know of any other meaning of the word.

10,327. In the case of countries which have the same precious metal as a basis of value, there is a free flow of the currency metal from one to the other; for instance, between China and India, when the mints were open, and equally between gold-mining countries?—But that is a little away from the ordinary meaning of "automatic." "Automatic" is merely a question of the bullion being deposited at the mint and people

taking coins away with them. That is an automatic currency.

10,328 Do you think such a free flow of currency metal as exists between any countries that are on a real par of exchange is advantageous?—There is no doubt that it is advantageous to have a free flow of standard metal between different countries; I do not know that it is absolutely indispensable to a country having a particular standard, because this country had to maintain a standard for a long time, without having any other countries associated with it, but no doubt it would be an advantage to any individual country that other countries are also on the same standard, but it would also have disadvantages.

10,329 Now, with regard to India, with mints open to silver. There would be a considerable difficulty in silver flowing out to England in any large volume, would there not? There would be no fixed par value for such a metal to flow out?—That is no doubt the case—that there would not be the same outlet for silver into the currencies of other countries, as there would be for gold. There would be, of course, still the outlet in the shape of the employment of silver for hoarding and in other ways; but you would not have the outlet that it would go into so many currencies as gold would go into. I think you would have some outlet, because you have a very large silver field in the East, and in the course of time, I should think, you might have other countries taking to a silver standard; but that is the present condition of things.

10,330. (*Chairman*) The outlet to the other country would really be for the purchase of gold in the same way as you would purchase any other commodity?—Except at times, when there is a disturbance in consequence of the state of the money market.

10,331. That would be the ruling principle?—Yes, but I think Mr. Le Marchant had in his mind gold going to a country like the United States, for instance. I think, as the point has come up, it might be of interest to mention that I have known considerable amounts of gold go to the United States for the purchase of commodities when the United States had inconvertible paper—very considerable amounts of gold—and affecting the money market.

10,332. (*Mr. Le Marchant*) In cases where countries have lost their gold standard, has not the outflow of gold been promoted in many instances by the existence of paper, or other inferior forms of currency, which have expelled the better currency?—That has been the great danger with many countries in attempting to maintain a standard and not being careful how to do it.

10,333. Just so far as that condition may not be existing in India, India would have better means of retaining its gold?—If a country manages its currency properly, of course it is more able to maintain convertibility than a country which does not. The difficulty is that you do not manage your finances quite so prudently when there is any pressure from any cause. That is one of the dangers to good finance.

10,334. In fact, the possibility of retaining gold would depend partly on currency causes and partly on the general management of the finances of the country?—I think so.

10,335. (*Mr. Hambro*) You have stuck so staunchly to first principles that I have very little to ask you. But there is one question in regard to which I do not think I quite followed you. If you take the price of India stock now (two-and-a-half's are about 90) that would rather indicate that, *quâ* credit, India stood in the highest credit after England, of any country?—That is so. I think India financially stands very high in the list of nations; in fact I would reckon India almost third or fourth. In point of fact the management has been so good so far as surplus and deficits are concerned.

10,336 Then in the estimate of the public, at all events, India as a rich and solvent country?—That

is partly, of course, owing to its connexion with England.

10,337. Still, the estimate is, as shown by the prices of stock, that India is a rich and solvent country?—The estimate is that it is a solvent country. As to whether you can call it a rich country, that involves other questions.

10,338. But no other countries can borrow so cheaply as India except England?—I think we may say that a good many men in the City who are not rich can borrow on more advantageous terms than people who are rich, because it is known that they are more likely to pay.

10,339. All the countries that you have given as having tried gold and having failed have been countries of second and third class credit—the Argentine, Peru, Italy, and so on?—Some of these countries were at one time in very good credit.

10,340. If the credit of a country is so great, whether from good management or from anything else, that she can borrow very cheaply, and if, as a matter of fact, she has to import the precious metals every year to balance trade, would not that country be in a better position than most countries, at all events, to maintain a gold standard?—Yes, I should agree that India is in rather a better position than some other countries I have named.

10,341. And if she really went on to what you and I understand to be a pure convertibility, suppose the balance of trade remains as it has done in the past, the probability is, leaving apart those hoards, that she would be able to maintain a gold standard?—She would be able to maintain it, but possibly, at times, subject to very severe pressure.

10,342. Any country on a gold standard, or any standard, has to suffer that?—I think, perhaps, India would have to stand more pressure if a gold standard were adopted than if a silver standard were maintained.

10,343. Still, you think she is in a position to command any currency of a pure nature that she desires?—She is in a relatively better position than some of those countries which I have named.

10,344. Would you go so far as to say that, leaving apart the question of hoards, you think she could command any standard which she wished?—The hoards are the real difficulty.

10,345. Apart from the hoards, you think she could command any standard which she chose?—I think it might be possible for India to have a gold standard, and that the thing could be done with careful and prudent management, but that the Indian Government would have to face the difficulties of the money market at times, which all countries in a certain position have to face, with reference to maintaining a gold standard, and that that is not an easy matter.

10,346. Do you think that those difficulties would be at all lightened if some automatic machinery were provided like the Act of 1844—if a bank were started in India like the Bank of England?—I think it is a very good arrangement in all countries that the Government should have a bank in which to deposit its money and upon which to write its cheques, but how far the circumstances of India would enable such a bank to be established in a proper way I am not able to say. I am old enough to recollect that you had trouble in India in the sixties with the Government having some share in the management of the Bank of Bombay, which did not answer altogether very well; but that would not apply to a bank like the Bank of England.

10,347. I was not asking you as a business matter, I was asking you as an economist, whether it was not a good plan to separate the management of the currency from the Government?—I think it is a good plan. As a rule you ought to have a bank doing business for the Government as well as other people.

10,348. And looking after the currency?—Not so much looking after the currency as doing banking business.

10,349. I mean, automatically looking after it?—What I mean is that you ought to have a mint and that the currency issues ought to belong to the bank and not to the Government. That is the general view that I have in these matters.

10,350. (*Sir C. Crosswaite*) Speaking of raising revenue, and what you thought was the backwardness of the Government in dealing with it, you laid stress on the railway revenue and you thought that it might be increased by raising fares and freights. Do you understand that a large proportion of the railways are not in the hands of the Government? I think roughly about three-fourths of them are either owned or worked by companies to whom they have been leased?—The figure I was looking at was the gross income appearing in the accounts of the Indian Government. I could not go into the question of how the railways are managed.

10,351. But you understand that, if the rates were raised, a good deal of the money would go into the hands of the shareholders and not into the Treasury?—I assume that a great deal would have to be considered—that there would be outlays on the other side.

10,352. The railways in India, just like the railways here, are owned by companies to a great extent, and, if more money was obtained by raising the rates and fares, that money would go to increase the dividends of the shareholders in England?—That would be so, so far as the shareholders are interested, but I think it is quite possible that I may have misunderstood the degree of effect of that item, in the accounts of the Government. I assumed that, if you put down so much income as coming from railways in the accounts of the Indian Government, that applies not to railways which belong to shareholders, at least not to the whole amount, but it applies to the share which the Government receives.

10,353. If you found that a great deal of the money so raised would go into the hands of the shareholders, and not into the Treasury, you would take a different view of the case?—*Pro tanto*, that would affect my view, certainly.*

10,354. Now, as to import duties. You perhaps know that the rate of import duty used to be 10 per cent?—All over?

10,355. Yes, I think so, after the Mutiny, and it was subsequently lowered to $\frac{7}{8}$ per cent., the reason, I think, being that it was found to interfere with trade?—I cannot go into the history quite so far back as that, but what I was speaking about was a comparison of the Indian tariff with the tariffs of other countries.

10,356. The countries that you compared, are they not highly protective in policy?—They are spoken of as protective in policy, but I do not think that applies to the tariffs, because, as a matter of fact, the tariffs have not the effect of protection, because you have not got the industries to protect.

10,357. (*Sir A. Dent*.) You said that silver, in your opinion, was a good currency for India. If it is a good currency, say, at 60*d.* an ounce, would it be an equally good currency, in your opinion, at the present price, say, 27*d.* an ounce?—I think it would be a very good currency at the present price.

10,358. And, if it dropped to 20*d.* or 15*d.*, it would still be a good currency?—I took an extreme case in the second of those memorandums that I wrote in 1879; I looked forward to the possibility of a fall to 6*d.* as one of the things that you ought to consider;

* *Note added by witness*:—I ought to add that, if rates are raised in consequence of a real depreciation of the rupee, the question of raising the rates would still be a proper one, whether the shareholder or the Indian Government got the benefit. The object in that case would be, not to make any heavier charge on those using the railways than what existed before, but to make the same real charge; and this would be quite reasonable, whether it is done for the Government or the shareholder. I understood the questions as bearing on the extent of the benefit the Government might receive from altering the railway rates.

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but there is no reason why money may not be very good, in spite of change of that kind with reference to other money.

10,359. Even though the price fell to 6*d*, it would still be a good currency for India?—Even if the price fell to 6*d*, or to put it the other way, even if gold rose to double the present ratio to silver

10,360 (Sir D. Harbour) You are familiar with the phrase "balance of indebtedness" between two countries?—I am familiar with the phrase

10,361 Do you think the fact that gold is imported from one country into another is always a sign that the balance of indebtedness is in favour of the country into which the gold is imported?—It is commonly spoken of, and, of course, that was with reference to countries more like England which were in people's minds; but I should say that the movements of both gold and silver, apart from currency, are to be treated just as the movements of any other commodities, and not to be treated specially in any way.

10,362. For example, if there were a number of men in a country who were in the habit of using gold for ornaments, gold would be imported into that country to supply the demand whether there was a balance of indebtedness or no?—Just so; the balance would not affect the question.

10,363 It is the movement of the currency of one country from that country into the currency of another that is an indication of the balance of indebtedness, and not the movement of gold and silver from one country to another as merchandise?—Even then one must be careful. The movement of the precious metals does not always show a balance of indebtedness, because it may arise from operations connected with the value of money, and may be temporary. It does not always show the balance of indebtedness and that money is being taken to pay the difference

10,364. (Chairman.) I have only one question to ask you with reference to something you said this morning, namely, that you thought that the cause of these proposals was mainly the financial difficulties of the Indian Government?—That was the impression conveyed to my mind.

10,365. And not as affecting trade?—Not so much as affecting trade.

10,366. Since you were here before, we have received a letter signed by a large number of manufacturers. That letter will be upon our Minutes, and, as you have not seen it, I should like to read you two or three paragraphs from it, and ask your opinion upon them:—

"We, the undersigned manufacturers in the West of Scotland of cotton and other goods for the Indian markets, desire to put a brief statement before your Committee showing the effects of exchange fluctuations upon our trade.

"We have some reluctance in doing so, but we note from the Blue Book, recently published, that evidence has been given, not only by export and import merchants dealing with India, but also by the tea producers there; while the British manufacturer of goods for the Indian markets has not been represented.

"We desire to draw your attention to the following points:—

"(a.) The point brought out by Sir Francis Mowatt (Questions 4290-91 of the Blue Book, Indian Currency Committee, 1898), that it is the producer in India and the producer in this country who are properly comparable, is of much importance, as showing that the latter is equally entitled with the former to a fair share of consideration

"(b.) The unlimited coining of depreciating silver from 1874 to 1893 for all comers, and the consequent fall in the basis of exchange, had a serious effect upon British industries. The extra rupees required to cover the sterling costs were often not to be obtained, or, if obtained, it was only after a prolonged delay—the result being

that the British manufacturer had frequently to work without profit, and often at a loss.

"While on this point, we would call your attention to Question and Answer 6110 of the Blue Book, in which it is stated that Glasgow and Manchester exporters do not require to enter into any transactions, unless they choose. This may be the case of the merchant, but the manufacturer, whose machinery is adapted chiefly for the Indian trade, must continue producing, even at considerable loss, rather than face the complete stoppage of his mills or dye works and the disbanding of his trained employees.

"Further, when exchange is fluctuating, the Indian buyer, who cannot foresee the rate of exchange at which payment will be made, is chary of making sterling purchases of goods which cannot be delivered for many months to come.

"But, if he does make such a purchase, and finds, on coming to pay the price, that the exchange has gone against him, and that he has to remit more rupees than he contemplated when he placed the order, he frequently finds some means of repudiating his purchase, with the result that the British producer becomes a heavy loser.

"If any actual proof of the effects of exchange upon our trade were required, we could show (1) that the years of a low or falling rupee were years of restricted output and unprofitable business, (2) that, with the gradual rise of the rupee since 1895, a decided improvement set in and that, too, in spite of war, plague, and famine in India; and (3) that, in particular, we have benefited by the steadiness of the rupee during the present year." What have you to say to that statement?—Of course you do not expect me to answer a long statement of that kind off-hand, and I do not suppose that you read it to me for the purpose of giving me an opportunity of replying to it. It hardly bears on the question as to the motive of the Indian Government in making a change which belongs to a past time. They had not this memorial before them.

10,367. But they had the case of British trade before them?—The impression one gets from all the papers is the emphasis which the Government of India put, not upon the trade difficulty, but upon their own difficulty, and I should still be inclined to say that that is the impression left on my mind by all the proceedings.

10,368. Of course, I knew that you could not answer off-hand. I only wanted to put before you the fact, which was not before you when you were here last time, that there is evidence that it had affected trade, in case you cared to modify the view that you expressed?—I think I may say at once that I am quite aware of a very considerable body of opinion, or a certain body of opinion, amongst gentlemen who some years ago were against the closing of the mints, and are rather now in favour of the present state of things. For a very good reason: business people always object to change, and now you have a feeling in favour of the present attempt to go over to a gold standard amongst people who were previously adverse to it. But I do not think that the statements made in that memorial, as far as I have been able to follow them, would justify one in saying that for India, the people in India, the silver standard was not the best. These are gentlemen writing from the point of view of their own interests as traders, and that is by no means conclusive of the matter. What ought to be looked at is the interest of the people of India, taken as a whole. I think there is no reason to believe that the appreciation of money (which is what has happened to some extent) is more favourable to trade and commerce than the opposite course of a slight depreciation, or even a large depreciation.

10,369. The point is the unstable exchange—it is not a question of depreciation?—That is a question which affects people trading with India, and they attach great importance to it undoubtedly. All I am noticing now is that it is by no means conclusive, and that the subject must be looked at in a much more general way, and with reference to the evidence of people like

Mr Stephen Ralli and Sir Forbes Adam and many others who are entitled to speak on trade matters.

10,370 Then you personally do not consider that a fluctuating exchange is a disadvantage to trade?—Not so great a disadvantage to trade. It is a question of degree.

10,371. It is not a great disadvantage as a rule?—It is a question of degree.

10,372. (Sir F Mowatt) Perhaps I may remind you that this question of Sir Henry Fowler's was put to you, not for the purpose of the answer that you gave, but to draw your attention to the fact that there were other considerations within the knowledge of the

Indian Government besides the difficulty of their meeting their own sterling payments?—There is no doubt of that.

(Sir J. Muir) I am very sorry I was not present when you gave your evidence before, and therefore I have nothing to ask you. I am also sorry that I was not present when Mr. Galloway gave his evidence, because there were several questions that I should have liked to put to him. As the Chairman has been good enough to read an extract from this memorial from the manufacturers of West Scotland, I should like by-and-by to have another witness from Glasgow, who would give very different evidence to this. Beyond that, I have nothing further to say now.

Sir R. Giffels,
K.C.B.

10 Jan. 1899.

The witness withdrew.

TWENTY-THIRD DAY.

Wednesday, 30th November 1898.

PRESENT :

The Right Hon. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITER, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. W. H. HOLLAND.
MR. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

Sir ALEXANDER MACKENZIE, K.C.S.I., called and examined.

10,373. (Chairman.) You have served, I think, for 36 years in the Bengal branch of the Indian Civil Service?—Yes.

10,374. You went to India in 1862, and retired from ill-health last April?—Yes.

10,375. Will you state what your administrative experience in India has been?—I have filled many offices during that term, including those of Sub-divisional Officer, Superintendent of Labour Transport to the Tea Districts, District Magistrate and Agent to the Governor-General with the Nawab Nazim, Under Secretary to the Bengal Government, and Secretary to the Board of Revenue. I was the first Financial Secretary to the Bengal Government when the Decentralisation Scheme took effect in 1877, and after that was Revenue Secretary to Bengal. From 1881 to 1887 I was Home Secretary to the Government of India. From 1887 to 1890 I was Chief Commissioner of the Central Provinces. From 1890 to 1895 I was Chief Commissioner of Burma. In 1895 I was Home member of the Viceroy's Council. In December of that year I became Lieutenant-Governor of Bengal.

10,376. With that long experience, you are pretty well acquainted with the financial conditions of India?—Of course as far as an administrator must be.

10,377. Can you say, from your own experience, whether the closing of the mints had any effect on the amount of currency available in the interior of Bengal?—The closing of the mints had no appreciable effect in the interior of the country, so far as I was ever able to discover. The mass of the people, of course, knew nothing about it, but the dearth of loanable capital in the Presidency towns, whatever its cause, was not accompanied by any observable scarcity of rupees in the rural bazars and markets or in the interior generally. I never heard that trade operations were interfered with by

any such want of coin, and, had they been, it would certainly have come to my notice. No doubt, during the famine year, and in distressed tracts, there was a local rise in the rates of interest, and some people found difficulty in getting loans; but this, as the local officers pointed out, was not due to scarcity of currency, but was the natural result of an excessive demand for accommodation and the failure of the ordinary form of security, to wit, the crops. There has, I believe, been no permanent rise in the rate of interest since the famine ceased. There has certainly been no preference anywhere shown for paying rents in kind. The cultivators in Bengal generally are accustomed to, and prefer, money rents. Rents in kind involve an amount of landlord interference which the Bengal ryot does not like. In Behar they prevail only in a limited area, and no wish to extend the system has been brought to the notice of the settlement officers now working in North Behar.

10,378. Are we to understand that the tenants would have the right to pay either in cash or in kind?—No. In certain tracts rents are paid in kind, and the tenants have by law a right to apply for their commutation to cash. In settlement operations, if the tenants were discontented with cash rents, they would naturally ask the settlement officers whether they could not have the cash rents commuted to corn rents; but there has been no tendency to that. Mr. Finucane, the Revenue Secretary to the Bengal Government, who knows more about the agricultural conditions of Bengal than almost any other living man, is now on short leave home; I saw him the other day, and I asked him this question. I knew that in the settlement proceedings going on in North Behar there had been no tendency of that kind; but there has also been considerable re-settlement going on in South Behar, in which rents in kind do prevail; and I asked Mr. Finucane about those. He says that those

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several of the ryots have been going to the settlement officers, begging to have the rents in kind converted into rents in cash; and he says this has been done also in a tract of country in Midnapur in Bengal. That is a limited area, in which rents in kind prevail. The ryots there have been applying to have the rents altered; so that the tendency has been rather the other way.

10,379. (Sir F. Mowatt.) Those rents in kind are payable to the landlord, not to the Government?—Certainly.

10,380. The Government collects no rents?—The Government collects no rents.

10,381. (Chairman.) This is not the land revenue?—No, it is the rent.

10,382. It is the rent paid by the ryot to the man who pays the tax—to the man who holds the land from the Government?—Yes. That was one of the questions enclosed in the list of questions sent to me—whether there had been any preference shown for payment in kind over payment in cash. The evidence shows that the tendency has been the other way.

10,383. Would that indicate whether the tenants were pretty well provided with rupees?—Undoubtedly. If they found any difficulty in getting rupees, you could not imagine that they would come and ask to be allowed to pay in rupees instead of in kind. One reason why rents in kind are objected to by the Bengal tenant is that they involve an amount of interference on the part of the landlord with the crops, and so on, which is extremely repugnant to the Bengal tenant.

10,384. During your term of office as Lieutenant-Governor of Bengal you travelled through a great part of the province?—Yes.

10,385. If there had been a general dissatisfaction arising from a want of currency, you would have heard of it?—Undoubtedly. I was actually mobbed by crowds complaining of the high price of food, but I never heard of any complaint of the want of currency. And, moreover, the land revenue was paid up punctually during the famine year; we gave no remissions in the famine year, except here and there in Orissa. The landlords, of course, complained that they were unable to get their rents, but that was perfectly natural in a famine year; and, besides, they all told me that they would have no difficulty after the famine in collecting their rents, and they are in fact recovering them.

10,386. Was the famine in Bengal last year as severe as the famine in 1875?—Most certainly. Prices started in the late famine where they left off in the previous one. The last famine was every bit as severe as that of 1875, but we met it at one-sixth of the cost, and it has left less marked effects behind it. I was familiar with the state of Behar in both famines, having been on special duty in connexion with the former famine under Lord Northbrook's orders, and I was greatly struck last year by the improved strength of the cultivators in meeting distress. They suffered, doubtless, but not sufficiently to bring them in any considerable numbers on relief works. They have benefited by the railways; they have had good prices for their produce, and, above all, their position has been improved vastly in Behar by the settlement of their rights and relations with their landlords.

10,387. Would you say that no famine in India in modern times has been grappled with so successfully as this famine?—I should say so, certainly.

10,388. Is not that an indication of the improvement of the condition of the people?—There is no doubt of that. I can only speak with authority as regards Bengal; but there is no doubt that the people are much stronger now than they have been, even in Behar, which always was a bad tract.

10,389. Has the expenditure out of the famine insurance fund on railways been a beneficial expenditure?—Undoubtedly. It has, no doubt, had an effect on prices; that is to say, in the old days you had so many closed compartments, as it were, and prices

were settled by local circumstances. This time, with more equalisation of markets, we were enabled to meet the famine in a very much more satisfactory manner. In 1875 I had a great deal to do with the operation of sending up rice to Behar. We trusted this time entirely to private trade, and it never failed us; it was quite equal to it. I had a little difference of opinion with the Government of India with reference to one tract where I was doubtful whether the local trade would compass it; I had visited the tract and talked to people who knew it, and there was some fear that the local trade might not prove equal to the emergency; but I got permission to make advances wherever it was necessary, and to give our relief officers leave to import rice if necessary for the works, and the difficulty eased itself off; the trade rose to the occasion and brought up the rice.

10,390. Then if you were told that the Government of India were responsible for the famine; that they could have prevented it; and that they are to be held chargeable for the sufferings inflicted upon the people of India by it, you would not agree with the statement?—It is preposterous.

10,391. Now, were there any complaints during the famine of the fall in the value of silver ornaments?—I have not heard any complaints of that sort, and, as a matter of fact, the labouring classes, who were the chief sufferers by the famine, do not use silver ornaments, but pewter, lac, or brass work. It is fantastic to suppose that natives of India hoard mainly in the shape of ornaments to be sold and melted down when pressure comes. A man buys ornaments for his women for the same reason that men buy ornaments for their wives at home. He may be a little more extravagant than he otherwise would, because he thinks he can realise on them, if need be, but he buys trinkets to keep as ornaments. If he has rupees which he wants to hoard, he naturally keeps them in that shape. I have seen chests full of rupees in the treasury of a wealthy native landowner. The appreciation of the rupee was a clear gain to most hoarders and probably brought out many hoards.

10,392. In Bengal, do they wear rupees as ornaments?—Occasionally; not so much as they do in Burma and other places. They are generally melted down into simple bangles and necklets, and so on.

10,393. Do you think there is a large hoarding of rupees?—I think there is very little doubt of that; you cannot account otherwise for the silver that has gone into India, and has not come out.

10,394. Well, we cannot account for the gold?—Nor for the gold. We know that a large amount of gold has gone into India that has never come out. If it is not out of place to tell an anecdote, I may say that on one occasion, when I was district magistrate, I had to search the house of a native landowner—a very wealthy man, who was also a moneylender. A charge was made that dacoity had been committed, and that a certain amount of property was somewhere in the house of this landowner, and, accordingly, I had to go and search it. I remember there was one chamber built off the staircase with a doorway only two feet square heavily secured. That room was locked. When I got to that, I asked: "What is this?" They said: "This is the treasury." I said: "Of course, I must see that." Then the room was opened, and I found it was simply crammed full of ornaments, some of them extremely valuable, a fair number in gold, many of them encrusted with jewels that looked good, but which were probably, like most native jewels, flawed; but still, there was a great mass of wealth there. This landowner acted as a local pawnbroker, and that would probably account for a good many things; but what struck me most was the number of ornaments that had come into his possession. They were mostly silver ornaments.

10,395. (Sir F. Mowatt.) Had he no gold wedges?—No, there was no bullion of any kind.

10,396. (Chairman.) Now, I think you had some communication with Mr Bourdillon, who was Commissioner of the Patna division during the famine?—

Yes, he happened to be home on furlough recently, and I communicated with him, and he entirely endorses what I have said. He says that, had there been any want of silver coin in Behar, he must have heard of it, and I believe that is true for the whole of the rest of Bengal. Such a scarcity must have come to the notice of the district officers, and so to the notice of the Government.

10,397. I was going to ask you whether in Behar the monetary transactions of the people are not in copper?—They are, and not only that, but they ordinarily express themselves in terms of copper pice.

10,398. What were the relief payments made in?—They were made in copper at first; but gradually, so to speak, a sort of taste for silver was created, and these payments steadily increased in popularity; but I may say that at no time was any difficulty felt in obtaining silver from the bunnahs in exchange for pice. That is Mr Bourdillon's statement.

10,399. What is a bunnah?—He does money-lending as a rule, but he is generally a grain merchant also.

10,400. You say there was no difficulty in obtaining silver where it was required?—No, Mr. Bourdillon was entirely clear about that.

10,401. Taking your general experience of Bengal, what proportion would you say of the monetary transactions of the bulk of the people is in copper?—In rural markets they are almost entirely in copper. Their purchases are small.

10,402. So far as they are concerned, questions of gold currency, and silver currency even, are not very important?—No, and that is one of the reasons why I have held that the difficulties of introducing a gold currency are exaggerated.

10,403. How are their wages paid?—The wages of the agricultural labourer are for the most part, I think, paid in kind, then the labourer sells to the bunnah, or he uses the stuff as it suits him. That applies to the great bulk of the agricultural labouring class. Of course, in the case of servants of Europeans, and so on, they are entirely paid in silver.

10,404. They are paid monthly?—They are paid monthly, as a rule. It is almost the general rule in Bengal and Behar that the wages of the agricultural labourer are paid in kind.

10,405. Now, just before we leave the famine in Bengal, have you anything to say about the position of Bengal under the permanent settlement?—I mean about the land revenue being a lighter charge there?—I consider that was the reason why we were able in Bengal to dispense entirely with remissions. In Behar we had large and substantial landowners, for instance, the Maharaja of Durbhunga, who not only paid his land tax, but made quite regal contributions towards famine relief. Then we have also small landowners in Behar in considerable numbers, and they paid their revenue even in the famine year in the ordinary way. There were no applications for remissions, or anything to show that they found any difficulty in paying.

10,406. Of course, it is open, to this observation: That the fact of the Zemindars easily paying their land revenue to the Government indicates that they have a large margin, which some people think ought to belong to the Government, instead of to the Zemindar?—That is so, although you have to discount that by the fact that the margin is distributed over a large number of people. There is much sub-infeudation in Bengal.

10,407. Now I come to the re-opening of the mints. I do not know whether you wish to express any opinion, first, as to the policy of closing the mints?—I think it was a measure which was absolutely called for at the time, and the pity is that it was only a preliminary step which had to be followed by others. I hope the appointment of this Committee indicates that those further steps are to be taken.

10,408. At the time that policy was entered upon; you were in Burma?—Yes in 1894.

10,409. At all events, that step, as a step, was not only one of which you entirely approve, but one that you thought was absolutely necessary?—Yes.

10,410. What do you say as to the re-opening of the mints?—I think that would be ruinous. It would involve, undoubtedly, very heavy taxation.

10,411. Why?—Because the Government would have such an additional charge thrown upon it to meet its home remittances that it could not avoid some increase of taxation. Every fall of a penny in the exchange means a very large demand upon the Government.

10,412. There would be a great increase in the expenditure of the Government of India, which the existing revenue would not meet?—Quite so.

10,413. Now, what is your objection to new taxation?—Well, even in Bengal—Bengal has the reputation of being the safest province, I believe, in India—but even in Bengal we could not do it without serious risks of trouble and political disturbances, and, I think, the taxation already imposed since silver began to fall is as much as the country can properly bear.

10,414. I do not know whether you have read the evidence of Sir Antony MacDonnell as to the North Western Provinces?—Yes, I have seen that.

10,415. He expressed a very strong opinion that the imposition of new taxation would be a serious danger to the public peace?—The danger in the North-West, of course, is more real and urgent, if I may say so, than in Bengal, because the people of Bengal ordinarily are quiet enough; still, they can give trouble, and in the Eastern districts the people are as difficult to manage as the people in the North-Western Provinces.

10,416. Then would you say that, if it would create political excitement in Bengal, it would *a fortiori*, create at least as much excitement in other parts of India?—Undoubtedly; it would be a most unfortunate position.

10,417. We are told that imposing new taxation is a "mechanical operation" which the Government ought to face, and could face easily. Now, if you were called upon as an Indian administrator to perform this "mechanical operation," will you tell us where you would raise this money?—If I had to "turn the spigot of taxation," I should find it very difficult now to suggest anything. Everything has been exploited that could possibly form a source of revenue. The land revenue of Bengal is permanently settled, and cannot be touched. As to the temporarily settled provinces, if you raise your land revenue there, the people would naturally complain that they were being inequitably treated in comparison with the landowners in Bengal.

10,418. And that would involve a new settlement?—Yes.

10,419. That would be a process extending over many years?—Yes. Of course estates are always coming in for settlement, even in Bengal, but it would be extremely difficult to establish an entirely new *modus* of settlement alongside the existing one. If you put a new settlement upon one estate which falls in, which is simply an *enclave* of other estates, the owner of that estate will feel himself greatly aggrieved. The landowner is, moreover, not bound to take the settlement; he can refuse to take the settlement, and then you are bound to give him a *malikhana* of 10 per cent. on the revenue which you have proposed to him. The effect of that would be, probably, that you would raise your demand, and the landlords would refuse to settle, and you would have to pay them a *malikhana* of 10 per cent. on your demand, so that you would after all, probably, not get anything like the amount demanded. You would also have the Government loaded with the direct management on the spot (I am talking at present of Bengal) of a large number of small estates which could only be managed at a very great expense, and I think the profit at the end of the operation would be uncommonly little.

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10,420. Where a man refuses to come under a new settlement, how long does the new arrangement last; it may be an annual arrangement, I suppose?—The arrangement lasts as long as the landlord refuses settlement. The old policy was to farm out such estates. That has been abandoned in Bengal since Sir George Campbell's time, and we now manage all such estates directly. We manage them either by *tahsildari* establishments or by sub-deputy-collectors.

10,421. But as a practical man you reject the idea of tampering with the land revenue?—Oh, yes; that would involve the whole faith of the British Government.

10,422. I think the land revenue represents about one-third of the income of the Indian Government?—Probably.

10,423. Now to come to the next item of taxation; I think the salt tax ranks next?—I have had no papers or books about me since I have come over here, but I think the salt tax is quite as high as it ought to be now, and my own view is that it ought always to be kept low and kept in reserve as a war tax.

10,424. You would very much deprecate any increase of the salt tax?—Certainly.

10,425. In fact you would like to see it reduced?—Yes.

10,426. What do you say about opium?—That is going away altogether, I am afraid.

10,427. It is a falling revenue?—It is a falling revenue undoubtedly. It is a thing on which it would be very dangerous to count.

10,428. How about excise?—We have got the excise duties as high as we can make them, as long as you do not allow out-stalls in Bengal. That, of course, is an income at the disposal of the local governments, and you cannot get much more out of it than you are getting now.

10,429. Then, stamps?—Stamps are a universal subject of complaint. They are very high. The stamps on litigation are constantly being complained about. As the country progresses, no doubt, the revenue will grow of itself. You might get something, perhaps, out of probate.

10,430. Do you think that a large revenue could be obtained from Death Duties in India?—There are many difficulties in the way owing to joint families and so on, and these have prevented Government from resorting to probate duties. I have never been of opinion that it would result in a very large increase, but it might bring in something. It is one of those little trifles which the Government is entitled to consider.

10,431. But we are now talking of millions?—That, of course, is out of the question.

10,432. Now, have you anything to say about income tax?—No.

10,433. I think the agricultural classes are exempted from income tax?—Yes, and practically, since things have settled down, the tax is collected with wonderful ease. It is very much disliked, naturally, but I should leave it alone. I do not think you would get much more out of it.

10,434. Two other sources have been suggested to us recently for increasing the revenues of the Government of India. The first is Customs duties. We are told that they are exceedingly small, that they are not appreciably a burden on the people of India, and that they might be very much increased. They amount now to a uniform 5 per cent., and they bring, at the rate of 5 per cent., about 4 crores?—I think they are high enough myself, and that to increase them would affect the imports injuriously.

10,435. You think it would affect trade?—It would affect trade. Of course I am not a trader, but that is my impression.

10,436. Would you agree that they would require to be enormously increased to bring in any substantial increase of revenue?—I think so.

10,437. There was another matter which was put to us yesterday, about raising railway rates. One witness yesterday was of opinion that we could have

a very large increase of income by increasing the railway rates?—I do not think you would find that the trading community would agree to that. The opinion in Calcutta is that rates are high enough already.

10,438. But, apart from the complaints of traders, what is your opinion as to the practicability of it?—I think it would be bad policy.

10,439. You think it would diminish trade?—I think so.

10,440. How about passenger fares?—They are low, and the lower you make them the more traffic you get.

10,441. It is the low rates for passenger traffic that have attracted the heavy traffic there is?—Undoubtedly. The people of India, taking them all round, are not wealthy, although I do not admit that India is so poor a country as it is often represented to be, but by raising the railway rates you would injure the traffic undoubtedly.

10,442. May we take it as the result of your survey that you do not think that a heavy increase in the taxation of India is a practicable policy which you could recommend to this Committee?—I hold that opinion most strongly both on financial and public grounds. There is another aspect of the case which I ought to refer to. Supposing you throw fresh burdens on the provincial governments, you compel them to increase their provincial cesses. These are already sufficiently large, and they are only made palatable to the people by the pledge that they shall be spent on local and provincial objects. To raise the provincial cesses in Bengal, in order to give a cheap rupee to Assam, appears to me a monstrous proposal.

10,443. There has been an increase in the taxation of India since the fall of the rupee?—Oh yes, a very heavy increase—something like 6½ crores, I think, since 1884.

10,444. Therefore we do not commence with a clean sheet. The experiment of increasing taxation in order to meet the loss accruing from the fall of the rupee has been already tried?—Yes, and it has been carried as far as it can be, I think.

10,445. That is all we need go into, on the subject of increase of revenue. Now you have retired from the Government service?—Yes.

10,446. Then I will just ask you what are your views upon the question of a reduction of expenditure?—I will not deny that there are all sorts of little pickings that the local governments can make here and there in various ways. As the Financial Secretary who introduced the Decentralisation Scheme in Bengal I made a comfortable little purse out of them, but that is not big enough to meet Imperial wants. When you come to talk of Imperial wants, the only items of expenditure the savings on which would have any material effect are the civil charges and the military establishments. I say that neither could be reduced without risk, or to an extent likely to meet the deficit caused by a further fall in the rupee. As regards the army, I have myself little doubt that the pay and pensions of the native soldiers will again have to be raised ere long, and every improvement in the position of the English soldier at home means extra cost in India to India.

10,447. The pay of the native soldier has been raised?—It was raised a year or two ago.

10,448. When we raised it in my time it took, think, 300,000L or 400,000L?—I think it is almost practically certain that, with the rise of wages that has certainly begun, and will probably go on, you will have to raise the pay of the native soldier again. You cannot get the best class of men without it.

10,449. Is there not another question coming up with reference to expenditure, namely the wages of the police?—That is a very pressing question. We have increased the expenditure very considerably in Bengal but we have not made it adequate yet. We have not got the class of men we ought to have.

10,450. And you cannot get them until you pay more for them?—Exactly.

10,451. In fact, the weakness of the Indian police arises, to a great extent, from its cheapness?—Yes, the low pay. What we have found in the judicial service is, if we pay the native servants well, we can get men as honest and straight as any class of men in the world. A more satisfactory class of officials than we have in the uncovenanted Civil Service you could not possibly get. We have not yet got so far in the matter of police. We have a police school now in Bengal, and they are trying to get the educated natives to join the force, but, hitherto, the officers have been men promoted from the ranks, bringing up all their bad traditions with them.

10,452. That means that, instead of reducing your civil expenditure, the probability is that you will have to increase it?—I think so, in several directions. There is a great outcry in the native press about the rate of pay of the subordinate civil establishments—apart from the police—the process servers, and so on. Year after year, in the Bengal Council, the suggestion has been made that the recommendation made by the Committee of Judges and others, who inquired into the question, should be carried out, and the answer has always been, “we have not got the funds.”

10,453. I suppose, in India, the majority of the people expect the Government to do everything?—Entirely.

10,454. And, I suppose, the Government has effected all improvements in the past?—Well, it has been the leader.

10,455. I mean canals, railways, roads, sanitary works, irrigation—all these have been initiated by the Government?—Practically, the Government has been the developer of the country, as I have said. Then, as to the reduction of expenditure, I wanted to say that, as regards the Civil Service, I hold very strongly the view that we are carrying to the verge of rashness the introduction of the native element in the higher branches. We have already barred Europeans very largely from the uncovenanted service. Any serious reduction in the numbers of Europeans now in the service could not take effect for some years to come. Vested interests must be considered. But it would, in my opinion, be folly to attempt such reduction. We have barely enough of the European element as it is, and, even in Bengal, are constantly hampered by its weakness. I might explain this further. We have a large number of sub-divisions in Bengal in districts where indigo is grown by European planters. There are also a considerable number of new mills and industries growing up, not only in Calcutta and its neighbourhood, but also at places in the interior where European capital is employed, and Europeans are engaged, you must have Europeans in charge of these districts, or you cannot avoid difficulties. I have found the greatest difficulty in manning these sub-divisions with Europeans, because the uncovenanted service and the covenanted service have been very seriously depleted in strength in the last few years, notwithstanding the attempts that have been made to strengthen the latter. I would deprecate strongly any further reduction of the European element in the service.

10,456. But, even if there was a reduction of the European, and an increase of the native, element, the native element requires, practically, to be paid on the European level?—Of course they like it; that is the claim.

10,457. At any rate, it is an unreliable financial source to look to?—It is; and, of course, now in the provincial service all have been put on the same level. That has had the effect of removing certain anomalies, and the natives have displaced a certain proportion of the European service, but the pay is all alike.

10,458. Then what have you to say as to possible reductions in public works?—The very classes who vaguely clamour for reduction in expenditure are

those who are most constantly demanding improvements, and further outlay on communications, schools, water-supply, and so on. Some natives, it is true, denounce railways as made only in the interest of the English capitalist, and would have no more of them. But the majority look to Government for improvements of all kinds, and grumble greatly if they do not get what they want. They are also constantly clamouring in the native press for increased pay to native establishments, as I have stated already.

10,459. Now, perhaps, you will deal with the charge that the agitation against the silver standard is a selfish official or Indian Government movement?—It appears to me that that ignores the fact that the Government is at present the principal agent in developing the country. Everything prejudicial to the financial position of the Government is detrimental to the country at large. Any temporary profit of the exporting merchant due to depreciated exchange is made at the cost of the Government and of India—their interests are identical—and, if the depreciation involves extra taxation, the mischief is enhanced. I have said that the Government is the chief agent in developing the country, but—and this is a very important point—we must remember that the operations of the Government are restricted, first, by considerations of its general financial position, and, secondly, by the fact that it can only apply its capital to certain forms of development. It can make railways, and canals, and roads, but it cannot take up and develop new industries, though, without industrial developments, its railways, for instance, fail of their full effects. Hence the importance of facilitating the influx of private capital, and this can only be done by establishing a stable par of exchange.

10,460. Have you formed any opinion as to whether private capital has been flowing in or flowing out of India?—Flowing out, most certainly, since the fall of the rupee.

10,461. Not flowing out on other grounds, but on the ground of the instability of exchange?—Well, I suppose most men did what I did, I got as much of my money home as possible, when exchange had got as high as I thought it was likely to go to.

10,462. Will you tell us what you think about the tea industry, which is a very important industry in India?—I am myself largely, for a man in my position at least, interested in tea, although I think I must honestly say I wish I had never seen tea outside a teacup. Nevertheless, I have not been able to convince myself that the Government would be justified in yielding to the cry of the tea planters for a cheaper rupee. My view is, and it is formed with some care, that the tea industry is at present suffering more from over-production and internal causes than from a rise in exchange, and I believe it could adjust itself to a stable 1s. 4d rupee, just as it flourished while the rupee was even higher.

10,463. What do you consider the range of years in which the tea industry flourished?—That is a matter of statistics, and I do not carry them in my head.

10,464. But it has been flourishing?—It has been flourishing, undoubtedly, in the past.

10,465. For a period of years, during which there was a high rupee?—Oh, yes; higher than it is now, certainly.

10,466. Now, have you any fear of Chinese competition?—I have no fear of Chinese competition, if only the Indian planters and agents show energy and resource in meeting the requirements of the tea markets of the world. But I am afraid that the trade does not display so much resource as it might.

10,467. At the present moment the tea producer in India beats the Chinese producer in the English market?—He has beaten China out of the market for reasons which may depend on the quality of the tea.

10,468. Chinese tea is the cheapest in London, and yet the Indian tea commands the market?—Yes, I suppose Indian tea is really cheaper.

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10,469. It is better, I suppose?—Yes; less of it makes more infusion.

10,470. You said that you thought the tea industry was suffering from internal causes. What do you mean by "internal causes"?—The first cause I put down is bad management. It is by no means easy to find men competent to manage large gardens. Agents push their young kinsmen and friends into assistantships and managerships, and these pick up their experience at the cost of the shareholders. The conditions of profitable cultivation have changed. Machinery has come in extensively, and the practice of consolidating a number of neighbouring gardens under one management, and with large central factories, is becoming usual. These want expert management, and it is hard to get. In fact, I know well the difficulties which there are in getting experienced managers in India. May I expand that by an instance in my own experience of how bad management has affected things? I have, unfortunately, a large interest in a series of gardens, which have been converted into a sterling company, and are held in London. Having nothing to do the other day, I went to the last annual meeting of the company. The meeting consisted of the agents, and a few assistants in the office, who held a few shares for the purpose of voting. I was the only outsider present. The report was laid on the table. Now, that garden had been paying 7 per cent. dividend for a considerable number of years, and last year it paid nothing. But the report entirely failed to account for the fact; there were the usual statements, the bad year was put down to this, that, and the other thing, but they had taken no account in the report of the excessive cost of rice; and there were others of their figures as to which I asked for explanations, which, with some little difficulty, I at last got; and then it appeared that the fact had been entirely concealed in the report that the manager had behaved so badly that they had had to dismiss him. That was not brought out, because, of course, the agents are responsible for the appointment of the managers, and they do not like their shareholders to know that their men have failed, but there it was. It was nothing but bad management. If the garden had been properly managed we should have had—perhaps not 7 per cent. dividend—but we should have had something. That state of things is much more general than is supposed. Then there is the excessive cost of procuring labour.

10,471. Is that an increasing cost?—It has been pretty high for a number of years, and it ought not to have been increasing. This is a matter which has been the subject of much discussion. Government has, perhaps, been a little too difficult, and has not yet done all it might to facilitate recruitment.

10,472. Now, you said something about the excessive cost of rice. I suppose some part of the wages are paid in rice?—The coolies holding contracts under the Act are entitled to have rice provided by the employer at about 3 rupees per maund. Of course, rice this last year was much above that, and that has to be taken into account.

10,473. That has imposed an additional burden on the tea planter?—Well, the real wage is practically so much increased.

10,474. Is there anything else you want to say upon that?—Then another cause is, what I call excessive agency charges. I believe, if the planters were polled, and dare speak their minds, (which they are not always able to do), this would be indicated as one of the principal obstacles to making gardens pay. Agency houses start gardens and induce people to take interest in them. They often provide for insufficient share capital. Difficulties arise; the agency charges add to these. Money is advanced at high interest. Eventually the gardens are swallowed up by the agency houses, and the shareholders lose everything.

10,475. Would these causes be affected by the highness or lowness of exchange?—I could not say that. I may say that I have been interested, or had

shares in, something like a dozen gardens, and four of them have been swallowed up in that way; which is a high percentage.

10,476. Now, the next point would be about the value of the rupee, have you formed any opinion as to that?—You mean, whether it would effect a disturbance in rural economies.

10,477. I mean, the present value of the rupee is 1s. 4d.; it has been at 1s. 4d. about 12 months?—Well, it has been hovering about that.

10,478. Has that caused any disturbance in the monetary affairs of the country?—None whatever. With regard to rural economies and the land revenue, it has caused no disturbance whatever, because, of course, it is only within comparatively recent years that it has been below that figure. The fall to 1s. 4d. is in itself a great relief to the payer of Government revenue and other fixed charges, as the revenue was settled in permanently settled tracts when the rupee was better than, or nearly as good as, 2s. sterling, and this is, of course, the simple answer to those who decry as taxation any proposal to prevent a further fall. Even in the temporarily settled tracts no harm can possibly be done, for we are even now unable to take anything like the proportion of assets to which the State is entitled, and the settlement holders are being let off on extremely easy terms. Prices of grain have risen enormously, and they get more than their fair share of the unearned increment. They can well afford to pay the Government demand, without relying on any fresh depreciation of the currency.

10,479. In the temporarily settled lands the land revenue is fixed with reference to the gross value of the produce, is it not?—It depends very much on the particular tract of country. The assets are taken to be the rents. In some provinces we also fix rents, and in fixing the rents we take prices into account. But we cannot raise the revenue assessment to such an extent as to rudely disturb the established standard of comfort. I am not talking of the permanent settlements. In addition to the permanently settled land, of course, we have temporarily settled land even in Bengal. The whole of Orissa is temporarily settled. There they had a settlement which was originally for 30 years. At the time of the famine of 1866, it was considered that the country ought not to be disturbed by a fresh settlement, and that settlement was extended for another 30 years, so that for 60 years it has been the same. In the meantime rents have risen so enormously that we are able without raising the ordinary rents to get as large an increase of the Government revenue as we could decently take. We were able to touch up privileged rents, which had been originally fixed at something like half rates. Those were levelled up, as a matter of principle, in order to assert the point; but we could have taken much more if we had had a free hand and raised the rents all round.

10,480. Is your view this, that, taking an average of temporarily settled lands, the tenant—I do not mean the ryot, I mean the man who pays the land revenue himself, the Government tenant—is now getting a higher price for his produce, and he is getting his rupee, even at 1s. 4d., at a lower price than when the bulk of the settlements were fixed?—The man who pays the Government revenue, as a rule, is getting higher rents.

10,481. That is another way of putting it?—They have undoubtedly been able to raise rents.

10,482. They have raised rents, and they are paying no more, and the rent was fixed at a time when the rupee was at a higher value?—Quite so.

10,483. Therefore there is no grievance there?—No.

10,484. Have you anything to say about the introduction of a gold currency?—I do not profess to speak at all as a currency expert, but, from an administrative point of view, I have always thought that the difficulties in the way of introducing into India a gold currency, which seems to me inevitable with a gold standard, have been much exaggerated.

India had a gold currency years ago—in Madras, a real working currency—and I believe it would again be popular. It is said the transactions of the people, generally, are too petty for gold. If we are to go by the transactions of the bazaar, we should have a copper standard only. No doubt there are an enormous number of transactions that, even with a gold currency, would still be liquidated in silver, and the silver token currency would have to be large enough for these purposes; possibly a large proportion of these might come to be made in gold, but my own impression is that the circulation of gold would be mainly confined to the Presidency and larger towns, and perhaps the railway stations. I think that the analysis of the currency of the world that is given in the Report of Lord Herschell's Committee on Indian Currency, shows that an extremely small amount of gold is sufficient to enable a country to work with a very large token currency.

10,485. Do you believe that the demand for gold would be excessive?—I do not think so. Of course, that is a mere opinion formed after my residence in India. Another point is this: it appears to me that, as the country develops, the use of paper in the form of currency notes and credit notes of various kinds advances, just as here. Nor do I think the presence of gold in the currency would stimulate the hoarding of gold. There is a huge mass of gold already in the country.

10,486. Do you expect to see any of it come to the mint?—I should expect it, but it is impossible to say. As I have said, if a man wants gold now, he has to buy it, and you do not propose to give away the sovereigns.

10,487. Irrespective of the ratio of 1s. 4d., and of a gold currency, do you think that India requires a stable exchange?—I consider it of vital importance to India to have a stable par of exchange.

10,488. Why?—Without it you cannot look for any influx of European capital save through the Government, and I have already stated what the limitations on Government action are. With a stable par, it appears to me that money would flow from the cheap money market to the dear one.

10,489. It would be regulated automatically, as it is in all other countries in the world?—Practically, I think so. I do not pose as an authority on that subject.

10,490. There is one point to which you desire to call attention—the area under food crops?—That is a matter which has been referred to in the Calcutta press, and I mention it here, because I do not think it has been brought out, so far as I have read, in the proceedings of the Committee. It is stated that the area under food crops has, in the last 15 years or so, expanded only about 12 per cent., while the population has increased by about 22 per cent. The area devoted to non-food crops, i.e., to exportable and merchantable products, has in the same period increased by over 80 per cent. It is suggested that these figures (and Mr. O'Connor will be able to check them) imply that there has been excessive stimulation of merchantable exports by a falling exchange, and that in fact a large section of the population is practically being partially starved to pay India's debt with a falling exchange. I must say that, as regards Bengal, I have viewed with some apprehension the way in which jute, for instance, is supplanting rice in the Eastern districts. There can be no doubt that the non-agricultural population of India, some 130 millions, has suffered, and is suffering, severely from the enormous rise in the price of food and the enhanced cost of imported goods. This seems to me a reason for deprecating any measure which would have the effect of increasing the tendency to abandon food crops for non-food products. The aim should be to develop the country as a whole, by the introduction of outside capital, and not merely to stimulate a particular class of products.

10,491. The strength of that last argument is the introduction of outside capital. That is what you

want to stimulate?—That is what we want to stimulate by a stable par of exchange.

10,492. Have you anything to say about illicit coinage? The chief police officer of Bengal has expressed an opinion that the effect of the token coinage being, as it is now, very much in excess of the bullion value, would probably, or might probably, be to lead to an increase of illicit coinage?—That is rather *à priori*; all I can say is that there has been no increase whatever in reported cases. I think far too much is made of the supposed stimulus likely to be given by the restriction of the currency to the coinage of spurious rupees made of good silver. Illicit coinage would only pay if carried out on a large scale with the aid of machinery. The fraudulent coiners in India are poor, without capital or appliances. They work with primitive implements, and can never turn out a perfect coin. On the other hand, the native shroffs are extremely keen to detect false money. The amount of false money which could be turned out by Indian coiners would not be large enough to affect the currency materially. Since the agitation has begun here, much has been made of this matter of false coinage, and the papers, for reasons of their own, report any such cases pretty fully. I may mention, as a typical case, one that is reported in the Calcutta *Englishman*, which I received this morning. It appears that the police received certain information, and they raided a house where they found a coinier, a native of Rajputana, working away. His day's work was beside him. The police found four forged rupees; the effect on the currency must have been appalling. That, I believe, is a typical case. The ordinary false coinage cases that you get in the interior are simply cases of silvering over copper coins, and, of course, that only imposes on extremely ignorant rustics.

10,493. May I ask whether that false coinage could be easily detected?—The report did not state it, but my experience is that false rupees can be pretty easily detected, because they can never get the milling perfect all round.

10,494. (Sir F. Mowatt.) I think you said in the early part of your evidence that there had been no rise in the rate of interest since the famine, at all?—No permanent rise.

10,495. Does it rise or fall according to the busy or slack season?—Not as a rule. Everything in India is very conservative in the interior and practically stationary, but, of course, when a time of real pressure comes, as in the case of a famine, a man has little security to offer, and the bunniah asks for more, but it is pretty stationary on the whole.

10,496. During the period which we have heard described as a period of unexampled stringency last year, did the local rates of interest rise?—It did not affect them at all, save as I have stated already. It was the European market business that was affected by the want of loanable capital.

10,497. You are speaking there particularly of your own province?—Yes, but one would have been bound to hear of want of currency, if it had happened. All these things affecting rural economies are bound to come under the notice of the local officials, and so under the notice of the Government.

10,498. You said that there was no preference for paying rents in kind rather than in cash. How is the amount of rent in kind fixed; is it fixed with reference to the rupee as it varies in value, or is it a fixed quantity of produce?—Rents are fixed by the chaffering of the markets, of course, where they are not customary, as they generally are.

10,499. But I mean, when the payment is in kind instead of in rupees, what fixes the amount of the kind?—There are two forms of that. In some cases the landlord actually takes a share in the crop, in other cases he takes the estimated value of a share. As a rule, in most parts of Bengal, he actually takes the crop and carries it off. That is what the ryots do not like—the interference with their crops by the landlord.

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10,500. Then the amount would vary with the temporary value of the rupee?—No, because the landlord takes the crop

10,501. You said people complained to you a good deal of the high prices of food stuffs. Do you mean the higher prices immediately resulting from the famine, or do you mean that the prices of food stuffs have gradually risen of late years?—There is no doubt that the prices of food stuffs have risen enormously. Not having the figures before me, I should be afraid to say what the rise has been year by year or quinquennium by quinquennium, but certainly since I have been in India prices have nearly doubled.

10,502. When wages are paid in kind, do the wages rise with the rise in the price of food stuffs?—No, if the wages are paid in kind, the man will get the same number of eers that he always gets

10,503. So that practically the wages rise with them?—The value of the wage rises.

10,504. You were asked, I think, about the raising of the railway rates. At present do you know whether the Indian railways produce a net revenue to India; do they more than pay their way?—I should not like to speak about that without referring to statistics, which I have not by me.

10,505. I think we have heard that there is a net loss of from half a million to 2½ million tens of rupees a year from the railway system of India?—I dearsay that is right, but I have no figures.

10,506. Do you know whether there has been an actual attempt to raise the rates; was there not an attempt made in Bengal?—That I cannot say.

10,507. With reference to the necessity of new taxation in case the mints were opened, we have had it put before us that a rising or falling rate would lead to so rapid an extension of trade, and thus to so rapid an increase in the yield of existing taxation, that the temporary difficulty in meeting the gold debt would disappear in that way, is that your view?—No, I think that it is unsound. I do not believe in it. I do not believe in a depreciated rupee leading to a rapid extension of trade. I do not see how depreciation of currency can lead to extension of trade.

10,508. Do you think that, speaking generally, the rates of wages and the prices of food stuffs are affected immediately, or shortly after, by the rise of the rupee?—They are affected slowly. Prices have undoubtedly risen enormously, and wages have risen too in my time very considerably. Wages in the large towns, and in the neighbourhood of large towns, have risen materially, and even rural wages have risen since I first went to India. But, as I say, India is a conservative country, and, as a rule, changes are not so rapid there as here.

10,509. But they do follow slowly?—They do follow

10,510. If, therefore, the rupee were to fall permanently to 1s., wages would follow?—Wages would rise; the people would want more wages

10,511. You said, with reference to the labour for tea gardens, that not only wages have risen, but you expect it will be necessary to raise them still higher?—I do, especially if there is a great stimulus given to free emigration; that is, the emigrant who is taken up outside the Act altogether, without Government interference. There has been far too much interference hitherto in my view. I have always been very much inclined to advocate—in fact, I was President of the Commission which originally suggested—free emigration to the tea districts, and I have always regretted that the free emigration which was introduced was a perfect parody of what was intended. But, if you have free emigration, either the Government must take care that the wages of the labourer are adequate to keep him in a proper condition—which is an interference I take exception to—or, if you leave him alone, and he goes up on his account, you must offer him wages to keep him there when you

have got him, and the planter will in his own interests do so

10,512. (Sir J. Muir.) You have been 36 years in the Bengal branch of the Indian Civil Service, and during that time you have filled a great many different offices. Were you paid in rupees the remuneration for your services?—Certainly.

10,513. Then was it to your personal advantage, when you had to send money home, to get as high a rate of exchange as you could for your rupees?—Naturally.

10,514. So that, to a certain extent, so far as your pocket was concerned, was there a natural inclination on your part to see a high rate?—Naturally. One would have been glad to see a higher rate—the rate prevailing when I entered the service.

10,515. Quite naturally, and what was natural in your case would be natural to the other civil servants in India?—I suppose the civil servant has as much regard to his own interest as outsiders.

10,516. In other words, every civil servant would have the same regard to his own interests as yourself?—Yes, but not to the exclusion of principle. He is bound to consider, and does generally consider, the good of the country he serves, as much as, or more than, his own interests.

10,517. I mean, the interests of civil servants were identical with what the Government regard as their interests?—I hope so

10,518. Was it the case that the Government always desired as high a rate as it could obtain?—Well, I was governing provinces for 12 years, and I cannot speak for the Central Government, but naturally, of course, Government wishes to pay its debt at home on the most favourable terms. Nobody ever denied that.

10,519. You made the statement that “to raise the provincial cesses in Bengal, in order to give a cheap rupee to Assam, appears a monstrous proposal.” Now will you tell me who ever proposed that?—That is rather a condensed way of putting it. If the proposal is to raise taxation in order to establish a cheaper rupee in the interests of the tea trade, or in any other individual interest, then I call that a monstrous proposal.

10,520. But has anybody proposed that, as you have put it here, in the interests of Assam?—Assam stands for the tea interest generally. I fancy that has been proposed.

10,521. Are the interests of Assam different from the interests of indigo, of coffee, and of wheat?—I will alter the shape of my reply, and put it broadly, thus: If it is proposed to tax the native population of India, in order to subsidise any particular trade of India, then I say that that is a monstrous proposal.

10,522. Are you aware that many of the leading merchants in India hold views diametrically opposed to yours?—I have no doubt that every branch of the currency question has many people both on the one side and on the other.

10,523. You lived for some time in Bengal, and in Calcutta, latterly?—Yes

10,524. Are you aware that Messrs. Ralli Bros and Messrs. Graham are the largest importers of Manchester and other goods into India?—They are large importers.

10,525. You would admit that they are capable men of business, as proved by the success with which they have carried on their business?—No doubt.

10,526. Of course, you would naturally infer that they know what is best for their own business in regard to importing Manchester and Glasgow goods into India?—I suppose they know what pays them.

10,527. We have had representatives of both those firms, giving evidence before this Committee. Would you be surprised to hear that their views are entirely opposed to yours?—I am sorry for them

10,528. That is to say, you are sorry for men who have made huge fortunes in India on the same lines?—I have always found that huge fortunes are made by

practical qualities, and not by abstract views on economic questions.

10,529. Would you be surprised to hear that these gentlemen consider that exchange should not be fixed in an arbitrary way, but should be left to be arrived at automatically?—Well, that is a currency conundrum which I do not profess to be able to solve. All I say is that what India wants is a stable par of exchange. How to get it, is the business of this Committee.

10,530. You have given us a good deal of information with regard to tea, and I think you mentioned to us that you yourself were interested in 12 different tea estates?—At different times I have been interested in 12 of them, more or less.

10,531. And that, out of those, four had been swallowed up by the agents?—Yes.

10,532. It would be interesting for the Committee to know what interest you had in tea?—I am not prepared to go into my private concerns, even to inform the Committee. It would probably not be a great deal to you, but to me the amount was considerable, running to a good many thousands of pounds.

10,533. Your remark is, "I am myself largely, for me at least, interested in tea." It would have been interesting to us, at all events to me, to have known what your interest was, but you prefer not to state it, and I am satisfied. Now, you say, "I have no fear of Chinese competition, if only English planters and agents show energy and resource in meeting the requirements of the tea markets of the world." Are you of opinion that the Indian planters have not shown energy and resource in the past?—That is a general criticism. They have certainly done something to get new markets, but I cannot say that they have yet risen to the difficulties of their position, and I think there is a great deal that they might well do; but I am not writing a treatise on the management of tea gardens at present.

10,534. No, but you are making a broad statement here, and I am trying to test it. Can you suggest anything that they could do which they have not done?—Oh, yes; there is the trade in India itself, which they have not touched. I may say, for instance, if they were only to take a leaf out of the book of the Government of Bengal, they could do something. We have within the last few years developed an enormous—you can hardly call it trade—but an enormous consumption and a big market in quinine, by placing quinine in piec packets in the bazaars throughout the interior of the country. These small packets are packed up by the inmates of the gaols; it is an industry for the juvenile and female prisoners. You know that, when your syce or Indian servant has fever, the first thing he asks you for is quinine, and the next thing he asks you for is tea. I believe that, if the refuse of the warehouses—the dust and so on—were done up in these small packets, suppose they were sold in, say, 2 anna packets throughout the bazaars of India, you would have an enormous market there which has never been touched.

10,535. Are you aware that that has been tried?—It has not been tried, so far as I know. It has been talked about, I know.

10,536. It has been tried in Calcutta to my certain knowledge. Your suggestion was given effect to, and it was tried again and again and again, and we found that the natives of India, while very willing, as you say, when sick to have tea as a gift, would never pay for it?—If you would only employ men of the type of colportours, and give them a good commission, and send them about in the different bazaars, you would have got a market in the course of time. The taste would have had to be created, but a good deal could have been done in time.

10,537. To my personal knowledge, it has been tried and failed?—It will fail until you find some way of packing your tea, so as to keep it from getting mouldy in the packets. But I doubt whether the thing has ever been seriously attempted and persevered in.

10,538. Now, you have made some strong statements here, and I think it is only fair to the tea industry

that I should put questions to you in order to test them. You say, "I consider that the tea industry is at present suffering more from over-production and internal causes than from a rise in exchange, and I believe that it could adjust itself to a stable 1s. 4d. rupee just as it flourished while the rupee was even higher, and I have no fear of Chinese competition, if only Indian planters and agents show energy and resource in meeting the requirements of the tea markets in the world." Then you explain that the first of the internal causes to which you refer is bad management. What do you mean by bad management?—I mean bad management.

10,539. What is bad management?—It is, for one thing, putting men in charge of gardens who have no special qualifications for managing them, young fellows sent out from home without any particular qualifications or training. I know by sad experience how difficult it is to get a good manager for a tea garden. I think I could tell off on my ten fingers all the men who are now recognised as really first class managers. Men are sent over without any special education or training.

10,540. Would you be surprised to hear that I could find you 20 in our own employment who are capable and able managers?—Well, I am glad you have them. You have been more fortunate than the agents I have had dealings with.

10,541. And I am very glad that we have them. Then have you sufficient warrant, do you think, for saying that "agents push their young kinsmen and friends into assistantships or managerships"?—Most certainly. That is distinctly my experience.

10,542. I am glad to say that my experience is the very antipodes of yours. I find that, in all well-conducted tea companies, the agents put aside anything of that sort, and the standing rule is that no man is to be appointed simply because he is a friend or relative of a partner or director in any of the companies that I know?—They do not advertise for them. They do not go to the public schools or colleges. They get lads introduced to them either by their friends or shareholders or something of that kind. I have had scores of such young men applying for work under Government—when they had failed in tea.

10,543. Nay. In Glasgow we advertise regularly for assistants, and select the best men that can be found, irrespective whether the applicant is a friend of a partner or director at all. We take qualifications only. I am afraid your experience has run in a particular groove?—My experience has been unfortunate, I admit.

10,544. Are you aware that there are many companies and firms who select men specially trained and qualified for these positions?—I do not know what qualifications you insist upon. I know that the engineering qualifications required by a good many firms are exceedingly meagre. I think a very few weeks in an engineer's shop is about the most that is ordinarily required.

10,545. Then you refer to the excessive cost of rice, and I think you said that it had doubled in price?—I think that is roughly about the fact. I feel certain the price of rice has doubled in price since I went out to India. Mr O'Connor has the exact figures.

10,546. I have the figures here. The price of rice in 1892 was 111, in 1893, 121; in 1894, 120; in 1895, 100; in 1896, 111. Then we come to the famine year, when everything was upset as regards the price of rice, and the price was then 159. For the first six months of the current year, 1898, the price has fallen back to 114; so that the price now for the first six months of the present year is less than it was in 1893-94, and only three higher than it was in 1892 and 1895. Now, was there any difficulty in getting English capital to India prior to the closing of the mints?—I am not sufficiently expert in Indian exchange, banking, or anything of that sort, to know much about it.

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10,547. We have had it in evidence here by other witnesses?—I do not profess to give evidence on trade questions or banking questions.

10,548. I may mention that we have had it in evidence here, that, prior to the closing of the mints, for any suitable enterprise there was no difficulty in getting English capital out to India?—A great deal of English capital, no doubt, went out.

10,549. English capital went out in jute mills, cotton mills, indigo estates, for the growing of wheat, and for tea?—It is not going out now, at any rate.

10,550. No, it is not. Unfortunately this action of the Government of India in fixing arbitrarily 1s 4d. is killing the trade of India?—Well, that is a matter of opinion.

10,551. Then, do I understand you to say that you sent home, when the rate was at 1s 4d., all the available funds you had in rupees?—I forgot the exact rate, but I remitted home all I could when the exchange was fairly high.

10,552. You sent it when you thought the rate was as high as it would be, because you were afraid that that rate might not be permanent or that it might go lower?—Quite so; I sent it before the mints were closed.

10,553. You, of course, were a civil servant, and it is not to be expected that you could understand the general effects of an increase of customs duties so well as if you had been a merchant paying those duties, or a merchant exposed to those duties?—I do not admit that I think everybody interested in the Government of India is obliged to take as wide a view as he can, and to make himself acquainted as far as he can with all the local conditions and circumstances of trade, and the circumstances and conditions of the trade of Calcutta would naturally have an interest for the Lieutenant-Governor of Bengal.

10,554. Are you aware that we have had evidence given by Messrs. Ralli and Messrs. Graham to the effect that they would be pleased to see a 10 per cent. duty on their own goods imported into Calcutta?—They would not have to pay it.

10,555. It would require to be paid by their goods?—It would be paid by the unfortunate consumers.

10,556. They would have to pay it in the first instance. Then you seem to be very much opposed to the increased growth of jute in India?—Pardon me, I never said anything of the kind. I never said I was opposed to the increased growth of jute in India. I brought to your notice a fact which is alleged in certain correspondence in the Calcutta papers, with reference to the area of production of food grains being reduced in consequence of so much land being devoted to non-food crops, but I never said that I was opposed to the growth of jute. I should say, on the contrary, that that was a great blessing to the country.

10,557. You said, I think, that the prices of rice had been doubled?—I said "during my time in India" You may go back for a few years, and give me figures which I cannot check in the least; but all I know is that in the last 30 years the price of rice has very nearly doubled.

10,558. The price of rice for the first six months in this year has fallen to 114, according to the figures that we have had?—I do not know anything about that. Of course prices ought to have recovered to a certain extent from famine rates, and no doubt they have done so; but I am certain that they have not gone back to anything like the rates that they were, say 15 years ago.

10,559. Are you aware that a very large number of the inhabitants of Bengal, especially in or near Calcutta, are employed in these jute mills, so that the growth of jute gives employment for a very large number of people?—Undoubtedly, and a great blessing it is. I am not in the least opposed—in fact, I have always favoured the development of that and other industries.

10,560. Are you aware how many people are employed on the tea estates?—I cannot say, but it would be a very considerable number.

10,561. Would you be surprised to hear that it is over a million?—Possibly I am glad to hear it.

10,562. Then are you aware that indigo is being very severely hurt by a high rate of exchange?—I fancy it has been hurt by other things, just as tea has. Indigo has had to suffer from the competition of aniline dyes, and from a variety of causes. For instance, they have had to pay more for their indigo plant than they used to. As you know very well, in the old days the indigo trade was not carried on on commercial principles at all, but landlord accounts and trade accounts were so mixed up that it was almost impossible for the indigo ryot and cultivator to know where he was; if he had a balance in his favour on the manufacturing side, he found a balance against him on the rent side. That has now been done away with. It is all done now on a commercial basis, and the planters do not get such large profits as they did. But indigo, like tea, has suffered from other things besides exchange—if it has suffered from exchange.

10,563. Are you aware that there is a fear now that indigo will be killed, so far as its growth in India is concerned?—Well, it has died out in the Bengal districts; it is now almost confined to Behar, but the causes of that had nothing to do with exchange. It ceased to pay.

10,564. If this artificial dye that they have in Germany is going to interfere keenly with India, should we not try to give what encouragement we can to the planters of India?—If you mean to say that you are to subsidise any particular industry at the cost of the taxpayer, I do not agree. The interests of any individual industry are not to be compared with the interests of the country at large. All these questions have to be looked at from the point of view of the interests of the country taken as a whole. I submit that the great thing to do is to get European capital drawn into India, and I believe that that can only be done by establishing a stable par of exchange. But, if you say that you are to consider only the interests of tea or indigo or any one industry, I say you have not stated the problem completely.

10,565. (Mr Campbell.) Regarding the 1s 4d. rate, you are aware that the Government have not absolutely fixed upon that figure?—Quite so.

10,566. In 1893 they left it an open question?—Quite so, although practically public expectation has always accepted that rate, since the Herschell Committee's Report.

10,567. But it was not, in fact, fixed?—No, I admit that at once.

10,568. It was to be fixed afterwards, in the light of the experience that might be gained?—Yes.

10,569. Do you think that the experience of the past five years points to 1s 4d. as the correct rate?—I think 1s 4d. is the rate indicated in many ways to be the proper rate. The actual rates appear to tend towards it, and public opinion seems in favour of it, and the main point is, that you cannot go below it without extra taxation; at least, that is my opinion.

10,570. Of course, to be a success, 1s 4d. should not only be the rate which enables the Council Bills to be sold, but a rate which will attract gold to India as currency?—Quite so.

10,571. And that it has not done so far?—A certain amount has gone in, but I do not think you can say that the experiment has been sufficiently tried with reference to that, because it has never been recognised as the finally fixed policy. Nobody has ever felt certain about it. There has been an uncertainty about the whole question which interfered with a fair trial of the experiment. But I do not profess to be a currency expert.

10,572. I think you said you do not think that exchange has any influence on trade?—I never said that.

10,573. I thought you said that, in answer to Sir Francis Mowatt?—I did not say that. It may have a most material influence for a time, undoubtedly,

and a fluctuating exchange must be a most serious hampering to trade.

(*Sir F. Mowatt.*) My question was, whether rates of interest and rates of wages followed approximately the rise or fall of exchange?

(*Witness.*) I certainly do not hold the view that exchange has no influence on trade.

10,574. (*Mr Campbell.*) Then, if *1s 4d.* were found, after experience, to be an unsuitable rate, or a rate that interfered with trade, and did not allow currency to come into India, would you be in favour of revising it?—Well, I should like a good long experiment tried first. Nothing is more dangerous than to hold out ideas of revision. What you ought to do is to put your foot down, and say: "This is our plan, and we will do our level best to carry it through."

10,575. But, if the experiment is continued too long, the country may suffer in other ways—through the want of currency, for instance?—Well, I cannot go into that. I am sceptical as to the probable want of currency.

10,576. Then as regards the money market, you admit that money was very tight in the great trade centres?—Undoubtedly.

10,577. Although you say it was easy enough in the rural districts?—To put it broadly, money was tight in the European, and not abnormally so in the native, money markets.

10,578. When interest rose in the large centres to 12 and 14 per cent., do you not think that that was a serious burden on industry?—It was a most serious condition of things, no doubt. The state of things in Calcutta was as bad as I have ever seen it.

10,579. If you have rates at that level, and money impossible, or almost impossible, to obtain at all in the great trade centres, it does not minimise that fact very much to know that in the rural districts things are going on as usual?—It does not minimise the difficulty felt by Europeans trying to get accommodation; but I suggest that there was no actual want of currency in the country at large.

10,580. You spoke of the low rupee affecting industries like tea; does not the low rupee affect the production of all exportable articles as well as tea, for instance, jute and indigo?—These are economic questions, upon which I am unable to speak with any authority; but my view is that any temporary benefit gained by the exporter by a low rupee is only temporary, and that it does not as a rule, until some time has elapsed, find its way to the producer. But I do not profess to speak authoritatively upon these matters. I have my own opinions, but I think you will get this much better from others.

10,581. You spoke of the large proportion of land devoted to the produce of non-food crops, compared with the land devoted to the production of food stuffs. Is it not the case that land suitable for tea, for instance, is not suitable for food crops at all?—Well, I would not put it so broadly as that. Some tea lands are not suitable for food crops, but there is no doubt whatever that the lands that grow jute in Eastern Bengal did originally produce rice. As a matter of fact, as Mr. Finucane told me the other day, there has this year been a slight recession of the jute area, in favour of rice. Of course, in rough jungle tracts and places of that kind, new land would be more suitable for tea, but the greater part of the Dooars and Assam, and so on, produce magnificent rice crops.

10,582. If it is the fact that lands unsuitable for rice or other food grains are devoted to tea and other industries, you would consider, would you not, that this is an advantage to the country?—So far as that is the case, but that only applies to the hill teas. I think that any land that would grow tea in the plains, would grow other crops. I do not wish for a moment to depreciate the importance to the country of these industries, and the importance of obtaining European capital for them. I think this development of the tea, and the jute, and other, industries, has been an enormous gain to India. I have always held that the one thing for India was to develop the industries of

the country, and to convert the population, as far as possible, from being an entirely agricultural population.

10,583. (*Sir F. Mowatt.*) I think what you said was that you objected to the way in which jute, for instance, has largely supplanted rice?—I think it is an element in the case that the Committee ought to take into consideration. I merely brought the point forward because it has been mentioned in some of the Calcutta newspapers, and it has been stated that no one had brought that point to the notice of the Committee. Therefore, when I was asked whether there was anything else that I had to say, I thought it right to call attention to that matter.

10,584. (*Sir A. Dent.*) You told us that you have seen chests full of rupees in the Treasury of a native landowner, and that on another occasion you had seen a large accumulation of ornaments, some of them being of gold, but that you came across no bullion or bars. Later on you mentioned that there was "a huge mass of gold" in the country. Can you tell us in what form that huge mass of gold is?—That is impossible to say, but we know that an enormous mass of gold has gone to India which has not come out.

10,585. It is denied that this gold is available?—That is another question; but there is a large amount of gold, which cannot have disappeared into the earth.

10,586. In the event of the Indian mints being opened for the coinage of gold sovereigns, do you think that that gold would come out?—It is a matter of speculation. At present there is no employment for it at all. People who have got it, even if they feel disposed to utilise it, cannot do so. It might come out. It is a matter of speculation. What I wished to say was that I do not believe myself that the amount of gold that would be necessary to finance a gold currency is so enormous as it is sometimes represented to be.

10,587. (*Sir C. Crosthwaite.*) Suppose we established a gold standard and we had a gold reserve, do you think that the danger is that these vast hoards of silver would be brought out in order to clear off the Government gold reserve?—I do not think so.

10,588. You said you saw a great quantity of silver—chests full of silver?—Yes.

10,589. But silver masses very largely, does it not?—Oh, yes, it bulks largely.

10,590. Have you any idea how many rupees go to a ton of silver?—I cannot tell you that.

10,591. You may take it from me that there are something less than 90,000 rupees in a ton of silver. That would be an enormous quantity?—Yes it would. I suppose each of these chests contained about a lakh.

10,592. And how many chests do you think there were?—Well, it is a long time ago now.

10,593. What I mean is, a ton of silver would not be worth more than between 6,000*l.* and 7,000*l.* sterling?—Each of these chests, I should think, would contain that.

10,594. You do not think that they would be brought out?—No, I do not see why they should.

10,595. Where do you think the large hoards of silver are? A man, in order really to affect the currency, would have to produce a crore of rupees?—I think they are widely distributed.

10,596. Do you think the native princes have large hoards?—I think most of the hoards of the native princes have been invested in British investments.

10,597. Do you think that the natives who have large hoards would use them in order to take out the Government gold reserve?—I do not believe that they would enter into speculation of that sort.

10,598. I notice, you said that we cannot raise the Bengal permanently settled revenue, and that it was difficult to raise the revenue of the temporarily settled tracts without laying ourselves open to a charge of unfairness?—Yes.

10,599. Has that difficulty prevented us, as a matter of fact, from raising the assessment of the temporarily settled tracts, wherever the periods fell in and we were justified by prices and other causes in raising

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them?—That appears to me to be a very different situation.

10,600 I merely want to know the truth?—It is suggested that you should impose a universal cess on account of the depreciation of the rupee all over India—

10,601 My reason for asking you is because it might be inferred from your evidence that the Government had not raised the revenue in temporarily settled tracts, on account of some supposed unfairness?—I have said that we have taken all that we decently could.

10,602 In the Central Provinces the revenue was being assessed when you were there?—Yes; I followed you I should like to say that, while we have raised the revenue, having regard to prices there, we have never raised the revenue with an eye to the requirements of the Government.

10,603. With reference to the use of railway rates for the purpose of taxation, I suppose you know that, if those rates were raised, the increased profits would not all go into the pockets of the Government?—Quite so.

10,604. A proportion would go into the pockets of the shareholders?—Yes

10,605 Therefore it would not be, financially speaking, a good method of raising revenue, because the whole proceeds of the tax would not go into the Treasury?—Exactly.

10,606 (*Chairman*) I suppose, with the exception of the State railways, there is no case in which some proportion of the profits would not go to the shareholders?—I think that is so—some proportion.

10,607. (*Sir C. Crosthwaite*.) With regard to reducing expenditure, do you think that anything can be done by reducing the salaries of the covenanted civil servants?—Not if you want to get the best class of men.

10,608. Could anything be done by substituting natives for Europeans to any large extent in the Civil Service?—I am entirely opposed to it.

10,609. You would probably have to pay them the same?—You would have to pay them the same, and, as I say, the European element is not too strong.

10,610. With reference to what you said of the suffering of the non-agricultural population from the great increase in the cost of food—you admit that wages have risen?—Wages have risen, but not as much as the cost of food.

10,611. Do you hold that the falling rupee stimulates exports from India?—I suppose it must do so for a time—temporarily, at any rate.

10,612. You think it stimulates exports like jute, which, to a certain extent, take the place of food grains?—I should say so. This is not my contention, you know, but I think there is something in it, and something which ought not to be ignored.

10,613 I suppose the agricultural population would cultivate those crops which would pay them best,

irrespective of whether those crops are food grains or non-food grains?—No doubt that is so.

10,614. With regard to illicit coinage, I suppose machinery would be necessary to turn out rupees to any great extent?—Undoubtedly.

10,615. And it would be very difficult for the coiners to get the machinery?—It would be very difficult for them to get the machinery, and still more difficult for them to work it without being found out.

10,616. It would also be necessary to provide for the utterance of coins?—Yes.

10,617. And to a large amount, if large profits are to be made?—Illicit coinage is a mere bugbear; there is nothing in it.

10,618. You do not think that any native banker or merchant would lend himself to such a thing?—No.

10,619. You say you heard no complaints of want of rupees—of coins—in the interior of the country, but that you heard complaints of the high price of food. Nothing that the Government has done in the way of closing the mints, would increase the price of food, would it?—Not so far as I know.

10,620. So far as any contraction of currency has occurred, it would go the other way?—Certainly.

10,621. It would tend to lower prices?—It would tend to lower prices, if anything.

10,622 (*Mr Holland*.) Referring to the diminished area of land bearing food grains, you say that there has been an enormous rise in prices. Will not that fact lead to an economic remedy—will it not lead to more land being devoted to the cultivation of food crops?—As I said, there has this year been a slight increase in relative proportions.

10,623. And high prices will stimulate that?—It ought to in all ordinary countries, but, as I say, India is very conservative. The agricultural conditions do not respond with the same rapidity and directness that they do in other countries. They do respond, but not with the same rapidity and spontaneity.

10,624. With reference to silver hoards, I suppose they are of two kinds, hoards of ornaments and hoards of rupees. The hoards of ornaments have depreciated, but the hoards of rupees have appreciated?—Quite so.

10,625. Have you any opinion as to the relative proportions between the two?—Oh no, it would be impossible to tell.

10,626. (*Mr. Le Marchant*) You were discussing the prices of rice, and speaking of an increase in prices since the time that you went to India. Will you look at the Table in our Appendix entitled, "Variations in the retail price of rice since 1861." The column headed "Patna" gives the price of Bengal rice?—It is practically doubled, if you take those figures.

10,627. If you take the 5 years ending 1865, the average price was 57, and if you take the 5 years ending 1895 prior to the famine, it was 107?—Yes, practically double, as I originally suggested.

The Witness withdrew.

Mr. ROMESH C. DUTT, C.I.E. called and examined.

Mr.
R C Dutt,
C.I.E.

10,628. (*Chairman*.) You were selected for the Indian Civil Service at the open competition held in London in 1869?—That is so.

10,629. You joined the service in 1871?—That is so.

10,630 Will you tell us your experience in the Indian Civil Service?—After serving in the lower grades, I held appointments as District Magistrate and Collector between 1881 and 1894 in various districts in Lower Bengal, and as Divisional Commissioner in Burdwan and Orissa Divisions between 1894 and 1897. I retired in October 1897 after 25 years' service.

10,631. The Departments that you were in did not deal specifically with either currency or accounts?—No.

10,632 But they gave you the opportunity of studying the condition of the agricultural labouring classes?—Yes.

10,633. And it is with that experience and your knowledge of Indian affairs that you approach this question?—That is so.

10,634. I will first ask you what you thought of the closing of the mints. Had you any opinion at that time on that point?—We were not consulted. I hardly knew anything about it.

10,635 You were in India when the step was taken?—No; in 1893 I was in this country on furlough.

10,636 You are aware, I suppose, that the rupee had been steadily falling for a large number of years?—Yes.

10,637. At the time when the mints were closed in 1893, they were closed on the ground of the fall of the rupee being a very serious danger to the financial position of India?—I heard that vaguely in this country.

10,638. Since you have been here, you have thoroughly mastered the new proposals of the Indian Government?—In a general way, yes.

10,639. Will you just say, in your own language, what you would like to say first as to the effect of those proposals?—The first effect is likely to be this, that it would lead to a general increase of taxation in India. Because all the taxes are paid in rupees, and, by closing the mints, the value of the rupee has been enhanced, and, if the same number of rupees are taken now as were taken before, it means a real increase in taxation.

10,640. Have you any figures as to what the raising of prices has been? When you went to India in 1871 the price of silver was 65½*d.* an ounce, and the average rate at which the Secretary of State sold his bills was 1*s.* 10¾*d.* per rupee?—Yes.

10,641. The rate began to fall, I think, materially in 1878 or 1879, and, when the mints were closed in 1892–93, it had gone down to 1*s.* 2½*d.*?—That is about it.

10,642. That is a fall of 8*d.* in the rupee in those years?—Yes.

10,643. Did the proposals of the Government of India to arrest the fall of the rupee have the effect of raising its value?—Yes, I think it was 1*s.* 2*d.*, if I remember rightly, in 1893, and it is now nearly 1*s.* 4*d.*, so that within this last five years the value of the rupee has been enhanced by 2*d.* as compared with gold. With regard to the fall from 1871 to 1893, I may be allowed to explain that the Indian Government and the Provincial Governments got a natural increase in their revenue in consequence of the fall. The land revenue and other revenues went up in this way. The prices in rupees rose all round; the prices of food grains rose, and, as the Government in its recurring settlements made that a ground of enhancement—because the Government as landlord is entitled to an increase of rent if the price of the produce rises—there was a natural increase in land revenue. Then also with regard to the income tax; as the incomes, estimated in rupees, went up, the Government got an increase of the income tax; so that, while there was a fall in the value of the rupee from 1871 to 1893, Government was directly, and in a natural way, getting an increase in the revenues as estimated by the rupee.

10,644. When you talk of an increase in the income tax, will you explain that further?—Suppose a man's income in 1871 was 1,000 rupees a year. If his real income remained the same, then, by the falling of the rupee, his income as valued by the rupee would be something like 1,200 rupees.

10,645. What do you mean by his real income?—His income estimated by the produce of the country. I am speaking of people outside those in Government employment—not members of the Government service. I am speaking of merchants and traders, agriculturists, and farmers—people outside Government employ.

10,646. You think there was such a rise in prices that, practically, profits were increased to that extent?—Profits as estimated by the rupee. If a man's real profits remained the same, the value of the rupee having fallen, his profits, as estimated by the rupee, must have risen. If his income was 1,000 rupees in 1871, and if the rupee had in the meantime depreciated 8*d.*, his income in 1893, as estimated by the rupee, must have risen, and, therefore, the Government would get an increase in the income tax obtained from that man.

10,647. Do you mean that they would get more rupees?—They would get more rupees. The depreciation of the rupee has not been a loss to Government, because in this way there is a general increase in

taxation without making the burden heavier on the people—there is a general increase in taxation as estimated by the rupee.

10,648. Do you think that in India itself—I am not talking now of external trade or payments out of India—the internal trade has increased?—There has been an increase in the price of food grains within my experience. Between 1871 and 1893 there was a considerable rise in the price of rice.

10,649. Was that accompanied by an increase in wages?—To some extent; and the landlords were able to increase their rents; and the Government in all cases, except where there were permanent settlements, were able to increase their land revenue on the basis of an increase of rents.

10,650. What would have been the position of things if the rupee had remained stationary?—Then the increase of the land revenue would not have been so marked, as estimated by rupees. I will try to explain myself in this way. Suppose the Government land revenue of a district not permanently settled was 3 lakhs in 1871. In the 22 years between 1871 and 1893, the prices of food grains rose; where rice sold at 1 rupee 8 annas per maund in 1871, it sold in 1893 at, say, 2 rupees per maund. In the same way there is an increase in the prices of wheat, barley, jawar, and bajra, and all the principal staple foods of India, there was a general increase of prices in all food grains. Therefore, when the Government came to revise the settlements, it found that there was a general increase in the prices of food grains all over the country, and obtained a legitimate increase of probably a lakh of rupees solely on the ground of increase in prices. If there had not been that increase, the Government might have raised the land revenue a little, but certainly not so much, if prices had remained stationary.

10,651. I was dealing with the connexion between the falling of the rupee and the rise of prices. Do you consider, for instance, the opening up of the European markets to wheat is a factor?—It is a very small factor.

10,652. Do you think the increased consumption of rice is a factor?—I do not think so, for there has been an increased cultivation. I think the main reason of the rise in prices is that the rupee has depreciated between 1871 and 1893. And the land revenue, as estimated in rupees, has increased.

10,653. Supposing, instead of the Government arresting by their action the fall of the rupee, they had allowed the fall to go on, and that the rupee had gone down to 6*d.*, what do you think would have been the effect of that?—I hardly think it would be possible; but, if it did go to 6*d.*, it would not have made any difference, because the land revenue would rise at the very next settlement; the rise in the prices of food grains would be so considerable that, without any effort on their part, the Government would get a natural increase in their land revenue; they would get a natural increase in the income tax, and a natural increase in the proceeds of almost every tax in the country.

10,654. (*Sir F. Mouatt.*) You are assuming that the prices would immediately follow the fall of the rupee?—Yes.

10,655. It is on that assumption that your opinion is founded?—Either immediately or within a short time; and my experience during the last 26 years in Bengal has been that, as the rupee has gone down, prices have risen.

10,656. (*Chairman.*) Will you apply that now to the salt tax?—I do not remember the incidence of the salt tax.

10,657. The salt tax is now 2½ rupees per maund. That is a fixed sum?—The Government would be quite justified in increasing the tax in proportion to the fall of the rupee.

10,658. Then take the excise duties and apply the same argument—I mean the duties on spirits and liquor. I want to see where you think the Government income would rise?—In this way. On the

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liquor distilled in Bengal the Government imposes a duty of something like 2 rupees for each gallon distilled. When the rupee depreciated and food grains all rose in price, the Government would be justified in imposing 2 rupees 8 annas, or 2 rupees 12 annas, or 3 rupees

10,659. That is dealing with what the Government might do, but that is not what has actually occurred. I understand your point to be this, that automatically, by the reduction in the value of the rupee, the revenue has increased?—In most cases, excepting in those cases where the Government imposes an arbitrary sum, in which cases the Government has the power to increase that sum, and it would be justified in increasing that sum in correspondence with the fall of the rupee

10,660. Now, your next point, I think, is that the Government have improperly appreciated the currency?—That is my argument, and I find that that argument was taken up, as no doubt this Committee is aware, in 1879 in a letter to the India Office, by the Treasury. I have an extract from that here. This question was discussed in 1879, and the India Office received a letter from the Treasury from which I will read this extract: "In general, the object of such Governments"—this is in reference to those Governments which have depreciated the currency in order to reduce their liabilities—"has been to diminish the amount they have to pay to their creditors. In the present case the object of the Indian Government appears to be to increase the amount they have to receive from their tax-payers. My Lords fail to see any real difference in the character of the two transactions." That is in a letter dated 24th November 1879. The proposal of the Indian Government to raise the value of the current coin of India, and thus to obtain from the ratepayers a really larger revenue, without ostensibly increasing the tax, appears to me to be open to the same objections. The injustice and the hardship are none the less real and none the less oppressive by reason of the fact that, instead of raising the amount of taxes 30 or 40 per cent, the proposal is to raise the value of the rupee to the same extent, or keep the value of the rupee high to the same extent. Such a proposal does not disguise the real increase in taxation, and does not minimise either its pressure or its arbitrariness

10,661. Your first objection is that practically this means a general increase of taxation?—Yes, over and above the natural increase

10,662. Then, in the next place, you object to it with especial reference to the land revenue?—Yes, the Government of India is the receiver of land revenues in India. It receives fixed revenues from landlords in Bengal, and rents from actual cultivators in most other parts of India. I assume that, when the value of the rupee is artificially raised, or artificially kept up to that point to which it has already been raised, the Government will not be disposed to make a proportionate reduction in the amount of its rents and land revenues.

10,663. But what do you say about the fall that has already taken place in the value of the rupee since these rents were fixed?—Do you mean in Madras or Bombay?

10,664. Anywhere?—In consequence of the fall of the value of the rupee, the rents have already been increased, as I explained just now.

10,665. That would not apply in the first place to the permanent settlements?—No, I am speaking of other places. Settlements are continually going on

10,666. In individual cases?—In some parts settlements have taken place; in others, settlements are going to take place; so that, if there has been a rise in prices through the fall of the rupee, the Government has either got the advantage of it, or is going to get the advantage of it. But, by increasing the price of the rupee, you, not automatically but suddenly, raise the land revenues all over India. Take Bengal, for instance, where the revenues are

permanently settled, some zemindar has engaged to pay, say, 50,000 rupees as the revenue of his zemindary, and he has paid that sum since the permanent settlements—since 1793; now the rupee is raised from 1s. 2d to 1s. 4d; it may possibly go higher, but it has been raised from 1s. 2d. to 1s. 4d. Therefore, in place of the 50,000 rupees which he has been paying since the permanent settlement, by raising the rupee 2d. you impose a real addition to the amount of revenue paid by him

10,667. But you must go further back. When the Cornwallis settlement was made, the rupee was worth really more than 2s. The Government, of course, have lost by that?—In the permanent settlement tracts the Government have lost and the people have gained, and the agriculturalists have greatly benefited by that. The condition of the Bengal agriculturalist has greatly improved on account of the rise in prices, and the Government has derived advantage from the increased prosperity of the cultivators.

10,668. But do you not think the zemindars have increased their rent?—To some extent they have, but the great benefit is derived by the Government themselves, and not by the landlord. In other parts of India—leaving out those places where the revenue has been permanently settled—the land revenue has adjusted itself, or is going shortly to adjust itself, according to the rise of prices. Now, by suddenly increasing the value of the rupee, there is a further increase in land revenue. In Madras, for instance, the land revenue of a district may have been 3 lakhs of rupees, it will be 3 lakhs of rupees now, but of rupees of an enhanced value. Therefore, by this action of the Government, there is a sudden increased demand by the Government over and above the natural increase which it has received already. In order to explain this better, I have prepared this table of figures, which has been placed before every member of the Committee, which will show that in nearly every division in India there was a fall in the prices of food grains immediately after the closing of the mints, in the Punjab, in the North-West Provinces, in Bengal, in Bombay, in Madras, in Assam, and in the Central Provinces. I have compiled these figures from the book called "Prices and Wages in India," annually published by the Government of India; and I have given the reference to the pages from which I have compiled my figures. [For this Table, see Appendix.]

10,669. You say there has been a fall in prices since the closing of the mints?—Immediately after the closing of the mints.

10,670. (Mr O'Connor.) The prices of 1892 were extraordinary high. (Witness) I have taken 1893-94 together, and 1894-95 together, and I find that in every division almost there has been a fall in prices. I have taken division by division, in order to show that there is not only a fall in the different provinces, but that there is a fall in prices all over India in almost every division. I cannot myself explain that in any other way excepting by imputing it to the closing of the mints. I was in Bengal myself in 1892, 1891, and 1895 (I was absent in 1893), and the fall in prices in 1894-95 was certainly not owing to any abundant harvest, because there was scarcity in some parts of Bengal in those years, and there was scarcity in the North-West Provinces, so that naturally you would expect that prices would range high in 1894 and 1895. Instead of that, prices apparently fell in all parts of India. What I am driving at is this, that, although the prices fell, the cultivators had to pay the same amount in rupees. When they sold their wheat, say, at 13 seers for the rupee, they paid a certain rent; when prices fell to 15 or 16 or 17 seers the rupee, they got less by the sale of their wheat, but they had still to pay the same rent. In other words, it was an indirect increase in the rental all over.

10,671. (Chairman.) Supposing prices had risen?—The zemindars would have very soon got an increase.

10,672. But take the other parts of India, where there are no zemindars?—Then the Government would have got an increase in the next settlement. The cultivators would have got an advantage for some few years, and then the Government would have had its own share.

10,673. Sooner or later, you say, it would amount to raising the land revenue?—Yes, according to the rise in prices.

10,674. Then you say that there is another and a still graver objection to the proposal. Will you explain that?—The millions of agriculturalists and labourers in India are indebted to moneylenders and mahajans, and the debt is, in many cases, reckoned in rupees, and not in grain. To artificially enhance the value of the rupee, or to fix the value at the rate to which it has been already artificially raised, is to increase the indebtedness of the cultivators and labourers of India to moneylenders and mahajans. The measure serves to add to the profits of the prosperous classes who feed on the distresses of the poor, and to add to the weight of the millstone which the poor and indebted classes carry round their necks. Throughout the bazaars and money markets of India, the effect of raising the value of the rupee is to add to the profits of the rich moneylender, and to enhance the liabilities of the poor cultivator who has a debt. I may only add to this, that even this point was touched upon in that Treasury letter to which I referred just now. In paragraph 20 of that letter from the Treasury to the India Office, dated 24th November 1879, there is this passage:—"This relief"—that is the relief to those people who get their pay from the Government—"will be given at the expense of the Indian taxpayer, and with the effect of increasing every debt or fixed payment in India, including debts due by ryots to moneylenders." That is exactly the point I have tried to explain.

10,675. What was the state of things when that proposal was made? The then value of the rupee was 1s. 8d., and the Government proposed, did they not, that it should be at once raised to 2s.?—Yes.

10,676. Is it not against that proposal that the Treasury letter is directed?—I believe that is so, and I think what we are doing now is much the same thing.

10,677. That was a distinct proposal to raise the value of the rupee, which had been for a long time, and was then, about 1s. 8d., to 2s. At the present time the proposal is to prevent any further fall?—But it has been raised by the closing of the mints from 1s. 2d. to nearly 1s. 4d., and the proposal is to keep it at that.

10,678. Assuming it to be fixed at 1s. 4d., that would be raising it, that is what you mean?—Yes, then I was referring to paragraph 18 of the same letter, in which the Lords of the Treasury go on to say, "It alters every contract and every fixed payment in India." Virtually what it is proposed to do now would have very much the same effect. If the value of the rupee is kept at its enhanced rate by the action of the Government, it really adds to the indebtedness of the cultivator to the moneylender. The cultivator's income estimated in rupees has gone down; it went down during those two years, 1894-95, but then, of course, prices rose again during the famine years. I have not taken famine prices into consideration, but it stands to reason that, if the value of the rupee is artificially raised, the income of the cultivator, estimated in rupees, must fall, but his indebtedness to the moneylender, where it is reckoned in rupees, remains the same. Where he is indebted to the extent of 100 rupees to the moneylender, the moneylender will claim his 100 rupees, although the 100 rupees now represent a larger quantity of rice or wheat than before. Probably the whole produce of the field was 100 rupees before, now the produce of the field would not amount to 100 rupees, but the cultivator is still indebted, to the extent of 100 rupees; so that, reckoned by his income, (and the income of the

cultivator is in the produce of the soil) his indebtedness to the mahajan is increased all round.

10,679. You assume that prices fall as soon as the exchange value of the rupee is raised?—I assume that, because it must be so; and because our experience of those two years shows that it has been so in the past. In the years 1894-95, from the figures that I have given, it is clear that immediately after the closing of the mints the value of crops went down all over India; and it stands to reason that, if the value of the rupee is enhanced, the value of everything, estimated in rupees, must fall. When the rupee is artificially raised, the value of everything must fall. Therefore, by the sale of the produce of his field, whether it is rice or wheat, the cultivator will get, in the number of rupees, less than he got before.

10,680. What have you to say about silver hoarding?—Before leaving this, I would ask permission to say that I think it is sometimes stated that the indebtedness of the agriculturists to the moneylenders is in grain and not in money. I wish to explain, that it is so in some cases, but in many cases the indebtedness is in money. In many cases that I know of, in Bengal villages, the debt is estimated in rupees, and the debt is not contracted all of a sudden. Just after the harvest, probably, the cultivator pays off his debt, and then he goes on borrowing 5 rupees or 10 rupees from time to time. When he has to marry a son or daughter, or has some domestic expense of some kind, he goes to the moneylender and gets money advanced till the harvest time comes, and then much of the debt is cleared off. But what I want to point out is that much of his indebtedness is in rupees. There is a portion of it in grain, but much of the cultivator's indebtedness, in Bengal at any rate, is in rupees. Therefore, to that extent, his indebtedness is increased by your artificially adding to the value of the rupee.

10,681. You are assuming that the debt has all been contracted at one specific period and is all going to be paid off at another?—It is annually contracted or runs on.

10,682. But, for instance, during the last 12 months the rupee has been at 1s. 4d. In 1893 it was at 1s. 3d. nearly, and in 1894 it was 1s. 2½d. Then it went down to 1s. 1d.; then it began to rise, and now it is at 1s. 4d., you may say. But the people who contracted those debts contracted them when the rupee was worth 1s. 4d. or more, and that extends back?—But the debt is renewed from time to time.

10,683. It is renewed in rupees?—Yes, with the interest, and it is paid off also in the harvest time, if there is a bumper crop.

10,684. I want you to explain this. Supposing it is an annual loan, suppose a man raises money on his crops and pays his debt when the crops are sold, he pays and receives according to the then rate?—Yes.

10,685. The injustice would arise if the man borrowed when the rupee was worth 1s. and had to pay it off when the rupee was worth 1s. 4d., but that cannot occur in one year?—The practice is not uniform. Sometimes the loan is annual, sometimes it is for two or three years.

10,686. But so far, with the exception of three or four years between 1892 and the present time, the rate was always above 1s. 4d.?—Yes.

10,687. Every liability in India, prior to 1892, was raised on the basis of more than 1s. 4d.?—Yes.

10,688. Therefore—I am assuming this for the sake of argument—fixing the rupee at 1s. 4d. would not be an injury, on your hypothesis?—For those old debts, no.

10,689. Nor would it be for those debts contracted in the last two years when the rupee was at 1s. 4d.?—I did not know it was 1s. 4d. in the last two years.

10,690. It has been steadily rising. Your argument, whether sound or unsound, would only apply to debts contracted in the three years 1894, 1895, and 1896?—Yes.

10,691. And to settlements made in those three years?—Yes, and a great portion of the settlements

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and debts now current among the agricultural population of India are of those years. The civil law is that, unless a debt is revived within three years, it lapses, and most of the current agricultural debts in India are of the last three years, and those debts have been virtually increased by enhancing the value of the rupee.

10,692. Now will you come to the matter of trinkets?—All that the poor people in India can possibly save in years of good harvest is saved, not in savings banks, which do not exist in India for the poor, but in silver jewellery and trinkets for their women. Practically, all the spare wealth which the cultivating and labouring classes have in India is in this form, and, in years of scarcity and famine, all this silver, or a great part of it, is sold in the affected districts in order to procure food grains. The proposal of the Government of India is virtually one to confiscate about a third of the poor man's savings in India. The value of the rupee being artificially raised, the silver bangle or bracelet in which the cultivator has invested all his savings sells for less than what it cost, and thus, by one stroke of the pen, the Government of India reduces what is really the national wealth of the poor in India, in order to meet its own liabilities on somewhat easier terms. No proposal likely to affect in a similar manner the savings of the poor could be entertained for a moment in England; and it is possible to conceive that, if such a proposal was made in a poor continental country like Italy, the masses would rise in rebellion from one end of the Peninsula to the other. The Indian Government is stronger and more absolute than the Government of Italy, and the responsibility, therefore, of saving the interests of the poor, and of taking no action injuriously affecting the savings of the poor, is all the greater.

10,693. How if the savings were hoarded in rupees?—There is very little of that.

10,694. We will not go into the quantity of it, but what is the proportion?—Of course that would increase in value, but there is very little saving in rupees in Bengal. I have been in a great many districts in Bengal, and practically all the wealth of the cultivating classes is in the silver jewellery of the women. I have been in districts that were affected by scarcity and famine. I remember that, after the great storm wave and cyclone in 1876, I was sent to a place where the cultivators had practically lost all their paddy and rice. Previous to the calamity the people in this place had been very well off, and for nine or ten months they supported themselves by buying shiploads of rice, paying for it by the proceeds of the sale of the jewellery of their women. That was in 1877. The cyclone was in 1876, and this distress was in 1877. I happened to be sent to the island which was most seriously affected by this cyclone and storm wave. On the greater part of that island the crops were totally destroyed. If such a thing had happened in other parts of India it might have been followed by a famine, but here the cultivators were very well off, and their women had a quantity of jewellery, and, as a matter of fact, they brought out these silver ornaments in order to raise money to tide over their temporary difficulty. I did not see that they brought out hoarded rupees, in fact, the hoarding of rupees is rather the exception in Bengal.

10,695. In the case of ornaments bought previous to 1893, what would be the difference between the value at the time of purchase and the value now?—They paid one rupee for a tola of silver, which is the rupee weight. They take the silver things to the bazaar, and now they get 10 annas for the tola. That is where they find the difference.

10,696. The price is regulated by the market value of silver?—The value to the cultivator when he purchased his ornaments was about 14 to 16 annas per tola. Now, for the first time, a difference is made between the price of silver and the coined silver.

10,697. No, the difference that is made is, thus, that you cannot take silver and have it coined?—The

result is that there is a great difference between the price of silver and coined silver.

10,698. The bazaar price is what?—About 10 or 11 annas per tola. In the last 20 or 30 or 40 years, when the cultivator went into the bazaar to buy silver, he paid at the rate of 14 or 15 or 16 annas per tola. They have always made their purchases of jewellery for their women at this rate. Now, if they go to sell their silver ornaments, they get a third less. Therefore it is virtually a confiscation of a third of what they have paid for their jewellery, which, as I have explained, represents the savings of the people of India.

10,699. You say that "the proposals of the Government of India are calculated to add to its own liabilities." Will you explain that?—There I was referring to the rupee paper—the Government Securities, as we call them in India.

10,700. You contend that it will increase the charge for interest on those securities?—Yes, it virtually raises the value of the securities, because the rupee is raised.

10,701. You say, "the debt of the Government of India is partly in rupees, and, by adding to the value of the rupee, you add to the debt."—Yes. The indebtedness is mainly to moneyed classes in England, and the net result of the proposals, therefore, will be to add to the indebtedness of the people in India to the money-lenders of England. Where the Government borrowed a thousand rupees of small value, the Government now virtually tears up the old bond and executes a new one for a thousand rupees of enhanced value.

10,702. That again will only apply to the borrowing that has taken place in those three years, and the bulk of the rupee debt was contracted before. Therefore the Government gains now?—Yes, my remark applies to what took place in the last three years.

10,703. You say, "the proposals of the Indian Government mean a general increase in the pay and perquisites of all officials who are paid in rupees." Will you explain that: do you draw there any distinction between the incomes that have to be remitted out of India, and the incomes that are spent in India? I will tell you why I want to ask this question. The evidence that has been given here is that inside India a rupee goes now as far as it used to go, practically; that there has been no appreciable difference made in the internal value of the rupee?—It goes further, I should say, from the prices which I have quoted here.

10,704. We have had evidence to the effect that, for all practical purposes, that is so; that is, if I have an income of 1,000 rupees a month and I have to spend that in India, that 1,000 rupees will go just about as far as it would have done 10 years ago?—Well, there has been a fall in the price of food grains, and that means an increase of pay to those who get the same number of rupees as before.

10,705. Suppose I have in India an income of 1,000 rupees per month or 12,000 rupees a year, and if I am obliged to remit 600l. a year to England for the maintenance of my family, then at a shilling rate I should not have much left?—I was referring only to what is spent in India. I say the proposals of the Government of India mean a general increase in the pay and perquisites of all officials who are paid in rupees. There, of course, I refer to all officials, including those who are natives of India, and who spend their pay in India. I say the poorer and indebted classes, who deserve relief at the hands of the Government, are crushed by an addition to their taxes, by an addition to their indebtedness, and by a reduction of their savings, while to the fortunate classes who are in the Government service, or who draw their pensions in rupees, the Government makes a real donation in the shape of an unearned increase to their pay and perquisites.

10,706. The gist then of this is that you regard raising the value of the rupee as adding to the national debt of the people of India and to the high price

which their foreign administration costs?—Their administration generally, because I am referring to the native employees also.

10,707. Then will you tell us how you think these proposals have an effect on the manufacturers of India?—On that point I should premise that my information is second-hand, because I am not personally engaged in manufacture or trade; but I have consulted men engaged in trade, and they tell me that the raising of the value of the rupee artificially dislocates trade, and has injured manufacture. I have heard from merchants engaged in Bombay in the cotton industry, that the cotton industry is in a miserable state just now, especially in competition with the produce from China and Japan, and they impute that, directly or indirectly, to the closing of the mints. It is well known that many of the manufactures of India have been all but ruined—within the memory of living men—by an unequal competition with the steam and machinery of Europe. I have myself, within the period of my service, visited villages of weavers almost deserted, and relapsing into jungle, manufactories of various Indian dyes, which have been closed and abandoned, and industries in metal and in leather, which are declining. It is useless to complain of this, it is useless to expect, in these days of free trade, that any sort of protection would be extended to the dying industries of India by the British Government. But it is not unreasonable to expect that the Government will refrain from taking any direct action calculated to further repress the declining Indian industries. If India had representative institutions, the representatives of the cultivators and manufacturers and exporters would have unanimously raised their voice against artificially raising the value of the rupee. In the absence of such representative institutions, the Government of India represents the interests of the people, and a moral obligation rests on the Government not to sacrifice the interests of the people to the demands of special classes, however strong and however influential. British trade is prospering with other Asiatic countries having silver currencies; why should British traders demand, in the case of India, a fixed ratio between gold and silver, which they cannot demand from other Asiatic countries? The people of India do not ask for it; the people of India will not profit by it; the people of India are likely to lose in a variety of ways, as indicated above, by the artificial raising of the value of the rupee. And the Government of India, naturally representing the people, and standing forward as the protectors of their welfare, should reject a scheme which the people do not want, and cannot profit by. What I ask is that no further impediment should be placed in the way of manufactures by the closing of the mints, and by the direct or indirect consequences arising from that. It is my opinion, derived from merchants, both in Calcutta and in Bombay, that the closing of the mints has very seriously affected the cotton industry of Bombay, the sugar industry in Bengal and in Northern India, and several other industries in India, and especially industries which are affected by the products of those countries which have silver currencies, like China.

10,708. You think it has affected the competition with China?—Yes.

10,709. Do you regard it as giving a bonus to China as against India?—That is the opinion of the merchants I have consulted.

10,710. You say, "The proposal of the Government of India is not the natural or the proper remedy for that increasing drain which is annually flowing from India to England, in the shape of pay, and pensions, and allowances"?—The allowances are paid in England in gold, and, instead of reducing its gold obligations, which is the natural and the proper remedy, the Government seeks to adopt the unnatural and desperate and dangerous remedy of converting all its revenues in India into gold. Let us suppose the case of an Indian landlord, who gets his rents from his estate in rupees and has to

pay an agent in London in gold. What would courts of justice and equity think if the landlord preferred suits to realise his Indian rents in gold, on the ground that he has to pay one London agent in gold? His prudent and proper course would be to minimise his London expense, and, similarly, the natural and proper remedy for the difficulties of the Government of India would be to carry on the administration of India, as far as it is consistent with efficiency, through the instrumentality of the children of the soil, whose pay and pensions have not to be defrayed in gold. I say that an endeavour ought to be made, as far as is compatible with efficient administration, to reduce its expenditure; to have as much work done in India by the natives as possible, and, I think, with the spread of education in India, it is possible now to utilise the people of India to a larger extent than is done now under the existing rules. Under the existing rules, the higher services in all departments are recruited from England, and, therefore, from among Englishmen, not only the Indian Civil Service, which includes the Executive and Judicial services, but also the Engineering Department, the Post Office Department, the Opium Department, the Forest Department, the Medical Department, and the Education Department. In all those departments—I do not know why, but it is a fact—the higher posts are almost invariably filled by Englishmen. The result, of course, is that there is a greater drain from India to this country. When these people retire from the various services, their pensions have to be paid by India, and remitted to this country. My idea is, even from this financial point of view, it is now desirable that, education having spread in India, a greater proportion of the higher posts in the service should be allotted to the people of India.

10,711. At reduced payments?—Reduced gold payments—at reduced payments in the first instance, and also reduced gold payments.

10,712. You think, generally, that there might be a great reduction of expenditure?—Yes.

10,713. Both military and civil?—Yes.

10,714. Then you say, "the proposal of the Indian Government withdraws the natural check which now exists against extravagant expenditure and unlimited borrowing in England." I do not quite follow that. First of all, you can borrow in England at a very low rate of interest?—Yes.

10,715. Is it an advantage to India to have English money spent in productive works in India?—If the Government have to borrow, it is certainly an advantage to be able to borrow at low rates; but, I say, an earnest attempt ought to be made to reduce our public debt, as has been done in England during the last 50 years.

10,716. What is the public debt of India?—The debt has gone up by 63,598,000*l.* sterling in the last 20 years.

10,717. Would you define what you mean by "the debt" of India?—I am speaking of the total debt, including railways. I will distinguish that afterwards.

10,718. But that is all important. Of course, where we have made such very large and successful efforts in this country to reduce our debt, the debt is represented, so to speak, by nothing—there is no property against that debt; it was a debt incurred for public purposes at the time, and there was no reproductive return upon it. Therefore, it is a burden upon the taxpayers of the country, and we have a sinking fund; and when we reduce the debt, as you very properly say, that is an advantage to the country. But let me put this extreme case: Suppose this country had to take over the whole railway system of Great Britain, and had to pay 1,000,000,000*l.*—which, I suppose, is a very moderate estimate—would you say that the debt of this country was increased by 1,000,000,000*l.*?—I will take the two things separately, as you desire.

10,719. If you please. I wanted to be quite clear, because my impression is that for the year 1898–99, the year we are now in, the charge for the debt

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proper of India is a lower figure than it has ever been since the Mutiny. I have the figures here from the parliamentary return, 15 years ago, the charge, in 1884-85, was Rs. 3,907,848. This year the interest on debt is Rs. 2,448,000?—I take the figures for the last 20 years, according to Sir Henry Waterfield's evidence before this Committee. He says, "the total increase of debt in this country within this period is 63,598,000." Against that he shows a total capital outlay on public works of 61,035,000L. sterling. If you take that completely away from both sides, the debt within the last 20 years, which have been years of continuous peace inside India, has not been reduced at all, according to Sir Henry Waterfield's evidence. He says, what we have spent on productive works—in which he includes, I suppose, railways, canals, and irrigation works—is more than covered by the debt that we have incurred in this country. We have spent on public works about 61 millions, we have borrowed 63½ millions. So that, if we deduct all that has been spent upon public works, and so forth, and on the other hand all that we have borrowed in England, our net indebtedness, instead of being reduced, as has been done in this country, has increased in India by 2½ millions in these 20 years.

10,720 But the fall of the rupee alone involved the Indian Government in borrowing 6,000,000L. sterling?—But the fall of the rupee has directly increased the revenues of the Indian Government.

10,721. Dividing the debt into the debt in India and the debt in England, the excess of assets in India (such as railways, irrigation works, loans to corporations, &c.) over the debt in India is Rs. 29,489,000. As against this, there is a balance of liabilities over assets, so far as the debt in England is concerned, of 55,675,000L. So that, when the Secretary of State put his Budget before the House of Commons last session, the real debt of India, which represents the Mutiny and all the military operations that have taken place in India, is the difference between the liabilities of 55,675,000L in England, and the assets of Rs. 29,489,000 in India. You can hardly find a parallel to that state of things. All I want is, that you gentlemen, who influence public opinion—quite legitimately—amongst your own people, should not think that your country is as poor as it is sometimes supposed to be?—I should like to learn that from you.

10,722. The interest upon the debt of India is this year only 2½ crores?—Will you allow me to take these two things separately. I will leave out of consideration railways now, and I will say that, taking Sir Henry Waterfield's figures, there has not been any reduction in the public debt of India in the last 20 years. Those 20 years have been years of uninterrupted peace, during which there has been a great deal of reduction of the public debt of England, and, I say, there ought to have been a very considerable reduction in the public debt of India.

10,723. Do you say there has been a period of uninterrupted peace for the last 20 years?—Yes.

10,724. What do you say to the Afghan war?—That only cost 3,000,000L. You mean the war last year?

10,725. No, I mean the Afghan war?—That is 20 years ago.

10,726. Since 1880 the English Exchequer has voted 5,000,000L. towards the cost of that war?—I know. It was a war outside India.

10,727. At any rate, you cannot call it a period of uninterrupted peace?—Leaving out the expense of the Afghan war, which was a war outside India, we have made no reduction in the public debt of India, and we ought to have made a reduction. An endeavour ought to have been made during those years of peace to bring down our public debt, so that we might borrow again when it was necessary to do so. And I further say that the people of India—say one financial representative from each of the five great Provinces—ought to be consulted by the Government, they should form a committee, and some

place should be found for them in the Viceroy's Executive Council, in order to advise the Viceroy and the Finance Minister in preparing every year's Budget. A systematic endeavour should be made to reduce the net public debt in every year of peace. That is my first contention. My next point is with reference to railways.

10,728. You say: "Every fresh loan contracted in England by the Indian Government is hailed in this country as a further opening for profitable investment; every fresh order for tools and machinery and rails pleases great English manufacturers; every new line opened in India is a new opportunity for English capitalists and manufacturers." Do you not think all those things a great advantage to India?—The first lines of railway were a great advantage to India, and they would have been cheap if we had had to pay twice the amount that we have paid for them; but the new lines which are being added now, from year to year, are not so much for the benefit of the country. I remember the condition of India 20 years ago. At that time all the main lines had been opened. The new lines that have been opened since have not added much to the development of trade; they have been constructed, rather, with regard to local interests. Take one of these newly opened lines in Bengal, which connects North Behar with Assam. The great mass of the cultivators and traders of Bengal did not ask for that line, and have not, as far as my information goes, benefited by that line.

10,729. Who have found the money for that line?—I do not know.

10,730. Do you refer to the Assam-Bengal Railway?—Yes. Nobody travels that way—that is, in the natural course of trade; the trade is all between Calcutta and the northern part of Bengal. The line may be for the interest of some particular class, but we do not know why the line was laid down. We are never consulted in these things.

10,731. But is not that a matter for the people who find the money? In this country there have been railways made from nowhere to nowhere, but, after all, the loss, if there is a loss, is the loss of the people who put their money into the line?—Exactly; but in the case of India, it is the people of India who put their money into the line.

10,732. No?—We are held liable for the guaranteed profit, which comes to the same thing.

10,733. (Sir J. Muir.) Is there a guarantee in the case of the Bengal and Assam line?—I believe so.

(Sir C. Crosthwaite.) There is a guarantee, I think, in the case of the Assam-Bengal Railway.

10,734. (Chairman.) But the capital was all found in this country?—The capital was found, but, so far as the Government gives a guarantee, we, the people of India, are responsible for finding the guaranteed profits from our taxes.

10,735. The guarantee comes in if the traffic is not sufficient to pay?—Yes. A second instance, I would say, is the line from Assam to Chittagong. That goes over a very wild and hilly country, and I doubt if it will ever pay. It certainly has not developed, and will not develop, the trade of that part of the country, because there is hardly any produce at all in that part of the country.

10,736. Mr. Campbell.) Has that a guarantee?—I have no information, but I believe it has.

(Sir C. Crosthwaite.) It is part of the Assam-Bengal line.

10,737. (Chairman.) Let us assume, for the sake of your argument, that the Indian Government have not always sanctioned the best railways, as the English Parliament has not always sanctioned the best railways. We are now dealing with the development of railways throughout India by English capital. Is not that to the advantage of the people of India?—Certainly; but I say that what we are doing lately is different from the main lines that had been constructed before. By 1878 the whole of the trade of India had found proper

and legitimate outlets, and the money which has been spent since has not to the same extent developed trade

10,738 Then how do you explain the increase in traffic, the tonnage and the passenger revenue?—That is mostly along the main routes constructed before

10,739. The traffic must be taken as a whole. Taken as a whole, the system of Indian railways, including the railways which are not productive, shows a net return on the capital cost of about five per cent.—But I find by the last Railway Administration Report, which I have no doubt the Committee have seen, that the total loss to the State up to that date was 57 crores of rupees, out of which about one-half, 28½ crores, had been lost in the last 20 years. I do not condemn railways; we wanted railways to develop India, and we must pay for them, even if it is a losing concern; but what I object to is the unlimited extension of railways at an increasing charge to the taxpayer, after all the main lines have been opened out

10,740. What do you mean by unlimited extension?—I mean what is going on now.

10,741. But there is no unlimited extension. Government sanction has to be obtained?—No doubt there is the engineer's report and the Government inspector's report, and all the rest of it, but what I object to is that the people themselves are not consulted.

10,742. I do not want you to think that these railways in India are sanctioned without considerable caution—indeed, I think a great excess of caution. I believe that the interests of India would be much better met if the Government gave a freer hand in the construction of public works; and, if English capital goes out there at a low rate of interest, I do not think India has any ground of complaint?—But all this is adding to our indebtedness, and it is a losing concern, according to your own showing—according to the last report published for the year 1897-98. We have lost 57 crores of rupees, and, of that, 28½ crores have been lost within the last 20 years. We should not abandon the railway system altogether, but we should be cautious, and I think the representatives of the people should be consulted before any new lines are sanctioned. There is a railway now under consideration from Mandalay up towards China. Well, it will probably be years and years before that will pay, and at the same time we have either to pay for the construction of it, or to guarantee some profit to the capitalists out of our taxes. These are matters in which, I say, we ought to be consulted. The whole thing is being overdone—to the advantage of the capitalists and manufacturers of this country, and to the loss and disadvantage of the people of India, who are not consulted. That is my contention.

10,743. Now is there any other point that you want to bring forward? You say, "the only check which now exists is that the interest of the capital " so borrowed has to be paid in gold." In some cases it is the fact, is it not, that the interest on the capital is paid in rupees?—Yes, if you wish to borrow; but the point I wish to make is this: that an attempt ought to be made to reduce our expenditure

10,744. That is really not before this Committee. We have to consider the question here, whether it is desirable to introduce a gold standard and gold currency into India, and whether it is desirable to have a stable rate of exchange?—What I have said would come directly under that, because the necessity for adopting a gold standard, or for giving a gold value to the rupee, would disappear to a great extent, if the expenditure were so reduced as to make our income meet our expenditure. The loss of which the Indian Government complains would not exist if more economy were practised, and the expenditure of India were reduced.

10,745. Have you considered that, if no step was taken, and the rupee went to its bullion value, and assuming that silver went no lower, you would require

at the present rate of expenditure in India something like an increased income of 12 crores?—I have heard that stated. I find, in the first place, that a great portion of that 12 crores could be knocked off by a little economy.

10,746. You think that, by economical arrangement, the 12 crores could be saved?—A considerable portion of it; and the remaining portion could be met by the natural increase of revenue which the very fall of the rupee would give rise to, as I have explained.

10,747. Then, taking your opinion as a whole, you would face that emergency and let the rupee go to bullion price?—Yes. I would have no hesitation whatever about that, because I am convinced that the revenues estimated in rupees would rise, as they have risen in the past, with the fall of the rupee; and, secondly, that a good deal of saving could be effected if we practised economy in India.

10,748. For all those reasons that you have very clearly put before us, you are opposed to the proposals of the Government of India?—I am strongly opposed to them.

10,749. Do you upon this question represent the views of the Indian National Congress?—No, I do not belong either to the Indian National Congress or to its British Committee.

10,750. But you do represent a mass of native opinion that you feel justified in bringing before us?—Yes.

10,751. (Sir F. Mowatt.) You have impressed upon the Committee the great importance of reducing the debt of India. In connection with that, I think you said that the whole system of railways taken together is a losing concern?—According to the figures that I have quoted.

10,752. You contended that that were to a considerable extent owing to the fall of exchange?—So I am informed.

10,753. If, therefore, the exchange was to fall further from 1s. 4d to 10d it would become a much more losing business?—I think so, unless there is a development in trade

10,754. And it would be necessary to charge upon the Indian taxpayer a great deal more in order to meet that?—I would not charge the Indian taxpayer more; I would raise the railway fares, in proportion to the fall of the rupee; that is the natural remedy for it.

10,755. You think that the immediate raising of the fares would increase the receipts from the railways?—I think so, if it is in correspondence with the fall of the rupee.

10,756. Are you aware that attempts have been made, so I am informed, to raise the rates of traffic?—I have not heard of it. I am not aware of any such efforts having been made either in Bengal or in Northern India.

10,757. And that would, of course, not affect those lines on which you say from the very essence of the line there is no real traffic?—No, that would not be affected.

10,758. The larger part of the railways made in the last 20 years come under that definition?—That is my impression.

10,759. As regards the whole of them, the increase in fares which you suggest would not help?—It would, because most of our income comes from the older lines.

10,760. But take the expenditure on these lines which do not pay, and never can pay. The increase of fares there would not help you?—Not in regard to these lines.

10,761. Then you have said that the proposals of the Indian Government, including the closing of the mints and the gold standard, practically amount to an increase of taxation?—Yes.

10,762. That increase of taxation is required to enable the Government to meet its external debt. That is the contention, I suppose?—Yes

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10,763. If those alterations are not carried out, and if the rupee falls down to 10d or 11d., you would admit that the need would be all the greater for the Government of India to find a surplus income to meet its external debt?—Yes, it will have to economise

10,764. Whatever the ultimate effect of the rebound in trade from the fall of exchange might be, the immediate effect would be that the Government would not be able to meet its external debt, at all events for some years?—For a few years.

10,765. And to meet that, I understand you to say, it should be prepared to borrow?—Yes, for those few years

10,766. That borrowing, as far as it goes, would increase the debt of course?—Temporarily.

10,767. And your case is that you look forward to some eventual development of trade which will enable the country to supply the Government with a sufficiency of revenue?—The development of trade and the development of revenue from all departments which will result from the fall of the rupee, as I have explained, also reduction of expenditure.

10,768. As regards reduction of expenditure, you are aware that the officers of the Government who have been before us, have not seen their way to any large reduction of expenditure?—I have read portions only of their evidence.

10,769. In talking of a possible reduction of expenditure, you merely suggest that on general principles it is advisable to reduce it, if possible. With the exception of the employment of the Indian officials at a cheaper rate, you have not suggested any way of effecting that reduction?—I have suggested another thing, namely, that the Viceroy's Council ought to consult representatives from each province formed into a committee in framing the annual budget, and I have no doubt the representatives of the people would be able to suggest things to the Finance Minister which would be valuable—not that we are better informed than the Finance Minister—but things do strike us from our point of view which do not strike the Finance Minister. In that way a good deal of reduction might be effected without making administration less efficient.

10,770. I understand you to mean there is not sufficient communication between the governors of provinces and those who advise his Excellency, to enable him to know what are the views of the people?—There is not sufficient communication between the people and his Excellency's financial advisers.

10,771. (Sir J. Muir.) The evidence that you have just given has struck me as very important. Could we obtain evidence from others of the natives of India? We have had difficulty in getting at information from the natives of India. It appears to me most desirable that we should have that evidence. Can you suggest any way whereby we could get evidence from intelligent natives of India, men whose evidence would be of value to us and who stand well in their respective communities?—There are very few here, because most of the natives of India in this country are young students, and they have not thought over these matters; but I have no doubt that, if this Committee decided to have the evidence of responsible experienced Indians, they could get them here in the course of two months. There would be a great many people willing to come here, if this Committee desire to get their evidence.

10,772. For example, could we get evidence of men of something like similar experience to your own?—I do not know of any other retired Indian official in this country.

10,773. But I mean, are there others in India whom we can bring over here?—Oh! yes; I think we could get a good many, if you expressed a desire to hear them. I have no doubt the Government of India would be able to send a good many men experienced in administration who would represent also the educated opinion of India.

10,774. Is it the case that there is a feeling prevailing to some extent in India that we are not having sufficient evidence from India itself?—I believe there is such a feeling, so far as I can judge from Indian papers

10,775. And, in your opinion, it would be desirable that we should take steps to remove that feeling?—It would be very desirable, and also to look at things from our point of view; because the difficulty in deciding Indian questions is not that you have not able men here, but you never see two sides of the question; you always see the official side of the question, and never the other. Therefore, I believe the Indian Government occasionally makes blunders which have a very bad effect in India.

10,776. Is it the feeling in certain quarters in India that too many officials of the Government of India have been asked to give evidence, and too few natives of India?—There is such a feeling; in fact, the feeling is that nearly all the evidence before this Committee, outside that of European merchants, is the evidence of Government officials who have expressed their support of the Government views.

10,777. And is it the feeling that that is injurious to the Government of India's being held in proper respect by the natives of India?—It is injurious to the interests of the people of India, because the people of India think that they have their own interests, which they can represent, and are willing to represent, and which are not represented before this Committee.

10,778. How should we set about getting this evidence from really good representative men in India—natives of India, but really representative men? Intelligent information is what we want?—There are many distinguished and well known men, and the Government of India, if asked, could certainly select some of them, who have had experience in administration, and who at the same time represent the people of India.

10,779. Could you mention any names?—Yes, I could mention them to-morrow if necessary, or I could do so to-day, if you like, mention some names.

10,780. Perhaps you might suggest some names now, and you could supplement your list afterwards?—There is Mr. Rajon Nath Roy; he is a man who has more experience of financial matters than I have, and he is also a thoughtful and well-informed man.

10,781. And in your opinion, would his evidence be valuable to the Committee?—It would.

10,782. Is he a Hindu?—He is a Hindu.

10,783. And would be willing to come here?—Yes. He is a Brahmo gentleman, and he would be willing to come.

10,784. Can you mention any other name?—Mr. Siraj-ul Islam was a member of the Bengal Council at the time I was a member. He is a representative Mohammedan gentleman, highly respected, and very intelligent.

10,785. He would be willing to come?—Yes; he is a Mohammedan gentleman; he can have no objection. Then I would suggest Mr. B. L. Gupta, who was lately acting as High Court Judge, and who would also represent the opinions and feelings of his educated countrymen.

10,786. How long has he held that position?—He and I entered the civil service in the same year. He was acting as High Court Judge for a few months, and he is now, I think, the Legal Remembrancer of Bengal.

10,787. I regard this as very important, because, as I have said, we have had some difficulty in getting the names of men who would come before us, and whose views would carry weight in India. Then are there any others?—I am trying to think of men who have served under the Government, because they have the advantage of some official experience, which goes a long way in the consideration of these questions.

10,788. (Sir F. Mowatt.) Do you say you would prefer men who have had experience under Government?—Other things being equal.

10,789. (Sir J. Muir.) Are there any other names you can mention?—There is Mr. Sita Nath Roy,

the President of the National Chamber of Commerce in Bengal. He has great experience and can give valuable evidence with regard to trade questions from the Indian point of view. Then there is Mr. A. M. Bose, who was in this country last year. He has shares in some tea gardens, and also he is a barrister and a representative man; he could give valuable evidence.

10,790. Are there any native planters of indigo that we could have?—I cannot think of the name of any just now, but Mr. A. M. Bose would give you a great deal of information about tea; he has shares in some tea plantations, and has a great deal of experience in that business.

10,791. You said that the action of the Government of India in raising the rupee practically from 1s 2d. to 1s 4d. was very heavily against the cotton industry in Bombay and against the sugar cultivation?—That is my information.

10,792. Is it the case that sugar cultivation is rapidly declining all over India?—So I have heard. In Northern India and in Bengal it has declined very much.

10,793. And the advance of 2d. in the rupee is blamed to a certain extent for that decrease?—To some extent, yes.

10,794. How does this advance from 1s 2d. to 1s 4d. affect the cotton mills in Bombay?—I could not explain how it does, because my information, as I said before, is from the merchants. They say that the way the industry is affected is by giving a sort of bonus to the silver countries; that China and other silver countries have an exceptional advantage as compared with India since the closing of the mints in India.

10,795. That affects China specially?—China and other silver countries.

10,796. Of course, China comes into direct competition with the Bombay mills?—Yes.

10,797. Then is it your opinion that money has been expended in the making of railways not specially for the benefit of the people of India, but for Government purposes?—Or in the interests of special sections—not for the interests of the people generally.

10,798. (Sir F. Mowatt.) By "special sections" do you mean special districts or special classes of people?—Special districts, or it may be special classes, but not for the people generally.

10,799. (Sir J. Muir.) I happen to know something of the Assam-Bengal Railway to which you have referred. What is the feeling in India among Indian natives regarding that railway?—The feeling in Bengal is that it was not needed in the interests of the people generally. It was not needed in the interests of trade generally, because all the trade comes down towards Calcutta, and the native manufacturers and producers did not want it and did not ask for it. Of course, every railway is an advantage to some extent; but whether the advantage of this line to the community generally was sufficient to justify the expenditure is a question on which the people have grave doubts.

10,800. Is it the fact that a large portion of that line goes through dense jungle?—I believe that is the fact, through the Doora.

10,801. So that, if it is said to be made for the benefit of the tea industry, you would consider that incorrect?—I do not know all the facts about it. The impression in Bengal is, that it was not for the advantage of the general trade of the province.

10,802. You spent a good deal of your time in Bengal, did you not?—Nearly all my time.

10,803. Are you aware that there is a magnificent service of steamers by the Brahmaputra route up to the far east of Assam?—Yes.

10,804. So that, so far as the Assam planters were concerned, the railway was not needed?—I believe it was not needed for them, unless they wanted to make carriage of coolies cheaper. From Behar the coolies now have to be taken to Calcutta, and then take the steamer, whereas this line would take them direct to the north of Assam.

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10,805. Is railway carriage cheaper than river carriage?—But the river transport costs a lot of money. Suppose a planter is taking up to his garden two or three hundred coolies, it is not only the steamship fares that he pays, but he has to feed and shelter the coolies. He takes them to Calcutta where they stay a day or two, then to Goalundo where there is, perhaps, another halt, and then on board the steamer. It is possible that all that may be saved by this new line, but, as I said before, I cannot speak of that from my own information.

10,806. Then, a question was put to you as to the possibility of the rupee falling to 6d.?—I do not believe that is possible, myself.

10,807. You would be inclined to think that a *reductio ad absurdum*?—Yes.

10,808. (Chairman.) Why?—I do not think the rupee could be produced for 6d.

10,809. Where do you think the line is drawn? It is now produced to pay at a little over 9d.?—That is about as low as it can possibly go.

10,810. Why?—Because, as I have said, I do not think it can be produced at less, to pay.

10,811. (Sir C. Crothwaite.) Have you any knowledge of silver mining?—No.

10,812. (Sir J. Muir.) Can it be produced to sell at 9d.?—I have been told so, but my information on that point is not worth very much; it is only second-hand information.

10,813. Is it not the case that a very large number of silver mines in America and Mexico would have to be closed down, if it came to anything like that?—That is what I have heard.

10,814. So that the rate would immediately start up from 9d.?—That is what I have heard said.

10,815. Suppose the mints were opened now, what effect would that have on the price of silver?—The value of things would go down a little immediately, corresponding to that difference of 2d.

10,816. The rupee, you mean, would go down?—Yes.

10,817. But what would be the effect on the price of silver in the London market?—That I cannot say. I would not take it upon myself to say that, because I cannot claim to be an expert. In connection with this I may mention one thing, that this distinction between the market value of silver and the value of the rupee is also liable to give rise to a great deal of false coinage in India. When I was in Orissa, only three years ago, there were forged coins brought from different native states. It was only detected because the silver was debased. But, when you make a difference of something like 5d. between the coined and uncoined silver of the same weight, the chances are that a great deal more of this false coinage will take place, and it will be impossible to detect it, because it will pay to make it of good metal. One-third of India consists of native states, and we have no sufficient control over the doings of the people in those native states.

10,818. Then, did we understand you to say that, in your opinion, the action of the Government of India means practically the confiscation of one third part of the savings of the poor of India?—About one third, because, as I said before, the tola of silver as jewellery used to sell at about 14 annas to 16 annas, and now it does not fetch more than 10 or 11 annas per tola.

10,819. Then, in your opinion, when the people of India, especially the poorer classes, come to realise that fact, what effect will it have upon them?—There will be very great dissatisfaction in the country, and they will know, and they will think, and they will be told, that the Government has done some sort of *jadoo* or magic with the currency, so as to depreciate the value of their silver ornaments and to depreciate the value of their field crops.

10,820. In your opinion, do you think the Government of India, by in an arbitrary manner forcing up the rate to 1s 4d., are playing into the hands of those men who are desirous of spreading disaffection throughout India?—Yes; if there be such men, and I

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have no doubt there are, they will be going up and down the country saying, "This Government has taken away one-third of the value of your silver."

10,821. I should like to get the evidence of some independent Parsees. You are aware that in Bombay the Parsees are amongst the most intelligent of the people. Do you know any intelligent Parsee whom we could get here to give evidence?—I do not know of any here, but Mr. R. D. Mehta of Calcutta is a representative Parsee. Then there is also Mr. Perojsha Mehta of Bombay.

10,822. I should like, if it could be managed, to get a mill-owner of Bombay?—I will send names to the secretary.

10,823. Give us the names of two or three good mill-owners, men of means, who have made a position for themselves in Bombay?—Very well.

10,824. (Sir A Dent) I merely want to ask you about the ornaments. When a native has to buy ornaments, are they paid for in rupees or in uncoined silver?—Generally in rupees.

10,825. What does it cost on the average to have the rupees converted into ornaments?—The ornament weighing a rupee costs a little over a rupee. A man pays rupees to the goldsmith; the goldsmith gets the bullion, and makes it into an ornament and gives it to the man; the man examines it and sees that it is good silver, pays the goldsmith's wages, and there the transaction ends.

10,826. So that, if he bought his bullion at 10 rupees, when it is converted into ornaments, it costs him 20 rupees?—Oh, no, the goldsmith's charge for making is very small, it is about one anna in the tola. If the silver is worth 10 rupees, the made ornament would cost less than 11 rupees.

10,827. If he has had his ornament made out of bullion silver, he has lost nothing at all, because, when he sells his ornament, he gets back just the same amount of silver as he did before?—He did before the closing of the mints.

10,828. Therefore he is not damaged?—He is damaged in this way. Before the closing of the mints, the ornament cost him 16 annas per tola of silver. Now, if he goes to the bazaar and sells it, he only gets 10 annas per tola of silver.

10,829. I quite understand your argument if he melted his rupees, but I do not see how the exchange comes in, if he takes silver bullion to be made into ornaments?—I think I can explain it in this way: When he made an ornament he bought a rupee's weight of silver for the rupee. It does not matter where he bought it from, but he paid the goldsmith one rupee for one rupee's weight of silver, and the ornament, weighing 10 tolas, cost him 10 rupees, plus the making of the ornament. Now he takes the same ornament into the bazaar, and, whether he sells it as ornament or as silver, he gets only a little over half that money, on account of the difference between the value of coined silver and uncoined silver, due to the closing of the mints.

10,830. I do not admit that the coined silver comes into the question at all; he has lost merely the difference in the price of silver. I do not see where the exchange comes in?—The exchange comes in in this way: If there had not been a difference between coined silver and uncoined silver, the rupee would have gone down with the silver, and gone up with the silver; there would have been a complete correspondence between the value of the rupee, and the value of the uncoined silver. Now you disturb that correspondence. Formerly, a man paid his rupee, and got the rupee's weight in ornaments, whether the rupee was up or down. Now, for the first time, you have made a difference between the value of coined silver and the value of uncoined silver, and therefore, when he takes this thing to the bazaar; he does not get the same amount in coined silver; that is to say, in rupees. That is where the difference comes in, and that means a confiscation of the savings of the nation to the extent of a third of their value.

10,831. (Mr. Campbell) You are in favour of the re-opening of the mints?—I am in favour of the re-opening of the mints.

10,832. Do you object to the gold standard altogether?—I object to the gold standard as applied to India.

10,833. Do you object to the gold standard altogether, or is it merely that you object to the rate at which the ratio between gold and silver is fixed?—I absolutely object to the gold standard for India.

10,834. Do you think that a gold standard or a gold currency would be unsuited to India?—I believe it would be unsuited to India.

10,835. Would it have no advantages in the way of creating a stable exchange?—I do not know if it will be of any advantage to the trading classes, but, from what I have heard from the manufacturing classes in India, they do not want it, and the great population of India, the great producing and cultivating population (and about four-fifths of the population of India directly, or indirectly, are agricultural) do not want it, and a gold standard would injure them, and not benefit them.

10,836. You are aware that it is not so very long ago since India had a gold currency?—I do not know when it was. Under the Mahomedan emperors the mohur was coined, but the usual currency was always silver.

10,837. Gold was legal tender up to 1853?—And silver also.

10,838. It was chiefly confined, I think, to Southern India, but there was a very large gold circulation in Southern India at the beginning of the century, and the general impression was that it was rather a favourite currency?—Was the silver valued according to its gold value, or as silver?

10,839. There was a rate of exchange between the two?—A fixed rate of exchange between the two?

10,840. Yes?—Well, I am not aware of the history of that, but silver was always the usual currency.

10,841. Now as regards the silver ornaments, does much realising of these silver ornaments go on?—A great deal. In every year of scarcity there is a good deal of sale of these silver ornaments, and in the years of bumper crops and good harvests there is a good deal of making of these silver ornaments.

10,842. Is that confined to years of scarcity?—Well, every third or fourth year the rice partially fails—I am not speaking of years of famine, but there are every now and again years of partial distress, and some of the people have to part with their silver things.

10,843. If a man invests so much money in buying silver ornaments for his wife, he does not want to part with them, and as a rule he does not; it is only stress of necessity that will induce him to part with them?—Certainly.

10,844. Taking the country as a whole, does that stress of necessity arise very frequently?—Yes, taking the agricultural population, and taking the lower strata of the agricultural population, there is a bad year after every few good years, and then there is a great sale of these ornaments.

10,845. Taking the last three years, the population of India have been able to buy their silver ornaments very much cheaper?—They bought very little, if anything at all, because these last four or five years have been years of scarcity and distress.

10,846. The imports of silver into India are about as large as they have ever been, even before the mints were closed?—Much of that has been consumed by the richer classes, not the agricultural classes.

10,847. But for whatever purposes it was required, whether for silver ornaments or for any other purpose, the fact remains that they were able to buy silver at about 30 or 40 per cent. cheaper than they could before?—Those that did buy it, yes.

10,848. Is not that a considerable set-off to the fact that the few who required to realise silver were not able to get so much for it as they did before?—I do not see how it could be a set-off at all, if the value

of silver has gone down. The silver bangle, for instance, is not valued simply for the beauty of the thing; probably a glass bangle would be prettier; it is valued because it is worth so much in the market, and, if that price has gone down, the thing depreciates in the eyes of the owner.

10,849. But the owner may buy another one afterwards?—It is of less value to him. If it went down to the value of brass, for instance, he would throw it away.

10,850. But he can replace it at the same price as he gave for the other one?—He can replace it, but it is not of the same value to him.

10,851. You speak of the extent to which the Indian debt is held by Europeans; and you consider that an unfortunate circumstance for India?—Yes.

10,852. But do you not think that the natives of India are themselves very much to blame for that fact?—You cannot blame them for their poverty. Most people who can save have saved in Government securities in India.

10,853. During the last 40 or 50 years, every year has taken out to India millions and millions of gold and silver, the great bulk of which has disappeared altogether in hoards and so forth. Would it not have been an immense advantage to India if that gold and silver had been employed in building India's railways and making India's canals, and industrial works of that kind, instead of being buried in the earth?—There must be some margin of saving for the people, and this silver which has gone there represents that margin of saving. If you divide that silver by the population of the country, it comes to about 6d. per head, of the population for the year, and that only represents the wear and tear of the silver already existing in the country. I do not think it represents any addition to the quantities of silver in the country.

10,854. But there are hoards of gold as well?—Gold, of course, is only for the rich classes. I do not know how much of this gold goes to India only to go out again.

10,855. (*Chairman.*) Mr. Campbell means on balance?—The Chinese and Japanese and others come to India to make purchases, and, of course, the gold goes out of India with them as their personal property. I do not know whether that has been taken into account. I do not think you can ever know how much goes out in this way.

10,856. (*Mr. Campbell.*) Instead of all that lying useless, would not the country have been benefited, and been much less indebted to foreign creditors, if that money had been employed as I say, instead of being allowed to be idle?—I do not think it lies idle, because it serves the purpose both of ornaments and savings bank. The only ornament they indulge in in India is these cheap silver things.

10,857. As regards the savings banks, is it not very much more economical and better to put your savings into some interest-bearing security than to tie them up in a bag?—The ornament does not produce interest, but, on the other hand, the money is more quickly expended. If an Indian cultivator had 200 or 300 rupees in the bank, it would disappear in the course of a year or so; but, if it is in the shape of his women's ornaments, he will keep them until he is compelled by famine to part with them. You must take into consideration the customs of the country in considering all these questions. Silver ornaments are a safer and more lasting investment for the Indian than deposits in banks.

10,858. Do you not think that it would be doing the people of India an immense service, if they could be induced to employ their savings in profitable investments, instead of in the senseless hoarding which goes on now?—I do not think it is senseless hoarding. I do not think there is more hoarding in India than is practised by every people on the face of the globe. I do not think that the people of India spend more upon their anklets and bracelets, and so on, than European

women spend on silks and finery, which are of less value to them in times of distress.

10,859. (*Sir C. Crosthwaite.*) You consider that the closing of the mints has raised the value of the rupee, do you not?—Yes.

10,860. How is that evidenced?—From these figures that I have put in.

10,861. By the prices?—Yes.

10,862. By a fall in prices?—Yes.

10,863. That is to say, the rupee buys more now than it did?—Yes, more of food grains and more of silver.

10,864. It buys more of other things, including silver, than it did before?—Yes.

10,865. Now, you admit that, if the hoarding had taken place in rupees, the people who hoarded before the closing of the mints gained?—Yes.

10,866. That is to say, each rupee that a man possessed bought more?—Yes.

10,867. Suppose he had hoarded in silver, he sells the silver for less rupees?—Yes.

10,868. Then you say he loses?—Yes.

10,869. Should you consider that a great injustice?—Yes.

10,870. But is not each rupee that he gets in exchange for his silver so much more valuable? Suppose he had saved 5 rupees in rupees. After the closing of the mints his rupees were worth, say, 1 rupee 4 annas; suppose he had saved his 5 rupees in wheat, or silver in ornaments, and he sells that, the rupees he gets for it will also be worth more than they were before?—That would be so with regard to food grains, but not with regard to import products,—the Lancashire cloth that he wears, and so on. It would be worth more with regard to food grains, but not with regard to other things that he requires.

10,871. Therefore, with regard to his food, he would be as well off as he was before?—Yes, the value of the rupee that he gets being so much more.

10,872. The value of the rupee being so much more, although he got so many less rupees, he would be able to buy the same amount of food?—Yes.

10,873. When do the people come in and sell their ornaments?—In years of distress and bad harvests.

10,874. They sell in order to get food?—Yes.

10,875. Therefore, as respects the purchase of food, no loss was sustained by people who sold their ornaments?—No; if prices have gone down to the same extent.

10,876. That is the theory?—Yes.

10,877. And, on the other hand, the man who saved rupees benefited?—Yes.

10,878. We have no information as to the proportion of the savings in rupees to the savings in ornaments?—I can give you a very fair idea. In most of the Bengal hoards you will find the savings in ornaments, and none in rupees.

10,879. On what evidence is that based?—I have been in all sorts of villages.

10,880. So have I. I have spent a great deal of time in Indian villages?—In Bengal villages?

10,881. No; but in the places where I have served. I could not say whether the savings of the people were in rupees?—But I can; I saw them brought out. In years of bad harvests I went to the famine-stricken districts, and I actually saw the ornaments. I only heard of one instance of rupees being brought out in the same way. That was a case in which an old woman died, and a hoard of rupees was found buried in the floor of the room. That is the only instance I can remember of a hoard of rupees being found.

10,882. Can you tell me what was the value of the ornaments that were taken to the mint during the famine of 1877-78?—They sold for a little less than the rupee.

10,883. How many rupees' worth of ornaments were sent to the mint at that time?—I do not know how many went to the mint, because these things were not sent by the cultivators to the mint, they were sold in the bazaars to traders.

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10,884. But still, they would go to the mints?—I cannot say how much went to the mint.

10,885 Have you ever been engaged in settling the land revenue?—Oh, yes.

10,886 Will you tell me where you have been engaged in settling the land revenue?—Orissa was my last station, and the settlements in Orissa were going on under my supervision in 1896.

10,887. Did you take prices into consideration?—No. We found what the Zemindar had already taken from the ryot, and based the settlement upon that.

10,888 You refer to the matter of settling the rent-roll of estates?—Yes.

10,889. And whatever rent-roll you found, you accepted that?—Yes, generally.

10,890. Having tested the rent-roll and found it accurate, you accepted that?—Yes, generally. Some rough classification of lands was made, but, roughly speaking, we accepted the total rental as we found it in each estate.

10,891. But have you actually settled what revenue a man should pay on the falling in of a settlement; have you done that?—No, I do not think I have ever done that.

10,892. I think I heard you say that, since the closing of the mints in 1893, a great many settlements had fallen in all over India?—Settlements are constantly falling in.

10,893 That is a vague statement. Do you make that statement after having examined the records of each province, and seen what settlements have fallen in?—There were the Orissa settlements which went on under my own eyes in 1895-96; then, as I learn from Sir Antony MacDonnell's evidence, there are the North-Western Settlements and the Oudh Settlements going on now. Then there were the Central Provinces settlements; they have been completed after 1893.

10,894 Some of them?—Some are going on still.

10,895. I want to ask you now whether you think that in making those settlements the prices of produce since the closing of the mints had any influence on the rents which were made the basis of the land revenue?—I suppose, to some extent. Generally, of course, the effect would appear after a number of years, and, therefore, this must have affected it to a small extent.

10,896 It could have affected it very little?—But to some extent.

10,897 If it affected it at all?—To some extent it affected it, I should think.

10,898. You do not know, of your own knowledge, that it affected it at all?—No, of course not.

10,899. So far as prices were taken into account, the prices over a long series of years would be considered?—The whole thing depends upon how far the Zemindar has taken advantage of the variation in prices.

10,900. I am not talking of the Zemindar. I am talking of the Government revenue?—In the North-Western Provinces, in the Central Provinces, and in Orissa, we go on what the Zemindars get.

10,901. I do not know the practice in Orissa, but in the North-Western Provinces, and the Central Provinces, the rents are carefully examined, and all exceptionally high rents are excluded?—Yes.

10,902 And rack rents are carefully excluded from the settlement?—Yes.

10,903 That being the case, do you think that a fall in prices during the last year or two would have a material effect?—Not very much, I should think.

10,904 Then, if the contracts between the Government and the landlord with regard to the land revenue were made on the basis of prices which were not affected by the closing of the mints, your contention as to any breach of faith on the part of the Government would, so far, fall to the ground, would it not?—I do not think so. The rents were fixed in view of the high prices which prevailed before the closing of the mints. The same rents are demanded after a fall in prices subsequent to the closing of the

mints. This is a virtual increase of rental, and therefore breach of faith.

10,905. And the fall of prices in every succeeding year will, of course, be taken into consideration in making the assessment?—Within my experience, there is no reduction in the land revenue in an entire estate or district in the settlements made.

10,906. Do you know of no settlement in which there have been reductions of revenue?—No, not over an entire estate.

10,907. The value of that assertion is modified by the fact that you have never been engaged in making assessments?—Except in Orissa in the way I have explained.

10,908. Is it not the case that no settlement of a district or a province is ever made without reductions in some cases, and rises in other cases?—That may be your experience. I am speaking only of cases that have come within my observation, and every settlement made has shown a net increase in revenue.

10,909 You do not assert that as regards the whole of the settlements?—No, I confine it to cases that came within my observation.

10,910. Then, with regard to the settlement in Bengal and in permanently settled districts, do you think there is nothing to be said on behalf of the Government? You say, to do anything to raise the value of the rupee is, more or less, a breach of faith on the part of the Government; but is nothing to be said on behalf of the Government for their right to keep the rupee at the same value as it had when the settlement was made?—You cannot do that without affecting other parts of India; that is the worst of it.

10,911. I do not say anything about other parts, but, as an abstract question of justice, is there any injustice involved? I admit that, if the rupee were raised above the value which it had at the time the contract was made, there may be something to be said about the injustice of it, but suppose the rupee is merely maintained at the value, or even at less than the value, that it had when the contract was made, is there any injustice in it?—I do not think that, considering the variations of the rupee during the whole period from the date of the permanent settlement, the Bengal Zemindars have any reason to complain of injustice.

10,912. Now, as to questions of taxation. You seem to think that, owing to the fall in the rupee, the Government automatically, as it were, gets an increase of taxation?—Yes, an increase of revenues in all departments.

10,913. In regard to land revenue, you think it gets that when the settlement falls in?—Yes.

10,914 And, if the alteration in prices is taken into consideration, as it would be, and any rise in the rents which had occurred, owing to the fall in the value of the rupee, were taken into consideration, then the Government would get a certain amount in that way?—Yes.

10,915. Now, as to the income tax?—In the same way.

10,916. I cannot understand how it comes out in that way in regard to income tax. The mass of the income tax in India is collected from the officials?—No, the traders pay as well.

10,917. The officials pay income tax?—Oh, yes; they pay a share.

10,918 How does the Government get any increase of income tax from its officials?—It cannot in the case of officials.

10,919. Then in the case of the trader?—If the trader's real income remains the same, his income in rupees must increase; the rupees have depreciated, and so the income tax paid in rupees increases.

10,920. His real income remains the same, you say?—His real income remains the same.

10,921. How is the income tax taken?—In rupees.

10,922. It is a percentage of the income?—Yes.

10,923. Then, if the trader's income remains the same, Government will get the same income tax from

him which it got before?—If his real income remains the same, his income as estimated by the depreciated rupee must increase.

10,924. I do not know what you imply by the term "real income." The income tax is assessed on the man's rupee income?—Yes.

10,925. If he makes an income of one thousand rupees, he pays so much; if his income is two thousand rupees, he pays so much?—Yes.

10,926. Then how can you say that the income tax increases while the income on which it is levied remains the same?—His real income.

10,927. What does "real income" mean?—I mean his income as estimated by the produce of the soil. If rice goes up, and he deals in rice, his income in rupees must increase.

10,928. Your supposition is that he is a trader whose income has remained the same?—In rice.

10,929. You did not say it remained the same in rice?—I said his real income.

10,930. I do not understand a trader whose income is in rice?—I have seen every day of my life large quantities of rice bought by native traders to be sold at a profit.

10,931. To be sold for what?—For rupees. If the trader bought 12,000 maunds of rice every year and sold them in the bazaar, when the rice was only 1 rupee per maund his profit was 2 pice per maund; when the rice goes up to 2 rupees per maund, his profit will go up to 4 pice per maund; therefore, his income, as represented by rupees, must increase.

10,932. And he will be assessed on that?—He will be assessed on that.

10,933. The rupees are not worth so much as they were before?—No.

10,934. But the Government gets more rupees if his money income has increased?—That is it.

10,935. Now, suppose you close the mints and the rupee falls in value, does the Government continue to assess him in that way?—If you close the mints, the rupee rises in value.

10,936. Then does the Government continue to assess the taxpayer in the same way?—On whatever his income at that time is.

10,937. His income is taken on the income of the year—on his own returns?—Yes.

10,938. Then where is the injustice?—I did not say it was an injustice to the income-tax payer. What I said was this, that by the depreciation of the rupee the Government would get an increase in a natural way from the income-tax payer.

10,939. Provided the taxpayer's business produced more rupees?—Yes.

10,940. As regards stamps, how do you say any increase would take place?—In this way; if the civil causes increase in value, the stamps must also increase; there is an automatic increase in all departments of taxation with the fall in the value of the rupee. That is the real way in which the Government will get an increase.

10,941. Would you hold that that implies that there is an increase of wealth and prosperity in the country owing to the fall in the rupee?—I do not see how the fall in the rupee can either add to, or deduct from, the real wealth of the country.

10,942. It is only that more rupees are in circulation?—It is only that more rupees are in circulation; the real wealth will remain the same.

10,943. By the closure of the mints and raising the value of the rupee, do you think a fall in prices will be brought about?—Yes.

10,944. How is that caused?—The rupee increases in value.

10,945. But why? What makes it increase in value?—It has already increased.

10,946. But I want to know what is the action?—The rupee becomes more rare; its circulation contracts, and, therefore, it goes up in value.

10,947. Then you said that the year after the closure of the mints prices fell at once?—I believe so, from the figures I have compiled.

10,948. Do you think the closure of the mints by order of the Government in 1893 produced an immediate contraction of the currency, such as to affect prices all over India?—It must have done so from these official figures.

10,949. Are there no other causes which affected prices?—There could be no other causes which would affect prices in every division of India like this. There might be local causes for local variations.

10,950. I suppose, in the first year the contraction of the rupee would not be so great as in the second?—I should think not; probably not.

10,951. First of all it would not reduce the number of rupees in the country?—Probably not.

10,952. But it is not a question of juggling; you stopped the coinage of rupees; therefore you merely stopped adding to the currency, you did not take any away?—No.

10,953. Therefore the causes at work would be the export of rupees and the loss of rupees, and so on?—Yes.

10,954. So that the second year after the closing of the mints there ought to be more contraction?—Yes.

10,955. And in the third year there ought to be still more contraction?—Yes, other things being equal, there being no other influences at work.

10,956. Are prices lower now than they were in 1893?—Last year famine prices prevailed.

10,957. But this year?—Even now the indirect effects of famine are not yet over, because all the granaries are empty, and people are buying to fill them.

10,958. The contraction is not felt now?—I limit my examination of prices to the two years before the closing of the mints and the two years immediately after, leaving out the subsequent famine years.

10,959. You say that, when the mints were closed, prices fell. Do you say that that was due to the closing of the mints?—I believe so, because I cannot imagine any other cause which would affect all these different divisions of India alike.

10,960. Prices have now risen, have they not?—I believe so, on account of the famine.

10,961. So far as I have known, they have risen everywhere?—I believe so.

10,962. If you can imagine causes which raised prices, surely you can imagine causes which may make prices fall. For instance, if scarcity of crops tends to raise prices, or a demand for export tends to raise prices, the stoppage of exports and plentiful harvests might make prices fall?—But, as a matter of fact, there were no plentiful harvests in these years. I find from Sir Antony MacDonnell's evidence, that the years 1894, 1895, and 1896 were years of scarcity in the North-Western Provinces, and not of plentiful harvests. In Bengal, too, those years were bad years. Therefore, prices ought to have risen. Instead of that, prices fell.

10,963. You think the contraction must have taken effect at once?—I believe so, from these figures.

10,964. Now, contraction would raise the sterling value of the rupee, would it not?—I should think so.

10,965. Will you look at the value of the rupee in those years?—I am not a currency expert.

10,966. I do not wish to ask you questions regarding currency. I want to get at what the sterling equivalent of the rupee was. In 1892-93 the value of the rupee was 1s. 2d.; in 1893-94, 1s. 2d.; in 1894-95, 1s. 1d.; in 1895-96, 1s. 1d., so that nearly all the time that this was taking place the exchange did not rise?—I cannot explain this, not being an expert.

10,967. The value of the rupee was even lower?—The sterling value may have been.

10,968. Therefore, I think you ought not to be so positive in those matters?—I am positive about the price of food grains.

10,969. But you ought not to be so positive with regard to the cause of the fall of prices?—I said I believed that the cause of the universal fall in prices

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in 1894 and 1895 was the closing of the mints, and I still believe it.

10,970. Now, with regard to the loss which you say occurs on the railways, are you acquainted with the history of the old guaranteed railways?—Not at all.

10,971. Do you know anything about the rate at which Government is bound to remit the surplus profits to England?—No; I do not know anything about those details. We are never consulted in these matters.

10,972. Because that has a great deal to do with the loss on the railways?—It may be so.

10,973. Even suppose there was that annual loss of two millions, or whatever it is, do you think that is really a high price to pay for the whole railway system of India?—No, I do not think it is a high price to pay for the whole railway system, but it is a high price to pay for these later railways which you have laid down in recent years.

10,974. For instance, the Assam-Bengal railway; is that open yet?—I do not know.

10,975. Do you think it is open the whole way?—No, I do not know.

10,976. Would you be surprised to hear that it is only open for a small portion at present?—I should not be surprised to hear that.

10,977. Until a railway is opened, it can hardly pay, can it?—No.

10,978. And until then one is not justified in saying that it will never pay?—No, but I say it will not meet any requirements of the general trade of the country.

10,979. How do you know that? Are you a trader?—I am familiar with traders in most districts in Bengal.

10,980. I am familiar with many merchants in London, but I should be very sorry on that ground to pronounce on the requirements of English trade?—But we must form opinions on facts in order to decide such a question.

10,981. You have lately come from India?—Not lately, I came at the beginning of 1897.

10,982. You are now resident in England?—Yes. I am a lecturer in Indian History at University College.

10,983. Do you think you could reduce the Government expenditure by employing more natives?—A great deal.

10,984. Can you tell us how many Europeans there are in the covenanted Civil Service?—About 1,000 I think.

10,985. Can you tell me how many natives are employed in the provincial service and in the subordinate services?—That I do not know, I have not the figures. You will find that by—

10,986. But I wanted to know if you knew?—I have not the figures with me.

10,987. Would you be surprised to hear that it is about 10 times the number of Europeans?—It may be, if you include the lower grades.

10,988. Including every grade in the provincial and subordinate services—the munsifs, and so on?—Yes, including men getting 6 and 5 rupees a month.

10,989. You have many districts in Bengal?—We have

10,990. What would be the area of these districts?—A district of 6000 square miles would be a large one.

10,991. How many English officers would there be in a district of 6000 square miles?—I do not know.

10,992. Two or three?—Oh, more than that.

10,993. There would be the magistrate and the police officer?—Yes, and the doctor, the police superintendent, the assistants, &c.

10,994. Altogether, 4 or 5?—Yes, or more.

10,995. In a district of 6000 square miles?—Yes.

10,996. With a population of what?—3 millions.

10,997. Just one more question about that. If we were able to find natives to take the place of those five or six Europeans?—But I am not confining myself to the districts only.

10,998. If you were able to find natives to take the place of those five or six Europeans, would they serve the Government for materially less money than the others get?—Oh, yes, they would.

10,999. You think they would?—If you did not make a distinction—if you did not have two different scales of payment, one for Europeans and another for Indians, for the same service and the same work.

11,000. As long as no distinction was made, you think the natives would serve for less pay?—Yes.

11,001. Do you think we should maintain the standard of government in India in that way?—Yes. With the spread of education the time has come for a larger employment of the natives of India.

11,002. Lower paid natives?—Yes.

11,003. And lower paid Europeans?—Well, you would not get many Europeans at lower pay.

11,004. However, you say that that is a condition, that they should be paid the same?—Yes, I mean there should be the same pay for the same service and work.

11,005. (Mr. Holland.) Referring to the depreciation in the rupee value of hoards of ornaments, I gather it is the exchange difficulty which you wish to avoid?—Yes.

11,006. Have you considered whether that could be compassed by the levying of an import duty on silver?—I have not considered that question.

11,007. You have heard that such a suggestion has been made?—Yes. If there is a distinction made between the coined value of the rupee and the value of silver as bullion, then it would not remove the difficulty.

11,008. But one of the objects of levying an import duty, I imagine, would be to equalise that, so that it would avoid the difficulty from your point of view?—Yes, if the value of silver and the value of uncoined silver remained equal, that would avoid the difficulty that I am speaking of.

11,009. Anyone who, after the date of levying an import duty, wished to hoard ornaments, would, of course, be disadvantaged in comparison with the rate at which they could buy now?—They would get less ornaments as compared with their produce.

11,010. I just wish to call your attention to one sentence in the abstract of your evidence, which I will read to you. You say: "It is well known that many of the manufactures of India have been all but ruined within the memory of living men by an unequal competition with the steam and machinery of Europe." You pin your faith to that?—Yes, but I do not complain of that.

11,011. Would you be surprised to hear that the exact opposite is contended in this country—that many manufacturers here complain that they have been nearly ruined by the competition of India?—I should be surprised to hear that.

11,012. There are a great many people in Lancashire for instance, who think that the Bombay mill-owners have seriously prejudiced them by their competition?—The mills have only started lately.

11,013. Then you say, "I have, myself, within the period of my service, visited villages of weavers almost deserted and relapsing into jungle"?—Yes, I have seen that.

11,014. You do not hold Europe responsible for that?—I hold the competition responsible for that, but I do not complain of it, because we live in times of free trade.

11,015. As a matter of fact, Bombay is as much responsible for the ousting of the native weaver as Lancashire?—Possibly.

11,016. I venture to suggest that you are a little pessimistic when you talk of "the dying industries of India"?—But you will notice that I go on to add that I do not complain of this. What we complain of is any additional obstruction given to native manufacture. In Eastern Bengal I have travelled through many villages, and found the weaver caste had disappeared and gone elsewhere, and that is the same in other districts throughout India. I have seen

many dyers' shops closed in consequence of the discovery of aniline dyes in Europe.

11,017. On the other hand it can be proved, I think, that some of the new industries that you have mentioned now pay the natives of India better?—Not in the case of these aniline dyes.

11,018. But with regard to other industries?—Possibly.

11,019. (Mr. Lé Marchant.) Do you consider that the rise in land revenue would keep pace with the fall in the value of the rupee?—It would follow after a few years. Eventually it would.

11,020. If you take a period of five or ten years, you would expect it to work out closely?—Yes, probably.

11,021. Have you observed how far that has been the case in the past? For instance, if you take ten years from 1886-87 (so as not to include this last famine year, which was exceptional) the fall in the rupee was from something like 17½d. to below 14d. It was a fall, I mean to say, of more than 20 per cent and during that period the land revenue appears to have increased only from 23 to 26 crores, a rise of about 13 per cent. There we have an instance of a period of 10 years?—Yes, but there are some places in which settlements are still going on. Sir Antony MacDonnell says with regard to Oudh and the North-West Provinces the settlement is going on now. In Orissa and the Central Provinces the settlements have not been completed yet. When it is done, I think you will get more than your 20 per cent.

The witness withdrew.

Adjourned.

TWENTY-FOURTH DAY.

Thursday, 1st December 1898.

PRESENT:

The Right Hon. SIR HENRY H. FOWLER, G.C.S.I., M.P. (in the Chair).

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. EVERARD HAMBRO.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, Secretary.

The Right Hon. SIR JOHN LUBBOCK, Bart., M.P., called and examined.

11,027. (Chairman.) You are the Chairman of the London Bankers, and President of the Central Association of Bankers?—I am.

11,028. And I think you were also a member of the International Monetary Commission, and the Gold and Silver Commission?—Yes.

11,029. I understand that you wish to disclaim any personal knowledge of Indian finance; you simply deal with it as an expert in banking and finance?—That is so.

11,030. What was your opinion of the policy of closing the mints in 1893?—I should naturally wish to speak with all diffidence on the subject, and not at all dogmatically, but I very much regretted the closing of the mints at the time.

11,031. Did you think that the circumstances of the case did not justify it, or that it was radically wrong in itself?—As far as the facts came before me, I confess that I did not see that the facts necessitated the closing of the mints.

11,032. Do you think that a gold currency would be suitable to the requirements of India?—I think not.

11,022. If the rupee were to fall just after the settlements had been concluded, the land revenue would be prevented for many years from rising in correspondence with the fall in the rupee?—For some period, but it will rise in the end, and during those few years probably the people will be a little better off—a result which neither you nor anybody else will regret—provided the Government gets its own proper share when the next term of settlement comes.

11,023. And you think the area of production will continue to increase?—Yes.

11,024. Is it the case that there is sufficient available land for that purpose?—I find from Mr. O'Connor's evidence that he puts down the waste culturable land at 100 million acres, and the land under cultivation and pasture he puts at 240 million acres. Of course, the land which is not under cultivation is not of such good quality. However, there it is, and there is 100 million acres available.

11,025. Still there would be difficulties in bringing that land into profitable cultivation?—If rice and wheat fetch good prices, much of that land will be brought under cultivation. It all depends on the prices of food grains. As prices go up, land is brought under cultivation, and, as prices go down, land is put out of cultivation. That is going on every year in India.

11,026. Still, would not the margin of profit be less?—I admit it would be so.

Mr.
R. C. Dutt,
C.I.E.
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Rt. Hon. Sir
J. Lubbock,
Bart., M.P.
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11,033. Do you draw a distinction between a gold standard and a gold currency?—I quite agree with Lord Rothschild that you cannot have a gold standard without a gold currency; and I should like to go further, and say that what I have always understood to be a gold currency is a currency of which the main amount is in gold. Of course, there may be a subsidiary currency, whether a token currency or otherwise, in other metals, and there probably would be; but a country that had only, say, 20 millions of gold, and 100 millions of silver, would, I think, be properly described as having a silver, and not a gold, currency, or it might be described as having a gold and silver currency.

11,034. Are you acquainted with the monetary arrangements of Canada?—I have only a general knowledge; I think you will probably get that better from somebody else.

11,035. You said that you did not understand how there could be a gold standard, unless the currency was in the metal of which the standard consisted?—

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I said that I did not think you could have a gold standard without a gold currency.

11,036. I do not know whether you have read the evidence of Mr. Clouston, the general manager of the Bank of Montreal. You will find at question 6755, in the evidence we have already published, that I put these questions to him:—“(Q.) You are general manager of the Bank of Montreal?—(A.) Yes. (Q.) That is the principal bank in Canada?—(A.) Yes. (Q.) Have you many branches?—(A.) Forty-four in Canada, two in the United States, and one over here. (Q.) Is it a bank independent of the Government?—(A.) Quite. We have the government account, but they have nothing to do with the management of the bank. (Q.) Just tell us what is the standard and what is the currency in Canada by which that standard is used?—(A.) The standard is a gold standard, the same standard as an American eagle. We have no gold coin of our own, but the American eagle and multiples of it (the half-eagle and double eagle) and the English sovereign are legal tender. We never see a gold coin in circulation from one end of the year to the other. (Q.) There is no gold in circulation?—(A.) Practically none.” Would that at all modify the opinion you have just expressed as to the impossibility of a gold standard without a gold currency?—I think that is what I should call an exchange standard. They keep their financial affairs in a satisfactory position by maintaining an equitable rate of exchange. In ordinary conversation you might call it a gold standard, because it is kept on a par with gold, but I think, if you are speaking scientifically, and in a definite sense, it is an exchange standard, not a gold standard. And it is rather important to draw a distinction between the two, because, although in many ways they act in the same manner, there are others in which the effect is different.

11,037. Do you mean that, when Canada had to deal with its foreign trade, it would have to deal in gold?—That would be so.

11,038. But inside Canada they can get on without gold; they have entirely a token or a paper currency?—Yes, but it is not automatic; it has to be regulated by the Government, or the banks. It does not regulate itself automatically, as it would if they had a silver standard or a gold standard.

11,039. Is not a subsidiary token currency always regulated by Government?—But it is not the standard.

11,040. But I am rather looking to this point whether the internal currency of the country need be of the metal which is the standard. Let us assume, for the sake of argument, that we have a gold standard in India. In the first paragraph of your memorandum you say, “It seems to be generally admitted that a gold currency would be unsuitable to Indian requirements.” I should think everybody would agree with you upon that point, because the transactions in India are so small, one half of them being apparently in copper, but the general effect would be as stated by you, that a gold currency in the sense that we have it in this country—people carrying about sovereigns and half sovereigns in their pockets—would be unsuitable to the trade and habits of the people of India?—Quite so.

11,041. That being the case, is it necessary in order to make an effective gold standard that there should be a gold currency?—It seems to me so.

11,042. You say we cannot have an effective gold standard without a gold currency?—As long as the main currency is in rupees, and all contracts are made and taxes calculated in rupees, and transactions effected in rupees, and rupees are legal tender to any amount, it appears to me that the rupee is really the standard.

11,043. The rupee or silver becomes the standard?—It would depend upon what regulation you make, but, if you allow the rupee to be freely coined, then I say silver is the standard. If you shut the mints to silver as you have at present, then I consider that an exchange standard is the more technically correct

description of it, because the rupees now dissociated from silver.

11,044. Do you consider that you can have a gold standard in India, unless the Government are prepared to give gold for rupees at a fixed ratio?—I think not.

11,045. And that, you think, would be a very great responsibility for the Government to undertake?—The Government have expressed that opinion, and, as far as my opinion is worth anything, it appears to me that they are entirely correct.

11,046. The Government of this country is not under an obligation to give gold for silver?—No, but then silver is not a legal tender in this country, except in small amounts; and the silver circulation in this country is entirely a subsidiary and a minor circulation, so that I think the cases are entirely different.

11,047. They are different, no doubt, but do you regard it as an effective part of the token currency that the Government should be bound to give the standard metal for it?—Not if it is a token currency. My idea of a token currency is a currency which would not be legal tender, or, if at all, would be legal tender only in such small amounts that practically it would be merely for convenience in small transactions that would not come into consideration in commerce at all.

11,048. Will you give us your definition of an “exchange standard,” which is, I think, a phrase of which you are the father?—If a Government issue inconvertible notes, or rupees when the mints are closed, which I should regard practically as notes printed upon silver, and then undertake to keep them at a certain value as far as they are able, I should call that an exchange standard, for the want of a better name.

11,049. Is there any objection to an exchange standard?—I think there is this objection, that an exchange standard is not automatic. The currency will not expand or contract according to the requirements of trade, but it has to be regulated either by the Government or by some financial institution. We know there are at present in India great differences of opinion as to whether the currency is redundant or deficient. Some authorities maintain that it is deficient, and that it ought not to be still further curtailed; others maintain that it is redundant. You have two totally different interests. The interests of some people would be to have the currency curtailed, and others would be benefited by having the currency increased. That the Government should have to decide between those two conflicting interests appears to me to put them in a very difficult position, and one which it is very undesirable they should occupy, if it can be avoided.

11,050. How does the consideration of this fact affect your judgment: that at least 80 per cent.—I think probably a great deal more—of the trade of India is with gold-using countries?—I think, as far as it goes, that is an argument in favour of a gold currency and a gold standard; but I regard the internal trade of a country as being much more important than the external trade, and, therefore, in considerations of currency, it is more important to consider what is convenient for the internal trade than for the external trade. I also think that, as regards external trade, the inconvenience of exchange fluctuations has been considerably exaggerated.

11,051. We were informed that, as far as the internal trade of India is concerned, the closing of the mints has practically produced no effect whatever, that the rupee is practically what it was, and that all the internal trade transactions of India go on as they did before?—Of course, there is the question which I alluded to just now, of either redundancy or stringency of currency—the actual circulating medium—upon which the evidence is, perhaps, to some extent conflicting.

11,052. But, assuming that the internal trade is not affected, either by the closing or the opening of the mints, what would you say then?—I do not think

the internal trade has been materially affected; but prices have been very materially affected by the closing of the mints; the internal trade has not been affected, because you have left silver in circulation, which is convenient for the majority of the transactions of India, excepting in so far as they are of a still smaller amount.

11,053 You think prices have fallen in India?—I think prices would have risen if the rupee had been allowed to fall to the amount of the intrinsic value.

11,054. The evidence seems to show that recently prices have somewhat risen in India. That is Mr O'Connor's evidence?—Yes.

11,055. Do you think the Government should now take any steps? You stated to us your difficulty with reference to a gold standard, and with reference also to the advantages or disadvantages of an exchange standard. What would you advise?—I very much regretted the closing of the mints, but at the same time, of course, we have to consider what should be done under existing circumstances. I suppose that the Indian Government have committed themselves to maintaining an exchange somewhat approximating to 1s 4d. Having done that and given notice that such was their intention, I think they are bound to adhere to it, at any rate for the present, and therefore the experiment ought to be given a longer trial. But I venture to suggest that it would be a good thing to put an import duty on silver, which I think would have considerable advantages. In the first place it would bring in a substantial revenue; in the second place it would tend to increase the demand for Council Bills; and in the third place it would diminish the difference between the value of coined and uncoined silver in India. I do not concur with those who consider that the people of India have been robbed by the Government in the course they have adopted, but I do think those that have accumulated silver, with the idea that they could pay their rents and meet their other obligations by turning it into rupees, are placed at a disadvantage, and I should be rather afraid that it might possibly lead to considerable political feeling. Of course, on that point the Committee are much better able to judge than I am. But it seems obvious that whatever tended to reduce the difference between the value of the uncoined silver in India and that of the rupee, would be a great advantage to those that have accumulated silver in preparation for bad times, and would diminish any complaint there might be as to the loss to be sustained on the uncoined silver which they hold.

11,056. Would it be part of that suggestion that the mints should be re-opened?—I do not think you can safely re-open the mints as matters are at present, even with a duty on silver; but it seems to be impossible to foretell what the value of silver will be in the future. It depends so much on production and various other circumstances; and, having regard to the very great increase in the production of gold which is now taking place, I should think it is at least as likely that silver will rise as that it will fall. If silver should rise, then I think it might be possible, after putting on an import duty and a seigniorage, say of one penny, to open the mints, and it would certainly be very desirable to do so.

11,057. You know that there is at present an import duty of 5 per cent.?—Yes, and therefore the principle is conceded.

11,058. What would you consider that should be turned into?—6d per ounce is what I have suggested. Of course, if one was in a responsible position, one would wish to make inquiries before determining the amount. I think it should be a fixed amount. I would rather have it fixed at, say, 6d per ounce than, say, 25 per cent., because that would vary according to the price of silver.

11,059. What would the effect be on the value of silver if a duty was put upon it? I am assuming, of course, that the mints were open?—It would tend to raise the rupee price.

11,060. Would it not be an artificial raising of the price of silver?—I think it would. I do not think it can be logically defended as a course to be taken by itself. I regard it as a *pis aller*, considering the circumstances in which we find ourselves. It is not what I should recommend as an abstract advantage.

11,061. It would be, as you say, an artificial raising of the value of silver in India only?—That is so.

11,062. Then, if silver remains, as you propose it should, the standard, that would be an artificial raising of the standard?—I do not contemplate that the Indian Government would raise the standard above 1s. 4d. My object was to enable them to keep faith with those who had trusted in their declaration that they were going to keep it at about 1s. 4d.

11,063. I do not mean about the exchange value being at 1s. 4d.; but I understood you to base your position rather on the injustice to the Indian who had accumulated silver for future purposes, and then found that it had depreciated in value; and you propose to put on a duty, in order to level up the value of silver already accumulated?—I put that forward as one of the advantages.

11,064. Then for coinage purposes, and for use in India, the Indian purchaser of silver would have not only to pay the intrinsic value of the bullion, but he would also have to pay a tax to the Government?—As far as he was going to use the silver for ornaments, that would be so. As far as the silver is used for currency it would not be so more than it is at present.

11,065. But the moment he goes outside India, and wants to buy gold with that silver, then the artificial increase in its value is gone, is it not?—I do not think he would do so. He would turn the silver into rupees, and the rupees would be at 1s. 4d.

11,066. Then you would have to have your exchange standard. The Indian Government, before the present alteration took place, had to buy in London a certain amount of gold with bullion—practically with the bullion value of the rupees they received?—I thought you were speaking of the individual Indian, not the Government.

11,067. I will say the individual merchant. Take the individual purchaser of English goods. He has to find a certain amount of gold in London to pay for them, and formerly he had to buy that gold by the bullion value of the silver in the rupee?—If he has to make payments out of India, what he has to consider is what is the value of the rupee, and what is the cheapest form of remittance. It might be that the fact of there being an export duty on silver might make it not the cheapest form of remittance. It is self-evident that, if you put an import duty on silver, you would tend to reduce the amount of silver that would be imported into India; and, of course, that would also have a tendency to increase the demand for Council bills, which are the competitors with silver.

11,068. It would not increase the intrinsic value of silver?—There would be the difference in the value of silver inside and outside India of about 6d. an ounce, just as tobacco inside England is worth more than tobacco which is in bonded warehouses or outside England.

11,069. But, if a Government may artificially increase the value of bullion, is not that exactly the same process as artificially depreciating the currency?—I admit that it is an undesirable thing in itself to put a duty upon the metal which is the standard of value; but the Indian Government was in circumstances in which it was obliged to do something, and the question was what was the least evil. It appears to me that, under the circumstances, that is the least evil.

11,070. You admit that it would be a grave evil?—Oh, yes. But I do not think it would be a grave evil as compared with the present condition of things.

11,071. What do you say about a stable exchange?—A stable exchange is very desirable. But I think the importance of it has been somewhat exaggerated; and I should draw a distinction between what is really a difference in exchange, that is to say, the difference

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of gold, we will say, as between one country and another which is limited by the expense of carriage and insurance and freight and so on, and what is generally called in speaking of the Indian currency "exchange," which is really a question of the fall in the value of silver.

11,072. Do you think that has been exaggerated?—I think the fall has been a great evil to the Government, because of the great difficulty of increasing the taxation of India; but I draw a great distinction between differences in the true exchange, which can only vary within the limits of carriage, freight, insurance, and other small expenses; and the exchange, as it is generally called in India, which is quite a different thing, and the fall in which is due to the fall in the value of silver.

11,073. In India the difficulty arises from there being two metals of different value?—To some extent. It is very unfortunate that we have nothing that is absolutely stable in nature. We are in that condition, unfortunately.

11,074. And the instability in exchange arises from the fluctuating value of silver as compared with the value of gold?—Silver has fluctuated largely as compared with gold, no doubt, of late years, because the production of silver rose enormously, and various countries, for different reasons of their own, substituted gold for silver, and thereby, just when the production of silver was increasing, they have diminished the demand for silver and increased the demand for gold. But there seems to be no reason in the nature of things why we should regard silver as being less stable than gold. It might quite well have happened that the reverse operation might have taken place, and that the demand for silver might have been increased and the demand for gold decreased. I am old enough, I am sorry to say, to remember when there were apprehensions on that score after the Australian gold discoveries.

11,075. You say that, so far as the revenue is received in rupees, a fall in the rupee would mean a reduction of the revenue?—I do not wish to lay too much stress upon that; but, as the revenue of India was received in silver and silver has fallen, although they have received the same nominal amount, practically it was a lower revenue.

11,076. And, therefore, if the expenditure did not diminish but considerably increased, it involved a large increase of taxation in order to make up the deficit?—That is so.

11,077. Do you suggest that any borrowing might be necessary for a short time, or would you approve of any borrowing?—I should have preferred borrowing for a short time rather than to close the mints.

11,078. Now you want to say something about the land tax. I do not like the phrase "land tax." I use the phrase "land revenue"?—I really do not know that I need go into the question, unless the Committee wish me to do so; but it did seem to me that some persons confuse the functions of the Government as a Government, and as a landlord. Where the Government made an arrangement with a particular individual that he was to pay a certain amount for a certain time, I think it would be most unjust to make any revision of that on account of the bargain having turned against them, but, if a country finds itself under the necessity of raising additional taxation, of course it must be considered how it can do that to the best advantage. As to a land tax, I should say the Government might alter it in India, just as our Government here might alter it.

11,079. The position of things is this, that in India the Government is the owner of the land, and the land revenue is the rent. There is no tax on land; it really is a ground rent, and that is practically subject to the revision of temporary settlements every 30 years. The Permanent Settlement made by Lord Cornwallis a century ago was fixed finally, and therefore that is very much against the Government. Now, in suggesting that any alteration should be made to raise additional revenue, would it not be breaking

the contracts with existing tenants, and, of course, raising a great deal of political agitation?—My own idea as regards land revenue is this:—I understand these settlements are falling in.

11,080. They are "revolving," as it may be termed?—They are revolving, and as they expire they would naturally be considered in the light of the fact that the rupee was not worth what the rupee had been before, and that therefore it was fair to expect them to pay a rather larger number of rupees. Of course, it would be a process that would take some time, and, though you would get something additional at once, you would not be able to get the full equivalent to balance the fall of the rupee for a certain number of years. That is why I suggested it might be necessary to borrow for some time. As regards putting on a general tax, I am not advocating that, that is entirely a matter for the Indian Government. I was merely saying that there is an essential difference between putting a land tax on the land as a whole, and raising the rent payable by certain individuals. If you altered an arrangement which you have made with a single individual, it would be very unwise to do so; but, if you determined to put a tax of so much on the land of India, that would apply to the whole of the land of India, just as a tax here would apply to the whole of the land of England. It would not be affected by the question of the particular arrangement which the Government had made with particular individuals.

11,081. Now, there is a suggestion that you wish to make with reference to the debt, as to the burden on the Government?—Where the Government had silver liabilities, of course the fall in silver did not really affect them so much, and I think it must be remembered that, so far as regards the silver debt, really that was practically lightened by the fall in the value of silver. Of course that does not affect individuals, but it does affect the country as a whole. A country which has a debt payable in silver has its debt lightened by a fall in the value of silver.

11,082. I see that in the abstract, but not in the concrete. The whole of the taxation of India is received in rupees; that is the mode in which it is paid. Now, as you say here, and I assume you are correct, the interest on the silver debt is Rs. 3,750,000, and you put the interest on the gold debt at 3,800,000. As a matter of fact, the interest on the gold debt is about one million less than that. Whatever the interest on the debt of India is, it has, so far as the Government of India is concerned, to be found in rupees. Rupees have got to be provided out of taxation—such an amount of rupees as will in London purchase the gold necessary to pay the interest in London in gold on the debt. Now how do those two operations balance one another?—I have no doubt you are correct about the gold debt; I took the figure from Sir Henry Waterfield's evidence on page 162, but I have no doubt your correction is right. If the Indian Government had received their revenue we will say in gold, and then had to pay the interest in silver, as the silver has fallen in value it seems to me that to that extent they would have their burdens lightened.

11,083. But they do not receive any revenue in gold, they receive it all in silver. Let us take this case. Here is 1,000 rupees that is to be appropriated, 500 for paying interest on the silver debt, and 500 for paying the interest on the gold debt—I am taking the old figure of 2s. to the rupee. Now the revenue remains—the 1,000 rupees. The Chancellor of the Exchequer in India has to pay the Government creditor in India just as much as he always had to pay, namely 500 rupees, but, instead of his 500 rupees purchasing 60 sovereigns in London, the 500 rupees will only purchase 30 sovereigns, therefore, he must send so many more rupees, or sell so many more rupees, in order to buy in London the other 20 sovereigns?—Certainly, that is so, and therefore so far as the Government is concerned, I quite follow your contention, but, so far as India is concerned (speaking here of India, and not of the Government), she would

have to send a smaller amount of produce, because the silver which she would have to pay would be worth less; therefore, whatever the amount which she has to pay on the silver debt, the produce would go further in paying it. But so far as the Government is concerned, I agree with you.

11,084. Now you suggest a seignorage of 1*d*.; is not that rather a large seignorage?—It is rather large, but I do not think it would lead to any great practical inconvenience. You would not levy a seignorage, of course, until you found that the condition of the silver market was such that, by levying a seignorage, you could then open your mints. I have assumed that the opening of the mints would create an additional demand for silver, and that it would have a moral effect on the silver market; and, I think, in assuming that the opening of the mints would make a difference in the price of silver equivalent to nearly 2*d*. in the rupee, I am taking a moderate figure. I have consulted several authorities in the City, and they seem to think that that is a moderate figure to take it at. Then, of course, the 6*d*. an ounce in silver would be equivalent to 2*d*., and rather more. If you had the silver market in a condition at which that very nearly brought the rupee to 1*s*. 4*d*., then a seignorage might make it safe to open the mints, which I think in itself most desirable for the people of India.

11,085. (Sir F. Mowatt.) That is based on the assumption that with open mints the rupee would fall to 1*s*. 2*d*. in value?—No, I think not. If you had silver with the intrinsic value at 11*d*., and if the effect of opening the mints was equivalent to 2*d*., that would bring the value to 1*s*. 1*d*.; with the duty and the seignorage it would then be 1*s*. 4*d*.

11,086. I mean, you proceed on the assumption that the opening of the mints would bring silver to about 1*s*. 2*d*.?—I suggest that it would make a difference of 2*d*., or nearly so.

11,087. (Chairman.) You know the effect of the purchases of the American Government under the Sherman and Bland Acts. There was a steady fall of silver, notwithstanding those great purchases. I want to know whether you think that, supposing the mints were opened for the unlimited coinage of silver, it would affect the silver market?—I think, certainly, it would affect the silver market.

11,088. Did it in America?—I think it did. It did not prevent the fall, but the fall would have been greater than it was if the Americans had not been buying silver. It did not prevent the fall, but it diminished the fall.

11,089. The fall still went on during all that period?—Yes, and it is perfectly possible that, in a country where you have a gold standard and a gold circulation, you may have a fall; you are open always to the possibility of that altering. I do not say it is likely, but it is quite on the cards that there may be an enormous development of the production of gold, and the sovereign might alter in value intrinsically.

11,090. I suppose the real influence which would settle the price of silver would be the cheapness of the cost of its production and an abundance of the metal?—As compared with the demand.

11,091. Do you and your friends with whom you have talked it over think that, taking the cost of production as it is now, and a reasonable estimate of the sources of supply, the price would be affected? The coinage of silver in India when the mints were open, was on an average about 6 crores a year. Now we cannot assume that it will be much more in the future than it has been in the past. Do you think the sudden purchase of six crores of rupees would produce such a change in the silver market, as to raise the price by the figure you were mentioning to Sir Francis Mowatt, 2*d*. an ounce?—The effect of closing the mints, I think, was a sudden fall in silver of 11 per cent.

11,092. But you remember that it was after the closing of the mints that they repealed the Sherman Act?—It is very difficult, no doubt, to determine what was due to one cause and what to another.

11,093. Assume that the effect of re-opening the mints would be to create an increased demand of from 10,000,000 to 15,000,000 ounces, what effect do you think that would have on the silver market?—It is very difficult to express a decided opinion. I feel strongly that the effect would be a substantial rise.

11,094. You think it would?—I think it would.

11,095. Is there anything further you desire to add?—I should like to add that I concur very much with what fell from Lord Rothschild, with reference to the railway policy. I think it is very important for the Indian Government to encourage English capital being invested in Indian railways, and that the line which the Indian Government has taken has tended to discourage it. Also that it was a mistake to fix the maximum, and not the minimum, of the rupee; because, as soon as the rupee comes near the maximum, naturally anybody who has free money takes it from India, because he has nothing to gain by leaving it there, and may lose by not taking it away. That is an undoubted effect of the existing state of things.

11,096. Having fixed, as it was never intended to do, but as was practically done, a maximum of 1*s*. 4*d*., and no minimum, that creates a tendency to send capital out of India?—As soon as the value approaches to 1*s*. 4*d*.

11,097. And that is a state of things that you think it is desirable to terminate?—Yes, I think it is an undesirable state of things. Then, I venture to depreciate the raising of a gold loan. I do not see any need for that. At present I do not see that the moral effect of the Indian Government doing it would be an advantage, or that anybody doubts the solvency of the Indian Government at present. It also seems to me to be unnecessary to melt down rupees. I cannot help thinking that with the increase of population and the natural wear and tear of the coin that is always going on, it is quite unnecessary to melt down any rupees.

11,098. In fact, you do not concur in the proposals of the Indian Government?—No, I do not concur in those proposals.

11,099. Have you thought of the Lindsay scheme at all?—The Lindsay scheme seems to me to be a complicated one. I think, if you are really to have a gold standard and a gold circulation, you must do it in the way that Russia and other countries have been doing it; but in that case it seems to me that you would have to replace the great bulk of your present silver currency by a gold currency.

11,100. Will you tell us why you think that?—Because the coin which is the legal standard must be the main coin. You cannot have an enormous amount of token coinage floating about in the country. It would not keep its value, and, if you are really going to have the gold standard and gold currency, the gold currency must be the main currency of the country, as it is here. Of course you would naturally require a certain amount of silver for small change, as we do here, and probably, under the different circumstances of the country, you would keep a larger proportion in India than you do here; but I do not think you could be said to have a gold currency in India unless, supposing the currency were 130 millions sterling, 100 millions were in gold or notes issued against gold. Then if you are going to sell 90 millions or 100 millions of tens of rupees, I think the moral effect on the silver market of destroying the demand, and the effect also of throwing an immense amount of silver upon it like that, would be a very heavy loss to the Indian Government.

11,101. Let us take that operation through its various stages. Assuming that argument is sound, that 75 per cent., you would say in round figures, of the currency of India should be in gold, that is, assuming that the present currency of India is something like 130 millions, that 100 millions of it should be in gold, the 100 millions cannot be in gold without rupees being surrendered for the purpose?—Rupees would have to be surrendered no doubt, but

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they would be surrendered at the rate of 1s. 4d., and the Indian Government might have to sell them at 6d. or 8d.

11,102. Why should they? The internal trade of India is carried on entirely with rupees. You must assume, for the sake of argument, that the rupee remains an unlimited legal tender. If the Government give a sovereign for 15 rupees, then, to the extent of every sovereign paid out, the currency is contracted by 15 rupees?—In the first place, as long as rupees are legal tender to any extent, I should humbly venture to suggest that the rupees are the standard, and that it is a fallacy to talk about gold being the standard as long as rupees are legal tender to any amount. But I am assuming that, other things remaining the same, the total amount of circulation in India would be about what it is now. The present circulation is about that which keeps the rupee at 1s. 3½d. or 1s. 4d.; of course, India may require from increase of population and the development of trade a greater circulation, but, assuming that things remain as they are, the amount of the circulation to keep the rupee at 1s. 4d. must be approximately what it is at present. Therefore you can only force 90 millions or 100 millions of gold into circulation by taking 90 millions or 100 millions of silver out of circulation, otherwise it would be doubling the amount of circulation.

11,103. If the artificial element did not come in, the value of the rupee at the present time would be only 10d.?—Certainly.

11,104. To use your own words, what the Government establish is an exchange standard. If they had not done that, the rupee would be 10d.?—No doubt, and my argument is this, that, if things remained approximately as they are in India, the circulation must remain approximately what it is at the present time. Therefore, if you are going to introduce 100 millions of gold into that circulation, you can practically only do that by taking 100 millions of silver out of it. That 100 millions of silver is now circulating in India at the rate of 1s. 4d., and it will be tendered to the Government at 1s. 4d., and the Government will have to pay for it at the rate of 1s. 4d.; but, when the Government send that silver here or anywhere else to sell it, instead of getting 1s. 4d. they would only get 6d. or 8d., and would lose the difference.

11,105. But would not the next step be this, that, the moment these people had paid their 100 millions in rupees and got gold, they would try to get their gold into rupees again, because they would want rupees, not sovereigns?—But you are assuming that the circulation of India was to contain 100 millions of gold.

11,106. I am assuming that the present circulation in India is 120 millions or 130 millions of tens of rupees. Then the next point to assume is that the Government is bound, when anybody tenders 15 of those rupees, to give a sovereign in exchange for them—which is an obligation which does not exist, by the way, on the Government of this country with reference to shillings; but, assuming that to be so, then the owners of the rupees would go to the Government and get gold. Now, what are they going to do with the gold when they get it?—I have very grave doubts whether, in the condition of India, you could get a gold circulation. That is merely an opinion. Of course, my opinion is not worth anything.

11,107. It is worth a very great deal, and we attach great importance to it. I do not know whether you read Lord Northbrook's evidence?—Yes, I read Lord Northbrook's article, and also the evidence that he gave here. He considers that gold is the proper standard for India, and points out that it was the standard in the time of the Pathan rulers of India, and in the time of the Moguls, and in the time of the East India Company, when it was abandoned. The inference I should have drawn from that would have been, that, as gold had been tried and abandoned, it was pretty clear that silver was more suitable for the

requirements of India than gold. All I am contending for is that, as long as you have 100 millions of silver in circulation in India, and only a small amount of gold, practically the standard is silver, and that, if the Indian Government is determined to have a gold currency and a gold standard, then, as the currency cannot be increased, if you are going to substitute gold for silver, you will sell that silver at a ruinous price.

11,108. You are assuming that you are going to sell the silver, but Lord Northbrook does not contemplate that?—Lord Northbrook does not contemplate 100 millions of gold.

11,109. No, his point is that 20 millions of gold will do?—My view is—it may be wrong—that, if you have a currency 110 millions in silver and 20 millions in gold, you may describe that as a gold and silver currency, or you may, for shortness, describe it as a silver currency, but you cannot correctly describe it as a gold currency when the great bulk of it is in silver. Lord Northbrook begins by saying that he is going to have a gold currency and a gold standard. When he comes to develop that, and explain what he means, it appears that the currency is to consist of 110 millions of silver and 20 millions in gold. In my humble judgment, that is not a gold currency. You may call it a gold and silver currency, or, from the principal metal, you may call it a silver currency, but it is not a gold currency, and cannot be correctly so described. I had understood, from reading Lord Northbrook's evidence, that he intended that the great bulk of the currency should be gold, and not silver; but I find, from reading the article, and from communications I have had with him, that that is not his idea of a gold currency. Then, when we come to the standard, he proposes to leave 110 millions of silver circulating in the country. Practically, all transactions are to be in silver, contracts are to be made in silver, and silver is to be legal tender. It is quite true that a person may pay gold if he likes, but, as long as the gold is worth more than the silver, nobody is likely to do that. Therefore, it appears to me that silver would be practically the standard, and that what he proposes is not really a gold currency and a gold standard.

11,110. How do you apply that argument to Canada?—Canada, I think, is on an exchange standard, which has kept a certain relative value to gold, in the same way as France. I observe that the Indian Government speak of France as having a gold standard, but Mr Hambro will confirm me when I say, and there is no doubt about the fact, that in France 5-franc pieces are legal tender to any extent. They are not worth intrinsically the value at which they circulate; the French gold is also so very much worn and defaced that, if you were to melt it down, it is not worth the price at which it circulates; but the Bank of France regulates the issue of coinage and notes in such a manner as to keep the exchange constant within small differences to 25·20 for the £ sterling; it is really based on the £ sterling, and I think it is rather a proud position for this country to be able to say that the French standard at this moment is a standard based on the £ sterling.

11,111. Is that any injury to France?—It is an unsound position, I think. They have an immense amount of gold and silver, which is no doubt very useful for internal purposes, but, if they were to come to export it, they could not export it; whereas we have a very large amount of gold in circulation, which is really a reserve for the country. If we had a war, and really required it, we could send that gold abroad, and replace it by notes. I hope we shall never be driven to that, but we have that reserve, whereas what the French have, if it is a reserve at all, is a reserve which can only be used at a ruinous loss. Then, the foreign trade of France is only small compared with our own. The French have a very powerful institution in the Bank of France, which is very well managed indeed, and quite independent of the Government. The Bank of France regulates the amount of coinage that is to take place, and so on.

But, in the case of India, though I should wish to speak with every respect of the Presidency banks, which are excellent institutions, they do not hold the same position as the Bank of France does. The currency in India, under these proposals, will really have to be managed by the Indian Government; and the Indian Government will find themselves attacked on the one hand by certain people who have interests in lowering the value of the rupee, and who will maintain that there are too few rupees, and that more ought to be coined, whereas other people, having opposite interests, will maintain that the rupee is redundant and ought to be curtailed, and the Government will have to decide between those opposing interests. That is a very invidious position for the Government to be in, and one which it is very undesirable, if it can be avoided, that the Government should be placed in.

11,112. In my questions, of course, I am not contrasting the financial position of France as against Great Britain. What I am wanting to see is whether the defects which you point out to us in establishing a gold standard in India, with a limited currency, do not already exist in France. Their currency is not unlimited, is it?—No.

11,113. They are not obliged to pay you gold for a cheque on the Bank of France?—No, they have the option.

11,114. Side by side with that, for all the internal trade of France, the 5-franc piece circulates for double its bullion value?—Yes, I suppose it is about that.

11,115. Just as our shilling does?—Yes. But the shilling is only legal tender up to 2*l*.

11,116. For our real business purposes our shilling is worth the twentieth part of a sovereign, whereas its real intrinsic value is not more than one forty-fifth of a sovereign, I suppose?—Yes.

11,117. Now I want, in conclusion, to ask you this: Putting on one side the proposals of the Indian Government, and putting on one side the proposals of Mr. Lindsay, Mr. Raphael, Mr. Probyn, and other experts, simply confining yourself to the question whether it is possible to establish a gold standard in India, with a restricted, in the first instance, but eventually, if you like, an unlimited convertibility of the rupee—would that be a desirable financial system for India? I mean, making the rupee entirely a token coin?—If you have a small amount of circulation of the rupee—10 or 20 millions—which would be about the proportion that you could have as a token coinage, then I think that you might undertake to give gold for it; but, if you have 130 millions of silver, or anything approaching that, the Indian Government have considered—and if I may say so, I venture to think very wisely considered—that they will not undertake the responsibility of giving gold for that amount; and as long as you have the great preponderance of the circulation of India consisting of silver, that silver being the basis of all contracts, and being legal tender to any amount, and the Government declining to undertake to exchange it for gold, I do not think you can be said to have a gold standard. It seems to me that the rupee will still be the standard.

11,118. (Sir F. Mowatt.) You assume, I think, that the silver currency for India is about 120 millions of tons of rupees?—I have taken Mr. O'Connor's figures.

11,119. And that the large majority of transactions are so small that they must be carried on in silver rather than in gold?—Quite so.

11,120. And I think also you say that, either by import duties and a seignorage and opening the mints, or by the arrangement which the Government proposes, it is now necessary to maintain the rupee at or near 1*s*. 4*d*?—I understand that the Government have pledged themselves to that.

11,121. That being so, I feel a little perplexity in following what you said about the difficulty of the

gold standard. If this 120 millions is required in silver, why should the native take his silver to the mint, and ask for gold? He will get a coin, at that rate, which is not so convenient for his transactions. Why should he go and get it?—My statement was that it seemed to me that silver was the more convenient currency for India.

11,122. As soon as he takes his rupees, the number of rupees in circulation will become smaller?—Yes.

11,123. And as soon as it becomes so small that he cannot conveniently carry on his business with it, the rupee will rise in value?—That is so.

11,124. When it rises in value, will he not take the sovereigns, in one form or other, back and ask for his rupees again?—In that case you would not have a gold circulation.

11,125. But, supposing, for instance, 30 or 40 millions of tons of rupees are brought to the mint, and gold asked for in exchange. The pinch on the rupee would be so great that it would rise very considerably in value, would it not?—It might.

11,126. Then one of two things would happen. Either they would not go to the mints, and would not get the gold, in which case there would not be this 120 millions in circulation, or they would find it necessary to take back the gold and buy rupees again; otherwise they could not carry on their business?—It would depend on what they did with the gold. If the gold was put into circulation, to that extent the silver would be diminished.

11,127. I have rather assumed, and all the evidence that we have had is, that a very large amount of silver currency was absolutely essential, from the nature of the transactions in India?—I should think that was so, certainly.

11,128. That amounts to saying, does it not, that the whole of the silver currency, or any large part of it, could not really be changed for gold?—I think a large part might, the whole certainly not. But I suppose the Government thought that so much might be changed for gold that they could not take the responsibility of exchanging all of it.

11,129. We have had the equivalent of 15 or 20 millions sterling suggested. Then, assuming that the great bulk of the transactions must still be in rupees, and only a very small part of the transactions in gold, that, you say, is not really a gold standard or a gold currency, but it must be described by some other name—an exchange standard, or a silver and gold currency and standard?—I think, as long as the mints are not open, it is not a gold currency.

11,130. But does it really matter whether it is called a gold currency, or an exchange currency, as long as its effect on trade is the same?—I do not think its effect on trade is the same. In many respects an exchange currency well managed has the same effect as a gold currency. You will see in my paper I have not proposed to alter that at present in India, but the disadvantage of an exchange standard, where it differs from a gold or a silver standard, is that an exchange standard must be managed and manipulated by some body, either by the Government as it is in India, or by a great financial institution as it is in France. Therefore you do not get under an exchange standard that elasticity which you have under open mints.

11,131. Now, assuming that a large portion of the transactions must be in rupees, to that extent the full amount of the currency could not be in gold?—Yes.

11,132. And the larger that proportion is, the smaller amount of gold will get into the currency; the larger the proportion of trade that was necessary to be carried on in rupees, the smaller the proportion that it would be necessary to carry on with the gold currency?—I think so.

11,133. Although the amount of the silver currency would be larger than that of the gold, yet, so long as the Government guaranteed the rupee at 1*s*. 4*d*., it could not fall below 1*s*. 4*d*., because there would always be gold to be given out at that price, if rupees were brought to the mint?—Certainly. I do not doubt the power of the Indian Government to do it, but I

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venture to think they are wise in not undertaking the responsibility

11,134 (*Chairman*.) May I refer you to Lord Rothschild's evidence. This is at Question 7621—"You think a gold standard without a gold currency impossible?—I do, and I would go still further. I think, if you make up your mind to introduce a gold standard and a gold currency together, you must be prepared on occasions to send gold back to London." Then he gave some evidence explaining his reasons for that, and then I asked him this: "What time do you consider would be sufficient to establish a gold currency in a normal state of affairs?—My idea was that the Indian Government as a Government would only have to provide 20,000,000*l.* of gold, and, either by preventing the importation of silver, or by putting a heavier duty on it, a certain amount of gold would flow automatically to India, and I would have supposed that it would not have taken India more than two years, if so long. I wrote to Vienna and asked them for particulars of what happened there, and they sent me this paper in German. They raised, I think we may say, 30,000,000*l.* sterling, but they only bought 20,000,000*l.* of gold, and they put a foot-note here showing that it did not take them three years to bring about the change. Now, if Austria can do that in three years, India can certainly do it more quickly, backed up with the credit of the English Government." I do not know whether you have seen that estimate of Lord Rothschild's as to the 20,000,000*l.*?—Yes, I have seen that estimate and I quite agree with it, but I should not consider that that would be a gold circulation.

11,135 I do not know whether you wish to leave upon our mind this impression, that we could not get a gold currency and a gold standard without practically providing 100,000,000*l.* of gold. You said that 75 per cent. of the currency must be in gold in order to get absolute convertibility?—I think that what Lord Rothschild meant there was that the Government could not buy more than that amount. In the case of Russia, the Government collected their customs in gold, they have stopped the produce of the mines from leaving Russia, and they have gradually accumulated gold in that way. I think the Indian Government might do that too. I am very far from saying that, if the Indian Government chose to do it, it could not be done; but my argument is this, that, as the currency must be kept at about the same amount, to whatever extent you issue gold you must reduce the quantity of silver, if you are going to keep the standard to *ls. 4d.*

11,136. Supposing the operation were decided on, what would be your opinion of the quantity of gold that would be required for safety and success? Lord Rothschild puts it at 20 millions, and I think Sir Samuel Montagu put it at rather less than 20 millions, and some witnesses put it as low as 15 millions. Of course it is a very serious opinion of yours, if you think it really would require eight or nine times that amount. If it would take 100 millions of gold, it is of course, one may say, beyond the limits of possibility to establish a gold standard?—My contention is that you could hardly call it a gold currency unless the great bulk of it was gold. You might have half gold and half silver, and then I should call it a gold and silver currency.

11,137 But Lord Rothschild said he would not consider it a gold currency unless the rupee was absolutely convertible?—I have gone on the basis from the beginning that the Indian Government declined to undertake the responsibility of giving gold for the rupee to an unlimited extent, and I am bound to say that they seem to be very wise and prudent in doing so, but, that being the case, I do not think it can be said that you have a gold standard. I should have certainly thought that, if you were really to have a gold currency and a gold standard in India, at least half the currency of India must be in gold. India is a country where the transactions are smaller than

here, and probably it would not be necessary to have quite the same proportion of gold as here

11,138 (*Sir J. Muir*.) I think we understood that in 1893 you did not think the facts necessitated the closing of the mints?—That was my impression.

11,139. Is it your opinion that the Government acted wisely in fixing, in the arbitrary way they did, the rate of exchange at *ls. 4d.*?—I hardly think that upon that point my opinion would be of very much value. I understood that that had been about the average, and that they took it as the average, and that does seem a strong argument, but I do not think my opinion on that point would really be of much value.

11,140 Are you of opinion that it is desirable in such a country as India that the rate of exchange should be allowed to fix itself automatically?—Yes, I think that is very desirable.

11,141. Then, if that is very desirable, you would hardly approve of any means by which, in an arbitrary way, the rate was fixed, and was not left automatic?—I have already said that it was on that ground that I disapproved of the closing of the mints, but, the mints having been closed, I think the Government must take the responsibility in the matter.

11,142. Your own view would be, apart from the difficulties of the situation, to have the mints, as early as it could possibly be done, re-opened?—I think it would be extremely desirable, and it was with that object that I have made some suggestions which I should not recommend in themselves. I think they are an evil in themselves, but I recommend them in order, as soon as possible, to get rid of what seems to me to be a greater evil.

11,143. Then, in your judgment, the internal trade of such a country as India is more important than the external trade?—I think so.

11,144. We have had various ideas from witnesses as to whether or not the currency was redundant or deficient. We have had it in evidence that the Bank of Bengal rate was as high as 12 per cent last season, and in Bombay the nominal rate was 12 and 13 per cent. We have had it in evidence that Parsees went to the manager of the Bank of Bombay and asked for advances on Government paper, and he said, "I cannot give it you either at 12 or 13 per cent." "But," they said, "we must have money to meet our engagements, and we would give you any rate you choose to name to us up to 18 per cent"; and he said, "It is not a matter of rate, I have on that rupees, I cannot do it." Then the reply was, "Well, we cannot meet our liabilities; it is a very serious position for us." Is it your opinion that in such a state of matters the currency could be called redundant?—Not at that place, and at that moment. I read that evidence with a good deal of surprise, and I observe that no statement was made as to how long that very high rate was maintained. We have all known cases of high rates in London, and much higher rates in New York, but it has only been for a very short period. In New York the rate is occasionally very high indeed for a few days, and it may have been something of that kind in the case you refer to. That is one of the evils I referred to. The Government having fixed the maximum, when the rate of exchange approaches that, anybody with free money feels that the rate cannot go any higher and that he may save himself a loss by remitting it, and, therefore, it tends to produce an artificial stringency. I also think that these facts illustrate the inconvenience of having a currency which is not automatic. The Government then has to decide, and it is very difficult for them to decide, whether the facts are such as to justify them in increasing the coinage, or whether the difficulty is only temporary; whereas, if the country has an automatic currency, the Government has not to interfere in that way at all.

11,145 (*Sir P. Mowatt*.) And the Government would have been bound to produce the rupees if the sovereigns were brought to them; therefore the deficiency is rather in the capital than in the currency?

—That is one reason why I suggested that the extremely high rate was perhaps only temporary.

11,146. (*Sir J. Muir*) Unfortunately it continued during the greater portion of the heavy shipping season?—Then, I am surprised that nobody tendered the gold and demanded rupees, if they knew that it was going on so long.

11,147. You disapprove of melting down rupees?—Yes, I think that is undesirable.

11,148. That would be sure to entail a very heavy loss which there is no occasion for?—It seems so to me.

11,149. Then your opinion, if I understand you aright, is that the land rent might equitably be increased to the extent of the fall of the rupee?—I do not think it would be equitable for the Government to go to any particular landowner and make a difference in his contract. The contract was a contract. But I think it is always open to a Government to say, "We must raise an additional amount of taxation and we must consider how we can best raise it so as to create the least inconvenience," and if they thought that the best way of raising it would be by a tax upon land, it seems to me that they would be entitled to impose that taxation. Whether it would be wise or not is a totally different thing. But then it would be a tax upon all land, which is a very different thing from making a difference in the case of particular landowners.

11,150. I am not sure whether you are aware that all over Assam and large districts where tea is grown we get a settlement for 30 years, the Government reserving the right at the end of the 30 years to make a fresh assessment. You, I think, understood, and you are quite correct, that these leases are falling out year after year, more or less. You think it would be a reasonable thing to increase the assessments, bearing in mind to some extent the fall of the rupee?—Yes; I think where the rupee had fallen it would be reasonable to increase the assessment of the land, other things remaining equal. I suppose that would be one of the elements which those who were responsible for the reassessments would take into consideration.

11,151. The only restriction that we have in regard to our tea planters is that they will not assess us at a higher rate than rice lands in the neighbourhood. Are you aware that the chambers of commerce in the great cities, Calcutta, Madras, and Bombay, object strongly to the proposals of the Government of India. You have noticed that, I daresay?—I observe that they object to some of the proposals, at any rate.

11,152. We have had a number of witnesses before us who are interested in such productions as indigo, tea, coffee, &c., and who complain very bitterly that they are subjected to a heavy loss by the difference in the rate. They have to lay down funds in Calcutta to pay for the wages of their coolies, and, supposing the rate is 1s. 1d., they will get far more rupees for every 1,000l. that they sell in London at 1s. 1d. than at 1s. 4d., and this 3d. in the rupee comes to be a very heavy percentage of loss to them. I do not know if any sort of suggestion may have occurred to you whereby this difficulty might be got over. It is one that presses very hard upon all growers of indigo, tea, coffee, wheat, &c. Did you read Mr. Ralli's evidence?—I read Mr. Ralli's evidence. The great majority of the companies that he refers to, I think, were formed when the rate of exchange was higher than it is at present, and it hardly seems to me, therefore, that they can complain, because they are better off now than they were when they were formed. Some of the remaining companies have been formed—and, apparently, very successfully formed—since the Indian Government announced their intention of doing their best to keep the rate at 1s. 4d. I scarcely think that those who have had notice of it have a right to complain. The companies that were formed between those two periods are, I think, very few in number. You know more about that than I do. There is no doubt that, the lower the rupee, the better it is for those who pay wages in rupees, but I can hardly think

that that will be a permanent advantage. If you pay the wages in rupees which are worth less, by degrees the number of rupees which you will have to pay will become more.

11,153. Did I understand you to say that you considered there was no occasion for the closing of the mints, and that the Government of India might have found some other means of meeting their expenditure than closing the mints and raising the rupee to 1s. 4d.?—The Committee will understand that, on a point of that sort I should really wish to speak with the greatest possible diffidence. Naturally, the Indian Government had sources of information which are not open to us. But, looking to the fact that the rate of exchange at the time the mints were closed was, I think, 1s. 2½d., and that an import duty of 6d. an ounce would have been equivalent to nearly 2½d. in the rupee, and would have brought in 800,000l. in money, and that a seignorage of 1d. again would have brought in another sum, if you take the present intrinsic value of the rupee at 11d. you would have had the seignorage of 1d., which would have brought it to 1s., then 2½d. in the rupee would have brought it to 1s. 2½d., and the difference between 1s. and 1s. 2½d. was, of course, only ½d., which would have been more than covered by the amount which would have been brought in by an import duty on silver. Although I admit that the imposition of such a heavy seignorage as 1d., and an import duty upon the standard metal, are undesirable in themselves, I confess I should have thought that it was a lesser evil than the very grave step of closing the mints.

11,154. With regard to imposing a duty on silver, have you considered what might possibly be the rate of exchange if the mints were re-opened?—Yes, I have considered what the effect of re-opening the mints would be if nothing else were done. My impression is, as I said in answer to the Chairman, that there would be so great a fall that the Indian Government would not be wise in taking such a step.

11,155. Granting that, what do you fancy the rate would fall to?—Speaking very roughly, I estimated the effect of opening the mints as being about 2d. You would add that on to the present intrinsic value; but, as I began by saying, that is a matter on which one cannot express a strong opinion. I have a very strong opinion that it would raise the value of silver, but, when one is asked how much it would raise it, that is, of course, a point on which one can only express an impression.

11,156. You put the intrinsic value at 10d., and you would add 2d. to that, that would make it 1s. Your opinion is that, apart from anything being done, that might be about the rate—2d. above the present intrinsic value?—Yes. I think if you were to open the mints now, and do nothing else, it is extremely likely that the rupee would then fall to 1s., or thereabouts.

11,157. You would not expect it to fall below that?—I have said that I thought it might be about that. It would depend on so many considerations that it is difficult to form an opinion upon a point of that kind.

11,158. (*Sir A. Dent*.) The only question I want to put to you is this. Supposing your scheme of adding 6d., or 25 per cent., to the silver duty were carried out, what effect do you think that would have upon the natives of India who are accustomed to use silver so very largely in all operations?—In the first place, I think there is considerable difference between putting on 6d., and putting on 25 per cent. I should prefer to put it in the form of a fixed 6d., because I do not wish it to vary with the price of silver. But, in answer to your question, I should say that, as regards the natives of India, after all, they would only be giving the same price for silver to which they were accustomed, and even less than they used to give; and, again, silver is not a necessity of life; it is, after all, used for ornaments and luxuries to a great extent, and I think, if you are going to raise money, it is desirable to tax the luxuries and conveniences rather than the necessities of life.

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J. Lubbock,
Bart., M.P.*

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11,159 Do you not think it would be almost a prohibitive duty, at first, at any rate?—I do not think so, because the imports of silver were very large formerly, when the price of silver was much more than it would be even with the 25 per cent. import duty. If it did not diminish the importation of silver, it would bring in some 800,000*l.* I suppose it would diminish the importation of silver, but to that extent it would benefit the Indian Government by increasing the demand for Council Bills.

11,160 Then there is a very large export trade from India of silver. India exports silver to a variety of places. Would it not check that trade altogether?—I suppose, in that case, the silver that merely went to India for transmission would be put in bonded warehouses. The Indian Government, I suppose, would hardly impose an import duty on silver which was not going to remain in India. But, taking the balance, there is always an import of silver into India; at least, I think I am correct in saying so.

11,161. Of course, there would be no duty charged on silver that went straight to the mints for coinage purposes to be passed on to Singapore and China in the form of dollars. But I take it that there is a large general trade?—There would be no duty on silver, of course, that was imported by the Government; but silver that was imported for minting purposes by anybody else—

11,162 That is held in bond. I think the British trade dollar that is coined in Bombay is held in bond, and there would be no duty there; that goes to China and Singapore; but apart from that there is, I understand, a considerable export trade in silver from India to various places. Surely your proposal to add a duty of 25 per cent. would strangle that silver trade?—I am afraid it is impossible to raise any additional amount of taxation without interfering with some trade. You have to choose the lesser of two evils. As I have already had the honour of mentioning to the Committee, it seems to me that the three advantages which you would gain would be, in the first place, a considerable increase of revenue; in the second place, you would tend to increase the demand for Council Bills; and, in the third place, you would diminish the difference which now exists between the price of uncoined silver and the rupee, which, I am afraid, may give rise to a considerable amount of dissatisfaction in India, and I think it would also make it rather more difficult to have false coinage.

11,163. Then you are not afraid that a duty of 6*d* an ounce would have a very bad reception in India at the hands of the natives, as interfering very much with their trade in silver and silver ornaments?—I should think that, on the contrary, it would be popular with the natives. I have no doubt the Committee have seen an article by Professor Ghose; I think it was in the "National Review" of last year, in which he expressed (in language, I think, far stronger than the circumstances justified) the belief that the natives of India had been cruelly treated by the Government, because they had laid by silver which they might use in case of illness or calamities of any kind, and the Government by an arbitrary exercise of their power had raised the value of the rupee, and thereby *pro tanto* diminished the value of the silver that they had laid by to meet an evil day. I do not think the accusation was justified. At the same time, I do think that there is a certain ground of complaint, which may be to a considerable extent diminished by the course I have ventured to suggest.

11,164. A duty would possibly be popular amongst those who happen to hold the silver, but I am thinking more of those who have not got the silver, and who want to conduct their business in the usual way?—I have always understood that a very large part of the population of India held a little silver in the form of bangles and other ornaments, even if they have no coined silver. Those who have not silver at all would not be at all affected, because, if they give more

for the silver on the one hand, they would buy more with the silver on the other. It would be as broad as it is long for them, except that they would have to pay a little more for their ornaments.

11,165. (*Mr. Campbell.*) As regards the question of convertibility. Assuming that you consider absolute convertibility a thing to be aimed at, do you think that, in making a change such as we have under discussion now, unlimited convertibility is a necessary or desirable thing at the outset?—May I ask what you mean by "convertibility"? I do not think I have used the expression.

11,166. I mean the Government undertaking to give gold for rupees?—You cannot be said to have a gold standard unless the rupees are convertible into gold; but I have been rather venturing to argue against a gold standard.

11,167. Gold and silver being both unlimited legal tender, would you consider it a desirable thing that, at the outset, in making the change, the Government should announce at once that they will convert rupees into gold for anybody who desires it?—No, I think I have expressed, more than once, my opinion that the Indian Government were quite wise in not undertaking that responsibility; but, if you will allow me, I never expressed the previous opinion that you attribute to me (nor is it the case), that gold and silver are both legal tender at present.

11,168. I mean, supposing you were to make both of them legal tender?—That is bimetallicism, and upon that I have been asked no questions.

11,169. You do not say that France is bimetallic, and gold and silver are legal tender there?—Not in the sense in which bimetallicism is used, because you cannot take silver to the mint and have it coined. The sense in which bimetallicism is used is that you are to be able to take both gold and silver to the mint and have them coined. In that sense, France is not bimetallic at present.

11,170. But that is not the scheme of the Indian Government. The scheme of the Indian Government is to close the mints to silver, and to make silver and gold legal tender on a ratio of 1*s.* 4*d.*?—When you ask me about bimetallicism, I wish to point out that I thought the term was being used in the sense in which bimetallicism is understood. I am quite aware that the Indian Government have not proposed bimetallicism.

11,171. I suppose, in the question of convertibility, there is in your opinion, a great deal of importance to be attached to the settlement of the foreign exchanges?—"Convertibility," as you use the word, would mean bimetallicism, would it not?

11,172. What I mean is this: If the balance of trade is against a country, and she has to settle in gold, it would be desirable, under the Government of India's scheme, that gold should be obtainable for the purpose of keeping the foreign exchange from falling below the gold point?—That is one reason why it is so important to a country to have a currency which is really circulating at its intrinsic value. That enables you to meet a drain from a bad harvest or any other cause; whereas, if you have what I have ventured to call an exchange standard, you may have no metal circulating in the country which you can use in that way.

11,173. I think you said that the Bank of France regulates the foreign exchanges, so that it does not depart very far from the gold point?—From the £ sterling—not exactly from the gold point; I must put it a little more definitely. They regulate the currency so that it shall have a certain reference to the English £ sterling, which I ventured to think was rather a proud position for this country to occupy.

11,174. I dare say you are aware that the balance of trade is always in favour of India—that the years in which the balance of trade is against India are very exceptional?—That is so. In other words, that India is nearly always importing the precious metals.

11,175. That being so, and so long as it is so, the question of the precious metals for the settlement of an adverse balance is one that occurs very rarely?—

I think in any country it happily is only likely to occur rarely, because it would only come into operation in the case of a very deficient harvest or some other circumstance, which would upset your calculations.

11,176. But, if the balance of trade is so generally in India's favour, is not the question of convertibility of the internal circulation of minor importance? You say very properly that the internal circulation of India must be, for some time to come at all events, in rupees. Is the question of convertibility as regards the internal circulation of such very great importance as to make it essential that the Government should declare their intention to exchange 15 rupees for a sovereign to anyone who wants it?—I venture to think that it was rather a mistake to do so, that fixing the maximum, and not fixing the minimum, has had the effect that, directly the exchange comes near the maximum, everyone who has loose capital feels that he had better withdraw it, because if he leaves it in India he cannot gain, and on the other hand he might lose.

11,177. Is it essential for the Government of India to say that they will guarantee absolute convertibility? Might they not leave it optional as is the case in France?—If by convertibility you mean convertibility of rupees into gold, the Indian Government have, as it seems to me very wisely, declined to undertake so great a responsibility. So far as it is convenient to have say 10 or 20 millions in gold coins for larger transactions, that might be done, but that is not having a gold currency. I would rather leave India with a silver currency, and re-open the mints as soon as circumstances render it possible to do so, and take such steps as might be possible to bring that desirable event as near as might be.

11,178. Then you say the Indian Government have pledged themselves to do their best to maintain a ratio of 1s. 4d.?—I have understood so.

11,179. Are you not aware that, when the mints were closed, the final rate to be adopted was expressly left an open question?—I understand that that is so.

11,180. It was left as a question to be decided afterwards according to the light of experience?—Yes, I think that was so, but I understand that since then they have committed themselves as far as possible to maintain a rate somewhere approaching to 1s. 4d.

11,181. You know that there was no pledge?—As to what the pledges are, or what is the position of the Indian Government, the Committee will of course get that from the representatives of the Indian Government. I think that the general feeling in the mercantile community has been that the Indian Government had expressed their intention of maintaining the rupee at about 1s. 4d.

11,182. (*Chairman.*) The proposals that they have sent home, the proposals before this Committee, say 1s. 4d.?—Yes.

11,183. (*Mr. Campbell.*) I asked the question because I think that in your paper you used the expression "breach of faith" in regard to any departure from 1s. 4d.?—I do not think I used the expression "breach of faith." Certainly not in that context. What I intended to say was, as the Chairman has just said, that the Indian Government had expressed their intention of keeping it at about 1s. 4d., which, of course, implies that there might be small fluctuations.

11,184. With the open mints and the heavy seignorage you speak of, you think exchange would be kept up to about 1s. 4d.?—I think it may be. As I have already said, it depends very much upon the relative production of gold and silver in the future; that I do not think anybody can prophesy 10 or 12 years ahead.

11,185. You do not pretend that it would make a stable exchange?—No, but I think it is quite as likely that the instability may come from a change in the value of gold as from fluctuations in the value of silver.

11,186. In that event the exchange would fluctuate just as it fluctuated in previous times?—Just as it fluctuated in previous times before the great fall of silver. There was no extreme inconvenience until the time came when silver dropped very much in price. Up to that time there were, no doubt, fluctuations in exchange, but they were fluctuations in exchange such as occur between this country and almost any other country.

11,187. But your proposals would not do anything to obviate the fluctuations of exchange according as silver rose or fell?—I had the honour some years ago of serving on the International Monetary Commission. We took then a great deal of evidence with reference to the fluctuations of exchange, and the idea was that it would be extremely desirable to make some arrangement with foreign countries which would prevent fluctuations of exchange; but we found that, if you were to-morrow to have a gold coin, say in Germany, France, and England, which would be issued of the same fineness of metal and exactly the same weight, that would not at all prevent fluctuations of exchange. The actual value of the coin as it came from the mint might be identical—coined of the same fineness and of the same weight—and yet it would not prevent fluctuations of exchange. Fluctuations would arise partly from the fluctuations of commerce, partly from the conditions under which the coins were withdrawn from circulation as they became worn. If you have two countries both issuing coins exactly of the same weight and of the same fineness, which were worth exactly the same when they were issued, and if one of those countries has arrangements, as we have here with our gold currency, under which directly a coin becomes worn it is almost automatically withdrawn from circulation through the Bank of England, and if the other country allows the coins to go on being used, as France does, long after they are very much worn, you would very soon have a difference in the value of those coins, although they were at first identical.

11,188. It would mean a much larger difference than the cost of sending them backwards and forwards?—Yes.

11,189. But would you compare that with the fluctuations between a gold standard and a silver standard country?—No, because, as I said previously, you are now mixing up two things; you are mixing up the exchange which can only vary by the expense of sending the metal from one country to the other, and the difference which may arise from a fall of one metal in relation to the other. But unfortunately, in so many of these matters of currency and commerce, we use the same word in ordinary conversation very often to mean different things, and we fail to make ourselves clear, because we are really speaking of two different things under the same term.

11,190. I notice, when you speak of the circumstances which would suffice to keep exchange at 1s. 4d., you include a rise of silver, due to the re-opening of the mints, of about 10 or 15 per cent.—1½d. per rupee?—That is so.

11,191. But you indicated that the heavy import duties might diminish the demand for silver in India?—I think the universal experience of taxation is that, if you put a new duty on any article, or increase the duty, you diminish the importation.

11,192. The importation will decrease owing to the rise in price. Might not that counteract the effect of the re-opening of the mints in raising the price?—I think not, because, to whatever extent it diminishes the importation of silver into India, it would increase the demand for Council bills. Council bills and silver are the two rivals as it were, and if you diminish the one you tend at least to increase the other.

11,193. Then would you consider that this effect would be so certain as to obviate any possibility or probability of the exchange question cropping up again through another heavy fall in silver?—As long as you have any article as the standard of value, gold

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or silver or anything else, you are liable to fluctuations. There is nothing which does not fluctuate in value, and gold and silver have been chosen because they fluctuate in value less than anything else. Theoretically, I think one of these days we shall come to a standard of value which will be composed of many items. There you would have, of course, less chance of variation than you have as long as you have one single substance. My great objection to the suggestion of the bi-metallists has always been that I venture to think that what they call bi-metallism is not really bi-metallism. What they call bi-metallism is giving one party to a contract the option of paying either in one metal or in another, which gives him an advantage, whereas true bi-metallism, I think, would consist of saying that, whatever your designation may be, it should consist of a certain quantity of gold and the same quantity of silver, then in any variation it would be the same for the debtor as for the creditor, whereas, if the debtor has the option as to the metal he is to pay in, he would be at an advantage. That is not strictly bi-metallism at all, although it is what is officially known as bi-metallism because it is the sense in which bi-metallists use the term.

11,194. In one of your replies you spoke of the fact that an import duty of 5 per cent. already existed. Of course, under existing circumstances, silver is only a commodity, just the same as copper, or iron, or Manchester goods, or any other article that India imports?—That is so.

11,195. It is not currency at present?—No, it is not currency till it is coined.

11,196. Do you approve the principle of Government taxing a country's currency?—No; I think I have already said that, theoretically, it is undesirable, but we had to deal with a certain state of things. We had to choose what was the lesser evil under the circumstances. It was only from that point of view, and having regard to the circumstances, that I have suggested it.

11,197. Could you conceive of any circumstances which would induce you to advocate an import duty and a seigniorage amounting to about 26 per cent. on gold in this country?—The circumstances are very improbable, but I could imagine such circumstances.

11,198. (Mr Le Marchant) Would the exchange value of the rupee under the conditions that you propose follow silver exactly in its fluctuations? Would there be any element to cause the fluctuations of the rupee to differ from those of silver?—I think there would be some elements which would prevent its fluctuating exactly as silver, but it would fluctuate much more nearly with silver than it does at present.

11,199. Would not a given weight of silver still be coined into a certain number of rupees, just as at present, so that, if the sterling price of silver altered, exactly the same alteration would take place in the value of the rupee? Would not the variations in price, or fractions of a penny, be the same under your system as with open mints?—What I have suggested would certainly not prevent fluctuations, but it would tend to maintain the rupee at a considerably higher value than the mere intrinsic amount of silver in it.

11,200. And, to the extent of that fixed difference, India would not be upon exactly the same basis of value as other silver-using countries?—If you mean the advantage which a producer in China has over a producer in India, I think that, after all, though that may go on for some time, it is really a temporary advantage.

11,201. Do you consider that there would be advantages in being on a common basis with gold-using countries?—Other things being the same, I think there would be; but the reason why I do not think it would be convenient in the case of India, is that experience, I think, has shown that a currency of which the great bulk consists of silver is that which is really convenient for the requirements of the people of India.

11,202. How far would your system be automatic? I can understand that silver would flow in under

certain circumstances, and be coined and increase the currency; but how far would your system be automatic in the way of providing for an out-flow?—No system would be automatic, I think, until the mints were opened; but the course I have ventured to suggest would make it much easier to open the mints, and might make it possible to open the mints when it would not be possible under any other circumstances; and, of course, as soon as the mints were opened, it would be automatic.

11,203. As a step towards opening the mints, would you propose to reduce the duty if the sterling value of silver rose?—Reducing the duty would not be a step towards opening the mints. The expediency of reducing the duty would depend on many contingencies. If silver rose so that the rate would be maintained at about 1s 4d., even without the import duty on silver, and if the Indian Government could spare the revenue, then I would say, reduce the import duty, but, on the other hand, if the Indian Government really require revenue, I do not know any way in which something like a million of money could be obtained so easily as by an import duty on silver and gold. I think it has been clearly shown in the evidence given before this Committee, and in other papers, that there are very great difficulties in raising other taxes in India. I alluded to the land tax, but although I think it might be equitable and just to raise the land tax under certain circumstances, I am perfectly well aware of the grave political reasons which make it undesirable to do so.

11,204. Whenever steps for removal of the duty were taken, would not that involve a sudden change in exchange values? For instance, so far as the charge of 6d. operated to maintain the value of the rupee above the commodity value of silver, would not the removal of the charge cause a sudden alteration?—I do not suppose that any Indian Chancellor of the Exchequer would make a sudden change of that kind. He would probably do it by degrees. If he found that he could do without the revenue, and if he found that it was not necessary for the purpose of maintaining the rupee at a steady exchange, he would say "I advise the Government to lower the duty to 4d. or perhaps 3d.," and then he might reduce it again, and so on. But the great desire, I understand, of the Indian Government is to have a rupee which would be approximately steady in value.

11,205. Would not such a system of varying the duty introduce a great deal of what has been called "management" into the relations of the Government to the currency, and bring into trade an additional element of uncertainty?—Not, I think, to anything like the same extent as the present system. Whether the duty was to be altered or not would involve the same considerations as whether, for instance, the tea duty should be altered here or not. That would be done by the Chancellor of the Exchequer with the consent of the Government, and so on, and it would be done probably once for all; whereas this question of maintaining the relative quantity of rupees is a question which is continually before the Government, which I think is much more difficult of solution. You can determine whether you can spare a certain amount of revenue; but where you have to determine whether the rupees at any given time are redundant or deficient, we have already seen, and this Committee has seen, what great differences there may be between gentlemen who are very qualified to speak, and who yet come to hold totally different views.

11,206. Any system under which the Government had to determine how much duty to impose, or to remove, in order to regulate the exchange value of the currency, would create serious uncertainty as to the future course of exchange?—No, I do not think that necessarily follows. I understand, and I think the Chairman has confirmed me, that the Indian Government have now expressed their intention of keeping the rupee at about 1s. 4d. As long as they do that, the public, I think, will feel confidence that they will, as far as they can—of course, circumstances may

render it impossible—endeavour to do what they have announced their intention of doing, and the longer the rate is maintained the greater confidence the public will feel. For instance, the case of France has been very often referred to. I do not know that there is any absolute reason why the Government of France and the Bank of France should not alter their policy to-morrow; but all those engaged in the commerce of France feel that there has been a certain policy pursued for many years, and confidence has gradually grown up, and so I think it would in the case of the Indian Government.

11,207. Therefore, although the proposal is to fix the duty at, say, 6*d.* it would be understood that this might be varied if opportunity arose?—It is always a well understood principle in politics that it is open to the Government to alter the duties imposed on any article.

11,208. And you would put the currency in this case in very much the same category as other articles?—In this case, yes, having regard to the necessities of the situation; but I think I have already said more than once, and perhaps I ought not to repeat it again, that as a general rule to put a duty on a metal which is the principal article of currency is in itself very undesirable.

11,209. In 1892 you contemplated, I believe, a seignorage of 10 per cent as advantageous to India?—Yes, and an import duty. I have long been of opinion that under the circumstances of India an import duty and a seignorage were perhaps desirable.

11,210. The seignorage would have been a percentage and not a fixed sum, would it not?—I should on the whole rather lean to a fixed sum.

11,211. (*Chairman.*) It is one penny in your present scheme?—Yes.

11,212. (*Mr Le Marchant.*) In discussing the term most appropriate for describing a standard, I think you said that the term "gold standard" would not be correct if the volume of rupee currency were large?—I think if you were to tell a person that the standard in India was a gold standard, and then he found his debtor was entitled to pay him in silver, he would be somewhat surprised.

11,213. In speaking of paying in silver, do you have any regard to the fact that the coinage of rupees is limited?—Certainly. That makes a material difference; directly you limit the coinage, you introduce an element of very great difference. Then I think the principal inconvenience is the want of elasticity, and the great responsibility it throws on the Government; but, so far as the relations between debtor and creditor are concerned, of course it is materially altered by the fact of the mints being closed.

11,214. Under a gold standard with a relatively small gold currency, the level of prices might be the same as that which would prevail if the currency were mainly in gold?—I think so. Prices by degrees would conform themselves to the 1*s.* 4*d.* standard.

11,215. I think you were mentioning that you considered prices had been affected by the closing of the mints, and the exchange value of the rupee seems to indicate that?—I think so. If you contrast the Indian ryot with the English farmer, the English farmer has paid his rent with gold, which has not fallen in value, and he has got very much lower prices for his produce. The Indian ryot, on the other hand, has paid his rent in a coinage which has fallen in value, but, as the produce has also fallen in value to about the same extent, the price of produce estimated in currency has remained about the same. Of course, latterly it has gone up, because the currency has fallen rather more than the produce.

11,216. If you regard prices as having adjusted themselves to the rate of 1*s.* 4*d.*, what further test could there be of the possibility of establishing that rate; in other words, is not the adjustment of prices to 1*s.* 4*d.* the main condition requisite for an exchange rate of 1*s.* 4*d.*?—When the Government has announced that they were going to maintain the rate at 1*s.* 4*d.*, which I understand they did announce,

because it had been the average rate for some time previously, I think, then, it is desirable to endeavour to adhere to it.

11,217. What test would you look for to prove whether such a rate is feasible?—My own impression is that it is perfectly feasible, and that really no extreme or stringent measures will be required. I agree with Sir James Mackay on that point. You will remember that on the Gold and Silver Commission we recommended that the French and the United States' Governments should be approached with the view of keeping their mints open, and that, if they did, we should keep open the Indian mints. I agree with Lord Rothschild that it is a pity that those negotiations were so abruptly closed. It would certainly facilitate the opening of the Indian mints if the French or the United States, or both of them, would re-open their mints.

11,218. Apart from any extraneous conditions of that kind, what would afford an index of any one rate being a reasonable one?—If you ask me my opinion about the question whether currency is redundant, it seems to me that the value of the currency depends on the quantity and on the work it has to perform. The present currency is about that which will support a 1*s.* 4*d.* rate, and, as the tendency of all currency is gradually to be destroyed, worn, absorbed, lost, and so on, I think that, as the Indian Government have now attained to a rate of approximately 1*s.* 4*d.*, they will be able to maintain it, if they adhere to their present policy. But one must always speak with a great deal of doubt and hesitation on questions of that kind.

11,219. You were alluding to a remark made in previous evidence, that it was desirable that more encouragement should be given to private capital to flow into India for railways and other works?—I think, if the Government of India were not to undertake railways themselves, but were to offer reasonable encouragement to private enterprise, many more railways would have been made in India, and that would have opened out the country. The Government themselves would have had a smaller amount to pay here, and their taxation would not have been absorbed to the extent it is by having to make payments on account of the railways. The effect of the Government making some railways is practically to discourage private enterprise from making any others, because the effect on the public mind is that, if you put forward any proposal to make a railway in India, the public say, and, I think, not unnaturally, "if this had been likely to be a paying line the Government would have made it, and as they do not think it likely to pay, we would rather not risk our money in it." It is certainly a very remarkable thing that, whereas English capital has gone largely to make railways in Argentina and elsewhere, and is now ready to do so in China, there is very little disposition to embark in Indian railways. I agree with Lord Rothschild as to the line which the Indian Government have taken with reference to railways.

11,220. (*Mr Hambro.*) You said that elasticity of the currency was a great advantage?—I think so.

11,221. Suppose your system to go through, and the mints to be open, I see that there would be elasticity in respect of increases of the currency, but I do not see how the other operation would be affected, because silver cannot be exported without a loss, owing to the duty or seignorage?—No doubt that is the case.

11,222. Now I should like to ask you this: We have been told that going on a gold basis at 1*s.* 4*d.* would be very detrimental to India as compared to silver-using countries. I do not lay down as a fact that it would be, but that is what we are told. It would be the same under your system as far as the duty and the seignorage are concerned, but, besides being a disadvantage, if it is a disadvantage, to silver-using countries, it would also be a disadvantage to gold-using countries, would it not?—No doubt, as long

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as those who have capital in India, and who have borrowed money, can pay that money back in depreciated currency in a currency which has fallen—as long as they can pay their wages by a rupee which is worth less than it was before, they would, for a time, have an advantage, but I think that is only a temporary advantage, and, of course, that disadvantage, if it is a disadvantage, is a disadvantage which arises from the 1s. 4d. rupee. It is no disadvantage arising from the course which I have ventured to suggest.

11,223 I should like to ask one more question. You know that those who last regulated our currency came to the conclusion that a certain amount of bank notes could never be presented. Considering the enormous population and extent of India, do you not think that out of the 130,000,000 of tens of rupees which there are in India, an enormous number of those could never be presented for conversion into gold, if India went on to a gold standard?—Certainly a very large amount must remain in circulation.

11,224 Can you give any idea of the amount by which the currency of India could be reduced without the money market getting so tight that they would want more currency?—That is very difficult to say. One of the difficulties of the Indian currency has arisen from the fall of silver in relation to gold. The course which the Government are proposing to pursue would tend to aggravate that still further.

11,225. I am suggesting at the present moment that the rupee is only a token coinage, or a silver bank note, if you like. I am speaking of it, not as the metal, but as a circulating medium, as a silver note of the Government, if you like to call it so. How many of those could be presented to be turned into gold without money getting very tight again?—It would want someone with more experience of India than I can pretend to possess to form an estimate of that. Mr. O'Connor could give you far better evidence of that than I can.

11,226. It is, no doubt, a very difficult question, but the extent to which the currency can be reduced, and yet the trade of the country go on, that is the total extent of the amount of gold that could ever be asked for from the treasury, is it not?—No, I think it might be a great deal more than that, because a good deal of silver might come in, and gold might be taken for it, which might be still used in the currency.

11,227. It is a question of the amount of small currency which is necessary for the use of the country;

the number of rupees which are necessary for the use of the country?—I have no doubt the number of rupees which would be necessary would always be large, and nothing like the whole amount could come in. But there seems reason to believe that uncoined silver is beginning to be used in the bazaars.

11,228 We have had it suggested to us that not more than the equivalent of 15,000,000 sterling could come in?—I cannot imagine that. If you open the mint and undertake to give gold for rupees at 1s. 4d., I think you would find a great deal more than that—double or treble that, and perhaps even more.

11,229 The suggestion was that, if more than the amount which I have suggested were presented, there would not be enough silver in the country for the requirements of the people?—I should have thought it might have been much more than that, but it would depend very much upon what the production of silver in the world was.

11,230 I do not see, if silver is a token coinage necessary for the use of the people, and the mints are not to be open to silver, how the production of silver in the world affects that question?—But the mints are to be opened to gold.

11,231. Yes, but not to silver. Would that affect the question of the necessity of small change?—It is possible you might have a circulation of gold in India which might replace, to a very considerable extent, the present circulating medium. If you tell me that is impossible, then it would follow that a gold currency is impossible in India.

11,232 Do you mean that gold might take the place of rupees for circulation purposes, or for hoarding purposes?—For circulation purposes, if you include the balances held in the banks and by merchants and so on. I have no doubt that a large amount of silver circulation would always remain in India. I have rather gone from the beginning on the assumption, on the authority of the Indian Government, that it would not be safe to offer to give gold for silver.

11,233. I was wondering whether you had any idea how much could come out of the pockets of the people, and yet trade go on?—I do not think the total circulation of the country is likely to be much reduced beyond what it is at present, nor, on the other hand, to be suddenly increased, so that, if you are going to issue any large amount of gold, then I think you must be prepared to sell the corresponding amount of silver, or nearly so.

The witness withdrew.

Mr. H. Bois.

Mr. HENRY BOIS called and examined

11,234. (*Chairman*) You are a member of a Ceylon firm?—I am a member of the firm of J. M. Robertson & Co., of Colombo. I was formerly a member of the Legislative Council of Ceylon, and Chairman of the Chamber of Commerce of Ceylon.

11,235 How many years did you reside in Ceylon?—Off and on for nearly 40 years. It is 40 years since I first went there.

11,236. You are familiar by personal experience with the trade of Ceylon during that time?—I am.

11,237 And I suppose especially with reference to the development of the tea trade?—Yes.

11,238. Have you read the evidence that Mr. Christie gave before us?—I have.

11,239. Will you tell us generally where you concur and where you disagree with him?—I concur with him as to his statistics, and where his evidence relates to questions of fact. I do not altogether concur in his opinions or in the remedy which he suggests.

11,240 Now will you tell us where you do not concur in his opinions; on what point will that be?—There is one particular point in which he was asked what would happen if the value of silver were to go down to 6d. an ounce. This is at question 4573: “(Q) “Even if silver went down to 6d. an ounce?—(A) “Even if silver went down to 6d. an ounce, or if it

“went up half as much again.” I do not agree with that answer for this reason; while I consider that the appreciation of gold relatively to silver has, so far as it has gone, been an advantage to India and to Ceylon, and, while I do not think that there is any probability of its appreciating to a point at which it would cease to be an advantage, I still admit the possibility of the rupee becoming depreciated, not only relatively to gold as at present, but also relatively to food, labour, and commodities generally. In that case the advantage at present enjoyed by India and Ceylon from a low exchange would be lost.

11,241 That is your opinion?—That is my opinion.

11,242. Now is there any other point on which you differ from him?—There is no other particular point.

11,243 You do not agree with him as to his proposed remedy. I think he recommended the re-opening of the mints, concurrently with the imposition of an import duty on silver and a seignorage. Where do you differ from him on that point?—I differ from him in this: I think that, whether you pay an import duty on silver or a seignorage at the mint or a land tax, or artificially raise the rupee, or put on an export duty, eventually the deficit is paid out of exports; and, if so, I think it is preferable to put a

direct duty on the exports, rather than raise the money in the other ways that I have described.

11,244. Even where the subject of the export duty is an article in which there is competition with some other country?—Yes, because it already pays it, and it pays it in much larger proportion. The effect of raising the rupee has been thus, that the Indian Government have practically taxed all the exports, valued at about £66,000,000, to the extent of 3*d* in the rupee—taking the relative exchanges at 1*s* 4*d*. and 1*s* 1*d*—in order that they may recoup themselves to the extent of 3*d* in the rupee on £16,000,000.

11,245. That is not an answer to my question. Let me take the article tea. The Indian tea grower is in competition with China in the London market. Suppose an export duty was levied on the tea exported from India, and no export duty was levied on the China tea, what would be the position of the two teas in the London market?—I would say that any tax handicaps production.

11,246. But an export duty stands out by itself, and I want to deal with that?—An export duty I consider would be a much less onerous burden than the tea grower now pays by having a fictitious rupee.

11,247. But who would pay the export duty?—The producer.

11,248. Do you contend that, supposing the price of tea were raised in the London market 4*d*. a pound in consequence of an export duty, the duty would not be paid by the purchaser in London?—I say the prices in London are regulated by supply and demand, without any direct relation to the cost of production. Eventually the cost of production tells, when it affects the supplies. Take a concrete case, at the present moment tea is costing in Ceylon to produce very much more than it did before the closing of the mints, but the price of tea has not gone up in London; it has fallen, simply because the production has increased, and it follows the ordinary laws of supply and demand.

11,249. How do you apply that to the price of tea before the rate fell?—The production was not so great.

11,250. Then it is purely a question of production?—I say it is a question of supply and demand. The prices are regulated by the supplies, not by the cost of production.

11,251. Therefore, if the Chancellor of the Exchequer were to propose to put an additional 6*d* in the lb. on tea, the price, in your opinion, would not be raised in every grocer's shop the next morning?—Certainly, it would.

11,252. Why—because it would have nothing to do with the cost of production?—Because an import duty would apply not only to the production from Ceylon, but to the production from all other parts of the world wherever tea is produced.

11,253. But the consumer would pay that increased cost of production?—He would pay an import duty. I admit that the cost of production eventually tells.

11,254. However, you think an export duty would be preferable to the present state of things?—I do.

11,255. (Sir J. Muir) I should like you, in your own way, to give us your views, expressing as clearly and concisely as you can the effect of the 1*s*. 4*d*. rate upon the trade of Ceylon?—The effect of the 1*s*. 4*d*. rate upon the trade of Ceylon has been to considerably raise the cost of production. By itself that perhaps would not have been a very serious item, but, as the rise in exchange has been concurrent with the gradual fall in prices, it does form a very important factor. Speaking generally, I would say that a rise of 1*d* in the rupee is about equivalent to a fall in the price of from ½*d*. to ¼*d*., and amounts, on the average, to about 1 to 1½ per cent. tax on the ordinary share capital of the companies engaged in the enterprise. It has fallen most heavily upon the estates producing a low quality of tea, the margin of profit on which was not so great as on tea fetching higher prices. In the case of the tea selling at 10*d*.

a pound and costing 5*d*. to produce, and taking exchange at 1*s*. 4*d*. as compared with 1*s*. 1*d*., the exchange makes a difference of 1½*d* per pound, all of which comes out of the profit of 5*d*., and is equivalent to a difference of 38 per cent. of the profit. On the other hand, taking a tea selling at 6*d* and costing 4*d*. to produce, the difference of 3*d*. in the rupee is equal to 1½*d* per pound, equivalent to a difference of 56 per cent. of the profit.

11,256. The tea companies in Ceylon have recently been issuing their last season's reports, and in most of them I see special reference to that exchange—the difference between the rate that might have been expected under ordinary circumstances, apart from the 1*s*. 4*d* fixed by the Government—as the main cause of the decrease in their dividends; is that so?—That is so in some cases; and in all cases it has made a difference; amounting, as I have stated, as a rule from 1 to 1½ per cent. in the dividend.

11,257. One of your main factors in the cost of producing tea is the wage that you have to pay to the coolies?—Yes.

11,258. As a rule, in Ceylon, how many coolies do you require, say, for an estate of 100 acres of tea?—It varies; but, in round figures, I would say one man to an acre.

11,259. What would the wage be? What proportion of your expenditure is affected by the exchange? Of the cost of laying down in London, how much is affected by the exchange?—In the case of companies established on a rupee basis in Ceylon, or of estate proprietors resident in Ceylon, or of shareholders in sterling companies resident in Ceylon, the difference in exchange applies to the whole net sterling selling price of the tea. In the case of companies established on a sterling basis in London, or of proprietors resident in London, or of shareholders in rupee companies resident in London, the difference of exchange attaches to the cost of production of the tea. In some cases it applies to the whole sterling selling price; in others only to the cost of production.

11,260. You say that the loss in exchange made by the Indian Government was not an actual loss to the country at large?—No, as I have stated in my memorandum, "It was a matter of account, and arose in the process of setting off the sterling debt due by the Government against the sterling trade debt due to the Indian people. This being so, the true policy of the Government would appear to have been to meet the Government loss by such additional taxation as would in its incidence have fallen upon those who made the corresponding profit; that is to say, the growers and producers of all Indian exports sent for sale in gold countries." Inasmuch as the loss in exchange made by the Indian Government was made upon the Council bills which were purchased as remittances for the balance of trade, I say that, taking the country altogether, there was neither loss nor profit; but the exporter of produce made the gain in exchange which the Government lost; and therefore, I think a tax which in its incidence would fall upon him would be a fair one. "If it be true that the limits of direct taxation in India had been reached, the statement does not appear to hold good as regards indirect taxation. Customs duties form a very small portion of the revenue raised in India, and export duties would have been a tax, correct in its incidence, easy to collect, and one that could have been varied according to circumstances, any further fall in the exchange value of the rupee, and consequent increased gain to the producer, being met *pari passu* by an increased export duty, to compensate for the increased loss sustained by the Government." It appears to me that, if the exports pay eventually, the simplest course is to put a direct duty on exports, to make up the amount required by the Government. The effect of putting up the rupee was this: the Indian producer, taking the rates at 1*s*. 4*d* and 1*s* 1*d*., lost 3*l*. in the rupee on 66 millions. On the other hand, the Government gained 3*l*. in the rupee on 16

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millions; there were 10 millions of bullion, and there were 40 millions of imports. Now, if all the imports had been consumed by the producer of exports, no doubt it would have been a very important set-off to the loss he made, but the 3*d*. gain upon the imports, I think, is divided in this way: part of it goes to the producer of the imports (to Lancashire we will say, in respect of cotton goods), and the rest to the consumer of the imports. The producer of the exports, however, is not altogether the consumer of the imports, therefore, what forms a set-off to his loss is only, perhaps, one-third of the imports, which may be 15 millions, against the 66 millions on which he loses.

11,261. You have been how many years connected with Ceylon?—This is my fortieth year.

11,262. Then you were there during the great period of prosperity in coffee?—I was.

11,263. You saw the ruin that came on the island when the leaf disease spoilt the trade?—Yes.

11,264. Tea came in, and has enabled the island to regain the prosperity that it lost by the leaf disease in coffee?—Yes.

11,265. Am I correct in assuming that the cost of the Government of Ceylon is supplied mainly by the tea industry?—To a very large extent. The best proof of it is that, when the coffee industry failed, the revenues of Ceylon went down to 12 million rupees. The last budget estimate, which came to hand a few days ago, shows a revenue of 25 million rupees. That is to a very large extent due to the tea enterprise.

11,266. If the action of the Government of India in fixing this 1*s*. 4*d*. rate should make the trade of Ceylon unremunerative, that is to say, if the tenancies of tea estates were to follow, to some extent, the coffee, what effect would that have on the revenue of Ceylon?—It would at once fall off. Of course, there are a great many items of revenue in Ceylon, but the chief are import duty on grain, excise, and railways, all of which would depend to a very large extent on the tea enterprise.

11,267. What proportion, would you say, of the revenue of Ceylon is derived from the tea industry?—That is a very difficult question to answer. I am not prepared, without going into statistics, to name a figure.

11,268. But it is a large proportion?—Oh, a large proportion.

11,269. Are there any points to which you would specially desire to direct our attention in your memorandum which is before us?—In paragraph 2, I say: "Apparently it was assumed that the fall in the exchange value of the rupee was an evil calling for remedy, whereas, taking India as a whole, and not separating the Government from the people, that fall was probably a substantial benefit." I should like to call the attention of the Committee to the action that is proposed to be taken by the Argentine Government at the present moment; not that I for one moment defend their proposed action, any more than I do that of the Indian Government. But, whereas the Indian Government have artificially raised the value of the currency relatively to gold, assuming, I suppose, that the depreciation, relatively to gold, was a disadvantage, the Argentine Government at the present moment are seeking to artificially depreciate the value of the currency, relatively to gold, believing that the depreciation was an advantage to the country. The gold premium in Argentina, I think, was at one time as much as 250; it has now sunk to 127, and the Government propose to fix the gold premium at 150.

11,270. (Sir C. Crosskew.) You do not think that is a good thing?—No; I think it is just as wrong as the action of the Indian Government. I think any interference with the currency is a mistake.

11,271. A depreciating currency is a good thing?—No, I do not say that, necessarily. I do not admit that the Indian currency has depreciated. It has depreciated relatively to gold.

11,272. (Sir J. Maur.) What other points in your memorandum do you desire to call our attention to?—Great importance appears to be attached by the Indian Government to stability of exchange as an inducement to the English capitalist to invest money in India, but fixity of exchange *per se* is not an essential factor in the question. The determining consideration in every case is, whether the money sent out can be returned without loss. If the exchange value of the rupee is low, approximating to its bullion value, the risk of loss from a still lower rate is small, and is counterbalanced by the possibility of a rise and corresponding profit. On the other hand, a high rate of exchange, if unfixed, no doubt acts as a deterrent; because the English investor runs the risk of serious loss in returning his money to England. Probably, the inducement offered to the English investor by an unfixed low exchange, and a fixed high exchange, are about equal. In connexion with that, I really am arguing from personal experience, and I take it that my own experience is a fairly typical case. As I have already stated, I have been engaged in business in Ceylon for a very long period. I have also been largely interested in agriculture, and, in a very moderate way, I am also an English capitalist. As a merchant and trader, I do not consider that the rise in exchange, or the fluctuations in exchange, affect me materially. Merchants' combinations generally extend over a very short period, and allowance can be made for the rate of exchange as it exists at the time. As one interested in agricultural enterprises, the rise in the exchange has been, undoubtedly, a loss. It seems to me to be a mere question of arithmetic. I will put it in this way: If you pay for the cost of production in silver, and sell your produce for gold, and if the cost of production in silver and the selling price in gold both remain constant, any appreciation of gold, the metal in which you sell, relatively to silver, the metal in which you produce, must *pro tanto* be a gain, and the contrary must be a loss.

11,273. Assuming the rupee prices and sterling prices to remain the same?—Yes. As a small capitalist, the effect of the rise in exchange has been to make me, personally, withdraw all the money I could from Ceylon, and I expect that that has been the experience of other and larger capitalists. Those are the three points on which I wished particularly to speak.

11,274. Now, the rate that the Government have fixed is 1*s*. 4*d*. Supposing the mints had not been closed, but that exchange had been allowed to fix itself automatically, what do you fancy might have been the rate of exchange to-day?—I think the rate of exchange to-day might have been about 1*s*. 1*d*.—for this reason. The lowest rate of exchange in any one year during the last 15 years was in 1895-6, when it fell to 1*s*. 1½*d*., the lowest point during the year being 1*s*. 0½*d*.. At that time the price of silver was 27*d*., the price to-day is, I think, nearly 28*d*.. I think further that with open mints the demand for silver would be greater, and that the price would, to some extent, rule high. I therefore see no reason why with open mints the rate of exchange should fall lower than the lowest point that it has hitherto touched. There is a further point I should like to make in connexion with that, which I may put forward as a reason why I think the price of silver would increase if the mints were opened, and that is, that the production of gold relatively to silver is increasing. Last year the total world's output was 47½ millions of gold, against 40 millions in the year before, and 23 millions eight years ago. That shows an increase on the one year of 17½ per cent. The production of silver last year was 183,000,000 ounces as against 167,000,000 ounces the year before, showing an increase on the year of only 10 per cent.

11,275. (Sir A. Dent.) Where do you get your figures?—I think I took them from the "Statist," which paper printed them from the "American Bureau."

11,276. (Sir J. Muir.) Now, I would like the Committee to have a grasp of the grievances of the tea planters of India and Ceylon arising out of this difference of 3d per rupee between 1s 1d. and 1s 4d. I have got before me the figures of an agency house in Calcutta; and in Colombo. They represent large estates both in India and in Ceylon, much larger in India than in Ceylon. They employed last year 92,700 coolies between India and Ceylon, the larger proportion being in India. They paid in wages Rs 55,62,000. Now I would like you to tell the Committee what difference will arise to the companies managed by that firm between 1s. 1d. and 1s. 4d.?—Twenty per cent.

11,277. That would represent in sterling, how much money? This is a case which I know absolutely about, and it is a big case, but it shows what the effect will be on the other concerns which perhaps have smaller interests?—It would be 70,000L.

11,278. Then, if other companies, who perhaps have smaller concerns to manage, suffer an equivalent difference, we can understand of course why a good deal has been said by the tea planters of Ceylon and India. Now, I think that the Government of India at one time said that a sound system of currency must be automatic or self-regulating?—Yes and that expresses exactly my own opinion. I will read an extract from a letter from the Government of India to the Bengal Chamber of Commerce, dated February 1877.—“A sound system of currency must be automatic or self-regulating. No civilised government can undertake to determine from time to time by how much the legal tender currency should be increased or decreased; nor would it be justified in leaving the community without a fixed metallic standard of value, even for a short time.” In connection with that, I may point out that the currency of India at the present moment is not automatic or self-regulating. The Government does seek to determine by how much the legal tender currency shall be increased or decreased, and it has left the community without a fixed metallic standard of value, not only for a short time, but ever since the closing of the mints in 1893.

11,279. Then you disapproved, I understand, of the closing of the mints?—I did.

11,280. What is your view now, would you propose to reopen the mints?—I would reopen the mints. It appears to me that there are only two sound courses open to the Government. One is to have silver as the standard and reopen the mints to the coinage of silver, the other is to establish gold as the standard and make the rupee a token coin.

11,281. If the Government find difficulty in reopening the mints at once, which I understand you view as a desirable thing if it could be accomplished, is there any intermediate course that you could suggest?—Although I am strongly of opinion that the soundest policy is to reopen the mints and revert to the *status quo*, I think it is quite possible for the Indian Government to establish a gold standard in India; and, provided that the rupee were fixed as a token coin at about 1s. 2d., I think that such a scheme would be a fairly reasonable and satisfactory alternative.

11,282. That is to say, 1d. higher than you think would be the rate if the mints had never been closed?—Yes.

11,283. You think 1s. 1d. should be the rate?—Yes.

11,284. But you think that a solution that might be accepted would be 1s. 2d.?—Yes.

11,285. Would that be acceptable to the Ceylon planters, do you think?—I am only expressing my own opinion, but I think, so far as Ceylon is concerned, the crux of the question is the high value given to the rupee, and, if the value were fixed at about 1s. 2d., I think that would be accepted in Ceylon as a fairly satisfactory solution to the question at issue.

11,286. Are there any further points you would like to put before the Committee?—The only point I

should like to be examined upon is in connection with a gold standard for India.

11,287. We should like to hear your views fully on that point?—This is a short memorandum which I have prepared, and which fully explains my views. I hope you will understand that, in putting forward this scheme, I do so with extreme diffidence; in fact, I did not propose to put it in unless I had been asked about it:—

“1. A gold currency is not suited to the circumstances of the people of India and Ceylon, and it appears neither necessary nor advisable that, even with a gold standard, gold should go largely into circulation.

“2. To encourage in any measure the conversion of 150 crores of rupees and note currency would, in all probability, involve the absorption of so large an amount of gold as to make the scheme practically prohibitory.

“3. The object should apparently be to discourage the actual conversion, and under a gold standard to maintain the rupee as a token coin as the chief currency of the country.

“4. But, whatever scheme be adopted, I am strongly of opinion that the value of the rupee should be fixed at not higher than about 1s. 2d., instead of at 1s. 4d. Theoretically, of course, there is no reason why a coin intrinsically worth only 10d. should not be made to pass as a token coin at 1s. 4d., as well as at 1s. 2d.; but there is a very general opinion amongst producers and traders that practically 1s. 4d. has proved too high, and that the failure of the Government policy inaugurated in 1893 is to some extent due to this over-valuation. It is believed that the various interests involved would accommodate themselves to a rupee at 1s. 2d., when they will not to a rupee at 1s. 4d., and, unquestionably, the lower valuation would tend to the much smoother working of any scheme that may be adopted. The nearer the token value of the rupee approaches to its bullion value, the less temptation there is to convert it, or to illicit coinage, and the less it handicaps the producer in competing with other countries.

“5. Such a scheme would establish a sound standard on a minimum of gold. It would result in a stable rate of exchange, encouraging, to some extent, the introduction of English capital, and, consequently, cheaper money, while arresting the efflux of capital from India; but would only partially redress the injustice felt by those natives who have converted rupees into bullion and may wish to reconvert it, and only lessen, not entirely remove, the temptation to illicit coinage.

“6. That which I would propose is as follows:—

“1st. A gold standard to be declared in India and Ceylon, the sovereign to be the unit.

“2nd. The rupee to be a token coin minted on Government account, and issued according to requirements at the ratio of 17 to the £ sterling, or 1s. 2½d. per rupee; rupees to be a legal tender to the extent of 80 rupees.

“3rd. Concurrently therewith, Government sterling notes on a gold basis to be issued for 5L and upwards, as required, at the equivalent of 17 rupees per £ sterling.

“4th. The existing rupee currency notes for all amounts over Rs. 50 to be called in and redeemed:—

“(a.) By payment in rupees out of the silver reserve held against them.

“(b.) By the issue in their place of sterling notes for 5L and upwards, at the rate of 11 to 17 rupees. After a given date the rupee notes from Rs. 50 and under, left in circulation, to be legal tender to the amount of Rs. 50 only.

“5th. The issue of notes and rupees in Ceylon to be in the hands of the Colonial Government, the coin being supplied by the Indian mints at bullion value plus mintage.

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" 7. The effect of this would, I believe, be to establish a gold standard with practically a silver and note currency, the latter on a gold basis for all sums over the amount fixed as a legal tender for silver. The Governments in India and Ceylon would have to hold a gold reserve against the sterling notes in proportion to the issue, but the amount of this reserve would probably not be so large as to be prohibitory, while the cost of obtaining it would be met by:—

" (a.) The profit on the sterling note issue

" (b.) The profit on the mintage and issue as required of rupees as token coins on Government account.

" 8 Under the foregoing scheme bar silver cannot be exchanged for rupees except at 1s. 2 $\frac{3}{4}$ d., and rupees cannot be exchanged for gold, but, inasmuch as they can be exchanged for notes, and notes for gold, the question arises as to the extent to which gold might be absorbed for hoarding purposes

" 9. If the currency of gold were encouraged, and sovereigns were brought prominently under the notice of the natives, they might very possibly be hoarded in detail to some extent; but under the foregoing scheme the native would probably rarely see gold, and the temptation to hoard it would be somewhat less than it is at present. If he really wants sovereigns he can, at the present moment, buy them at the rate of about 1s. 4d. to the rupee; and, seeing that in existing circumstances the rupee is a coin of unstable value at 1s. 4d., there is more reason why he should convert it into gold than there would be if it became a coin of stable value at 1s. 2 $\frac{3}{4}$ d. As regards hoarding on a large scale, the same argument applies. The holder of a large quantity of silver can purchase sterling drafts on England at about 1s. 4d., and import the equivalent gold coin for hoarding purposes. He can do it with a rupee that may at any time fall in value, and the temptation to so convert it is certainly greater than it would be if he knew that he could at any time get notes of 1s. 2 $\frac{3}{4}$ d.

" 10. On the whole, therefore, I think that absorption of gold for hoarding purposes would not take place to any great extent, but it is, of course, a factor of uncertain value, and only experience can determine its importance."

The previous witness, Sir John Lubbock, was asked to state the amount of gold that he thought would be required to establish a gold standard in India. He admitted that the currency of the country must remain the rupee to a very great extent, but he seemed to apprehend that the rupees would be exchanged for gold, to a very large extent, he mentioned 100,000,000*l.*, I think I cannot, myself, see what inducement anyone would have to convert rupees into gold greater than the inducement there is at present, and my own belief is that the amount required to establish a gold standard in India would be very small. I look at it in this way: the amount of silver currency at present is estimated at 120 crores; the note currency at 24 crores. The only displacement of rupees or rupee notes would be, I think, to form a legal tender for all amounts over 80 rupees. I would maintain the rupee as a legal tender to the extent of 80 rupees, but for amounts over that the legal tender would be gold. Then the question arises: out of this 140 crores of rupees and currency notes, what proportion would be displaced in order to form that legal tender? I think, at a liberal estimate, it would not exceed 45 crores, if so much. Then, say you have to issue Government notes for 45 crores to form the legal tender, for which silver would not be a legal tender, what reserve would you have to hold against the sterling notes? I do not see why it should be any larger than it is in England. Under the Bank Act of 1844 it was found that out of £20,000,000 of notes in circulation, there never, at any time, had been less than £16,000,000, and it was assumed that in no possible circumstances could the amount fall below £14,000,000. It was, therefore, decided that the reserve to be held against them, in gold, should

be the difference between the £14,000,000 and the £20,000,000, about one-third. If that holds good for India, the amount of gold reserve to be held against 45,000,000 of notes would be about Rs. 15,000,000, which corresponds with the estimate that has been put in, I think, by previous witnesses

11,288. Is there anything else you would like to say to us?—No, I think that is all.

11,289 (Sir A. Dent.) In your statement about the proposals for a new currency system in India, are you leaving the existing rupee in circulation, or do you propose to coin a new rupee?—I should simply make the existing rupee a token coin

11,290. The proposal of the Government is very much the same, but at a different rate of exchange?—The Government have practically converted a standard coin into a token coin. I do not think that the position can be regularised without declaring a gold standard and making the rupee a token coin.

11,291. Is not that rather the ultimate intention of the Government, if they carry through their proposals?—Of course, as I have said, I think the crux of that question is the rate at which the rupee is fixed. I think that a gold standard would work satisfactorily, if the rupee were not fixed at a price which practically handicaps all the exports of India. Why I think there is no difficulty in having a gold standard and a silver currency, is that it existed for a very long time in Ceylon. Up to the year 1871 the denomination of account was pounds, shillings, and pence, and all transactions took place in pounds, shillings, and pence, but the only coin that was ever seen in Ceylon, and was actually current, was the Indian rupee.

11,292. There has been occasionally some discussion as to the real permanent injury that has been done to the Indian and Ceylon tea estates by the closing of the mints, and the fixing of 1s. 4d. exchange. You have heard remarks also made, I suppose, that in some ways the 1s. 4d. has been rather a blessing than otherwise in checking production. Will you give us your views on that?—I think that the rise in exchange has tended to restrict the opening of land, and, in so far as there was a danger of over-production, I think that rise may have been a small benefit.

11,293. If it had not been for a check of that sort, it is suggested that some years hence there would have been a very serious calamity, owing to the excessive production?—I think that too much importance can be attached to the rise in exchange. It is only a factor in the question. There has also been a fall in prices, which has been much more important than the rise in exchange. It is the combination of the two that has proved so disastrous, and any fall in exchange would, of course, be *pro tanto* a relief, in the same way that a rise in prices would be

11,294. The fall in prices has been brought about, has it not, entirely by the increased production?—Yes, I should say so.

11,295. And, if that production is checked, the price will go up again, will it not? The consumption is going on pretty regularly?—Yes; as I said in my answer to the Chairman, I consider that prices depend altogether on supply and demand in the place where the produce is sold, until a fall in prices checks production

11,296. You suggest that the mints might be reopened under certain conditions, and a duty imposed, which you put at 5 per cent. Do you think 5 per cent. additional duty would meet the requirements of the Indian Government?—I do. To begin with, out of the 16,000,000*l.* of remittances made by the Indian Government, or I think now it is 17,500,000*l.*, fully one-half is in connexion with the commercial undertakings of the Indian Government—railways—and I consider that the loss of exchange on that amount is simply an item of expenditure attaching to the railways.

11,297. Have you considered how that 17,000,000*l.* is made up?—About 8,000,000*l.* of it is in connexion with railways and remunerative works.

11,298. You must study that rather closely, I think, before you can give any opinion upon it?—I was

basing it, I think, on a speech of Sir Henry Fowler's in the House of Commons, in which he said that about half of that 16,000,000*l.* was in connexion with Indian railways.

11,299. I have had an opportunity of studying it, and I know that it is an amount that cannot be reduced in any way except by buying things in India instead of England. You would pay less sterling, but then you would have to pay more rupees in India, so that it would come to the same thing?—I think, as regards that portion of the sterling debt, the obvious way of raising the revenue is to raise the railway rates in respect of which that charge is incurred. However, I admit that ultimately the Indian Government must get it one way or other.

11,300. These things have to be got, and, whether they are bought in England or in India, the cost must come into the budget?—That is so, no doubt.

11,301. The revenue of Ceylon has not suffered yet, has it?—The Ceylon Government revenue has not suffered yet, nor will it suffer until estates are worked at a loss; so long as they go on at all, the revenues will remain the same.

11,302. There is some fear, is there not, in Ceylon that, unless something is done, some estates will have to be closed?—It is estimated that, if exchange were to go up 1*d.* or 1½*d.* in the rupee, or the price of tea to go down ¾*d.* or 1*d.* per pound, estates now producing 30,000,000 lbs. of tea would go out of cultivation. In that case, of course, the Government revenue would be affected.

11,303. (*Mr. Campbell.*) What proportion would that be; that would be a third of the total?—About a fourth.

11,304. I think you admit that there might be certain advantages in a gold standard as compared with a silver standard?—I do.

11,305. That it would give stability to exchanges, which a silver standard with open mints does not give?—I think the question of exchange must always come in. If you establish a gold standard, it would give stability to exchange.

11,306. Of course, from merely having heard you read your scheme, I do not feel in a position to go fully into its details, but among other things you say you think 80 rupees ought to be the limit of legal tender for the rupee?—I fixed that because it is the highest amount of rupees under a 5*l.* note which I propose the Government of India shall issue.

11,307. But I suppose you will admit that, for many years to come, rupees will have to be the real circulating medium throughout the country?—I would only make it the legal tender for that, but I believe it would be used for the payment of larger amounts as it is at present.

11,308. If that is so, is it wise to restrict it to 80 rupees?—I do not see how you can have a gold standard and a silver rupee legal tender for all amounts. I think it must be a token coin.

11,309. Take the case of France. There the standard is gold; the mints are shut to silver, but both gold and silver, or either of them, are legal tender to any extent?—That is so, but in that case it ceases to be an automatic currency; it is in the hands of Government. They can only then issue silver as they think the circumstances require it.

11,310. But it does not seem to have led to any inconvenience in France all these years. They are getting on very well under that system, are they not?—I cannot say that I know very much about the economy of France; but, as far as India is concerned, I think it must either be a gold standard or a silver standard. I do not see how you can have the two standards.

11,311. Would it not be apt to lead to very serious complications, if, while rupees were the real circulating medium, the law made them legal tender only to the extent of 80 rupees; might not that lead to serious difficulties between debtor and creditor?—I do not think so, because I should make the rupees convertible.

11,312. Then you talk about the issue of about Rx. 45,000,000 in currency notes?—That is my estimate.

11,313. How would you get these notes into circulation?—By exchanging them for existing notes and also for rupees.

11,314. But existing notes only circulate practically in the neighbourhood of the large Presidency towns. The natives do not take notes in the interior at all. You would not force these notes on the natives?—No. I would simply issue them as required. I would explain that after a certain date rupees would be a legal tender only to the extent of 80 rupees, but that they would be exchanged for sterling notes at the rate of 17 rupees to the £ sterling.

11,315. You would issue the sterling notes in exchange for rupees?—Yes.

11,316. And undertake to repay them in gold?—Yes.

11,317. How would you find the gold?—I do not think it would ever be demanded.

11,318. You would trust to its not being demanded?—Yes; I would simply hold a gold reserve to the extent of one-third; you would already hold a silver reserve against them, but I would hold a reserve in just the same proportion as they do with Bank of England notes.

11,319. Would you not be afraid of the risk of a breakdown, supposing you did not get your notes into circulation to any larger extent than notes circulated now, and still made 80 rupees the legal tender limit for silver coin?—You would have to fix a certain date up to which you would exchange sterling notes for rupee notes. After that, the demand for notes would be according to the requirements of the internal trade. Anyone could get them at the rate of 17 rupees to the £ sterling.

11,320. (*Mr. Le Marchant.*) How would those notes be exchangeable up-country? Would there be any great facility for obtaining rupees by any holder who wished to make small payments?—Only in the same way that in England now a holder of a 5*l.* note would get change. He would get it in the bazaar. I very much doubt whether they would reach the interior to any extent, because they would be only required as legal tender for amounts over 80 rupees.

11,321. And that would tend to limit their circulation to within the neighbourhood of banking centres?—Exactly. What it would really come to is this: there would be a rupee currency, and a sterling note currency on a gold basis. I do not think gold would ever get into circulation at all. It would be just the same as the case of Canada. With the Government at the back of the note, I do not think any native, unless he wanted to hoard, would exchange it at all; the note is quite as convenient to him as the sovereigns. When the Ceylon Government guaranteed the notes of the Oriental Bank Corporation, the natives did not hasten to convert them.

11,322. Take the instance you have mentioned in Ceylon; the notes were already familiar to the community?—That is so.

11,323. Here it would be the introduction to a certain extent of a newer form of currency?—Yes, but I think they would only replace rupees where they were required in payment of a large debt.

11,324. And where they might be a new convenience?—Yes.

11,325. You were speaking just now of the Argentine Government: have you heard that there is any official proposal to prevent the premium on gold from falling below a certain figure?—My information was derived from, I think, the "Statist." They wrote strongly depreciating it, and gave the text of the proposal, which was to fix the gold premium at 150.

11,326. In speaking of the possible fall of exchange, I think you were speaking of 1*s.* 1*d.* or thereabouts, as having been a rate that had prevailed three years since?—Yes, 1895-6.

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11,327. And connecting that, if I understood you rightly, with a price of silver?—Yes.

11,328. The price of silver that would coincide with a rate of 1s 1d. if the mints were open is, I think, nearly 34d. That, so far as it might be required as a basis for the value of the rupee, would be a material rise above the present price of silver?—Yes, but there has always been a difference between the bullion value of the rupee and the exchange value of the rupee.

11,329. You were alluding to a loss of about 3d. in the rupee, I think you said, on the whole volume of exports?—Yes.

11,330. If one person pays that, does another receive it? Is it a transfer?—It is, to a very great extent.

11,331. Let me put my question in this way. If the Indian producer sells his sterling bills drawn against produce, under the conditions suggested, he receives fewer rupees in the proportion you were mentioning; the purchaser of that bill buys his sterling exchange for exactly the same proportion less?—Yes, but I explained what the set-off was. I took a profit and loss account. On the one side there is 3d. in the rupee on the whole exports, which amount to 66 millions. Then, as you said, on the other side, who gets the gain? The Government get the gain as to 16 millions. There is gold and silver to an extent of 10 millions; who gets the gain on that, it is rather difficult to see. I should like to say something about that, and to draw the attention of the Committee to the exports of silver during the last few years. At the time of the closing of the mints, the exports of silver to India were about 15 crores. In the three following years it fell to 8 and 7 crores. Last year it went up to 13 crores. Seeing that the mints are closed, the question arises what becomes of that silver. It seems to me to point to one of three things, either hoards of rupees have been released and bar silver substituted, or illicit coinage is going on to a very considerable extent, or—

and possibly all of these combined—bar silver is being imported into India on the chance of making a profit, possibly in connexion with this Currency Committee.

11,332. (Mr. Campbell.) One point you have omitted, I think, is that a very large proportion of these exports of silver into India are merely meant for coinage of the British trade dollar?—However, that was only by the way. I pointed out, as regards the 16 millions, that the Government got the benefit. There was 10 millions of silver bullion which also forms a set-off, and then there are the imports of 40 millions.

11,333. (Mr. Le Marchant.) I do not know that I quite follow about the silver bullion, do you mean that there is an additional import?—No; the exports amount to 66 millions, on the other side, you have imports 40 millions, the bullion 10 millions, and Council bills 16 millions, making up the 66,000,000.

11,334. Then would you say that, owing to the rise in the sterling value of the rupee, India is able to import more silver?—No, but it pays less for its imports; that is the set-off. The loss on one side and the gain on the other side is the lower price paid for the imports. If the exports exactly balanced the imports, and the price of imports fell in exact proportion to the rise in exchange, there would be no loss either way, it would be balanced.

11,335. Is it not the case that, taking it within the boundaries of India itself, there might be a considerable transfer of profit from one set of persons to another, owing to the fact of such a difference in exchange as you are mentioning?—I think the exchange only comes in in transactions with foreign countries. Internally I consider the rupee is what it always has been. It passes at much the same value. I do not think that in any internal transactions any question of exchange comes in.

11,336. Then you would limit it to the effect on imports, whatever they may be?—Yes.

11,337. And, apart from that, interests within India are not affected?—No.

The witness withdrew.

Adjourned.

TWENTY-FIFTH DAY.

Tuesday, 10th January 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

SIR JOHN MUIR, Bart.
SIR FRANCIS MOWATT, K.C.B.
SIR DAVID BARBOUR, K.C.S.I.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

Mr ROBERT CAMPBELL
Mr. EVERARD HAMRO
Mr. W. H. HOLLAND.
Mr F. C. LE MARCHANT.

Mr ROBERT CHALMERS, Secretary.

[For the evidence of Sir Robert Giffen, K.C.B. on this day, see page 93 above.]

Mr
H Seymour,
C.B.
10 Jan. 1899.

MR. HORACE SFYMOUR, C.B., called and examined.

11,338. (Chairman.) You are the deputy-master of the Royal Mint?—Yes.

11,339. How long have you occupied that position? About four and a half years.

11,340. Can you tell the Committee what was the law as regards the metallic currency in England up to the year 1774?—Silver was originally the sole standard of value in England, but by degrees gold was gradually introduced, and was accepted, not by law, but by custom, side by side with silver.

11,341. Was gold a legal tender?—It was accepted—it circulated side by side with silver.

11,342. That was up to the year 1774?—Up to the year 1774.

11,343. What were the causes which led to the currency legislation of 1774?—The real reason was that the gold coin which had become in practice the standard measure of value—silver having been driven out—had become very much reduced in weight owing to diminution by clipping and wear, and the exchanges

were in consequence adversely affected. The attention of Parliament was accordingly called to the matter, and the result was a complete reformation of the gold coinage. That was in 1774.

11,344. Did the standard alter?—No, the standard remained the same.

11,345. I suppose they fixed the silver price of the guinea?—That was in 1717. The guinea was issued originally in the time of Charles II. as a twenty shilling piece, but it never circulated as a twenty shilling piece. It began at 21s., and gradually, owing to the faulty condition of the silver coinage went up to 30s. In the time of William III., in 1695, it was reduced to 26s., and then to 22s., but that had no practical effect. The gold was still over-rated, and in 1717 the Government of the day took the advice of Sir Isaac Newton, and he recommended that the guinea, which had been circulating at 21s. 6d., should be rated at 21s., and that was carried out by Proclamation.

11,346. The guinea had at one time circulated for a great deal more than 21s.?—That was in 1695, when it was reduced by Act of Parliament, first to 26s., and then to 22s. Even that reduction was not enough, and in 1717, as I have mentioned, the silver in circulation being either worn or base, and gold being still overrated, the Government asked for the opinion of Sir Isaac Newton, and he went into the matter and compared the rates of silver in Europe and in the East, and he recommended that the guinea should be valued at 21s.

11,347. The legislation of 1717 was really restoring the currency to its proper value?—Yes. Then in 1774 a very important Act was passed. The gold coin was all called in and re-coined, and was in future to be circulated by weight. Before that, gold had been circulated by tale only, and Parliament now introduced a new principle by which there was a fixed least current weight, below which the coin should not circulate. That was the first important principle which was then established. If the guinea fell more than a grain below its issuing weight, it ceased to become legal tender. That was so far as regards gold. Then, with regard to silver, the coinage was in an extremely bad condition, very much worn, a great part had been imported from abroad, and an Act was passed to prohibit the importation of light silver into the kingdom at all. Further than that, a new principle altogether, which had never been adopted before in the currency of this country was introduced, and that was this. Parliament fixed a limit to the tender of silver. Hitherto, silver coin had always been unlimited in tender, but in 1774 they fixed a limit of 25l. to its tender. Debts beyond that amount were to be paid in silver by weight at 5s. 2d. per ounce.

11,348. Weight of silver?—By weight of silver. It was taken by tale up to 25l., and over that amount any debt was to be paid by weight. Of course, the coinage being in such a very depreciated state, it was not worth a man's while to take advantage of the provision, because, supposing shillings to have been deficient to the extent of 20 per cent. of their original weight, a moderate estimate, it would have cost him something like 125l. to pay a 100l. debt. So that, although that Act was passed, and a very important principle was introduced, it really had no effect.

11,349. The next great step in the currency history of this country was Lord Liverpool's scheme in 1806?—Lord Liverpool's letter to the King, which is very well known, and has often been quoted, was really a report which he had drawn up in 1798 for the Privy Council Committee, which was appointed to enquire into the state of the coinage. He laid down a great many principles, and for some reason or other, which I am not quite clear about, the Committee did not then adopt his report. Afterwards he worked it up, and addressed it as a letter to the King. The chief principles advanced by him were three. The first was that coins which were to be the principal measure of property and instruments of commerce, should be

made of one metal only; hitherto there had been two circulating. Then he drew the conclusion that gold was the best for that purpose. Of course, there was a difference of opinion on the point, but he argued that gold was the best metal to select as the sole standard of value. The third principle he laid down was that silver and copper were to be subordinate and subservient, and merely representative coins, and that where the function of gold ceased that of silver should commence, and that where the function of silver ceased copper should step in. He chose originally the guinea as the limit where silver should step in; he thought that above that sum silver should not be legal tender, and he took the shilling as the point where copper was to play its part. Those three different points were the foundation of the legislation of 1816, which is practically what we are working under now. They were adopted by the Committee on Coinage; they were reported to the House, who drew up resolutions founded on them, upon which the Act of 1816 was brought in. It was very slightly modified. Parliament adopted two guineas instead of one guinea, as the limit of tender of silver, and that was subsequently reduced to 2l. Those are the principal points of Lord Liverpool's recommendations.

11,350. Since 1816 we have worked in this country on a monometallic system, gold being the standard metal, and the silver coinage and the copper coinage being purely subsidiary?—That is so. I may mention that in the Act of 1816, with regard to silver, there was a change made. Hitherto, out of the pound of silver 62 shillings had been cut. By the legislation of 1816 it was decided to cut 66s. shillings out of the pound, and four of those were to be retained as brassage and seignorage to pay the expenses of the Mint.

11,351. That was out of the pound of silver?—Out of the pound of standard silver. That would be 5s. 6d. per ounce, which is the present rate.

11,352. Out of a pound of silver there were to be how many shillings?—Sixty-six, instead of 62 as the number had been hitherto. It was proposed to retain four out of the 66, and only to return the same number as before, 62, to the person who brought the silver to the Mint; but that proposal has never been acted upon. It was to be carried out by proclamation. No proclamation was ever issued, and the result is that now we cut 66 shillings to the pound, and people cannot bring silver to the Mint at all. The proposal to retain 4s. out of every 66 was made under the idea that the Mint was to be open to silver.

11,353. How is the value of the shilling fixed now?—It was fixed by the Proclamation of the 1st of March 1817.

11,354. That is what you are working under now?—We are working under the Act of 1816, as re-enacted by the Coinage Act of 1870; but the particular provision to retain 4s. never became operative. Under the Act of 1816 silver could be brought to the Mint, subject to the proclamation of the terms under which it could be so brought. Anybody could bring it; but, as the proclamation was never issued, the provision remained inoperative, and silver is now issued at sixty-six shillings to the pound of standard silver; but it is not issued except on payment of gold.

11,355. I want you to tell us when that was done, because, up to that time, anybody bringing silver to the Mint could get it coined?—Not quite; not up to 1816, because in 1798 they stopped the free coinage of silver altogether.

11,356. The English Mint was "closed to silver" in 1798?—Yes.

11,357. That would be under an Act of Parliament?—Yes.

11,358. What was the Act?—38 Geo. III. c. 59.

11,359. And since 1798 the English Mint has never been opened to silver?—It has never been opened since to free coinage.

11,360. The only free coinage now at the Mint is gold?—Yes.

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11,361. You are obliged to coin gold?—Under certain conditions, yes.

11,362. And you are not obliged to coin silver?—No.

11,363. Who regulates your coinage of silver; is it the Bank of England?—As far as England and Wales are concerned, the Bank of England apply to us when silver is wanted; they tell us what denominations they want, and how much of each denomination, and then they pay us, or make a transfer to our credit for it, in gold.

11,364. You buy the silver; they do not bring silver to you?—No, we buy our silver.

11,365. The Bank of England says, in other words, "We are prepared to buy from you a million's worth of silver," for which they pay you in gold?—Or credit, yes.

11,366. Do you supply anybody else but the Bank of England?—There are certain banks in Scotland who agree among themselves what they want, and come to us through the Bank of Scotland; and we supply them in a similar way, and the Bank of Ireland also.

11,367. But no bank in England can come to you except the Bank of England?—As a matter of practice, that is the arrangement that has been made as far as silver generally is concerned. Threepenny pieces rest on a different footing, anybody can come for threepenny pieces, that is only a minor detail.

11,368. (Sir F. Mowatt.) Even there you exercise your own discretion?—The Chancellor of the Exchequer, who is *ex officio* Master of the Mint, is responsible that there should not be an over-issue, and, if necessary, he could always refuse to supply silver even if it was asked for. There is no right of demanding silver.

11,369. (Chairman.) What I want to get at is this: the Chancellor of the Exchequer, who represents the Government, ultimately regulates the amount of silver which is in circulation; he could stop it?—He could, if the occasion arose; but it has not arisen.

11,370. But he has the power to stop it. Suppose the Bank of England were to ask for an amount of silver coinage which the Chancellor of the Exchequer was of opinion was not wanted, has the Chancellor of the Exchequer power to refuse the Bank of England?—Oh yes, there is no obligation on the Mint to issue.

11,371. To issue to anybody?—To anybody, as far as silver is concerned. I am talking of silver.

11,372. Your arrangement with the Bank of England is a purely conventional one?—Yes it is.

11,373. There is no statutory authority at all?—No, not with regard to that arrangement.

11,374. There is no obligation on the Bank of England to come to you, and there is no obligation on you to entertain the Bank of England's application?—No, it is a matter of convenience.

11,375. (Sir D. Barbour.) The Bank of England makes no profit out of the silver that it gets from the Mint; the profit goes to the Government?—The profit goes to the Government.

11,376. The Bank makes no profit out of it in that way?—Not that I am aware of. We make them a payment to cover the cost of carriage; whether they get any profit out of that I cannot tell.

11,377. (Chairman.) The Bank brings you a gold sovereign, and you give them twenty shillings, although those twenty shillings may have cost you under 9s.?—That is so.

11,378. (Sir D. Barbour.) Then, if the Bank took from you more silver than is required by the country, that would remain on the hands of the Bank, and would be so much of their capital lying idle?—It would remain on the hands of the Bank, yes.

11,379. Therefore, those two things are a guarantee that the Bank will not ask for more silver than the country really requires?—I think you may take that view.

11,380. (Chairman.) Is British silver coined anywhere else than at the Royal Mint?—No.

11,381. Gold is coined at other mints?—Gold is coined at the branches of the Mint at Sydney and Melbourne.

11,382. Anywhere else?—Well, Perth in Western Australia is going to open a mint presently, it has not begun to coin yet.

11,383. Now, will you tell us what is your estimate of the active circulation of gold and silver and copper coins in the United Kingdom at the present time?—We estimate that the total active circulation is now 68,000,000*l*.

11,384. That is gold?—Gold. That is at the rate of 1*l*. 13*s*. 10*d* per head of the population. Silver is estimated at 23,000,000*l*, which gives 11*s*. 5*d*. per head of population. Bronze is estimated at 2,000,000*l*, which gives 1*s*. per head of population. As to gold, the estimate is fairly accurate; we have had opportunities which have enabled us to arrive at a fairly accurate estimate. The silver and bronze are rather wider estimates; you cannot trust them quite so implicitly.

11,385. On what principle have you calculated the silver that is in circulation?—The calculation is based upon an inquiry conducted in 1891 by Mr. J. B. Martin, who went into the matter at the suggestion of the Institute of Bankers, and he made a calculation from various investigations which he made through the banking community, and from the Customs returns, and arrived at an estimate, which was generally accepted. We have merely built on to that by the withdrawals and issues since then.

11,386. What do you call withdrawals?—Withdrawals of worn silver out of circulation. Every year a certain amount of worn silver is withdrawn and sent in by the Bank of England for re-coining.

11,387. Light silver?—Worn silver; it is not technically light silver, there being no least current weights prescribed.

11,388. You can tell, I suppose, how much silver you have coined, say, in the last 30 years?—Yes.

11,389. The calculation is per head of the population of the United Kingdom?—On the estimated population of the United Kingdom at the present time.

11,390. You include in your 68 millions all the gold coins which have been coined in Australia?—No, we include the number of coins from Australia which are circulated in this country. We arrived at the conclusion, after the investigation we made in 1895, that 40 per cent. of the sovereign circulation was in Australian coins.

11,391. (Mr. Campbell.) As much as 40 per cent.?—Yes, that was the result of the examination we made in that year.

11,392. That is four out of every 10 in circulation?—Yes.

11,393. (Chairman.) How many have you assumed to be in circulation in Australia? Of course you have allowed for a certain quantity being in circulation in Australia?—This estimate is entirely irrespective of Australia. It refers only to the circulation in the United Kingdom. I really cannot tell you what the circulation in Australia is; that is a separate matter altogether. All I say is that now the active circulation, in this country, including coins of Australian production, is estimated at 68,000,000*l*.

11,394. But I want to test that, or to get at some valid reason for taking it as accurate. First of all, there is the import of gold in bullion into this country; then there is the gold that is coined at the Mints; then there is the export of gold from this country for many purposes throughout the world. Now, have you any record to show how much of the gold exported is sent out in coin and how much in bullion; is there any record?—The Customs keep a record, and could furnish you, probably, with a return of the amount of bullion and the amount of coin exported and imported, but I cannot say what it is.

11,395. Perhaps it would not be a very reliable guide if we had it, would it?—I would rather not say anything about its being reliable or not.

11,396. It would be, of course, reliable as to the facts of the case, but I mean it would not be a reliable guide on which to base a theory?—No.

11,397. It would not give you any reliable evidence as to the amount of coin in circulation?—No.

11,398. Then we take it as your opinion, arrived at from other sources, that there are from 60 to 70 millions of gold coin in circulation in the United Kingdom only?—In the United Kingdom only.

11,399. Now let us have the exact proportion of the gold coinage to the silver coinage. The silver coinage is a third of what the gold coinage is, is it not?—About that.

11,400. What is the bronze?—The bronze is two millions.

11,401. Then the whole of the coinage of this country would be 93 millions?—Yes; that is in nominal value.

11,402. I mean its value as coin?—Yes.

11,403. And silver is over 23 per cent. of that?—About 25.

11,404. Is the amount of silver that is coined annually pretty uniform, or does it fluctuate very much?—The last 10 years it has averaged from 756,578*l.* at the lowest to 2,224,926*l.* at the highest.

11,405 (*Sir D. Barbour.*) Is that the new coinage?—The new coinage.

11,406. Not allowing for withdrawals?—It is the nominal value of the issue of new coin manufactured from silver bullion and worn coin taken together.

11,407. (*Chairman.*) Does that include the Colonies?—Yes, it would include the Colonies—you mean, of course, the sterling-using Colonies—but the coinage does not represent the amount actually issued in a given year, it may be more or less.

11,408. That, of course, would vary, but what I want to get at is this. Is all the silver coinage which our Colonies have, in Africa and the West Indies and elsewhere—is all that included in that total?—Yes.

11,409. (*Mr. Holland.*) Which was the lowest year and which was the highest?—I took 10 years. I gave you the highest and the lowest figures during those 10 years.

11,410. (*Chairman.*) Which was the highest?—I have taken the figures between 1888 and 1897. The lowest was in 1888 and the highest in 1889.

11,411. Is there any other mode of regulating a token coinage adopted in other countries?—In some countries they have adopted the plan of limiting the token coinage to so much per head of the population. In the Latin Union, which embraces, as you know, France, Italy, Greece, Switzerland and Belgium, they originally limited it to six francs per head, and it was increased in 1897; but their rule is that they can only issue so much per head. In Russia they adopt the same system. They have a limit of coinage of three roubles per head, which they cannot exceed, but in both cases they combine also with that the plan which is adopted in other countries, of having a limit of tender as well as a limit of supply.

11,412. (*Mr. Hambro.*) Does that apply to the five-franc piece in France?—The five-franc pieces are unlimited tender in France.

11,413. (*Mr. Campbell.*) But you cannot send silver into the French Mint to be coined?—No, they have stopped unlimited coinage. I think practically all the countries that were formerly bi-metallic have limited the coinage of silver now.

11,414. (*Chairman.*) But you said that the five-franc piece is unlimited tender in France, did you not?—By law.

11,415. Many regard it as a token coin, but it is an unlimited tender for the payment of any debt?—It is a token coin so far as its coinage is restricted, and its intrinsic value is less than its nominal value.

11,416. (*Sir F. Mowatt.*) You did not give us, I think, the proportion per head of the token coinage in the Latin Union?—In 1865 it was limited to 6 francs per head, the legal tender limit being fixed at 50 francs, but the limit per head was increased to 7 francs in 1897.

11,417. That is not including five-franc pieces; you only mean subsidiary coinage?—I refer entirely to subsidiary coinage, 2 francs and under.

11,418. (*Mr. Hambro.*) But I regard the five-franc piece as a subsidiary coinage?—I understood *Sir Francis Mowatt* to refer only to the avowed subsidiary coinage, which was originally limited in the Latin Union to six francs per head. As regards the five-franc piece, it is no longer struck; they do not coin five-franc pieces any more at present—they have such an enormous stock of them—but they are unlimited tender.

11,419. (*Chairman.*) But nobody can take silver and have it turned into five-franc pieces?—No.

11,420. (*Sir J. Muir.*) Have you any idea of the number of these five-franc pieces in circulation in France?—*M. de Foville*, who is the head of the French Mint, and is a recognised authority on this subject, estimated the value of five-franc pieces in France at 1,935 million francs; that will give you, divided by five, the number of pieces.

11,421. (*Chairman.*) A great portion of that is in the Bank of France, is it not?—I believe it is about forty millions sterling.

11,422. What I want to know is whether the number that you have given there includes the number that are in the vaults of the Bank of France?—It includes that. It is "existing stock in the country."

11,423. (*Mr. Hambro.*) In France alone?—In France alone.

11,424. (*Chairman.*) Do you see any reason why, if the total coinage of tokens be restricted, there need be any limit to the amount to which such tokens can be admitted as legal tender?—I feel some diffidence in answering this question, because it is rather outside the questions of fact, but I think, as far as I can judge, that, provided your restriction is adequate, and that at the same time the Government maintains a sufficient amount in circulation for the purposes of trade, there is no reason why there should be any limit of legal tender.

11,425. (*Sir F. Mowatt.*) Your restriction of issue?—I mean your restriction of issue. As I understand, the value of your token is maintained by a restriction of coinage, and, if your restriction is sufficient to enable you to keep up that value, I do not see any reason why there need be any limit on the amount of tender.

11,426. But do you say that the value of the token depends on the restriction of the issue?—I understand that the value of the rupee depends upon its restriction of issue.

11,427. If a rupee is taken at 15 to the £, how does it affect the value of the rupee whether there are more or less of them?—I understand that the value of the rupee was in great part raised by closing the Mints and thus limiting its issue.

11,428. (*Chairman.*) That is your argument?—That is what I understand.

11,429. (*Mr. Hambro.*) Is not silver in England sometimes sold at a discount, or, at all events, bronze?—I cannot answer that question.

11,430. (*Chairman.*) Now, what have you to tell us about illicit coinage in this country? Let me put my question in this form. The intrinsic value of a shilling is now very different from its nominal value. Has that led to a large amount of illicit coinage?—The fall in the value of silver has had no effect in the sense of increasing illicit coinage in this country. In this country the counterfeit coins have been, and are still, very much of the same nature: they are run in moulds, they are of base metal, and silver does not enter into their composition at all. As far as I am aware, there has been only one case—a recent case—out of all the cases that have been taken up by the police, where the coin had silver in its composition at all, or where it approached to anything like the standard. All the rest of the cases have been the same as they have been for many years past, but there is very much less false coinage now than

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there was a few years ago. Cases fluctuate in number from time to time, because false coinage in this country is very much in the hands of the same people. They are sentenced to imprisonment for three or five years, or whatever the period may be, and cases decrease. They come out, and false coinage becomes active again. In 1860 there were 887 persons charged with illicit coinage, of whom there were 438 convicted. In 1870 there were 517 persons charged, of whom 278 were convicted. In 1890 there were 169 persons charged, of whom 95 were convicted. In 1897 there were 148 persons charged, of whom 96 were convicted. So that in nearly 40 years the persons charged have fallen from 887 to 148, and the convictions have fallen from 438 to 96. That is for the whole of the Kingdom.

11,431 (*Sir F. Mowatt*.) That does not include passing bad coinage, does it?—That includes all offences against the Currency Acts.

11,432. Including passing?—Including passing, uttering, and all other offences.

11,433. (*Chairman*.) And that diminished rate has gone on, notwithstanding that there is now, and for the last 10 years has been, a very great profit if they had used standard silver of full weight?—Just so.

11,434. (*Sir J. Muir*.) These are all cases of base metal?—I believe so, except the one case in 1898, when there was an attempt to coin silver.

11,435. (*Chairman*.) That was a case where they put in more silver?—It was not up to standard. In the evidence the counterfeit coins were said to be "about 885 fine."

11,436. (*Sir F. Mowatt*.) You have described to us the process by which additional silver is from time to time issued. I will just go over it again. The Banks of England, Scotland, and Ireland apply to the Mint, and recommend the issue of additional silver; they do that on the ground that the existing stock of silver in circulation is not large enough for the trade of the country; I suppose that is the main ground?—They practically feel the pulse of the three Kingdoms, and come to us when they find that it is getting low—when the supply is insufficient for the wants of the community.

11,437. And it is on that ground that the Mint complies with the application and issues new silver?—Yes.

11,438. That issue is very profitable to the Mint?—Yes.

11,439. But is not profitable at all to the Bank?—No.

11,440. Therefore, the party who makes no profit out of it has to start the application, and the party that makes a profit out of it only complies with that application?—Yes.

11,441. The profit-making process cannot originate with the Mint, it originates with the banks, who have no interest in it?—Just so. Of course, it is in the interest of bankers to meet their customers' wants.

11,442. Now, do you think it undesirable that the authorities who apply to the Mint and move them to issue additional silver, should have any interest in the seigniorage or brassage on the issue of that coinage?—I do not see what claim they have to it at all.

11,443. But do you say that it is an essential part of such an arrangement that the authority that moves the Mint to issue additional silver should have no personal interest—no interest of profit in that issue?—Certainly, because very likely it would lead to an over-issue.

11,444. I will take you on to that. Assuming that the banks had any share in the seigniorage or brassage on the issue of silver, would it be to their interest to apply for a large addition to the silver coinage?—They would be under an inducement to do so.

11,445. It would operate in that direction?—Yes.
11,446. (*Mr. Hambro*.) It would only be to their advantage to do so if they could get it into circulation?—Certainly.

11,447. (*Sir F. Mowatt*.) The Master of the Mint, in such a case, would have to make a closer examination as to the necessities of trade than he does at present?—Yes. If the profit was to go outside the State, the State would have to look much more closely after the requisitions made to it for more coinage.

11,448. And that, if carried to any extent, might lead to something like friction between the Mint on the one side and the banks applying for additional silver on the other. I do not say it would lead to it, but it would operate in that direction?—It might, yes.

11,449. (*Sir J. Barbour*.) I think you said that the old legal standard of England was silver?—Yes, originally.

11,450. You are aware, no doubt, that gold coins also circulated as well as the silver coins?—By degrees, yes.

11,451. For a very long time?—Yes.

11,452. And the ratio between the gold coins and the silver coins was fixed by the Government?—Yes, it was fixed by a Proclamation, I think.

11,453. (*Sir F. Mowatt*.) From time to time?—From time to time; the rate varied.

11,454. (*Sir J. Barbour*.) Then, in the time of William III, the silver coins had fallen into a very bad state?—They had.

11,455. And then they were recalled, and good coins were issued?—Yes.

11,456. Now, you will recollect that at that time the guinea went up to a very high rate?—Yes, I have referred to that already.

11,457. It went as high as nearly 30s.?—It went up to 30s.

11,458. And was gradually reduced by the Government by proclamation?—In the first instance by legislation.

11,459. And afterwards by proclamation; but the guinea was still over-valued as compared with the market price of gold?—It was.

11,460. The result of that was that the silver coins were exported and gold circulated in England?—Yes.

11,461. And that is how we came to have a gold currency, although the legal standard was silver?—That is so.

11,462. That is how it came about?—That is how it came about in the main.

11,463. Now, you said that there had been one case of false coming in fairly good silver in this country, and in that case the coins were made by a die?—Yes.

11,464. They were stamped; they were not cast?—They were not cast.

11,465. Have you seen any of those coins?—They were seen by the gentleman who went up to give evidence from the Mint.

11,466. Would it be easy to distinguish them from the genuine legal coins?—I think, to the ordinary person, they would be difficult to detect, an expert in coinage might have looked at one of these coins with suspicion, but the ordinary person would have accepted it, and, as a matter of fact, a certain number of these coins went into circulation.

11,467. (*Sir J. Muir*.) Have you any idea how many went into circulation?—I cannot tell you that exactly.

11,468. Would it be large?—Probably something over 20l. in nominal value.

11,469. (*Sir A. Deane*.) As to your estimate of gold in circulation, 68 millions; is that what is estimated to be in the people's pockets, or does it include also the amount of sovereigns in the Bank of England and other banks?—We take the active gold circulation in the country at about 68 millions. Including Bank reserves, the whole amount may be 95 millions. The figures I first gave you were entirely for active circulation. They were calculated for the purpose of ascertaining the amount of repair the coinage required.

11,470. My point is that, for the purposes of this inquiry, and, I think, for ordinary commercial pur-

poses, no distinction can be drawn between a sovereign that is in my pocket and a sovereign that is in the vaults of the Bank of England; both are in circulation?—Oh, yes, in that sense.

11,471. I want the amount of gold coinage which there is outside the Mint in this country?—Our estimate is 95,000,000*l.*

11,472. (*Sir J. Muir.*) You say it would be upwards of 90 millions?—95 millions.

11,473. (*Sir A. Dent.*) If you include the bullion in the Bank, it would be, perhaps, nearer 120 millions?—I am not responsible for bullion; that I cannot say anything about.

11,474. (*Mr. Hambro.*) In the amount of silver that you say you coin every year, do you include the worn silver that you have?—It includes all our issue, whether from re-coinage or from bullion.

11,475. (*Mr. Le Marchant.*) Are there any estimates of the relative volumes of gold and silver currency in 1798 as compared with the present day?—Lord Liverpool estimated the silver currency in circulation at 3,960,000*l.*, and the gold at 30,000,000*l.* as a maximum.

11,476. With regard to the issue of silver coinage, do you observe that it varies with the course of trade? If the manufacturing trade is busy and wages high, do you observe a greater demand?—Yes, I should say that, when trade is active and there is more wage-paying, there is a larger demand for silver.

11,477. Possibly that demand may not come so directly to the Mint if the Bank of England has accumulated silver returned to it from circulation; it may thus have a store which would meet occasional demands to some extent?—I imagine that the Bank of England always has a store of silver, they sometimes have more than they want.

11,478. Would you take it that the banking machinery in England is so far perfect that a redundancy of silver coins flows back quickly through the banks to the Bank of England?—At certain seasons of the year I should say so, but it is rather a question for the Bank of England. I should say that after Christmas, for instance, when there is generally a large issue of new silver, by the end of January or thereabouts, the Bank of England would probably have a great deal of the Christmas issue flowing back to it. But you can get that from the Bank.

11,479. The question never arises of the Mint being asked to take silver back?—No, except worn silver; but there is no obligation on the Mint to take that back. That is done without legal obligation, in order to keep up, you may say, the reputation of the coinage.

11,480. (*Mr. Holland.*) In view of the increased profit which the Chancellor of the Exchequer now derives from the increased circulation of the silver coinage because of the present price of silver, I should like to ask you whether any attempt has at any time been made to stimulate the circulation of silver?—I do not think the Chancellor of the Exchequer gets any increased profits through an increased circulation of silver resulting from the low price.

11,481. But the Mint derives an increased profit, and that benefits the Chancellor of the Exchequer?—Not, I think, from increased circulation owing to the low price, but from increased profit on the low price of silver, combined with increased circulation due to well-known causes.

11,482. Of course, if the price of silver is low, that would be another factor of the increased profit, but you are not aware of any stimulus having been applied to increase the circulation?—No, I am not.

11,483. I suppose it is the Government who bear the loss on worn silver?—Yes.

11,484. Have you any evidence of the unpopularity of large silver coins in this country?—I have heard individuals say that they do not like the five-shilling piece very much.

11,485. And they refuse to take it?—There is no legal power to refuse it.

11,486. But they avoid taking it?—I think some people do, but that is a matter of individual taste.

11,487. Do you think illicit coinage can be detected with certainty, when silver is used?—I cannot speak from experience in this country, because we have had, practically, no cases of it. We have had no experience of it, so I can hardly answer that.

11,488. The use of pure silver would be likely to increase the difficulty of detection?—That in itself would not be sufficient. There are many other points to be taken into consideration besides the metal of which the coin is made.

11,489. If the difficulty of detection were increased by the use of pure silver, is it not conceivable that the reduction in the number of convictions might have arisen from that cause—because of the increased difficulty of detection?—I should say that the decreased number of convictions had nothing to do with the use of silver at all, because we have had hardly any case where standard silver is used. The cases which the police have under their eye are cases of base metal. We have no reason to suppose that there is any amount of coinage in circulation which is composed of standard silver at all. There have been a great many stories in the papers as to silver coins being made abroad, and being imported into this country. The police have made enquiries, especially at the ports where they were supposed to have come in, and have been quite unable to trace anything of the kind.

11,490. You gave us some instances of the fluctuations in the issue of silver coins, the lowest being in 1889, and the highest in 1888?—1889 was the first year that the Government undertook to pay the carriage of silver; that was one reason why there was an unusually large amount sent out.

11,491. You told us that, in your opinion, if the supply of silver coins should be restricted, there would be no difficulty in silver coinage being unlimited tender. If you restrict the supply, you may give unlimited tender to token coinage?—I said I thought there was no reason, according to the question put to me, why, if the silver token coinage was carefully restricted, it should not be unlimited tender.

11,492. Then, are we right in accepting it as your opinion that, in the case of token coinage, some limitation is necessary, either in the supply of coins on the one hand, or in the limit of tender on the other, and that either would effect the same object?—Yes. I should say you must have a restriction, otherwise you would come back to the old bi-metallic system.

11,493. (*Mr. Hambro.*) Do you always coin as many 10*s.* pieces as are asked for? Are you bound to coin 10*s.* pieces?—It is not stated in the Act that we should do so—the Act says “Where any person brings to the Mint any gold bullion, such bullion shall be assayed and coined, and delivered out to such person without any charge, &c.; it does not specify either sovereigns or half-sovereigns; but, as a matter of fact, we are generally rather shy of supplying half sovereigns if we can avoid it, because they are so much more expensive to keep in repair; they wear so soon.

11,494. It is not with the object of making more silver coins?—Oh, no, that has never come into consideration when the Bank has asked us for half-sovereigns.

11,495. (*Mr. Holland.*) In the abstract of your proposed evidence which was circulated to us, I find this: “Conditions under which sovereign are coined elsewhere than at the Royal Mints in London.” I am not aware that you have told us what are the conditions under which sovereigns are coined in the Australian Mints?—The conditions are somewhat different. Here the Mint is open to gold free of all charges whatever. In the Australian Mints they have charges for coining, for assay, and refining charges. There are other differences between them and ourselves. They are not allowed to make their own dies. All the dies are made in this country. When worn out, we supply fresh ones.

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11,496. So that the conditions for the coinage of gold are more favourable to the public here than in Australia?—Yes.

11,497. And notwithstanding that, you say that 40 per cent. of the sovereigns in circulation here were coined at the Australian Mints?—Yes.

11,498. (Mr. Campbell) With regard to the quantity of silver coined in the 10 years, the average of the two figures that you gave would be one and a half millions annually?—Yes.

11,499. May we take it that that is about the average?—I should say it is rather above the average I should think it would be nearer one million than one and a half millions. The average of the 10 years I have mentioned is 1,189,000*l.*

11,500. Then that includes coinage for Colonial use?—Yes.

11,501. Have you any record of how much of that represents coinage for the Colonies?—We publish every year a statement of the amount that goes to the Colonies. I can put that in, if you like.

11,502. I should like the amount coined for actual use in the United Kingdom, separate from the Colonies?—I can easily give it you. You want me to confine it to the United Kingdom, and to leave out the Colonies altogether.

11,503. Or you can tell us how much of that amount is for the Colonies, and we can make the calculation for ourselves?—The figure that I gave just now of 1,189,000*l.* as the average coined for the 10 years does not quite correspond with the average amount issued, which was 1,192,000*l.*, and of this 287,000*l.* a year went to the Colonies.

11,504. That leaves about 900,000*l.* a year for the United Kingdom?—Yes.

11,505. Now, as regards the difficulty of detecting illicit coins made of silver, could they not be detected by analysis?—Undoubtedly. You can assay the coin and ascertain the composition of it; and supposing it was made with a proportion of silver, you would tell that proportion by assay.

11,506. Not only that, but, before coining, does not the Mint put silver through some process to eliminate certain impurities in it?—We simply buy our silver in the market and add the alloy to it. We buy it fine.

11,507. (Sir F. Mowatt.) Is your alloy any secret?—No.

11,508. But is it known what it is? The people making the illicit coinage would know the alloy with which to mix their silver?—Undoubtedly.

11,509. (Mr. Campbell) The reason I asked was, that some of these cases of illicit coinage in India were said to have been detected by analysis, showing the presence of zinc in the coins, the inference being that the Bombay Mint took some step before coining to eliminate the zinc. I am told that the reason of eliminating the zinc is that the presence of zinc makes the silver more brittle and apt to crack. Is that so?—Quite true.

11,510. The process of coining illicit money out of silver would be a very expensive one, would it not—the apparatus would be very expensive?—Certainly, a press is a very expensive article.

11,511. There is not only that, but there is the making of the dies?—Also the making of the dies. You want a good engraver—in fact, in this country it is probably a difficult thing to get a good engraver, because a good engraver would not be inclined to enter upon illicit practices of this sort; in any case you would have to pay him a good deal.

11,512. And, as there is such expense and difficulty attending it, you would not expect to see much illicit coinage made of standard silver?—No; I think those

considerations stand in the way of it a great deal. Of course, if you use steam machinery, it makes a good deal of noise; the action of the machine in stamping the coin makes a great noise. This also deters persons from setting up a press.

11,513. Now, the Government is not under legal obligation to convert silver back into gold?—No.

11,514. Silver is legal tender to the extent of forty shillings?—Yes.

11,515. But the Government is in no way bound to give gold in exchange for it?—Certainly not.

11,516. (Sir F. Mowatt) And never does?—No, except in the case of worn coin withdrawn from circulation in bulk.

11,517. (Sir J. Maur.) Suppose that standard silver such as you use were used by coiners, how would you discover that the coins were illicit?—As I say, we have had no experience of it, so I cannot very well answer; but it is certain that in the form of the coin and the way that the dies are made, and so on, it will differ from the true coin.

11,518. You might be able to do it; but over the country generally, the Banks of England, Scotland, and Ireland, how are they to discover whether it is illicit or not, if it is the same standard as your metal?—I think an expert would find a flaw somewhere, in the milling, for instance. I do not say for a moment that the public might not be taken in, but I do not think that experts would, either at the Bank or at the Mint.

11,519. You were to give us some information about "countries which still retain silver mono-metallicism or open their mints to both gold and silver." What are the countries to which you refer as retaining silver?—There are a few countries now on a silver basis, but these are not of the first importance.

11,520. You refer to countries that open their mints to both gold and silver. Which are those?—There are no bi-metallic countries which open their mints to gold and silver; as far as I am aware, the only country which has its mints open to gold and silver is Mexico, but that is a monometallic country.

11,521. That is the only one you know?—That is the only one I am aware of at the present moment.

11,522. (Sir D. Barbour.) Did I understand you to say, in answer to Mr. Holland, that in the case of subsidiary coinage it would be sufficient either to restrict the supply or to limit the amount of its legal tender?—I said that, as far as you had a real restriction on your issue, I thought that would be sufficient.

11,523. But you did not say that, not restricting the issue, but limiting the amount of legal tender, would be sufficient?—I did not understand that I was asked that question.

11,524. (Mr. Holland.) I put it to you that it was an alternative form of limitation?—There are several forms of limitation. The limit of tender is one; the limit of issue is another; and so on.

11,525. (Sir D. Barbour.) But what I wish to ask you is this:—is not the limitation of supply the essential limitation?—I should say so.

11,526. If the supply was unlimited, limiting the tender would only produce very great confusion?

(Chairman) It would cease to be a token coinage if the mintage was unlimited.

(Sir D. Barbour.) It would, but with a complication?—If you limit the issue, it seems to me that you take an important step towards constituting a token coinage.

11,527. That I do not object to, but do you say that, without limiting the supply, a mere limitation of the amount of legal tender would be sufficient?—Oh, no; I did not say that.

[The witness withdrew.]

Adjourned.

TWENTY-SIXTH DAY.

Wednesday, 11th January, 1899.

PRESENT:

<p style="text-align: center;">THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR</p> <p>Sir JOHN MUIR, Bart. Sir FRANCIS MOWATT, K.C.B. Sir CHARLES CROSTHWAITE, K.C.S.I. Sir ALFRED DENT, K.C.M.G.</p>		<p>Mr. ROBERT CAMPBELL. Mr. EVERARD HAMBRO. Mr. W. H. HOLLAND. Mr. F. C. LE MARCHANT.</p>
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Mr. ROBERT CHALMERS, *Secretary*.

Mr. ROBERT BARCLAY called and examined.

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11,528. (*Sir F. Mowatt*) You are, I believe, the senior partner of Messrs. Robert Barclay & Co., of Manchester, and of Messrs Barclay, Mackintosh & Co., of Buenos Ayres and Monte Video?—I am.

11,529. Besides River Plate business, your Manchester firm also does a large business with India?—Yes. I may add that I resided in Buenos Ayres for 13 years.

11,530. Have you been resident in India at all?—Only as a visitor.

11,531. But you have conducted, or been intimately acquainted with, the business of your Manchester firm with India?—Yes; for the last 20 years.

11,532. You have also been, I think, for 15 years, a Director of the Manchester Chamber of Commerce, and you are at present its President?—Yes.

11,533. The main object of your appearance before us to-day is to support the resolution of the Manchester Chamber of Commerce which Sir F. Forbes Adam has already put before us?—That is my main purpose.

11,534. That resolution it may be as well to read:—
 “That it is neither possible nor expedient to establish a gold standard with a gold currency in India, under the peculiar financial relations and economic circumstances of the Dependency; and that, in the opinion of the Chamber, it would be well, in the interests of India, to adopt the principle that the mints should be re-opened to the coinage of silver, the time and conditions to be hereafter determined.” Now, you say in your Memorandum that you object to the scheme of the Government of India, or any similar scheme, for giving India a gold standard without a gold currency. Is that quite an accurate description of the proposal of the Government of India? As I understand it, it did contemplate a gold currency. In paragraph 21 of their Despatch of the 3rd March, 1898, the Government of India say: “When we have reached the stage in question, the sovereign will be a recognised coin of the Empire—in use in its chief cities, at least; and, as long as this condition can be maintained, the exchange will be stable at about 16d.” I think the plan of the Indian Government contemplates that, by the removal of a certain amount of silver coinage, gold coinage would take its place?—I do not believe it would.

11,535. But it is only fair to the Indian Government to say that what you were just putting was not quite their theory. Now, will you tell us your reasons?—I object to the Government scheme, or any similar scheme, for giving India a gold standard without a gold currency. I object also to any scheme which would contemplate both a gold standard and a gold currency, because I think it would be absolutely impossible to carry it out.

11,536. Perhaps I may ask you at this point to indicate what you consider the main difficulties which would render that impossible?—In all trade with or between the natives even a few miles (Mr. Kalli and

20 miles) from the Presidency, nothing but silver rupees would be of any avail. It might be said that in time the natives would accept gold, but we have to remember the prejudices of the native, with his long traditional experiences of silver money. Even if the cost and other difficulties could be overcome, it would be in no sense a currency available or suitable for India as a whole. The Government scheme and the Lindsay scheme seem to me to be purely artificial, and exposed to many varying circumstances that might lead to their breakdown.

11,537. It would be convenient to ask you to indicate the leading circumstances which you consider might lead to a breakdown of the Lindsay scheme?—Without complete convertibility of the silver rupees into gold, there would be no assurance that the Government could maintain exchange at 1s. 4d. With liability to complete conversion, the burden upon the Indian Government would be enormous, and a concentration of demands for conversion, such as might arise at a time when there were small exports from India (from famine or other cause), plus a desire to withdraw capital from India, plus stringency in the European money markets, would cause a breakdown. The Government scheme assumes (par 23, Despatch of 3rd March 1898) that India will always have, at least, such a volume of exports in favour of India as will pay for her imports, for interest on capital invested in India (that I believe is estimated at some 7,000,000*l.*), and the Government's home requirements of 17,000,000*l.* to 18,000,000*l.* If the great body of practical commercial experience is right, as witnessed before this Committee, (and I agree with it), I believe this assumption is too sanguine, for India will be handicapped in her industries with China and all silver-using countries. I would add that in recent years the exchange rates have been greatly helped by fresh gold borrowings on the part of the Government. Also by some fresh investment of capital which has taken the form (1) of exports of silver to India, part of which, at least, has been used for monetary purposes; (2) of leaving accumulated profits in India.

11,538. Would you explain that? Do you consider that part of the silver that has been imported into India since the closing of the mints has been used for monetary purposes?—Yes.

11,539. Has it found its way into the coinage?—No; in bars.

11,540. For purposes of barter?—Yes. Now the Government cannot always go on borrowing gold, and, unless the economic conditions of India appear favourable, people will be indisposed to make fresh investments in India. Again, if convertibility is undertaken, as it must be, and the natives, following the example of the Government, should prefer gold, they could at any moment break down the Government scheme if they demanded the conversion of the rupees they hold. Sir A. MacDonnell (Answer 5769) says 75 per cent. of savings are in coined rupees. The savings of the natives,

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according to Mr Harrison (Herschell Evidence, page 308), were Rs. 300,000,000, so, if Sir A. MacDonnell is right (which I doubt), they could demand Rs. 225,000,000 of gold from the Government. But at any rate, in the aggregate, they could demand a large sum.

11,541. Practically, I may take it, you think convertibility would be essential, and any attempt to ensure convertibility might entail on the Government so enormous a demand for gold as to break down either the Lindsay scheme or the Government scheme?—Exactly. Both of these schemes have been obviously conceived chiefly in view of the wants of the Indian Government, and they ignore, to a large extent, the interests of the people of India, and the memorial monetary usages to which they have been accustomed.

11,542. I do not want to press you upon that, but is that absolutely so? Has not the Government, at all events, protested that its objects were greatly to assist the trade of India by creating confidence and keeping up the rupee at a price which would give confidence and attract gold?—Their chief concern, as disclosed in their Despatches, is to secure and maintain a 1s 4d. rupee. And a leading official of the Finance Department of the Government of India has stated, in a document which has doubtless come under the notice of this Committee, that the main object of the proposals is to diminish the loss on the Government's Home obligations. I refer to a statement by Mr Atkinson, an official of the Indian Financial Department. He says: "So far as the Government is concerned, the main object of a gold standard for India is to obtain fixity of exchange for the rupee in its relation to the sovereign within defined limits, in order to diminish, as far as possible, the loss on India's gold obligations to England, while a minor benefit desired is to encourage capital to enter the country for permanent investment, and thus assist its development."

11,543. You do not put that forward as an official pronouncement of the Indian Government?—No, that is based on the general tenor of the thing.

11,544. That is a personal statement of an official connected with the Accounts Department, but it does not profess to be a pronouncement of the Indian Government?—Quite so. It is not put forward as an official paper, but it seems in an official form.

(Mr O'Connor.) It is absolutely unofficial.

11,545 (Sir F. Mowatt.) However, you put it forward for what it is worth?—Quite so. It is a mistake to link the maintenance of the standard of value of India, or of any country, with the incidental and varying circumstances of exchange, or that this should depend upon the action of the Government in controlling the currency, by operating in exchange. The currency should be automatic, as it was before the closing of the mints, not depending in any degree upon the action of the Government. Let us suppose that the Indian debt was altogether an internal debt, and that the obligations in connexion with it, in common with the other debts of the Government, were payable in India in rupees, just as the English Government pays all its debts in England in sterling. This would not affect the balance of trade. The country would still have as much of its productions to export, and as much of the productions of other countries to import. If more were exported than imported, the balance of indebtedness would be in favour of India. If the reverse, the balance of indebtedness would be against India. At this point India formerly, with her automatic silver currency, could always adjust her balances. The balance, which was usually in favour of India, was adjusted by imports of silver, which, with open mints, laid down rupees in India at a lower rate than that ruling for bills, thus equalising the rates.

11,546. You will pardon my pointing out to you that that argument is founded on the assumption that the Indian debt is an internal debt; unfortunately, as a

matter of fact, it is not?—This is not an argument, I am putting this down as a statement. I wanted first of all to clear up this matter of the balance of trade; I will come to the argument presently. If India had had an adverse balance of trade to liquidate, and the exchange rate fell, owing to the demand for remittance bills being more than the supply, then the adjusting process would have been to export silver rupees, and in the old time, with a steady ratio between silver and gold, this process, as well as the contra process, which generally fell to be pursued, would have limited the variation of exchange rate to the cost and charges of exporting or importing the monetary metal.

11,547. What is the period in which you consider that the ratio between silver and gold was steady?—I mean before the disturbance began in 1875.

11,548. Before 1875?—Before 1875. As banks began to enter upon exchange business, they discharged a very useful function in equalising exchange rates over the dull season for exports, and otherwise serving the interests both of exporters and importers. The peculiar position of matters also, since the time when, as indicated by your first witness Sir James Mackay, Indian troubles as regards exchange first began—say, in 1875—(that is the practical year, Sir James gives an earlier date), quickly developed a new and important feature in the operations of the exchange banks in the business of fixing and securing the rate of exchange for forward transactions. The system of telegraphic transfers in place of bills has also been an important development. I have referred to these matters because the action of the Indian Government in selling council drafts, and the action of the exchange banks in buying those drafts for the legitimate purposes of their business, are so mixed up with the matter of exchange as based on the exports and imports of the country, that I think it is well to keep the bare substratum of importing and exporting, and the minimum of bill transactions or transfers necessary in connexion with it, clearly before the mind. Exchange banks, as commerce develops, will always be necessary in connexion with foreign business, and foreign governments who have debts to discharge will always have to remit or be drawn upon; but, beyond providing for their outside obligations, there should be no interference on the part of the Indian Government with exchange.

11,549. I will ask you one question upon that. I do not understand you to contend that the Indian Government may not properly either get the best price for their bills or hold them back till the proper time?—What I mean is this: I have had experience of countries where this is done, and all the operations of exchange were done through brokers who were sellers of bills and buyers of bills. Any attempt to sustain exchange when it is tending downwards, by the Government manipulating Council bills or otherwise, is a most dangerous interference. It may seem only an equalising adjustment, to tide over a passing depression; but the mere fact of the Government becoming an operator may bring new factors into play, and unforeseen consequences might result, as it would serve as a pivot round which speculation might play. I saw this result in Buenos Ayres at the end of the year 1884. For a few years, the paper currency there had been convertible into gold at par, and, as the course of the European exchanges was revealing the danger of convertibility being lost, the Government determined that it would sustain the European exchanges by selling bills against the large credits in Europe which it then had. The process went on in the months of November and December 1884. The Government, chiefly through the National Bank, became a taker and seller of bills; but the demand upon it as a seller was insatiable. The whole commercial world of Buenos Ayres wanted to remit, for most people saw, in spite of the protestations of the Finance Minister, that forced currency would come, and, besides funds failing to be remitted in ordinary course, borrowed every dollar

they could, so as to save themselves, as far as possible, when the crash came; and it did come early in January 1885, when a decree giving forced currency to the paper money came out, and a premium on gold of about 25 per cent. was immediately demanded, and exchange, which, while the Government had been selling, had been at 47½d. also fell to about 38d.

11,550. What is your opinion as to the effect of withholding the sale of the Indian Council Bills which was tried during the six months of 1893, for the purpose, as you contend, I think, of sustaining exchange rates?—I was then concerned, with some other people, about the peculiar results of the action of the Government at that time, such as the falling off of shipments of produce from India, and I thought it out, and the following is the process by which I arrived at a conclusion I formulated in my own mind in this way: (1) Keep in view that all funds or floating capital in bank balances must have a tangible embodiment somewhere in material things.

11,551. Must that necessarily be so?—Necessarily.

11,552. If you say that such funds give a power to purchase things, I understand it; but that is not the same as being "a tangible embodiment"?—With regard to all balances, there must be something behind them to come at, unless you have bogus bills.

11,553. Is it not that such funds have the power of commanding goods? Are they an embodiment of those goods?—There are two things referred to. I am referring to the fund afterwards. This is the proposition that I want to be kept in view.

11,554. I only want to get at what your view is?—Just so. (2) The fund in India which meets the Council drafts is the result of taxation. (3) The taxation is paid by the people out of the money they get for their crops. (4) That money has its tangible equivalent in a certain quantity of produce.

11,555. Again, I accept that from you, but that is merely your own statement?—Yes. (5) Its retention in India has just the same effect as the holding back of so much produce. (6) When the Council drafts against it are sold, the right of the Government to the produce which that money fund represented is surrendered to the buyer of the bills, and it is shipped.

11,556. That is, the produce is shipped?—The produce is shipped. The problem I had to solve was, Why is this produce held back? And this is the way I solved it. The matter will be still clearer if we eliminate money altogether, and suppose that the taxes are paid in produce.

11,557. There, again, I must call your attention to the fact that they are not paid in produce, which appears to make a considerable difference?—What is the ryot paid in, where does he get his money? From his crops I am making a supposition I say, if we eliminate money altogether, and suppose that the taxes are paid in produce, if the Government retained that produce and stored it up in India, it would not, of course, appear in the exports; but, if the Government exported it, and from the proceeds, when sold in England, paid its debts there, it would mean the same thing as the sale of Council drafts.

11,558. But that, again, would eliminate all question of currency?—I am simply telling you my solution of the problem. The avowed methods by which the exchange rate proposed is to be secured are not only bad in these ways, but also objectionable in the incidence of their operation. To contract the currency of a country with the view of reaching or maintaining a given foreign exchange rate is not a thing which the Government of any European country with a sound currency would ever contemplate.

11,559. A sound currency in Europe would be a gold currency?—Yes, or it might be, as in France, a bi-metallic currency. Of course they have gold there chiefly, but I am referring to any sound currency.

11,560. One effect of that being in gold would be that gold would flow very readily both in and out, in accordance with the demands of the moment in Europe?—Yes. It is only in connexion with inconvertible paper currency depreciated through over-issues that such operations are ever conceived.

11,561. Would you say that it would be equally true with an inconvertible silver currency depreciated through over-issues?—Of course it would be just the same thing, if it were that. And to regard complacently the carrying out of such arrangements with regard to the silver money of India shows that the authors of the Government proposals now regard that money in the same light as a forced paper currency. If it really is so, it is a sad consummation quickly reached of the policy of closing the mints, and, if the natives of India came to believe that the silver money of India had been reduced to exactly the same position as the paper money, of which they are still so sceptical, and that paper notes of no intrinsic value might be silently substituted for it, it might be serious indeed, and they would be inclined to believe the agitators who are even now telling them that these changes are a device of the Sircar for robbing them of their silver money.

11,562. The issue of notes in lieu of rupees and the withdrawal of rupees for that issue are not a part of the Indian Government's scheme?—No, but we know that the power is there now, and they are very jealous of it. But it is not the same thing as an inconvertible paper currency. The position of silver in India, as a thing of value intrinsically, is still something essentially different from the position of paper money in a country where it has forced circulation, and the matter of redundancy or scarcity can only be gauged in an entirely different way. The quantity of paper money in circulation in forced paper countries can be exactly measured. The quantity of silver money and potential money in uncoined silver in India, with all deference for those who have given estimates, I think, cannot be measured.

11,563. You speak of uncoined money in India now as "potential money;" but, since the closing of the mints, it is hardly potential money now, is it?—It was potential money. The natives formerly used their ornaments for money. It was potential money formerly.

11,564. You mean, used them in the sense of currency?—They went and had them converted into currency. They were potential money, just as I would say that gold bars are potential money. It is in that sense.

11,565. But since 1893 they cannot so convert them?—No, that is the real difficulty, but still the tradition holds in the country. The quantitative theory, as regards forced paper currency, is simple; and, if contraction is desired, so as to give increased value to the notes, it is quickly attained by withdrawing and burning so many of the notes. In the case of the silver money of India, however, the facts of the case, as to whether there is actual scarcity or redundancy of the currency, are, first of all, much more difficult to judge, in view of the habits of the people with regard to silver and silver money; and it is the entire area of India, with all the innumerable channels through which silver percolates, and not the mere pressure at the ports, that must be kept in view. The operation of artificial expedients, intended to produce either scarcity or redundancy might, I think, readily fall in their intended effects, and very likely produce evil consequences in other directions. I think the conflicting evidence of experts whom you have examined on the question of redundancy and scarcity is due to these difficulties. The concrete case of a forced paper currency was, perhaps, before the minds of some of them; but the silver money of India is a very different thing, with the vast area over which it works, and its intimate identification with the saving habits of the 300,000,000 of its people, and theories applicable in the one case cannot be applied in the other. The system which prevailed before the closing

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of the mints suited India admirably. In the imports of silver she got what she wanted in liquidation of the balance of trade, and a large portion of this silver, which was all at first minted, remained in the currency, but no more than was necessary to meet the growing wants of an increasing population, and an ever expanding trade. Many circumstances at the time prevented the effects of the change from being seen, but latterly, and especially during last produce season, the results have been painfully visible, not only in the high rates for money which prevailed for an unprecedentedly long period, but also in the practical impossibility of obtaining it for purposes of trade, and I think it is the crying want of India that this state of matters should be rectified by a reversion to the old system, rather than aggravated, as it would be, by the Government scheme.

11,566. I understand that you consider that the high rates for money which prevailed for an unpleasantly long period, and the practical impossibility of obtaining it for every purpose of trade, were the result of the system which had curtailed the currency of the country?—Exactly.

11,567. And that curtailed currency found a necessary result in the high rate of discount and the impossibility of borrowing?—Yes.

11,568. Now that curtailment of currency still remains,—to a certain extent intensified by the wear and tear of the silver?—Yes, and there is not the addition going on.

11,569. Therefore, one would have expected that, if that was the inevitable result of that system, the result would be intensified in the present season?—Yes.

11,570. That is not the case, I think, is it?—It is only beginning yet. Already it is advancing.

11,571. Do you recollect the rates of discount which were charged during these months of last year? They were about 11 per cent., I think. Now, I understand, they are 6 or 7. If that was the inevitable result last year, it should have followed, should it not, that it would be intensified this year?—Not necessarily. There are a great many considerations that come into play—the famine and the immense area of India.

11,572. (Chairman.) Come into play, do you mean, this year or last year?—I mean always.

11,573. Then the force of your preceding argument is subject to that?—Quite so.

11,574. (Sir F. Mowatt.) I wanted to get that clear, because it is rather an important point with us. You do not, as I understand, attribute the rise in the rate and the impossibility of borrowing solely to the system of curtailing the currency. Many other considerations come into play?—I was referring to its affecting current rates in India. As regards the proposal of the Indian Government, the advantage to India of a steady exchange in giving confidence to foreign capitalists and security for investments would no doubt be very great, but confidence would not be obtained if a 1s. 4d. rupee were sought to be established in the way proposed. There must be, not only the visible fact of a steady rate for some time, but also confidence in its maintenance; and, although the rate kept steady for a time, if it were seen that this was only secured by constant effort and manipulation on the part of the Government, confidence, I think, would not grow.

11,575. There again I should like to ask you this, because it is rather a crucial point. The two conditions are, first, that the rupee should be maintained for a considerable time at a fixed rate, and, secondly, that there should be confidence that the Government would be able to maintain that rate. As regards the first condition, do you accept it that the rupee has now for nearly 18 months been at or about 1s. 4d.?—Yes.

11,576. Therefore, the remaining condition to make the change possible is that there should be confidence in the Government's power to maintain it?—Quite so.

11,577. Would you say that, the longer the rupee is maintained at that rate, the greater would be the confidence that they would succeed in maintaining it permanently?—Yes, decidedly. But a rate artificially maintained in the way proposed is a very different thing from what a steady rate resting on an automatic currency would be. I am drawing a comparison between a rate which is always looked after and seen to be maintained, and one which would be automatic. The evidence taken before the Committee, as far as it has been published, shows that the majority of the witnesses, including many who now favour a gold standard, regret that the mints were closed. Our Manchester Chamber did its utmost in opposing the action taken in 1893, and now thinks that there is no way in which matters can be put right permanently but by undoing what was then done, and, as a first step, deciding that the mints should be reopened to the coinage of silver as formerly.

11,578. I understand that you recognise that some of those who in 1893 thought that the mints should not be closed have so far changed their opinion that they think that under the existing circumstances it would not be wise to go back and reopen the mints?—Quite so.

11,579. (Chairman.) But that is not the opinion of the Manchester Chamber of Commerce?—No.

11,580. The Manchester Chamber of Commerce still adheres to its opinion that the mints should be reopened?—Yes. We consider that a grievous injustice was done to the people of India when the mints were closed. The functions of silver in India were, and still are, of a unique character, and the standard silver money of India was far more to the people of India than the standard money of European countries is to their peoples. In a fully developed country such as England, credit money in bills and all the appliances of modern commercial life come in to facilitate the transference of commodities and property in whatever form they may exist, and in the international trade of India these devices also come into play. But in the vast internal trade of India, which is of infinitely greater extent, they are almost, if not altogether, absent; money in the primary form of coin of intrinsic value serving all the purpose of trade, both as medium of exchange and standard of value. Up to the closing of the mints, as regards its internal trade, India was admirably served by its silver money. It was automatic currency, and a true measure of value. The people of India had unbounded confidence in it. They hoarded it in coin, and converted it into ornaments, not, I believe, so much for display, as for security in preserving what was to them their liquid capital, for the ornaments could always be readily converted into coin as long as the mints were open.

11,581. (Sir F. Mowatt.) You said first of all that the closing of the mints acted as an injustice to the people who hoarded coin and ornaments, and you say that they hoarded their ornaments, not as ornaments so much, but as practically a deposit in the savings banks?—Yes.

11,582. Upon that I suggest to you that, when they could hoard coin or buy silver, and change it into ornaments, if their purpose was to hoard as a matter of saving, the coin was a much simpler way of doing it. Therefore, I suggest to you that they bought ornaments really as European ladies buy ornaments, because they liked them?—I believe differently. I think the main object of so many ornaments in a family was to have the silver to keep.

11,583. In preference to the rupee?—Oh, yes. It goes back to very ancient times, when India was very much convulsed with frequent wars, and the people were always in terror of being pillaged. I believe a great deal of the hoarding of ornaments in India had its origin in the custom of the people keeping silver about them, so that they could use it when quiet times returned. In that way they got into the habit of burying it, and the money in form of ornaments they had about them was more easily carried.

11,584. And more easily pillaged?—Yes, but of course they would try to get off in time.

11,585. Now one other question about that. You alluded to the evidence given by Sir Antony MacDonnell, to the effect that the hoarding in coin was considerably more than the amount hoarded in ornaments, and I think you founded an argument upon that?—Yes.

11,586. I suggest to you that, if the rupees are hoarded when they are below 1s. 4d., then, when the Government forces the rupee up to 1s. 4d., it makes the hoarder very much richer instead of very much poorer?—Possibly he got these rupees when the rupee was of a very different value altogether. They may be very old hoards upon which the loss is made.

11,587. (Chairman.) But what you are asked is, is not the raising of the rate a benefit to the hoarder?—So far, yes.

11,588. Do you say that it is an injustice to the people of India?—I did not quite endorse the opinion expressed by Sir Antony MacDonnell.

11,589. (Sir F. Mowatt.) If he is right in saying that, on an average, two rupees are hoarded for every one ornament representing a rupee in amount of silver, then any course which raises the rupee from 10d. to 1s. 4d. has put that hoarder in a much better position than if it had been allowed to fall to 10d.?—Yes; that is so far as the gold measure is concerned, apart from the value of it.

11,590. If a man has hoarded a rupee which would have fallen to 10d., and he now gets a rupee that is worth 1s. 4d., he is no poorer. I will not put it higher than that, if you like?—Just so. As regards hoarding ornaments, my belief is that it is a loss to the natives; that they have suffered from that. There is no doubt that they cannot get the same money for these ornaments that they formerly could get.

11,591. As to that, I should like to draw your attention to a question and answer given by Mr. Cheetham, who was here arguing in favour of the reopening of the mints. I am reading from Question 8909: "If it is impossible almost to get rupees now, how could you expect to draw, say, 300,000,000 of rupees from the currency in order to draft away the Government gold?—(A.) Because at the back of the currency in circulation is an unknown hoard of rupees. In the evidence of Sir Antony MacDonnell he says that the great bulk of the savings of the people of India are in rupees, and not in ornaments. That coincides with independent evidence that I have got; I must say that it was a great surprise to me to hear it." Now will you proceed?—No doubt the basis of international trade with gold standard countries had been seriously upset ever since the year 1875, and there was danger both to the Government and ultimately to the people of India in the uncertain relation of silver to gold that resulted after the closing of the French Mints, which up to then had maintained an even parity of value between gold and silver. Up till 1893, however, this aspect of the question had not forced itself upon the vast mass of the natives of India. They had their immemorial money in the form of silver rupees, which they could hoard or melt and reconvert, and in this tangible form the millions of poor peasants could see and make sure of the liquid capital in money which they possessed. The people generally did not at once realise the importance of the change in the monetary conditions throughout India which the closing of the Indian mints brought about. The millions of peasants were not in the habit of resorting directly to the Government mints to get their bangles coined; they went to the silversmiths, and, as their needs led them to go there to get rupees for silver ornaments, they found after 1893 that the conditions under which the silversmiths could buy them were altogether different from formerly, and they could not get more than half or two-thirds of their former value in relation to rupees. The converting of rupees into ornaments, along with the practice of hoarding coin, was much the same as the depositing of small savings

in banks by the people of this country; and we can realise in some measure what the closing of the mints must have been in this respect to the peasantry of India if we suppose that, by an arbitrary decree, the English Government were to confiscate one half of a large portion of the savings which the working classes had in the Savings Banks.

11,592. I suggest to you that, on the view I have been mentioning, you must put it, "if we suppose that by an arbitrary decree the English Government were to add about one-third to the large portion of their savings which the working classes of England had in the savings banks"?—No, no.

11,593. If the hoarding in rupees is twice as much as the hoarding in ornaments?—I say a large portion; I have guarded my language there.

11,594. I am suggesting to you that, if the hoarding in rupees is twice as much as the hoarding in ornaments, and if any action of the Government halves the value of the ornaments and doubles the value of the hoarded rupees, then the action of the Government would be to add about one-third to the large portion of their savings which the working classes have in the savings banks?—Well, you may put it in that way, if you like; but, as I have already said, that is looking at the coined rupees from the point of view of their gold value, which does not affect my contention.

11,595. I only ask you the question?—The point I have chiefly in view is with regard to the ornaments.

11,596. (Sir J. Muir.) I think Mr. Barclay does not acknowledge that the rupees exceed the ornaments to the extent you indicate.

(Witness.) I think the evidence altogether with regard to quantity is very vague. I have letters from people who have written to me privately about it, putting the quantities very much higher.

11,597. (Chairman.) By the step the Government have taken they have made what was worth a little more than 1s. worth now 1s. 4d. Now, do you say that the analogous case in this country would be a proposal on the part of Parliament to confiscate one half of the savings which the working classes have in the savings banks?—When the natives go to the silversmith to get rupees for their ornaments, they only get a half, in consequence of the action of the Government. I am not referring simply to this action, but to the closing of the mints as well. The effort of the Government in stopping the sale of Council drafts was to maintain a rate of 1s. 3d. or nearly 1s. 4d.; it did not go to 1s. for some time afterwards. The closing of mints found the rupee very much of the same value as it is at this moment, I think. The price of silver on the 2nd June 1893 was 38d., and that is about 1s. 3d. for the rupee.

11,598. Now, will you proceed?—While the peasants were in the habit of dealing with their savings in this way, the better classes in all the towns and cities, who also wear large quantities of silver ornaments, would be similarly affected as regards these, and the native bankers in the vast ramifications of their business, in which uncoined silver would no doubt play an important part, must have been seriously affected by the Government fiat which closed the mints. In the nature of things, apart from direct proof of discontent having been engendered, which I am sure an impartial commission of inquiry in India would bring out, it would be contrary to human nature that the natives should remain unmoved by circumstances so generally affecting them as those which resulted from the closing of the mints. And now that further developments of the same arbitrary action are proposed, which may ultimately lead to further interference with, and degradation of, the silver which they have been so long accustomed to, and which was so much to them in all their dealings, it is in the highest degree necessary to pause and beware of the evil consequences that may ensue. We know how careful we have to be in India with regard to all the religious and caste scruples of the people. If their religion stands first in their regard, certainly their silver money and their usages in

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connexion with it stand second; and if, as I have seen it stated, they are getting the idea that the Sircar or Government is seeking through the legislation to rob them of their silver, the consequences might be very serious indeed. I have referred to the native bankers, as well as to the mass of the natives generally, who are interested in this question. I would respectfully point out that, as the Government of India does not include any form of popular representation, those classes must look to this Committee to safeguard their interests. I may also refer to the statements that have appeared in the Indian newspapers, to the effect that some of the most important of the Maharajahs of the Native States and their finance ministers are deeply concerned at the effects of the closing of the Indian mints. It was reported that these States had proposed to have a conference among themselves to consider the question, but that the Indian Government through the Residents had dissuaded them from this. If it be so, there is all the more reason that any views on the subject which these Maharajahs, or their finance ministers, may entertain, should be fully considered, and that the people of England should know what is the independent opinion of these rulers. These native States embrace a population of about 70,000,000 people. Some of them have both mints and coinage of their own, others have also special coinage, though the coins employed are minted by the Indian Government. I have no doubt that, in view of these arrangements, the Government must have had some communication with them about this matter, and the public relies upon this Committee seeing that the interests and wishes of these States have the consideration to which they are entitled. I may say that general ideas such as I have now expressed were strongly in the minds of the Manchester Chamber's members when it disapproved the closing of the mints in 1893, and we are confirmed by what has happened since in the view then taken. I believe that the only way out of the difficulties in which the Indian Government and the Indian people find themselves, as the result of the action then taken, is to abandon the idea of a gold standard for India, and, as a first step, to decide that the mints should be reopened. In my opinion, what the situation demands is a solution that will give India automatic silver money, in order—

1. That the supply may be adequate for its growing industrial and commercial needs.
2. That its standard should be the same as other silver countries, so that there should be no monetary advantage in favour of China or other eastern competitors.
3. That the habits of the people in connexion with their silver money should not be interfered with, and the loss which they at present make in reconverting ornaments into rupees should be obviated.

It is necessary that there should also be:—

4. A fixed par relation between the silver money of India and European countries such as the Indian Government aims at.

While I object to the mode in which the Indian Government seeks to carry this out, I quite sympathise with it in its desire to accomplish this object, both for its own special advantage as a large remitter of funds to England, and also for the other commercial advantages that a steady *1s 4d* rupee would give. The Government of India, judging from its despatches, concentrates its attention upon these advantages; but the advantages of an automatic silver currency which I have just named are no less important (I would say much more important and absolutely necessary), and, if a scheme could be carried through that would combine both, it would surely be much better for all. The difficulty in the way is the present divergence between the gold value of the rupee and its metallic value, but I believe that, if India decided that the mints should be reopened, forces would come into play that would greatly affect silver in the way of making its gold value approximate to that of the rupee. Until the

Indian mints were closed, silver had never fallen below *38d* per oz., and I think there is every reason to believe that the mere decision to reopen them would have a great effect upon the present gold value of silver. There is every prospect of an increasing demand in connexion with the opening up of China, and also of Africa, and, if concurrent mintage by the United States on the basis of *42d* per oz or *1s 4d* per rupee could be secured as indicated by Sir Forbes Adam, a stable arrangement, suitable for all the wants of India, both as regards the Government and her internal and external trade, might be established. If this Committee will recommend such a mode of settlement, I believe that such concurrent mintage could be arranged.

11,599 You say that this measure will be unpopular in India, and you think that there would be a general feeling against a gold standard and a gold currency in India. Are you aware that resolutions have been sent home many years ago in favour of a gold currency, and that the Bengal Chamber of Commerce declared their opinion that a gold standard was almost universally admitted to be a positive benefit to India, and that a Commission was appointed, and that that Commission took a very wide range of evidence, and reported that the evidence that they had taken unanimously proved the demand for a gold currency?—I know there were several things of that sort, but there were also specific representations made by the Indian Government urging a bi-metallic arrangement.

11,600 I mean apart from the bi-metallic question?—Oh, yes, there was what you say.

11,601. (Sir J. Muir) I have one or two questions that I should like to put to you regarding the evidence that you have given, but, before going to that, I would like to call your attention to a memorial that was sent out by certain firms in Glasgow. You have had a long connexion with Glasgow in former years, have you not?—Yes.

11,602 So that you know these firms that I am going to name to you in a moment. These people profess to be doing a considerable business in India, and they put in a clause in which they say that they, as exporters to India, have as good a right to be heard as the people in India. Now, the first name on that list is J & W. Campbell. That is a firm you know very well?—Yes.

11,603. What is their business?—It is a very large home trade house. I do not think that they do very much foreign trade; they had not in my days, when I knew Glasgow, any foreign trade at all.

11,604 Their connexion with India was on quite a moderate scale, but they are a leading house in Glasgow as a large wholesale house?—Yes.

11,605. Now, as to the clauses of your evidence to which the Chairman has specially directed your attention, I fancy you may have some information in addition to what you have given us. You say: "I may also refer to the statements that have appeared in the Indian newspapers" as to the effect of the closing of the mints. Have you any information that you can give us as to the feeling of the natives? Have you any facts that you can put before us as to the feeling of these Rajahs and Maharajahs that you refer to?—Nothing that I could put in a definite way before you, but friends in India whose veracity I can rely upon have written me informing me that such is the fact, and the fact was also referred to in an article in the "Times" of August 3, 1898, which I will read, if desired. The political dangers involved by causing dissatisfaction at the Courts of the Native Princes and amongst the people of India need no words from me to emphasise it. And I would respectfully urge this Committee to take the practical certainty of such dissatisfaction into consideration, and not to rely upon such information as may be received by the Government of India on the subject, and communicated to this Committee. In the nature of the case, the officials of the Government of India, for whom I have the highest esteem, are the best people to whom the

natives would air such grievances. It is notorious that at the time of the Mutiny the official class were in entire ignorance of any danger, and, indeed, pooh-poohed any idea of it.

11,606. I should like to hear the remarks of the "Times" to which you refer?—This is in an article under the title of "Indian Affairs" in the "Times" of August 3, 1898. It is headed "The Currency Question from a Native Financier's Point of View." "A significant movement is taking place in the Native States with regard to the currency question. The Chiefs realise that, as holders of the largest silver hoards in India, they are deeply interested in a measure which has reduced by one-third the rupee value of their bullion. The financial adviser of a great Feudatory is said to have sounded the Ministers of other States as to the feasibility of a Joint Committee to inquire 'how far it affected their peoples' and to have asked qualified persons living in British territory whether they would consent to 'serve on it. The project hung fire, but it is now 'being urged in the Native Press.'" It then goes in some detail into other things.

11,607. (Sir C. Crosswhite) Is that a leading article?—No; it is in the article on "Indian Affairs." It is one of a series of articles always appearing. The writer is very well known as an Indian authority.

11,608. (Chairman.) He says, "the project hung fire"?—Yes, the inference is that the Residents objected to it.

11,609. (Sir F. Mowatt) The inference is?—And the knowledge privately is.

11,610. (Sir J. Muir) Information could be got, I suppose, by this Committee as to whether or not the Residents at these Native States had instructions to act in that way?—I believe the only way in which you would get it would be by a Commission out there.

11,611. You say that the silver money of India is more to her people than the standard of European countries, and that the internal trade is much the largest. Can you give us any reliable estimate of the amount of the internal trade of India as compared with its external trade?—No, I cannot, but it is manifestly obvious that it must be immeasurably greater. Though I do not say the circumstances relating to this country are analogous to those of India, yet they must apply to some extent. Now, as regards this country, our exports and imports in 1897 were together 625,000,000*l.* Now, the amount which passed through the London Bankers' Clearing House in that year was 7,500,000,000*l.* Even if we deduct a very large amount of this as arising from Stock Exchange transactions, there would be an enormous sum left pertaining to commercial transactions, and in addition to this several hundred millions sterling passed through the various provincial bankers' clearing houses (Manchester alone was 200,000,000*l.*), and, in addition, there are all the transactions settled by cheques, cashed across the counter in London and Provinces, and all the transactions settled in cash throughout the country. I am fully justified in saying that the internal trade of India is immeasurably greater than her external trade. Silver money is what the natives know and prefer, and it is monstrous that the Government should seek to force a gold standard on India because of its 17,000,000*l.* of Home obligations, even though 70 to 80 per cent. of India's external trade is with gold-using countries. Of course, if you gauge the thing, to any country, for instance France, her external trade is a mere bagatelle to her internal trade.

11,612. With regard to the savings of the natives, it has been stated to the Committee that a large part of these is in coined rupees, upon which the natives have suffered no loss by the closing of the mints. With regard to silver hoarded in the form of ornaments, have you any evidence that the sale of such ornaments takes place in time of stress to such an extent as to justify the analogy of savings deposited in an English savings bank?—With regard to country silver and silver ornaments being sold in times of stress the

Indian Mint Reports of the famine years 1875-77 to 1879-80 show that about 34,000,000 rupees worth of "bullion" in the form of native ornaments which had been thrown on the market "by sufferers from famine," were received at the Mint for coinage in those years. Resolutions of the Government of India on the Mint Reports included a statement to the effect that the amount of such silver "indicates, with us certain accuracy the commencement, progress, and severity of the famine, and the effect it has had upon those influenced by it." Full particulars are given in an Appendix on page 271 of the Minutes of Evidence of the Indian Currency Committee of 1892-3. The quantities which reached the mints must have been only a fraction of what was sold by the natives to the dealers. Those would be realised at nearly weight for weight in rupees. In the recent famine, when the mints were closed, the silver ornaments, as I have said, would probably only realise about 50 per cent. in rupees. It is common knowledge that, except the destitute, all classes in India possess silver ornaments; but, even on Sir A. MacDonnell's assumption, he admits (Answer 5767) that such sales by the cultivating class were made at a less value than the rupees which had been melted to make them, and this would, of course, injuriously affect the labouring classes, who are, to a large extent, identified with the cultivators. Sir Antony MacDonnell draws a distinction between the labouring classes and the cultivators; I would modify that distinction. That every rupee was required, is shown by the following significant telegram sent by Lord Elgin to the Governor-General of Canada during the recent famine ("Times," February 4th, 1897):—"The prompt sympathy shown by Canada is most warmly appreciated here. The Famine Fund Committee consider 'money more useful than grain or other supplies.' It is well known in India that several wealthy natives were compelled by the stringency of the money market to make private arrangements with their creditors.

11,613. (Sir F. Mowatt) May I ask what is Lord Elgin's telegram? Is he telegraphing about ornaments?—Not at all.

11,614. You are saying, I understand, that money invested in ornaments is practically depreciated 50 per cent., because the ornaments have to be sold, and, as I understand it, you read in support of that a telegram from Lord Elgin to Canada to say that the Relief Committee would be glad of a grant of money?—Yes, not grain, but money. My argument is that the ornaments and the rupees are money to the natives.

11,615. In other words, there was plenty of grain, but no rupees?—There are those who maintain that the late famine was a money famine and not a grain famine, because there was grain to be had, but no money to buy it.

11,616. Of course, Canada could not send actual rupees. But you do not put that forward as showing that ornaments have been depreciated in value?—Oh, no, I am on a different point altogether.

11,617. (Sir J. Muir.) We understand that the Manchester Chamber of Commerce did its utmost in opposing the action of Government in 1893 in closing the mints, is that so?—Yes.

11,618. You are aware that it is alleged that, if the mints were open to silver, India would become the dumping ground for that metal. Have you any observation to offer upon that point?—With the mints of India open under the conditions which I recommend, no such allegations could be made. But I deny the accuracy of the remark being applied even to the time when no great commercial nation had its mints also open to this metal. No silver mine owner ever exported silver to India as a speculation. Those who imported silver into India at such times have been responsible people, mainly the great Indian banks, who did so because they were aware there was a requirement for it; indeed, I may say, there is no commodity the international movements of which are

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attended by such nice calculations as the precious metals

11,619. (*Mr. Campbell*) Sir Francis Mowatt asked you in regard to your reasons for thinking that it would be absolutely impossible to establish a gold standard and currency, and you mentioned the difficulty of getting gold. Did you mean by that that India would have to borrow the gold?—Well, it depends on the quantity of gold she would require to make an actual gold standard and currency.

11,620. Whatever the quantity might be, would there be any difficulty in getting it?—I think it would be a tremendous tax upon her.

11,621. I suppose you are aware that India already commands the precious metals to the extent of an average of about Rs. 12,000,000 per annum?—Yes.

11,622. In that position, should she not be able to command a gold currency, if she wished to, just as readily as a silver currency?—I do not think it

11,623. You think not?—I think not.

11,624. Why should she not apply the gold she might acquire in that way to currency purposes as well as silver?—Because the people do not take to it. Mr. Ralli said that, in all contracts with the natives within a few miles of the Presidency towns, you would require silver. Gold is a thing you cannot use.

11,625. It is not so much the difficulty of acquiring the gold, as the difficulty of getting it into usage?—That is it; the difficulty of getting it into circulation, but, as I have said, it would also be a tax upon her to get it.

11,626. Then you refer to the Government "operating in exchange." You do not mean, do you, that by drawing on India for the amount of the home requirements, the Government is operating in exchange in an improper or objectionable manner?—No. It is the Government operating on exchange with the view of maintaining it, and the analogy I have in my mind is that which occurred in Buenos Ayres—attempting to maintain exchange. When they saw that gold was going to be exported, the Government determined that they would supply exchange to the importers of goods.

11,627. You refer to the Government's action in holding back their bills?—I wanted to eliminate that. I wanted to bring before the Committee the simple action of exchange.

11,628. Now, in the time of an adverse trade balance, is not that one of the temptations to which the Government is subjected, owing to the violent fluctuations in the rupee exchanges?—Under the present state of things.

11,629. Under the old state of things?—Under what is going on now.

11,630. I mean when silver was the currency—under open mints?—No, the Government had no power at all, as I understand; the Government simply coined rupees.

11,631. But the exchange was liable to very violent fluctuations?—It was liable to fluctuations.

11,632. (*Chairman*.) The Government are not bound to draw Council bills?—They are bound to pay their debts.

11,633. (*Mr. Campbell*.) Is there not a temptation to avoid drawing in order to escape the loss arising from a sudden drop in exchange?—Yes.

11,634. Would not that be an argument in favour of a gold standard and currency as compared with a silver standard and currency, that under a gold standard and currency these evils could not arise; and, therefore, that temptation would not exist?—I do not quite understand your question. Do you mean to keep up exchange, the Government interfering for the purpose of preventing exchange from falling?

11,635. What I mean is that, with open mints and an adverse trade balance, the only way of setting it is by Government accepting a heavy fall in exchange, or borrowing money in order to avoid paying their debts. With a gold standard and a gold currency that objection would not arise, because the gold would

be available to be shipped home?—Of course it would be.

11,636. Is not that an argument in favour of a gold standard?—What I propose is a standard that would be the same as gold, while, if the Government had to ship gold home, their gold system would be endangered.

Adjourned.

Mr. ROBERT BARCLAY recalled and further examined.

(12th January 1899.)

11,637. (*Mr. Campbell*.) In your evidence yesterday you alluded to contracting the Indian currency; did you refer there to the Government's proposal to melt down currency in order to raise the exchange to 1s. 4d.?—I refer to the whole system of closing the mints—closing the mints is, of course, contracting the currency itself—and also to the specific way in which they were going to melt down rupees.

11,638. That is what you meant when you referred to their endeavouring to raise the exchange to 1s. 4d.?—Yes.

11,639. Do you consider that, if the currency had been contracted in that way, it would have increased the stringency of the money market which has been complained of?—Yes, I think it would.

11,640. Do you consider that a 1s. 4d. exchange, established by such means, would have inspired the confidence necessary to attract capital from this country to India?—The fact of its being established by this means, and consequently requiring to be maintained, would not inspire confidence. The people who might be looked to to send money to India may be divided into two classes: (1.) Those who are prepared to enter on any given enterprise or speculation, taking all the risks to which it would be liable, including exchange, under the belief that profits would be realised which would cover all these risks. In their case the conditions might not be so deterrent. (2.) The much larger class which consists of those who have large funds to invest, and who will not concern themselves with details of investments. To this class, the fact that the currency of India was maintained by Government management—which in itself implies that it might break down—would be a deterrent.

11,641. You allude to the loss the natives have sustained in selling silver ornaments. Would you regard it as any compensation for that loss that silver for the purpose of ornaments can now be bought very much cheaper than formerly?—Not a compensation for the past loss.

11,642. But suppose a person, under the stress of famine, for instance, had sold his ornaments to-day, would it not be some compensation to him that, if he was in a position later on, he could buy them much cheaper than formerly?—That is a speculation in silver.

11,643. No. Suppose he had ornaments that he had been obliged to part with; if he can get them back for the same money that they realised, that would be a compensation to him, would it not?—Yes, that would be a speculation in silver.

11,644. India has bought an immense amount of cheap silver since 1893?—Yes.

11,645. In the last four years a total of Rs. 27,000,000?—Yes.

11,646. You point to the possibility of establishing a fixed rate of 1s. 4d. by an international agreement?—Yes, or by an agreement with the United States; that is the primary thing, of course.

11,647. You say it is necessary that there should also be a fixed par relation between the silver money of India and European countries, such as the Indian Government aims at. Later on you mention that this may be effected by concurrent mintage in the United States and India on that basis?—Yes.

11,648. Do you mean that the concurrent mintage by the United States alone along with India would be sufficient?—I think so, but I believe that more could be got to come in.

11,649. You think the United States alone, acting with India, would be sufficient?—Yes.

11,650. What reason can you give for saying that?—I have an intimate knowledge of all the circumstances attending the international negotiations for a monetary agreement in 1897, and I can speak in the most positive terms as to the good faith and desire of the United States and France in those negotiations. But for the then opposition of the Indian Government to any agreement, I believe a compromise might have been arrived at, for Mr. Balfour, the First Lord of the Treasury, in the following statement in the House of Commons on March 17th, 1896, showed that the Home Government were ready to open the Indian mints. He said that, as part of an international agreement, "We will re-open the Indian mints, we will engage that they shall be kept open, and we shall therefore provide for a free coinage of silver within the limits of the British Empire for a population greater in number than the population of Germany, France, and America put together." I am aware that the ratio suggested in 1897 was different to that which has been put before this Committee. The latter is 22 to 1, which is equivalent to a 1s. 4d. rupee, the rate desired by the Indian Government.

11,651. (Sir F. Mowatt) May I interrupt you here just to make this clear? You are aware that the Chancellor of the Exchequer, who spoke for the Government, did not go quite so far as Mr. Balfour did in the extract you have just read?—No, not quite so far.

11,652. I only want to call your attention to the fact that the statement made on behalf of the Government did not go so far as the statement of Mr. Balfour?—That is so; but, of course, those gentlemen had the whole thing before them. Senator Wolcott, the head of the United States Mission of 1897, stated, in reporting the negotiations to the Senate, that, of the contributions desired from England, "All other proposals, however, were of infinitely small importance compared with that respecting the re-opening of the mints of India to the unlimited coinage of silver." And, with regard to ratio, he said: "It may also be necessary, in my opinion, to make concessions in the ratio, bringing it some- where in the neighbourhood of 20 to 1, more nearly approximating the ratios recognised by Russia, Austria, and India." The Russian arrangement was 23½ to 1, and the Austrian 18½ to 1, and the Indian ratio which he refers to is 22 to 1, viz., that which the Indian Government said (16th September 1897) is what would suit India. Other prominent American leaders have also in their public statements shown that the feeling in America in favour of a modification in the ratio is pretty general, while as to the desire of the present United States Government for a settlement, notwithstanding the treatment they received in 1897, President McKinley, as lately as the 1st of last month, declared the continued adherence of the Government to a desire for an international agreement for the remonetisation of silver. I may say that this morning I saw a communication with a statement in favour of a modification of the ratio by Senator Jones, of Arkansas, the chairman of the Democratic Convention and a free silverite; and Senator Chandler, a leading Republican from a gold State, New Hampshire, and Mr. Towne, chairman of the free silver Republican party, have also lately spoken to the same effect. I must add that, while the open mints of the United States and India would be sufficient for maintaining such a ratio, I would much like to see France included in any agreement, and I believe that, if this country showed itself ready to reopen the Indian mints, the co-operation of France could also be secured.

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11,653. I should like to make this quite plain. I listened carefully to what you read, but I did not see any proposal there for a ratio to be arranged between India and the United States alone without the assistance of other powers. I think that was the particular question you were asked—whether you had reason to believe that, without the assistance of any other nation, India and America could raise the ratio up to 1s. 4d. I do not gather that any of the authorities that you have quoted contemplate a ratio to be established in that way?—No, they were statements simply, but I give you my opinion that it can be done. I will give the grounds if you wish it.

11,654. (Mr. Campbell) Without the co-operation of France, how could you establish the fixed par relation that you spoke of between the silver money of India and European countries?—By the general level. The point I want to make to you is this: that, when silver was maintained at a level under the old arrangements, the main thing (as declared by the Gold and Silver Commission) was that it was the power of the Latin Union, from its population and its trade, that kept the rate steady. Now the population of the United States would almost equal that; so that America acting alone, I believe, could do it; but I believe that it is very likely that America would like France to join, and I believe that France would not be unwilling to take part as well.

11,655. Without some arrangement of that kind, the European countries would have a right to send silver to India or America in any quantities they chose at the price you speak of, but they would not be obliged to take an ounce in return?—Of course; at least not at their mints.

11,656. Not even the French mints?—Not if they did not come in.

11,657. (Sir J. Muir) These questions I am putting to you on behalf of Mr. Holland, who cannot be here to-day. You object to any interference by Government with the natural course of exchange. Perhaps you would make it a little more clear what you mean?—On behalf of the Manchester Chamber of Commerce, I desire to protest in the strongest possible manner against any such thing as a Government-managed currency or exchange. I need say nothing to impress this Committee with the commercial importance of the district of which Manchester is the centre, and I am sure I am representing its unanimous voice in its protest. To give the Committee an idea of the importance of Lancashire trade with India, I hand in some figures showing that Lancashire's exports are 71 per cent of total British and Irish exports to India.

11,658. (Sir F. Mowatt) Did you say Lancashire or Manchester?—Lancashire—Manchester being the centre of the manufacturing and exporting trades. The table is this:—

EXPORTS OF BRITISH PRODUCTIONS TO INDIA.

Lancashire District.

Estimate.	£
Cotton yarns and goods -	17,000,000
Machinery and steam engines -	1,700,000
Iron, steel, and other metals -	800,000
Other manufactures, &c. (clothing, railway carriages, chemicals, glass, woollen goods, umbrellas, &c.) -	400,000
	<u>£19,900,000</u>

In these figures it is assumed that all cotton yarns and goods, except hosiery, belong to the "Lancashire District," including exports via Glasgow. The other items are estimated proportions of the total exports of each class to India from the United Kingdom.

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SHARE of TOTAL EXPORTS of BRITISH PRODUCTIONS sent to INDIA in the Five Years 1893-97 inclusive.

	1893.	1894.	1895.	1896	1897.
Total exports of British productions	£ 218,259,718	£ 216,006,637	£ 228,128,246	£ 240,145,557	£ 234,319,708
Of which to India	28,814,880	29,339,781	24,753,008	30,097,768	27,882,091
Proportion to India per cent.	13.2	13.6	10.9	12.5	11.7

SHARE of TOTAL EXPORTS of BRITISH PRODUCTIONS sent to INDIA in the Five Years 1888-92 inclusive.

	1888.	1889.	1890.	1891.	1892.
Total exports of British productions	£ 234,534,912	£ 248,935,195	£ 263,530,585	£ 247,235,150	£ 227,077,053
Of which to India	32,614,565	31,047,892	33,641,001	31,177,968	27,902,372
Proportion to India per cent.	13.8	12.4	12.8	12.4	12.2

The ordinary difficulties of trading are great enough, without such an element being introduced into it by Government; and the commercial community at large looks to the British Government to prevent the Indian Government, or any other Department of State which it controls, following any such course as Government interfering with the natural movements of exchange.

11,659. (Sir J. Muir.) Have you formed any general estimate of what the silver money in India amounts to?—I have already given my opinion that these things cannot be estimated accurately. I say "no," in reply to that question. But, apart from the coined rupees in circulation, I believe (considering the enormous imports of silver into India for centuries) that the amount of uncoined silver hoarded is much greater than any of the official estimates. Private advices I have had from India have brought this opinion from prominent native bankers of wide experience, who have given the subject careful consideration. They say that the estimate of Rs. 300,000,000 of uncoined silver hoards represents no more than the savings of the last 150 years under British rule; and that the total amount is probably nearer Rs. 1,000,000,000.

11,660. You speak of the native dissatisfaction with the effect of the closing of the mints. Have you any evidence of such dissatisfaction?—I have had it in the strongest terms in private letters from friends in India, who are well situated to judge of native opinion. Besides, leading Native papers, such as the "Amrita Bazar Patrika" (Calcutta), have given voice to such dissatisfaction; and, as Mr. O'Connor and other witnesses have thrown doubts upon the existence of any dissatisfaction, I must ask to be allowed to read extracts from leading articles which appeared in the "Amrita Bazar Patrika" of September 15 and September 19 last. As the Committee knows, this paper is printed in English. This is from a leading article in the "Amrita Bazar Patrika," of the 15th September 1898:—"When Mr. Arthur was asked by the President of the Currency Commission whether there have been any decided expressions within your knowledge of native feeling on the present policy," he answered, "So far as the Native Press is concerned, I do not think there has been any feeling at all. When the Native Press in India has a grievance, everybody hears about it; but with regard to this question, I do not think I have seen a single native paper take it up and complain about it." Of course, what Mr. Arthur says is not correct. We have every now and then written on the subject, and expressed our entire disapproval of the currency measure. It is strange that Mr. Arthur should venture to make this bold statement, for, as President of the Chamber

of Commerce, he ought to have come across what has been stated in this journal on that subject several times. But, suppose that our articles did not meet his eyes, he had yet no right to say that the question had evoked no feeling among the Indians. So early as July 1883, when the mints were just closed, the Indian Relief Society submitted a petition to Parliament, through the Right Honourable Mr. Chaplin, which represented the Indian views and sentiments on the subject. The petition created some stir in England, as it was noticed by the "Times" and other English papers." Then it goes on in another portion of the same article:—"The whole question, from the Indian point of view, is contained in a nutshell. It was established upon the most reliable testimony that the amount of uncoined silver in the hands of the native population before the closing of the mints represented 130,000,000! And now, by a single stroke of the pen, by the arbitrary action of the Government, the whole of this enormous amount of property has become depreciated to an extent of which neither the rulers nor the people of the country have the slightest idea."

11,661. (Sir F. Mount.) I do not gather that, up to the time of Mr. Arthur's evidence, they allege more than that they themselves have on several occasions drawn attention to the subject?—Yes. Of course, this question is a new question to the natives; we must bear that in mind. As I have stated in the early part of my evidence, the actual effect of the closing of the mints was not at once realised by the natives; it took a long time. They went on for years melting rupees, and even in some remote districts do so still, I have been told.

11,662. Mr. Arthur's evidence, I must remind you, was not given before June 1898?—This was written after the receipt of the first Blue Book published by this Committee.

11,663. (Sir J. Muir.) This man could not write until he had seen the Blue Book?—Just so. I will not trouble the Committee with much of this, but I should like to read this extract from an article in the same paper, of the 19th September, 1898, headed, "How the Currency Measure has added to the Poverty of the Indians." "It is impossible to overstate the disastrous effect of the currency measure upon the vast masses of this country. In order to understand the real situation, it is necessary to realise the appalling poverty to which they had already been reduced before the closing of the mints." Then, later on, it says: "The point is not whether they take ornaments to the mints to be coined or not, but whether or, not

"the value of the silver in their possession—their only property—has been nearly halved by the arbitrary action of the Government. As there is no question about this matter, so what our enlightened Government should do, in righting this great wrong, is to purchase all the silver from the people, at prices which prevailed before the closing of the mints, and pay them in gold. This is the only alternative left to the Government to neutralise the effects of a measure which, when properly realised, will create the greatest possible distress and discontent amongst the masses of India. It was during times of famine, as a rule, that the Indian peasant parted with his silver property. By pledging, say, 10 tolas, he used to get, say, eight rupees. But the Mahajan (the money-lender) at the present prices of silver will give him only Rs. 5 for 10 tolas. By the currency measure, therefore, several times more poverty has been added to the appalling one in which the ryot has already been sunk. The position is all the more grave when it is considered that the famine in this country had always been rather of money than of food. When the last famine occurred, the Viceroy telegraphed that money was wanted, not grain, and that there was sufficient in the country as a whole; and it is an enormous loss of money that the people are going to suffer from the closing of the mints. How many deaths were caused by the great famine of the last year will probably be never known; but it is a significant fact that, while it raged, a pound of rice in India was cheaper than a pound of wheat in London. As the rupee is getting scarce day by day, people have to purchase it at a higher cost than before. This means that they have to part with a larger quantity of their produce for a rupee than before. But the Government wants its demands in rupees. Since the Government has by its action made the rupee scarce, the Government ought now, to be just, to take its dues in kind. So the closing of the mints has not only depreciated the property of the ryots, but reduced their earnings, or rather increased the Government demands upon them."

11,664. (*Sir F. Mowatt*) I think you said the price when the mints were closed was at 1s. 4d.?—Yes, that is speaking generally.

(*Sir J. Muir*) I understood we discovered yesterday that on the day the mint was closed the rate was at 1s. 2½d.

11,665. (*Sir F. Mowatt*) Quite so. But I think the witness will agree with me that he put it at 1s. 4d.?—I was speaking generally of the effect of the closing of the mints upon the natives. As to the rate of exchange with London, I mentioned that was about 1s. 3d. on June 2, 1893.

11,666. (*Mr. Campbell*) That is not a question of exchange at all. It is merely a question of getting 100 rupees for 100 tolas of silver, as they did before the mints were closed?—My object in putting this evidence before you is to contradict the statement that has been made that there is no feeling among the natives. I should like the whole of these articles to appear somewhere in the proceedings of your Committee, but that is a question you can decide afterwards. I think it ought to go in somewhere, because that statement of Mr. Arthur's and those of other witnesses have gone forth, and I think the natives in India will not be satisfied unless it is recognised that there has been, and in the very nature of things there must be, a strong feeling upon this matter. Had the same thing occurred in England, it would have been a great hardship, and the English people would have cried out against it. I may also say that a few days ago I received a telegram addressed to me at Manchester, signed by the President of the Indian National Congress meeting at Madras, saying the Congress had passed a resolution protesting against a gold standard for India. I may say I do not know the President of the Congress, nor have my correspondents in India any connexion with it. I assume the telegram was addressed to me as President of the Manchester

Chamber of Commerce, as it is well known in India that our Chamber is opposed to the gold standard, and in favour of reopening the mints to silver.

11,667. (*Sir J. Muir*) Are you aware that some of the Native States have recently given up the right of coinage?—I am, but the public do not know all the circumstances attending the abrogation of their rights by these native princes.

11,668. Perhaps you would not mind stating the names of the Native States?—I will do so as far as I can. We know that the princes are very jealous of their sovereign rights, and I know from my private advices that the rights of mintage are regarded very jealously by some of them. There is one fact in this connexion to which I would like to draw attention. I believe Kashmir is one of those States which have given up rights of coinage. Now the Maharajah of Kashmir is a minor and his guardian is a British officer. To a Committee which includes high Indian officials, I need say no more to explain why Kashmir has given up its rights.

11,669. (*Sir F. Mowatt*) If Kashmir has given it up on that ground, it is not apparently that the native rulers desire to give it up?—There is no native ruler at all—he is a minor.

11,670. You do not quote that as an evidence of a Native State having given up its right of coinage because it was dissatisfied with it?—No.

11,671. (*Sir J. Muir*) Do I understand you to mean that the ruler is a minor, and that he has given it up under the advice of the British Resident?—Yes, under the advice of the British Resident, who is the real ruler.

11,672. (*Sir C. Crosthwaite*) I understand you to say that the Maharajah of Kashmir is a minor, and that during his minority he has given up his right of coinage?—Yes.

11,673. Can you tell me when he gave up that right?—I cannot.

11,674. Are you certain that he is a minor?—I have an authority for saying so. I have every reason to believe that the person who gave me that information is correct.

(*Sir C. Crosthwaite*) I believe I am right in saying that he gave up the right last year, and that he is not a minor; in fact, he is a man of mature age. He was for a time under a kind of tutelage, but during that time, which is past, he did not give up his right of coinage. Some time back he was restored to his full sovereignty, and he now governs the country with the aid of a council; and I think I am right in stating that it was last year he gave up the right of coinage.

11,675. (*Sir F. Mowatt*) I am sure, Mr. Barclay, you will feel that that illustrates the immense importance of testing the value of information derived from correspondents?—It is very difficult to get information. Of course, Sir Charles is an authority, and all the exact circumstances are better known to him than to me.

11,676. (*Sir C. Crosthwaite*) But, when you make these statements, have you examined the official papers or taken pains to ascertain the exact facts?—No, I have not in this case, but I have been very careful with nearly every part of my evidence. I have spent days over it.

11,677. When you say that the Maharajah of Kashmir was a minor, and that he was made during his minority to give up the right of coinage, have you taken the pains to go to official sources to ascertain the facts?—Personally I have not.

11,678. (*Sir J. Muir*) Is there any other State besides Kashmir that you can mention?—Well, I have no other information except on the same grounds. There was a small State that also gave up the right.

11,679. Which was that?—I do not think I ought to give it, if you wish it, I will do so. I was referring to Bhopal. I reserve to myself the right of sending in some explanation with regard to that last answer that I gave. I have had correspondence referring to

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this matter for some time, and that point has come out very fully—mean the jealousy of the Native States for that right.

11,680. (Sir C. Crosthwaite) But if you say that any pressure has been put upon them to give up this right—?—I quite realise the importance of your question.*

11,681. Have you heard of Bhopal giving it up?—Yes.

11,682. Do you know that the Begum of Bhopal did it of her own accord?—I am told it is a very small State

11,683. It is a small State, but a very important State. Bhopal is one of the best of our feudatory States, and the Begum did it of her own accord, because I suppose she saw it to be to her advantage to have her coinage put on the same level as ours. Have you ever heard of any other Native State doing it?—No, I know of no other Native State. I may mention that the articles which I have quoted bring out the fact that this is a new question in India that the natives are only now exercising their brains upon, and that they do not realise it altogether. I have no doubt that all of these are very loyal States, and that they would do as much as they could to come into harmony with the English rule

11,684. But I do not think they would do what is not to their own advantage?—Quite so. I may say that, when I wrote this out, I had no intention of personally reflecting on the Government at all. They would, of course, do what they thought the right thing.

11,685. (Sir J. Muir.) You urge that India should abandon all idea of a gold standard. Is it not a fact that various countries, even in recent years, have adopted a gold standard?—It is a fact; and the results ought to have taught the Indian Government a lesson. I trust, indeed I am confident, that the consequences will be fully taken into account by this Committee, for the facts stand thus: The countries which in recent years have gone on a gold standard are Russia, Austria, Japan, Chili, and Peru. Their present positions are as follows:—Though Russia has accumulated upwards of 130,000,000*l.* in gold, this sum is apparently considered inadequate by her responsible financial advisers, for a high price continues to be paid in the market for gold for export to Russia. A few days ago, the London "Standard" said: "It is certain, at any rate, that M de Witte's position is a little shaken at present, owing to the apparent impossibility of keeping up the compulsory rate of rouble notes, in consequence of the poorness of this year's harvest in Russia, and some of his most zealous supporters are about to desert him." The Russian Agricultural Congress last year petitioned Government to give up the gold standard. As to Austria, though she has acquired 40,000,000*l.* in gold, the Government is keeping it locked up and out of free circulation, and gold continues at a premium. That is the position in Austria. She has never effectively brought this gold standard into operation. She has no gold currency; gold is at a premium to-day. Then, as to Japan, the Government are using all possible pretexts to avoid exchanging the silver yen into gold. The slightest scratch on the face of a yen is sufficient to cause it to be condemned as "defaced" and, therefore, inconvertible. The authorities have also in a most unjust manner recently altered their original decree by reducing the time given for presentation of silver yens for conversion into gold. Of the gold acquired for the conversion, such a large amount has already been exported from Japan, that the Government are replenishing their stock by

having a portion of the last instalment of the Chinese indemnity shipped from England. But, while this "official gold stream" is flowing from England to Japan, the stream of gold from Japan still flows in shipments to Europe and America on account of banks and financial and commercial houses. Recently, an agitation has sprung up amongst the manufacturers and exporters of Japan for a bounty on Japanese exports. I may say that Japan started with 10,000,000*l.* of gold, and has replenished several times since. Then, as to Chili, the gold standard has practically broken down. A moratorium has been decreed, the printing press is to be utilised, a Bill authorising the issue of 50,000,000 paper dollars having been passed by the Chamber, and the premium on gold has reappeared, so that Chili's gold standard exists only in name. The Press unanimously attributes Chili's grave financial situation to her efforts to be "on gold." I am informed (this is information I got yesterday) on most reliable authority that a Committee appointed by the Chilean Government is now sitting to advise as to the steps to be taken to revert to a silver standard. Then, in Peru, the gold standard, which was somewhat "shadowy" from the first, now only exists in name. Those are the countries I refer to.

11,686. You consider that, while the mints of India remain closed to silver, India will be at an industrial disadvantage compared with China. Do you wish to say anything in support of that view?—Those who trade with countries where exchange questions arise, know that a relatively low exchange favours the internal industries in competition with rival producers and shippers. China has a great advantage now. The value of a piece of silver in China of the weight of a rupee is under 10*d.* as against 1*s.* 4*d.*, the token value in gold of a rupee in India, and, if the Government scheme were adopted, the value of silver would fall still further. Such conditions in China and other silver-using countries would tell against industrial India. I would draw attention to the following extract from a Consular Report, which, of course, I can refer to in exact detail. This is a Straits Report for 1897. These Consular Reports of China and the Straits are full of this question. This one says:—"The success of the experiment of closing the mints in India has favoured exports to that country while diminishing exports therefrom to places with a silver standard." I have not only that Consular Report, but I can give several showing that the effects are very great.

11,687. (Sir C. Crosthwaite.) Was that extract that you read with reference to the rice trade?—I think it is with reference to the general trade. The full paragraph is this:—"From British India and Burma there was a decrease in imports of over 4 million dollars owing to smaller supplies being received of rice and opium, but exports thither increased by 3½ millions. Larger exports of raw silk, areca nuts, and fish, account for this. A large quantity of rice also was exported to British India, amounting in value to 1½ million dollars over and above the value exported in 1896. The success of the experiment of closing the mints in India has favoured exports to that country while diminishing exports therefrom to places with a silver standard."

11,688. (Sir J. Muir.) Are there any other advantages which you claim for the reopening of the mints to silver?—There is one other advantage I have not touched upon. I believe it would tend to stop the illicit coinage of silver in India. The present conditions offer a great temptation to natives to illicitly coin full weight silver rupees of standard fineness, for they could make a handsome profit by it, and this, which might seem to them but a slight offence, would probably lead them further to make coins with less silver in them. I believe the present system has led to increased illicit coining. I am aware that Mr O'Connor stated in his evidence he was not aware of any increase, but the Indian Mint Report for 1897, which Mr. O'Connor has doubtless since seen, states

* Note by the Witness.—I have referred to my correspondence and find that the expression with regard to the Maharajah of Kashmir is that he is "under tutelage." From this I naturally inferred that he was a minor under guardianship. I accept, of course, Sir Charles Crosthwaite's statement that the legal state of tutelage has ended, but the information sent to me is to the effect that the tutelage is really still existent, and that the Maharajah's renunciation of his rights of coinage was not voluntary.

that there were increases in that year over the previous year in offences against the Mint Laws of 26 per cent. in persons brought to trial, and 45 per cent. convicted. Then in my correspondence I have had frequent references made to the thing as a fact, especially in the Native States, and also that the Zenana system of India lends itself to it a great deal. Of course, the biggest risk to the Government is upon the mintage of a perfect coin. There need be no deterioration at all to give profit. And, again, they are said to have dies from Europe.

11,689. (Sir F. Mowatt.) When you say dies, do you include machinery?—Machinery also.

11,690. Do you know by whom that is said?—Yes, but it is private, and I cannot give it.

11,691. (Sir C. Crosthwaite.) Has there been any proof of it? Has any machinery been taken?—I do not know. I cannot go further than mentioning the fact that I have had correspondence in the matter. You must take it for what it is worth.

11,692. You cannot work milling machinery without considerable noise?—Oh, yes, it is all quiet; and, of course, there are many operations which can be carried on subsidiary to that of milling, and which would make a cloak for the milling operations. One person suggested the continuing of a shaft through a Zenana wall.

11,693. Did your correspondent give you any specific instances?—He has given me a great many cases where laws attempting to prevent the importation of things have been evaded, especially in the matter of arms. I may say that this came out in reference to Sir John Lubbock's proposal of a seignorage—that it would lead to the evasion of the law.

11,694. (Sir F. Mowatt.) I think I must remind you that the question put to you was whether your informant, whose name you are unable to give us, (and not unnaturally), supplied you with any specific instances within his knowledge of machinery being in the possession of coiners?—He referred to this very specifically.

11,695. But did he give you an instance?—No. Of course, the difficulty of these things is very great.

11,696. I only want the fact. Did this correspondent—whose good faith I do not for a moment question, and I do not question at all the propriety of your quoting what he says—give you any specific instance of machinery being in the possession of native coiners?—He declared that it was being done. He gave me the details of the way in which the thing was worked.

11,697. The details of a particular instance?—Of course it would be.

11,698. (Sir C. Crosthwaite.) Which had been detected?—That I cannot say.

11,699. (Sir J. Muir.) Do you consider that a combination between the United States and India might be relied upon to give a steady exchange of 1s. 4d. for India?—Certainly. As I have stated, before the closing of the Indian mints silver never fell below 38d. per ounce, and, besides consumption in the arts and general demand, the chief supports it had were the open mints of India and a purchase by the United States Government of a limited quantity per annum under the Sherman Act (54,000,000 ounces per annum). Under the plan now proposed, practically all the other demands for silver would continue, the Indian mints would again be reopened, and the open mints of the United States would constitute an active and potential demand for an unlimited quantity.

11,700. Assuming the alleged stringency of last year to have been a fact, in what way would the Government scheme aggravate the stringency?—The Government scheme includes the melting of silver rupees. As silver rupees are necessary to move the crops, the reduction in the volume of silver rupees would entail extra stringency. It might be alleged that, under the Government scheme, gold would provide every requirement for India, but, even if the Government provided gold be attracted gold—

which I consider doubtful—that metal would not take the place of rupees. This is a memorandum drawn up by a gentleman you, Sir John Muir, know very well, who was many years in India, and I discussed the thing very fully before coming here, and he sent me a note referring to it. It shows that the place which gold might have been expected to fill is already fully occupied. This is what he says—

11,701. (Sir F. Mowatt.) If you will put it in as your own evidence, we will take it?—I will do so. This is showing the internal working of trade in India. "Payments by one trading centre to another are made in native shroffs' hoondies, or drafts, often the draft of a shroff in one place, as Calcutta, on his firm or agent, as the case may be, in another, as, say, Lahore, and these drafts or cheques are passed with endorsement from one to another—frequently through many hands before being finally presented for payment. The only other means of discharging internal debts at a distance, otherwise than in coin, is through the Government Treasury or the Presidency banks and their agents, which are, of course, only to be found in the chief centres, at great distances apart. Without this system of native banking—which has, no doubt, been in operation for centuries—it would have been impossible, with either gold or silver coin, for trade to a tithe of the extent of the actual movements to have been carried on. In times of war, famine, or other disturbing causes, payments for produce even in the Presidency cities have had to be made in silver coin at scale, as the produce or merchandise was weighed out, and throughout India generally it is doubtful if any but men of wealth and standing are accustomed to pay or receive payment in other than coined rupees. The Burmese trade, when we first annexed Rangoon, was only carried out by payment in coined rupees for the rice, &c. as weighed and delivered, and to this day the Rangoon exports are paid for by the annual large shipments of rupees in November and December from India or elsewhere. It is this annual movement that, it is said, has caused the present rise of 1 per cent. in the Bank of Bengal rate. While India, therefore, has had for centuries an established system of internal exchange, not dissimilar to our own, it has had to be accompanied with a large floating currency in silver coin to finance the constantly recurring harvest, which currency must be annually added to, to meet the requirements of the rapidly increasing population. For large payments, India has always had suitable internal exchange arrangements, and it is for the immense aggregate of small payments that silver, and only silver, is required."

11,702. Do I understand, from the memorandum that you have read, that you consider that only a tithe of the larger financial transactions in the internal trade of India is carried on by silver?—The movements of capital into the centre are by the native bankers, and are in silver. Besides the movements of silver, there is a movement of capital between the centres which is settled by these shroffs' notes.

11,703. Then a very large proportion of the larger transactions are carried on by the shroffs' drafts?—Yes.

11,704. Now, let me refer you to a paragraph of your original statement, in which you say, "In the vast internal trade of India, which is of infinitely greater extent, they are almost, if not altogether, absent; money, in the primary form of coin of intrinsic value, serving all the purpose of trade, both as medium of exchange and standard of value." Is that consistent with saying that nine-tenths of the larger transactions of the internal trade in India are carried on by these shroffs' notes?—It is the movement of capital into the centres, where it is dispersed, that I was referring to.

11,705. That is your explanation?—Yes. I think I have enumerated all the points to which I wish to call attention; but I would add that no other remedy

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which has been placed before the Committee, besides that which I urge, meets all the requirements of the natives, all the requirements of the importers and exporters trading with India, and also all the requirements of the Government. This plan was put before the Committee by Sir Forbes Adam, who does not belong to the monetary party with which I am identified; but, as I have stated, I strongly recommend its adoption, and, so far as I have had an opportunity of judging, I believe it has the cordial support of all parties in Manchester. The adoption of the plan of settlement which I recommend would give India the great benefit of a par of exchange with both gold and silver using countries—a benefit which no other remedy would give. And I may add that the operation of the plan would secure for this country also the benefits of a par with gold and silver using countries. I may also say that, whereas under any gold standard scheme the money of the people of India must be dishonest coins, the plan I recommend would once more give the people honest money.

11,706. (Sir C. Crosthwaite) I would like to understand your exact position. You say you would reopen the mints under certain conditions, namely, that an international agreement was arrived at by which silver was fixed at *1s. 4d.*?—Yes.

11,707. Am I right in supposing that, if that international agreement was not arrived at, you would not reopen the mints?—Well, there are some witnesses who would go the length of saying that they would I propose it with the view of having concurrent mintage with other countries.

11,708. But, suppose we cannot get that, are we to reopen the mints at all risks?—There is no necessity for risks. In this I am speaking for the Chamber.

11,709. What do the Chamber say?—The Chamber say, they would wait for suitable conditions.

11,710. Then we should have to wait, as at present, an indefinite time, until these suitable conditions can be obtained?—Yes; but I believe, if this Committee favour a plan of this kind, these suitable conditions would very soon evolve themselves.

11,711. (Sir F. Mowatt.) The essential condition, as I understand, being the maintenance of *1s. 4d.*?—Yes.

11,712. (Sir C. Crosthwaite.) Do you think that, if those suitable conditions were obtained, there would be a gold currency in India?—I think it would simply go back to the old silver currency.

11,713. And the rupee would be at *1s. 4d.*?—At *1s. 4d.*

11,714. What would be the difference between that and the proposal to fix the rate at *1s. 4d.* by adopting the gold standard?—As regards India, you mean?

11,715. Yes, as regards India?—It would bring up China to the level of India; they would be in the same position with all silver countries.

11,716. Is there any other advantage to India in it?—It would be also in a definitely fixed position, without the risk of management, and it would be automatic.

11,717. If the gold standard were effectively established, that latter advantage would be obtained, would it not?—But I hold that, doing it in the way you are doing it, you have no certainty in continuing it.

11,718. We are not doing anything; you mean, if a gold standard were established in the way the Government of India has proposed?—Yes, if it were successful, but I hold that you would not gain confidence. I bring out that point very fully—you would not gain confidence, because it would be a managed currency.

11,719. Besides that, you object to having a gold currency?—Yes, because I think it is impossible. I may give an instance from my own experience in India. In the year 1895, when I was in India, travelling with my party from Agra to Jevpore, I happened to run short of small money. We had some refreshments at a station on the way, and our bill

came to seven or eight rupees. I tendered the native servant a gold sovereign, but he would not look at it. Then the manager was brought on the scene, and he said he could only give 10 rupees, the rate at the time being 15 rupees in Calcutta. That shows the disinclination of the people to use gold in small affairs.

11,720. Gold is not legal tender there?—No. That was, of course, practically near the centre.

11,721. With regard to the extracts that you read from native papers, I wanted to ask you whether you have read those as mere extracts, or do you back them?—Not at all. I simply put them in to show that there is a very strong feeling among the natives of India against a gold standard.

11,722. As regards the assertion that the Government of India is depriving a vast mass of the natives of India of their wealth, do you back that assertion, or not?—I say positively, it does. My object in putting in those extracts was this: It has been asserted that there is no movement or feeling among the natives of India in regard to this matter.

11,723. (Chairman) Asserted by whom?—By Mr. Arthur and Mr. O'Connor, as I have already stated. This is an article rebutting that, and pointing out that that paper itself had often commented upon that subject before.

11,724. (Sir C. Crosthwaite) As regards the expression of native opinion, I should like to read an extract from a memorandum by Joy Gobind Law, Member of the Viceroy's Legislative Council. He says: "Much has been made of the losses which the poorer classes of the people have been put to, because of the appreciation of the rupee, in connexion with the silver ornaments they were possessed of before 1893," but I have never heard of any serious or widespread complaints on this head, and, whatever their losses may have been at the commencement, it is undeniable that they were not in operation since; and as they, the people, have been during the last few years in a position to secure a greater quantity of silver bullion for a given number of rupees than they ever were before, no doubt this has been a source of pleasure and enjoyment to them." Now you wrote a book, I think, on the "Disturbance of the Standard of Value" in 1896?—Yes.

11,725. I do not want for a moment to try and convict you of inconsistency, but I want to ask you if you still hold this view. On page 132 you say: "If the buying power of India's money internally were to become less than formerly, through a much higher ratio than 15½ to 1 being permanently established, there would then be a palpable rise in the cost of living to the poor native, who has always such a narrow margin between what he earns and the bare maintenance of his existence?"—Of course this silver question has been a growing question.

11,726. I want to know whether you hold that view still, or not?—Yes. I quite hold these views still.

11,727. Then we are in this dilemma, that, if we allow the rupee to depreciate, we are robbing the poor native, and, if we try to raise the value of the rupee, or to keep up the value of the rupee rather, (which is all the Government of India propose to do), then also we are robbing the poor native?—This was in view of different circumstances altogether.

11,728. But, as regards this question of the loss to the native community, which of these two views are we to take?—There are not two views. This is a different analysing of the question altogether, and from a different standpoint. I was in that book balancing the possibilities—what would be the effect of fixing a higher ratio than 15½ to 1; and I tried to demonstrate that the higher the ratio fixed, that is, the lower the gold value of the rupee was permanently fixed, it would be an injury to the natives, and I hold that view still. That is from the old point of view, you will remember, when silver and the rupee were one thing, and it is at a time when prices had not fallen in India at all; you must bear that in mind.

11,729. (*Chairman*) Do you say prices had not fallen in 1896?—They had not fallen to the figure they are now.

11,730. (*Sir C. Crosthwaite*.) Had prices risen?—This was published in 1893

11,731 From the bi-metallic standpoint, the same facts seems to suggest opposite conclusions?—It is a very complex question, and various views may be taken of the circumstances in India. The mints are closed to silver, and there can be no bi-metallic comparison.

11,732. I do not desire to press you at all about it. Now, you attach great value to a stable exchange, do you not?—I do; very great value.

11,733. When you say that you would reopen the mints, are you prepared to throw over all the advantages which you think belong to a stable exchange?—By no means

11,734. What do we get instead?—The question will be settled. This question has been going on for the last 20 years. The Bi-metallic League has never gone in for a particular ratio. There was a desire on the part of many, for many years, to go back to the old ratio, and it could have been done. Now, in concert with many friends who were formerly opposed to any arrangement with other countries, we are co-operating in this effort to secure such concurrent mintage in other countries on such a basis as will enable India to open her mints to silver and yet secure a stable rupee at the gold value which the Indian Government desires, and thus settle the question.

11,735. The former state of things, when the mint was open, you regard as injurious to the whole community—to the merchants, and to the people, and to the Government, and to the manufacturer?—Yes.

11,736. Could the manufacturer recover his loss at all, or guard himself?—At the beginning of the question. You must remember that the whole trade of India has changed under the conditions that this unsettled exchange has brought about.

11,737. I am dealing with the unsettled exchange. With the unsettled exchange, could the Manchester manufacturer protect himself, in the same way as the merchant could, by buying exchange forward?—No; the manufacturer could not protect himself against exchange variations in the market.

11,738 Then, why does the Manchester Chamber of Commerce now advocate open mints, and a return to that state of things?—A return to what state of things?

11,739. The Manchester Chamber of Commerce, I now understand, want the mints reopened?—Yes, with a stable exchange

11,740. (*Chairman*) With a ratio fixed?—With a ratio fixed.

11,741 Suppose no ratio is fixed, what do they want? I want really to know what the Manchester Chamber of Commerce wants?—We want open mints, and the way of getting open mints is to provide for the difficulty of the Indian Government.

11,742. I agree with all that; but I want to understand this. You say that the Manchester Chamber of Commerce is prepared to run all the risks of the mints being opened. Are we to take that as their opinion?—They do not say so.

11,743. But you said so in reply to Sir Charles Crosthwaite?—I said they would wait for suitable conditions. I personally suggested conditions.

11,744. I want to get from you exactly what the Manchester Chamber of Commerce meant?—I think it is not fair to put it in that way. I want the mints opened with an arrangement of concurrent mintage which will secure a steady exchange.

11,745. But suppose you cannot get that arrangement?—That is a further consideration.

11,446. Then the opinion of the Manchester Chamber of Commerce which you gave us yesterday in favour of reopening the mints depends on that reopening being accompanied with a fixed ratio?—They do not say that exactly.

11,747. But you say so?—Yes. That is the way it could be secured.

11,748. But, if it could not be secured, what then?—That is a matter for further consideration.

11,749-50. Is that the answer of the Manchester Chamber of Commerce to this Committee?

(*Sir F. Mowatt*.) I think Mr. Barclay has already told us this morning that he himself regards the maintenance at 1s. 4d. as an essential condition of the opening of the mints. The rupee must be maintained at 1s. 4d.?

(*Witness*.) Yes.

11,751 (*Chairman*.) And that must be done by statute—by law?—Yes, by enactment based on an international agreement.

11,752. (*Mr. Le Marchant*.) You alluded to the Argentine trade. I think you have had considerable experience in the Argentine trade?—Yes.

11,753. You referred to the circumstances in 1884. Now, do you consider that, when the Argentine paper dollar was falling in value, and prices were rising, the country was on a sound basis of prosperity?—No.

11,754. What is the present position? Has the dollar been increasing in sterling value?—Yes.

11,755 Do you think the country is at the same time concurrently reaching a sounder basis?—Yes.

11,756. What would you view as the essential conditions of that improvement?—Coming back more or less to the old value of the dollar. I may say, of course, when the currency is unsettled, a paper currency such as the Argentine currency, if it settles at a given point for a length of time, people are very well content to go on with it and they would not care for its either going up or going down; they begin to believe in that as the point; but then it is the great fault that derange prices, and that no doubt favours the exporter for a long time. Of course they do adjust themselves; but it takes a long time.

The Witness withdrew.

Professor ALFRED MARSHALL called and examined.

11,757. (*Chairman*.) You are Professor of Political Economy in the University of Cambridge?—Yes.

11,758. What is the general nature of the evidence you are willing to give to this Committee?—In trying to make up my mind as to what currency arrangements are best for India, I have been specially hindered by my ignorance as to the nature and extent of the business relations between the country at large and the centres of European commerce in Calcutta and other large towns. But, on being informed that the scope of the Committee's enquiry extended beyond questions of practical administration, and raised some broad issues of economic principle, and that I might be excused

from expressing opinions on questions that required much knowledge of India, and might confine my evidence to the general relations of currency and trade, I have ventured to accept the invitation with which the Committee have honoured me.

11,759. Then, in questioning you, we will confine ourselves to the limits which you yourself have laid down. I will ask you first, what do you consider to be the relation between the value of currency and the general level of prices in a country?—I hold that prices vary directly with the volume of currency, if other things are equal; but other things are constantly changing. This so-called "quantity theory of the value of money" is true in just the same way as it

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is true that the day's temperature varies with the length of the day, other things being equal; but other things are seldom equal. This theory has been the cause of much controversy; but it has never been seriously denied by anyone who has taken it as a whole, and has not stopped short, omitting the words "other things being equal." The fact is that in every state of society there is some fraction of their income which people find it worth while to keep in the form of currency; it may be a fifth, or a tenth, or a twentieth. A large command of resources in the form of currency renders their business easy and smooth, and puts them at an advantage in bargaining; but, on the other hand, it locks up in a barren form resources that might yield an income of gratification if invested, say, in extra furniture; or a money income, if invested in extra machinery or cattle. In a primitive state of society, even in one as far advanced as that of India, only the rich care to have much of their resources in the form of currency. In England all but the very poor keep a good deal; the lower middle classes keep a relatively very large quantity; while the very rich who pay all their tradesmen by cheques use relatively little. But, whatever the state of society, there is a certain volume of their resources which people of different classes taken one with another care to keep in the form of currency; and, if everything else remains the same, then there is this direct relation between the volume of currency and the level of prices, that, if one is increased by 10 per cent., the other also will be increased by 10 per cent. Of course, the less the proportion of their resources which people care to keep in the form of currency, the lower will be the aggregate value of the currency, that is, the higher will prices be with a given volume of currency.

11,760. How may this relation between the volume of the currency and the general level of prices be permanently changed?—It may be changed permanently, first, by changes in population and wealth, which change the aggregate income; secondly, by the growth of credit agencies, which substitute other means of payment for currency; thirdly, by changes in the methods of transport, production, and business generally, which affect the number of hands through which commodities pass in the processes of making and dealing. These causes are specially difficult to trace in India. In some parts of India the local informal petty cash seems to have fallen much out of use, and in other ways the work of the recognised currency has been increased. On the other hand, the rapidity of circulation of currency has also been much increased, and there has been a somewhat extended use of notes.

11,761. How may the relation be temporarily modified?—Passing by the effects of fluctuations and commercial credit on prices, it seems specially important, with reference to the Indian currency problem, to note that the level of prices which a given volume of currency will sustain, is liable to be affected by any lack of trust and confidence in the currency itself.

11,762. Temporarily affected or permanently?—Both, I think. The lower is the credit of the currency, the lower will be the share of their resources which people care to keep in the form of currency; the more, therefore, the currency will be depreciated, and the higher prices will rise. Here I would like to separate what appears to be agreed amongst students from what is controversial matter. I think it is agreed that, if the credit of a currency falls, its value falls relatively to commodities, even when there is no change in its volume. I think it is agreed that the history of the assignats and the American currency during the time of the forced paper currency shows that. I think it is also agreed that there is something fiduciary in the value of gold and silver; that is, that part of their value depends upon the confidence with which people generally look forward to the maintenance and extension of the monetary demand for them. Of course, their value is, in the long run, controlled by cost of production; but that influence is remote, and

new supplies are always small relatively to the existing stock. And so fluctuations of their value are mainly governed at any time by currency legislation, actual and prospective. No one thinks of gold as likely to be demonetised; but, if there did appear to be any real prospect of that, everyone would agree that its value would fall, since the sole demand for it then would come from the industrial arts, and everyone would admit the same to be true as regards silver. But whether, in fact, silver is at the present time in that condition is a controversial matter. My own opinion is that silver just at present, at the particular time at which we are, is not as good a metal to be used as currency as it was in earlier times, nor as good a metal as it may become again in later times, when the East—or, since we must include Africa and South America—when the non-Western world has got into the habit of using currency for the ordinary transactions of life, and has not got to the stage at which gold would be likely to be used very frequently.

11,763. What do you consider to be the true relations between currency, bank money, and real capital?—Currency and bank money are both forms of command over real capital. They are commonly called capital; but they are really command over capital, in my opinion.

11,764. You mean the power to obtain capital?—Yes. Currency, especially legal tender, is a direct command; other forms of credit paper and bank money are command one stage further removed. Bank money can go by telegraph; but real capital must pass through the hands of the Custom House Officers.

11,765. Is the interest on permanent investments governed mainly by the relation in which the stock of real capital stands to the demand for its service?—That is my opinion. Assuming for the moment that there is no question of any change in the volume of the currency, the interest on investments is governed by the relation between the supply of capital and the need for services of capital by borrowers—whether thriftless borrowers who desire to anticipate future incomes, or thrifty borrowers who desire to use it as a means of creating future income, and who purpose to turn it into implements, irrigation works, railways, &c. If real capital is scarce, those who need it must pay a high price for it, and, if that high price does not call forth an increased supply of real capital either from home resources, or by borrowing from abroad, the industries of the country must be capital-starved; and she will not be able to keep her place in the march of progress. But now, assuming the arts of production to remain stationary and that there is no change in the pressure of population on the means of subsistence, a rise in prices will enable the borrower to pay interest at less outlay and to pay back capital at less outlay than would otherwise be the case. It is important to lay stress upon there being no change in the efficiency of production, because this goes to the root of the controversy between those who think it would be right to keep the purchasing power of money constant relatively to commodities, and those who do not. The pith of the matter may be put by an illustration. A person who borrows a peck of green peas in April, and returns two pecks in June, has paid no interest at all, he has not even returned the corpus of the loan. This is, I think, beyond question; but the application of the principle contained in it to the equity and expediency of currency legislation is a matter of controversy. It seems to be clear arithmetically that, if a man borrows 100 rupees under contract to pay back 105 rupees at the end of the year, and meanwhile the purchasing power of money has risen 10 per cent., he cannot get the 105 rupees which he has to pay back without selling one-tenth more commodities than would be sufficient for the purpose at the beginning of the year. Assuming, that is, that the things which he handles have not changed in value relatively to things in general, he must sell at the end of the year commodities which would have cost him 115 rupees 8 annas at the beginning, in order to pay back, with interest, his loan of 100 rupees, and, therefore, he has

lost ground unless the commodities have increased under his hands 15½ per cent. While nominally paying 5 per cent. for the use of his money, he has really been paying 15½ per cent. On the other hand, if prices had risen so much that the purchasing power of money had fallen 10 per cent. during the year, and he could get 100 rupees for things which cost him 90 rupees at the beginning of the year, then, instead of paying 5 per cent. for the loan, he would really be paid 5½ per cent. for taking charge of the money. This illustrates the principle that the general rate of interest will be raised by a gradual and anticipated fall in the value of currency relatively to commodities, and that it will be lowered by a rise in that value, even where there is no change in the conditions of general demand and supply. The high rate of interest on permanent investments in India seems to be attributable partly to a relative scarcity of real capital, and partly to the continuous fall in the value of the rupee relatively to the currencies of the West. This matter has been long discussed, but latterly, within the last ten years, it has obtained increasing attention from economists. In particular, one of the ablest of the younger school of American economists, Mr. Fisher of Yale, has written a book on "Appreciation and Interest," which bears very closely upon this matter. If a diagram be made out, showing the average rate of market discount in London, it will be found, as a matter of fact, that the high rates do go with high prices. That is contrary to a good deal of what is assumed *a priori*, but I think it is really quite consistent with the theory when properly developed. I am not sure that it might not be worth while for the Committee to reproduce some of Mr. Fisher's tables which bear upon this subject. He takes the question of rupee paper only incidentally; but the table which he has worked out seems to show that the interest on rupee paper, reckoned at purchase price, is very little higher than that on the Indian gold loan before 1874; then it fell to about .1 per cent., then it rose rapidly, with the distrust in silver, to .7 per cent., and it has remained about that level to 1895, the end of Mr. Fisher's table, except during the years 1888 and 1889, when it was 1 per cent.

11,766. The rise of value, do you mean, or the interest?—The difference in the annual return to a person who invested 1,000*l.* in rupee paper, and a person who invested 1,000*l.* in the Indian gold loan, was .1 per cent. in 1874, then it rose to .7 per cent. and it has remained about that for the greater part of the time.

11,767. Any tables that you think would be desirable and would illustrate your own evidence, put them in at your pleasure in your evidence?—Here is Mr. Fisher's table. It is carefully obtained by averages from many entries, and with due allowance, in the case of repayable bonds, for the time they have to run to maturity.

RATES OF INTEREST REALIZED FROM DATES NAMED TO MATURITY OR IN PERPETUITY.

—	Silver.	Gold.	Difference.	Exchange on India. Pence per Rupee.
1865	4.3	4.1	.2	22.2
1868	4.3	4.0	.3	23.0
1870	4.3	4.0	.3	23.6
1871	4.1	3.8	.3	23.2
1872	3.9	3.7	.2	22.6
1873	3.9	3.7	.2	22.4
1874	3.9	3.8	.1	22.2
1875	4.0	3.6	.4	21.9
1876	4.1	3.7	.4	20.5
1877	4.1	3.7	.4	20.9
1878	4.2	3.9	.3	20.2
1879	4.4	3.7	.7	19.7
1880	4.3	3.6	.7	20.0
1881	4.0	3.4	.6	19.9
1882	3.9	3.5	.4	19.5

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—	Silver.	Gold.	Difference.	Exchange on India. Pence per Rupee.
1883	4.1	3.4	.7	19.5
1884	4.1	3.3	.8	19.5
1885	4.1	3.5	.6	18.5
1886	4.1	3.5	.6	17.5
1887	4.1	3.4	.7	17.2
1888	4.1	3.1	1.0	16.5
1889	4.1	3.0	1.1	16.5
1890,	4.0	3.0	1.0	17.6
1st half				
1890,	3.9	3.1	.8	19.3
2nd half				
1891	3.8	3.1	.7	17.1
1892	3.9	3.1	.8	15.3
1893	3.9	3.0	.9	15.0
1894	3.9	3.0	.9	13.5
1895	3.4	2.8	.6	13.4

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11,768. Now, what do you wish to say to us as to discount?—Other things being equal, interest for short loans will, of course, oscillate about the rate of interest to be obtained for permanent investments, allowance being made for the convenience, in some cases, to the lender of being able to recover quickly command over the capital which he has lent. But the rate of discount is specially sensitive to a casual stringency, and, in spite of the internationality of a certain class of bills, discount varies more locally than interest on permanent investments. Mr. Beckenridge, in the "Political Science Quarterly," for March, 1898, has compared the rates of discount in different parts of America, which, like India, is a continent; and he has shown that there is a steady rise in passing from the Eastern States to the Middle, thence to the Southern, thence to the Pacific, and thence to the Western.

11,769. Does a change in the volume of currency in a Western country alter the rate of discount temporarily or permanently?—The whole theory of discount is full of paradoxes, because the increase of prosperity sometimes raises discount, and sometimes lowers it. No interpretation can be given of a rise in discount, unless it is known to what cause the change is due. Speaking generally, discount will rise in consequence of a greater willingness of borrowers to borrow, or of a greater unwillingness of lenders to lend; the first generally indicates increased confidence, and perhaps increased prosperity; the latter generally indicates the opposite. Looking at the special case of the effect of an increase in currency on the rate of discount, the cycle in the West seems to be this. The new currency or the increase of currency goes, not to private persons, but to the banking centres; and, therefore, it increases the willingness of lenders to lend in the first instance, and lowers discount; but it afterwards raises prices, and, therefore, tends to increase discount. This latter movement is cumulative. The loans to one man make him a good customer for others at good prices, and make them therefore eager to borrow, and that makes them good customers; and so the movement grows. Thus, a fall in the purchasing power of money tends, after a while, to raise the rate of discount as well as the rate of interest on long investments. And, though the matter may be regarded by some as open to question, I myself go with those who hold that statistics bear out the *a priori* probability that, first, the rates of discount would generally be higher when prices are rising than when they are falling, because the borrowers would be eager for loans; and secondly, that they would generally be higher during periods of high prices, than in periods of low prices; not because one is the cause of the other, but because both are the results from the same cause—the prevalence of a confident spirit in the business world. These periods are liable to be broken in upon by cyclones of distrust, and these cyclones raise discount for a time to the very highest levels of all. They are accompanied by

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falling prices, and a little later are followed by falling discounts. There does not seem to me to be any single and uniform relation statistically or *a priori* between the rate of discount and the rate of Exchange.

11,770. How far do you consider that Western experience in this matter is applicable to India?—I am afraid that my answer to this question must necessarily be rather long. The fact is that India, being governed by England, has necessarily had its affairs discussed largely by Englishmen, who are apt to take their opinions of what goes on in India very much at second hand. Sir Henry Maine gave countenance to the opinion that custom ruled the economic arrangements of India; and, in a certain sense, that is no doubt true, but I think that the doctrine requires to be analysed. There is no doubt that custom does rule the general tenor of life in India, but it does not, in my opinion, rule prices. The matter is one of greater importance than it looks. The common opinion of the world on Indian matters is formed largely on the basis of statements made by a few prominent English writers on currency, who have claimed to speak with special knowledge of India, and have been received as authoritative by foreign economists. I will quote from one writer. He is an able man, much travelled, and with great knowledge of affairs; and he has attained a position sufficient to cause him to be selected as one of three examiners for an important international prize relating to bi-metallicism a few years ago. He says: "Prices have not fallen for the reason that gold is scarce—"

11,771. (Sir F. Mowatt.) Are you speaking of Indian prices for the moment?—No, he is referring to prices in England. He says:—"Prices have not fallen for the reason that gold is 'scarce,' nor will they rise because of an increased production of gold, if meanwhile the exchanges with silver-using Asia continue to fall. The exchange value of any bushel of wheat in Mark Lane has for 15 years past approximated, and will approximate, an ounce of silver bullion; because with open mints an ounce of silver bullion is 2½ rupees, and 2½ rupees per bushel represents cost of production and exportation from the Punjab wheat fields. If the United States were to melt and sell her silver currency, and if the Indian mints were reopened, then, even if the production of gold sextupled, the price of wheat would still fall with each fresh fall in the gold price of the ounce of silver." I quote from a letter printed in the "Economist" of 15 September 1894. That doctrine, in a somewhat less extreme form, is the basis of many of the ablest and best known arguments in favour of the adoption of bi-metallicism at such a ratio as would lead to a general rise of prices. When I was at Oxford 15 years ago, I had to study Indian prices; and I began a set of inquiries which have included the making of a very large number of diagrams, based chiefly upon Mr. O'Connor's figures. I have many of them here, but they would probably be too extensive to be printed. I would like to state, broadly, the results that I have deduced from them. I should say I have confirmed those results by many conversations with natives of India and with Englishmen who have been engaged in administering India. The results are, first, the chief purchases and sales in India are of grains, and the variations from year to year in the local prices of these in any one place are many times as great as in England. They are commonly 200 or 300 per cent., sometimes 400 per cent., in the course of one or two years. Secondly: They are greatest in those grains which are not affected by European trade. Here is one example. (For diagram, see Appendix.) That represents the movements of the annual price of jawar, which Mr. O'Connor tells me is the most important of all those food grains which are not exported to Europe, and on the prices of which, therefore, the so-called disturbing influence of gold does not operate.

(Sir J. Muir.) There seem to be enormous fluctuations there.

11,772. (Chairman.) The greatest variations, as I understand, are in grains which are unaffected by European trade?—Yes. I have a number of diagrams here which would support these propositions, if necessary. Thirdly: For any one grain they are generally the largest in those districts which are most remote from European influences. Fourthly: They are much diminishing under the influence of European trade. I have here a diagram which was published in the statement exhibiting the "Moral and Material Progress of India," for the years 1842-83. It is interesting in two ways. It shows that the variations in the prices of grains were very much greater earlier in the century than now; and that the average level of prices of grains has very much risen. I believe there is some doubt as to whether the details of measurement are all perfectly correct, but I think there can be no doubt as to the general truth of the picture which they present. Fifthly: As that figure shows, the purchasing power of silver in terms of grain has fallen throughout the centuries. Sir William Hunter says, that it was "two or three times greater" at the time of Akbar's land settlement than it is now; and it has fallen fast during the present century, the fall being broken only by periods of bad harvests. Sixthly: In consequence of a rapid change in the conditions of productions of cotton and iron, combined with a lessened cost of transport, the rupee price of the chief imports into Calcutta after 1873 fell faster than the average gold price of commodities in England. The assertion of some advocates of bi-metallicism that the fall in the gold price of commodities in England was largely caused by the forcing down of prices by the Indian customers fits most ill with that fact. (See diagram in Appendix.) There has been a controversy as to whether Mr. Sauerbeck's index number does not exaggerate the fall in prices since 1873. Certainly there is no other important index number which shows so great a range. Neither that of the "Economist," nor the one which is generally followed abroad, Dr. Soetbeer's, shows so great a fall. But, to give the argument to which I am opposed every advantage, I have taken Mr. Sauerbeck's index number for average gold prices in England. That shows the fall in the rupee prices of the chief Indian imports at Calcutta down to 1886 to have been considerably greater than the fall of average English gold prices. After 1886 there is a rise in these rupee prices. Seventhly: The average prices of all goods in India since 1873 have been so disturbed by bad harvests, especially in 1877 to 1879, that their variations from year to year bear no resemblance to English prices. For this purpose, as Mr. O'Connor has not supplied us with a general index number, I have fallen back on that which was compiled by Mr. Atkinson from Mr. O'Connor's figures, and published in the "Statistical Society's Journal" for March 1897. That shows no relation to the English curves of yearly variations, but, on the whole, it is a curve of greater disquiet. If we look, on the other hand, at the broad movements of prices, it seems to be true that about 1885 a rise in normal rupee prices set in, by which I mean a rise not especially attributable to bad harvests. This is what the old-fashioned economic theory would have led us to suppose, because, when we watch the movements of the gold prices of silver and the gold prices of commodities in England, we find that the average level of gold prices of commodities was falling very fast until 1885, and the gold price of silver was not falling specially fast during that time—not so fast as afterwards. After that time the gold price of silver did fall somewhat faster, and the English gold prices did not fall fast; that is to say, the English silver prices rose fast. By English silver prices I mean the prices which would have to be paid in London for commodities in general if prices were reckoned in bar silver. Eighthly: The average price of Indian exports has kept fairly close to the general movements of English prices expressed in silver. If you draw two curves representing, (a) rupee prices of Indian exports in Calcutta, as

given by Mr. O'Connor, and (b) Mr. Sauerbeck's gold prices for England, divided by the gold price of silver, so as to represent the silver prices of commodities in general; you will see that, speaking broadly, the two curves do move together; the general relation between them is that which would have been anticipated by economists generally. Ninthly. The London prices of wheat and silver have seldom moved closely together; that is specially important with regard to the statement I recently quoted about an ounce of silver and a bushel of wheat. When they have done so, separate causes for those movements can generally be found. For instance, a spell of bad weather in July 1890 came about the same time as a change in the United States currency policy; these causes raised the prices of wheat and silver; and the subsequent fine weather lowered the prices a little while before the speculation in silver collapsed. And, indeed, when they have moved more or less together, it is as often as not the case that the movement in the price of wheat has gone before that of silver; and Mr. O'Connor has told you that the Calcutta price of wheat follows the London price. In evidence of this I will show diagrams representing the average prices of wheat and silver in London for each year of this century, and the prices for each week during the last twelve years. As to the interpretation of these facts, any suggestion that I make must be highly speculative. I fancy I see a different character in the curve prices for England and for India. I think that this difference corresponds to the fact that the production in England is chiefly—I will not say capitalistic, because that is a matter of secondary importance—but chiefly commercial, chiefly the production by people of things to sell to others. I should expect that, in contrasting a country of that kind with a country in which production is largely for domestic consumption, variations in prices would show themselves chiefly by sudden jumps up, in consequence of bad harvests, from a normal level; and I should expect that those variations in production which come, as they do in England, through the influence of changes in credit and the confidence of farmers that wheat was a paying crop, would be gradual and that you would get more rounded shapes in diagrams showing variations of annual prices. That is, I should suppose that you would get, in the case of a primitive country, a tolerably flat base with sharp peaks; and that in an advanced country you would get more nearly uniform waves. Jevons, in page xiv of the Introduction to his "Investigations in Currency," still held something of the old doctrine which, as a young man, I used to hear in England, that you can never get prosperity in general business until you have a succession of good harvests. Jevons laid stress upon the fact that the stock of grain was so much the most important part of movable capital even in England, that it was to be expected that harvests should control the rate of discount and the activity of business generally. But wheat supply is less important now, and the Registrar-General has laid stress on the fact that the variations in the marriage rate no longer pay any attention to the price of corn. One would expect that curves representing movements of the price of corn in England early in the century would have shapes more corresponding to those for India now than those for England at the present time, and that appears to have been the case. I would venture also to throw out a suggestion of a very hazardous character. I have seen a great deal of evidence before various Commissions, this included, to the effect that the ryot knows nothing of what happens in Calcutta, that he knows nothing of Exchange, and that prices inland cannot be directly affected by anything that happens at tidal waters. It seems to me that it is possible that, though the ryot knows little or nothing of any disturbing causes coming across the sea; and although almost every important movement in price in any district in India is due to local causes; yet, the power of friction being great, when the influence of European trade comes upon the side on which the friction is working, then that influence may tell

And, seeing that the broad movements in upland prices (as distinguished from their annual oscillations) appear to conform more closely to the general relations of gold, silver, and commodities in world markets than I should have supposed beforehand, I am inclined to think that the cause may be this, that, when local circumstances have raised very much the price of any particular grains, then European influences may help friction and prevent them falling back as low as they otherwise would, and *vice versa*.

11,773. Do you wish to say anything as to India being dependent on foreign capital?—I think the dependence of India upon foreign capital is a matter which must be taken into account in any practical legislation; and that one has to recollect that what governs the flow of capital from one country to another is not merely the relative strength of different economic forces, but the opinion that is held with regard to those economic forces by the people who have capital to invest. Now, those who are able to lend capital to India, live exclusively in countries with a gold standard; and those people are apt to regard gold value as a fixed point, and to treat variations in the gold value of the rupee as equivalent to variations in its real value. In my opinion, this old common fallacy is not nearly so far away from the truth now as it was some time ago. The popular reasons for it, I think, are quite invalid; but, in fact, I believe that gold has been within the last 20 years, say, a good measure of value; though this is due solely to accidental causes—to the balancing of strong forces acting in opposite directions; and I see no reason for believing that that will continue. But this habit of thinking of gold value as a fixed point, whether right or wrong, does affect the willingness of investing nations to send their capital to India, and it makes them grasp, as recent events have shown, at an opportunity of getting back their capital on good terms in gold. This fact was one at least of the main arguments for the closure of the mints, and it is an even stronger argument against any vacillation in carrying through a steadfast policy. On the other hand, the very fact that the Government is bound under penalty of permanent injury to India, to fulfil any implicit pledges it may give, is a strong reason against the Government's giving even indirectly any pledges without having fully counted the cost and being thoroughly resolved to meet it. It would seem to me in the present emergency specially unwise to let the late exceptional stringency of discount in Calcutta hurry the Government into an increase of rupees. That would certainly impair the credit of the rupee.

11,774. You mean an increase in the issue of rupees?—Yes. That would impair the credit of the rupee, increase the export of capital, and would raise and not lower, the mean level of discount. On the other hand, the introduction of some elasticity into the circulation would raise the credit of the rupee, and would restrain any tendency of discount to rise to an injuriously high level.

11,775. How do you say that seasonal fluctuations can best be mitigated?—Stringencies and crises which arise from unexpected deficiencies of currency relatively to the demand for it are not to be avoided by a mere increase in the volume of the currency. They are just as likely to occur with a large stock of currency as with a small; indeed they may be caused by an inflation of currency leading to distrust, not only of currency, but of all other agents and instruments of credit. For instance, in 1893 it was not a scarcity of currency, but a belief that the currency had been unduly increased, and might be increased even more, which led to a crisis in the United States, 50 per cent. was the common rate of discount for a considerable time. We have heard much about the agony of 18 per cent. at Calcutta, but 50 per cent. was the common rate of discount in America for a considerable time, and whilst currency was thus generally in discredit, other means of payment were disorganised, and in Chicago a large

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business was done in buying currency at a premium, the average rate being 100½. It is remarkable also, incidentally I may say, that the stringency of 1893 was almost entirely Western; while that of 1890 was almost entirely Eastern. That illustrates the fact that with all her 200,000 miles of railway America is not a country but a continent; and we must allow for the same difficulty in India, even though she has 20,000 miles of railways. But, although seasonal fluctuations are not amenable to control by a mere increase of currency, I believe they are amenable to control by arrangements which shall provide that there shall be a stock of currency which shall be used only in case of emergency. That currency may be, and I think should be, largely of paper; but the extent to which it may be of paper and the extent to which it must have a bullion backbone is, I think, not to be settled save for one country at a time; it must vary with changing conditions of time and place.

11,776 How far would the English practice be a good guide for India in this matter?—England is, in my opinion, but I speak with great diffidence, a specially bad example for India to follow in matters of currency. For, first, currency is but a small part of the means of payment used in England; and under most, though not all, conditions, bank money is the main means of payment; and that is elastic. Secondly, an imperative demand for increased currency is rare in England; and, when it does occur, it is on a very small scale relatively to England's total business and resources. The importation of the amount of 10 millions of sovereigns makes an enormous difference in Lombard Street, but it is a mere nothing relatively to England's total business. Whereas, if the same difficulty arises in a country in which the main payments have to be made with currency itself, you want an importation of currency, or an increase of currency, standing in some moderately high relation to the total business of the country; or, at all events, to that part of the total business of the country which is carried on by Western methods. Thirdly, England is near to other great gold markets. Fourthly, her financial houses are numerous and able. There are a vast number of able minds at work on her financial problems. Mr. Bagehot, than whom there is no higher authority on such a matter, says that there never was, since the world began, so high and massive a brain-power applied to any one question as is applied to these questions in England; and, so far as the mass of the ability goes, of course, India is not on a level with England. England's banking system is very highly organised, especially by the aid of the branch banks: it would take too long to develop that, but, I believe, the influence of the branch banks upon moderating stringency in England is greater than it appears, relatively to that of the rest of the banking system. Partly for this reason, currency drawn from London in the spring or autumn completes its circuit quickly; more quickly than in Germany, and, of course, much more quickly than in India. All these considerations seem to me to point to the necessity of working rather on the lines of the German Reichsbank than on the lines of the English Bank with regard to the regulation of the currency. I believe it is not generally known that the plan of the German Reichsbank of providing for increased issue in time of difficulty is not inconsistent with the principles of Sir Robert Peel himself. It came out in the evidence before the House of Commons Committee of 1848 (it did not come out at the time) that Sir Robert Peel had not supposed that his Act could be maintained under all circumstances; and had told Mr. Cotton, Governor of the Bank at the time, that it might be necessary for the Government to assume the responsibility of suspending it (Q. 4057); and Mr. Cotton, while holding that the Act should not be relaxed, says (Q. 4344-5) that the Act would be unnecessary "if the Bank acted always on sound and well-defined principles"; and that these principles were already "better understood than they were in the year 1839" the events of which had, I think, much to do with Sir Robert

Peel's decision not to leave the ultimate responsibility with the Bank. The Committee of 1857 had before it Lord Overstone's evidence that the principles of the 1844 Act had been much misunderstood, and that its framers realized that, though a contraction of the currency will check an external drain, "it will not check or correct the demand for internal purposes" (Vol. I, Q. 4239), and the Committee (Report, §§ 71-74), referring to Mr. Cotton's evidence in 1848, "advert to the question whether provision should be made in advance for such contingencies [as those of 1847 and 1857], and the conditions expressly laid down on which the issue of an increased number of Bank notes may in time of pressure be allowed"; and they "think that such a provision could not be regarded as any violation of the principle of the Act of 1844." The scheme at which they hint is conservative, and may be taken to have foreshadowed the German plan of enabling the Reichsbank to increase its issues to meet any emergency, whether due to the variations from one part of the year to another, or to a variation in one particular year of the general course of business. The elastic plan of allowing the Reichsbank to increase its own issues under certain conditions, the chief of which is that it should pay a tax to the Government, does seem to me to have worked well. I have read criticisms of writers on banking in other countries, who talk of England as being too conservative because she keeps to an old rigid rule, which was adopted to meet a difficulty which has passed away, and which probably will never return quite in the same way. It would seem to me that, if the Government is to prevent difficulty arising in India, not from a real weakness of India, but from the mere absence of the flux—the currency needed to make business move,—it must go on the lines of the 1844 Act, somewhat modified as in the Reichsbank Act. I do not mean that it should follow the letter of the Act, but the principle of it.

11,777. The Reichsbank has the power of contracting its issue when the need for additional currency passes away?—It has the interest to do so.

11,778. It has the power as well as the interest, has it not?—Certainly. I may say that it is generally understood that the Reichsbank Act may require to be altered, because the business of Germany has grown so much since that Act was passed; but the principle is, I think, good.

11,779. (Mr. Hambro.) Has the Reichsbank to get any Chancellor's letter, as in England?—No, its action is automatic.

11,780. (Chairman.) What do you take to be the immediate effect of a change in prices?—A fall in the value of currency lowers all dues enforced by contract or custom. Creditors and lessors can often defend themselves against injury in this matter; for creditors are often quite as able to foresee changes in the purchasing power of money as borrowers are, and they can accommodate the interest which they charge to coming events. Also they can often put pressure on their debtors indirectly. This last power is even greater in the case of lessors. That is shown in the history of inquiries into agricultural depression. It is always found that, when the rent which the farmer has contracted to pay is higher than the land is really worth, the landlord sees his way to making improvements that he would otherwise have left the farmer to make or to go without; but employes cannot, as a rule, foresee; and they have less power of acting on their knowledge. The consequence is that a rise of wages is seldom or never as fast as that of prices when the cause of the rise is an increase of the currency, that is not accompanied by an increased command over nature.

11,781. Do you hold that the ultimate effects of such a change depend partly on the rate of general economic progress?—Yes. A sudden fall in the purchasing power of currency, that is to say, a sudden rise of prices, may be due to a very bad harvest at home, and then it is clearly an evil; or it may be due to a bad harvest elsewhere, as the rise in Indian prices in 1891

was caused mainly by the Russian famine, and that was good for India. But, especially in the West, a sudden rise of prices is generally the result of either currency inflation or improvement in credit. In so far as the rise of credit is a revival after the industrial system has been purged from its impurities by the preceding period of low credit, it is a welcome sign of recovered health. But the movement would be as beneficial for the time if it were accompanied by a more cautious use of credit and more uniform prices; and in the long run it would be more beneficial. As it is, the inflation causes lenders to be careless; all business men seem to be having a large margin of profits; speculative buyers can borrow and become rich by selling for many counters what they have bought for few counters, and their gains, which add nothing to the common stock, are merely the result of successful raids on the common stock; and these gains give to business a fictitious appearance of prosperity. In such times, as is shown by the evidence before the last Commission on Depression of Trade, there is relatively little improvement in machinery and general plant. The seeds of progress are not sown in those times of apparent prosperity. No doubt employment is then generally full, especially if England is exporting fast; and she is likely to be exporting fast in consequence of her lending fast to other countries, South America above all others. When she has been exporting fast to South America, there has been plenty of employment in making goods to be exported, but, as a rule, little has come back afterwards. During that time money wages have been rising very fast, but not real wages. I admit that, on the other hand, a sudden rise in the purchasing power of currency, that is, a sudden fall of prices, presses hardly on business enterprise of all kinds. It is likely to make many employers fail, and generally to interrupt industry. Credit shrinks, and disorganisation is apt to spread from one part of the industrial world to another. Such a fall of prices is an almost unmixing injury to the employé, as it is to the employer; but a fall of prices of this kind is seldom or never the product of natural causes. It is nearly always, if not always, the result of a previous inflation of prices and the launching of frail enterprises by fraudulent or incompetent people who have floated into prosperity at the cost of others on the top of the wave of rising prices. To attribute this social *malaise* to the fall of prices, instead of to the previous morbid inflation which caused it, is as reasonable as to attribute the headaches which follow a night of feasting and rioting to want of a sufficiently

nourishing breakfast, instead of to the bad condition of the digestive organs that took away the appetite for breakfast. This is, perhaps, the chief centre of difference between those bi-metallists who, like myself, wish for bi-metallism only as a means of diminishing fluctuations, and those who wish for it also, and perhaps, mainly, as a means of raising prices. It is agreed on all sides that violent fluctuations of prices are an evil in the long run: but the difference of opinion is as to whether it is the sudden rise of prices, or the subsequent fall, which is mainly responsible for the evil. England passed through great crises and violent fluctuations of prices early in the century; and you will find an important body of opinion on the part of not only professional economists, but of business men, at that time that a rise of prices was not really beneficial to industry. But the memory of that passed away, and I will confess that, for 10 or 15 years after I began to study political economy, I held the common doctrine, that a rise of prices was generally beneficial to business men directly, and indirectly to the working classes. But, after that time, I changed my views, and I have been confirmed in my new opinions by finding that they are largely held in America, which has recently passed through experiences somewhat similar to those of England early in the century. The reasons for the change in my opinion are rather long, and I gave them at some length before the Gold and Silver Commission. I think, perhaps, I had better content myself now with calling your attention to the fact that the statistical aspect of the matter is in a different position now. The assertions that a rise of prices increased the real wages of the worker were so consonant with the common opinion of people who had not specially studied the matter, that it was accepted almost as an axiom, but, within the last 10 years, the statistics of wages have been carried so far in certain countries, and especially in England and America, that we are able to bring it to the test. I have accumulated a great number of facts, but nearly everything I have accumulated is implied in this table. It is copied from the article by Mr Bowley in the "Economic Journal" for last December. It is the result of work that has been going on for a number of years, and seems to me to be practically decisive. It collects the average wages in England from the year 1844 to the year 1891, and then calculates what purchasing power the wages would give at the different times, and it shows that the rise of real wages after 1873 when prices were falling was greater than before 1873 when prices were rising.

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AVERAGE REAL and NOMINAL WAGES in the UNITED KINGDOM, FRANCE and the UNITED STATES as Percentages of those in 1891.

Country		1844-53	1854-63.	1864-73.	1874-83.	1884-93.	1891.
United Kingdom	Nominal	61	73	82	93	95	100
	Real	53	51	59	82	97	100
France	Nominal	52	63	73	86	95	100
	Real	55	61	67	78	94	100
United States	Nominal	53	58	73	86	95	100
	Real	54	58	57	76	95	100

11,782. (Sir J. Muir.) Might I ask what is the difference between "nominal" and "real," in connexion with this table?—The real wages are the amount of commodities which the labourer can buy with his money wages. Supposing wages were 30s. in one place and 32s. in another, the real wages in the first case would be the commodities which 30s. would buy at the price of that time, and in the other the commodities which 32s. would buy. I may say that all the figures, and especially those for France, are liable to certain errors, which are most conscientiously explained by Mr. Bowley in his article. They are not sufficient to detract much from the force of broad inferences based upon the figures.

11,783. Sir F. Morcott.) I do not quite understand how you get the full value of hundred to-day?—He puts everything up to 100 for 1891, and then works back.

11,784. But does he take the real and nominal as identical now? Where he takes the 100, does it represent the real and the nominal?—He makes the standard for real wages 100 in 1891, and he makes also a separate standard for the nominal wages in 1891 of 100, and then he works it out upon those. I now produce a diagram representing the facts for America. It has been very largely used in America, and has had a great deal to do, probably more than any other single statement of facts, in diminishing the belief

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among the people that they could improve their position by inflating the currency. (*For this diagram, see Appendix*) I should say that that diagram is compiled by a mere arithmetical process, from a report made at the instance of the United States Senate Committee. It is, of course, always difficult to be certain that there was no ulterior motive in the appointment of any committee to make a statistical inquiry; but it is quite certain that, if any such motive was at the back of the appointment of this Senate Committee, it had nothing whatever to do with this particular question, and therefore, so far as this particular question is concerned, it may be taken without question as an impartial investigation. The work was practically done entirely by Professor Falkner, who approached the question from a purely statistical and scientific point of view.

11,785. Do you draw any distinction between the cases of England and India in the respect you have just alluded to?—Yes, I do. It seems to me that nature, who often plays unkind tricks as to the supply of gold and silver, has been benevolent in putting a liking for gold into the West, and for silver into the East. For improvements in transport and production have made the labour of the Western worker, and especially of the English worker, very much more effective in producing commodities than it was not long ago. For the Englishman, I should say, it had been nearly doubled, and it is therefore well in my opinion that a sovereign should command nearly twice as many commodities as before. Taking the course of events as it has been, I do not think it would have been good to have had a gold currency in India during this time. That would no doubt have caused a real stringency. Prices would have fallen, not only as measured in terms of commodities, but as measured in terms of labour; because India has not been able to keep pace with the Western world in the command over capital, in the command of those resources which make labour effective. Her unfortunate liking to invest in barren stocks of gold and silver, together with other causes, has made her unable to keep pace with the West, or even with Japan; though, when one complains of the slow progress of India, one must recollect that there is scarcely any other old civilisation in the same latitude, and with the same difficulties, that has made progress to be compared with that of India.

11,786. On what principle should you estimate the amount of interest that the Government of India has in the value of the rupee?—One frequently hears estimates of the interest that the Government has in a rise or a fall of the rate of the exchange on London. Now, I do not think that it is possible to state what that interest is without enquiring whether the origin of the change is in circumstances affecting the rupee or the sovereign. It seems to me that there are these two distinct elements: the Government of India has direct interest in the value of the rupee, and it has interest in the value of the sovereign; but its real interest in the rate of exchange is chiefly indirect. For the effect of a fall in the exchange which was caused by a rise in the value of the sovereign, the rupee being stationary, would be, in my opinion, quite different as regards the interest of India, from the effects of a similar fall caused by a fall in the purchasing power of the rupee, the sovereign remaining stationary. Therefore, I would like to take the two parts separately. The permanent interest of the Indian Government in the value of the rupee is limited to its fixed land dues. In respect of the importance of those dues, it is unique among great governments conducted on Western principles. Its permanent interest in the value of the sovereign is limited to its debts in gold. But, next, as to interests which are not perpetually fixed, but yet are very firmly rooted, it has a very heavy interest in the value of the rupee extending over perhaps 15 years or a little more, the average remaining life of the non-permanent leases. It has also a sub-permanent interest in taxes; because, though equitably it can raise those so as to take

its share of the growing wealth of the country, its freedom of action is practically limited by the necessity for going rather more slowly and in a rather less aggressive manner in the East than is possible in the West. Lastly, it has an interest as an employer of European labour, in the ratio between the rupee and the sovereign, independent of their absolute values; that is in the rate of exchange. If they both rose equally, or both fell equally, these difficulties would be small. As regards railways, I think those difficulties are, perhaps, less than appears. For I do not think it is possible for a railway ever to have fixed upon the ideally right tariff, and I think that the number of cases in which any railway would lose much by deliberately lowering its tariff is small; and, therefore, I think that the indirect lowering which arises from a fall in the value of the rupee, is not so great an evil to the railways as is commonly supposed. As regards the prices of stores and railway plant, the Indian Government has no interest in the value either of the rupee or of the sovereign, in addition to the considerations already mentioned, because it buys them as a trader, and gives commodities for commodities. These difficulties are in themselves considerable, but the main importance of most of them arises from their bearing on the central difficulty of the position of the Indian Government, which is not directly connected with either the rupee or the sovereign, and would remain if the whole world had the same currency. This difficulty is that the immense increase in the wealth and prosperity of the Western world, which began in the second third of the present century, and has gone on at an ever-increasing pace since the close of the period of the great wars, has made the resources at the command of the Western Governments beyond all comparison greater than any known before. These resources are spent on civil government and on military preparations. The administration of law, education, and sanitation are more thorough and more costly in terms of labour, and far more costly in terms of commodities, than they were. Military expenditure has grown perhaps even faster. If the supplies of gold had been sufficient to maintain uniform prices of commodities, then the apparent expenditure of all Western Governments outside the service of their debt would have been nearly doubled. The present direct expenditure of the English Government would be perhaps 150 millions, and that of local authorities about as much again, after deducting for post office, waterworks, and other remunerative outlays; and the people would have probably protested effectively against the increase. As it is, they have submitted more or less willingly. In the East there has been no such surplus to dispose of, and yet moral considerations have required the Indian Government to follow at no very long distance behind the Western Governments in their civil undertakings. As regards their military undertakings, I do not wish to express any opinion as to their necessity. I am no judge of that. But, as to the civil administration, the English officials have to be brought away from a country where real salaries are high. And, while I fully recognise the duty of the Government to substitute cheaper services wherever they would do the work; and while I hold very strong views as to the wrongfulness of any unneedful expenditure of Indian funds—while I hold that that is short-sighted and foolish, as well as wrong—I yet think that the purchase of services that are inadequate for their work is wasteful, and I do not think that India could obtain the services she requires, taken one with another, at a much cheaper rate. I wish to say that, because, having a good deal to do with the teaching of students who are natives of India, I find that they often do not hold what I consider sound views upon the conditions of true economy in public administration, and I think I ought to bear my share, as one of my generation, in insisting that, on the whole, taking one thing with another, the Civil Government of India is not an expensive government. Were it an expensive government, I think our presence in India would not be justifiable. In view of this

central difficulty arising from the fact that the standards of civil and military efficiency which are set by the West must needs put some strain on the less progressive resources of the East, I think the financial policy of India may be justified in departing a little from those maxims of perfection as to the preference for direct taxation to which the English Government should adhere; and, I think, it must take more account of popular sentiment than it would be right for the English Government to take. I think it must ease its way by not accentuating needlessly the burdens which it is compelled to impose on the people. If the people could appreciate both sides of the question fully, that would be the best of all, but, as they cannot be expected to appreciate fully the necessity for the growth of costly civil and military operations by the Government, it is, therefore, best not to make them think that the Government's revenue and expenditure are increasing faster than they really are. In short, I conclude that moral and material progress are imposing new and costly duties on the Government of India, and armaments are increasing everywhere, and, therefore, although the net amount of its fixed sterling payments is, perhaps, somewhat less than at first sight appears, its expenditure measured in terms of commodities must constantly increase, and should be raised in the least irritating manner possible.

11,787 Before leaving that branch of the subject, will you say whether you regard the maintenance of the rupee at 1s. 4d. as equitable, and, at the same time, do you regard it specially as a tax upon trade?—The function of a legislator as regards currency is to do as little as possible. Almost any currency of which the position is certain will do its work fairly well. Frequent changes in its basis disturb expectation, upset reasonable calculations, and infuse a spirit of unrest into business. They may all aim at increased certainty, but their effect must on the balance be increased uncertainty. They resemble the frequent wakings of a patient in order to administer sleeping draughts. It was, therefore, with much doubt and difficulty that I brought myself to think that it was right to close the mints in 1893. But some of the strongest arguments against closing them then are now arguments against reopening them, and against acquiescing in any other arrangement than a 1s. 4d. rupee. I base myself partly upon the consideration that the original revenues were fixed in rupees—not gold rupees or silver rupees, but rupees—and that gold coins were legal tender well into the present century. I think, therefore, that the descendants of the original holders would have had no technical grievance if England had adhered to the gold standard throughout. Of course, the position of the Indian Government is weakened by the fact that, when gold was showing a sign of falling in value, it refused to take gold as legal tender. But still, taking history as a whole, I cannot see any technical breach of contract in moving the rupee somewhat in the gold direction. Looking at the thing broadly, and without reference to recent events, I should think that it would not have been an unjust arrangement to say that two-thirds of the rents should be paid in terms of silver, and the remaining one-third in terms of gold. Now, if you take one-third of a rupee at its old gold value, and two-thirds of the silver in a rupee, you do get just about 1s. 1d. It seems to me, therefore, that, if the fixed rents were allowed to be paid in rupees, with open mints, this very great fall in the value of silver would throw the whole burden, or more than the whole burden, of the necessarily increasing expenditure of the Government upon taxpayers other than the permanent and sub-permanent holders; and in that there would be an inequity. I think it would relieve them of some part of their proper share of the public burdens, and would thereby impose an unjustly large share of those burdens on other taxpayers. A slight injustice of this kind is sometimes a less evil than its remedy; but a rupee at 1s. 4d. seems to me a workable compromise, and substantially just for public and private business

contracts. While the evil arising from a change in the currency was an argument, for what it was worth, against the closing of the mints, it is no argument at all in favour of reopening them. On the whole it seems to me, as I have said, that a rupee at 1s. 4d. is a workable compromise, and, although I have seen it stated that it is a tax upon trade, I have not been able to see that it is any tax upon trade at all. It is a tax upon those who have a specific quantity of rupees to pay under contracts made or implied during the very short time that the rupee was of lower real value than now, but, so far as future trade is concerned, it seems to me to be a change exactly like the adoption of the decimal system, and using the kilogram instead of the pound.

11,788 What do you take to be the general relation between the Indian exchange and prices in India and England?—India is so large that prices at her ports differ widely from up-country prices; and, partly for this reason, much of the produce of India is very little connected either as cause or effect with the course of trade. But, broadly speaking, the Indian exchange, both before and after the closing of the mints, has indicated the proportion between rupee prices at Indian ports and sterling prices at English ports; and, subject to allowance for freights, &c. between India and England, the rule holds that the exchange, or the gold price of the rupee, is the ratio of sterling prices to rupee prices. Before passing to the way in which that works out, I would like to say a little on the interpretation of the phrase "general prices in India." I have seen in current literature a good many arguments as to the general policy of the Government with regard to currency in India, which seemed to me to be incorrect, because they are based upon a comparison of London prices and Calcutta prices, and the tendency of progress is, of course, to raise up-country prices of exports relatively to Calcutta prices. The papers written 50 years ago by Colonel Sykes, who, I think, was the first person who paid very serious attention to the higher statistical problems of India, showed very great differences between the up-country values and the tidal-water values. It is especially interesting to study these differences in the case of America, because America is on a gold basis and there is no break of gauge in passing from America to her chief customers. A number of people have made enquiries showing the relative movements in different parts of America, and I think it may be said to be established, broadly speaking, that there has not been any great fall in gold prices of agricultural staples up country. I have here one of a series of papers issued by the Sound Currency Committee of New York; and, though it is avowedly written for a purpose, I think we can trust the diagrams, which show that the prices of agricultural produce at Dubuque, Iowa, fell much less than at tidal water. And here I have an elaborate set of diagrams, showing similar results for up-country markets throughout the United States, by Mr. Powers, Commissioner of Labour for Minnesota. His figures have been criticized; but their general effect has not been shaken. No one can look at these general results of Indian and American statistics without concluding that the statement that the prices in India have not risen lately is not a justifiable statement, if it is based upon Calcutta prices, and without allowing for the differences between up-country and tidal water prices.

I have now to enter very much upon controversial matter, and perhaps it would be well that I should first state what is, I think, a matter of common agreement as to the causes that govern Indian exchange. It is common ground that Indian exchange is raised—that is, made more favourable to India in the old technical sense of the word, which means more favourable to importers, and more unfavourable to exporters—by an increased foreign sale of Indian products. This may arise from increased foreign eagerness to buy these products, resulting in an improved rate of value for them in terms of the goods offered in foreign markets, or from increased Indian

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supplies of them at the old value. Or it may arise from diminished Indian purchases of foreign products, including gold and silver; and this may be caused by a diminished eagerness on the part of India for them, or by diminished offer of foreign stocks of them at a rate which India will pay. Further, the Indian exchange may be raised by increased borrowings by India. It seems to me it is worth while to have these general considerations before us; because they seem to show that, as regards discount, so with regard to exchange, no general proposition is possible. One cannot say that a fall of the exchange is good for a country or bad.

11,789. You say, "Speaking generally, the Indian exchange is the ratio of sterling prices to rupee prices at the ports." Will you kindly amplify that?—The Indian exchange is quoted as the sterling price of the rupee, that is, as the price in London of the command of a rupee's worth of goods in Calcutta or Bombay. If the exchange is not by telegraph, something must, of course, be allowed for interest. It is worth the while of an English importer of, say, jute, to pay this price for a rupee, if the jute that he can get with a rupee will sell *net* in London for this price. By *net* is meant, after paying all the expenses; *i.e.*, including insurance, interest for the time the capital is locked up in transit, and remuneration for himself. Thus Indian exchange is the ratio which the sterling price of jute, after allowing for freight, &c., bears to the Indian price. In the same way, the exchange is the ratio that the sterling price of calico bears to the Calcutta price after allowance is made for freight, &c. The details of this had, perhaps, better be taken separately for the case in which the imports of silver directly affect the currency of India, and the case in which they do not. The latter case is really the simpler.

11,790. Now, will you say how this works out?—Since the mints were closed, the currency of India has consisted of Government notes printed on silver. Their value is governed in the main by their amount relatively to the work which they have to do; account being taken of the fact that apprehensions as to the stability of the value of such a currency will affect the amount of purchasing power which people care to keep directly or indirectly in the form of currency. The Indian exchange is then governed by the relation between gold prices and rupee prices, being, in fact, an expression of the ratio between them. I will work this out in detail with reference to the trade of the all round merchant. There is not, really, a very great difference between his case and that of the man who exports without importing in return; because, by aid of the exchange banks, the mere exporter is now almost in the position of the all-round merchant. The all-round merchant's case is the typical case. I mean the man who exports and imports back again. If an all-round Calcutta merchant exports jute and imports calico, he makes a good business, provided, first, jute is in great demand in England and calico plentiful there, so that he can get much calico in London for the price of each bale of jute; and, secondly, calico is in great demand in Calcutta, and jute plentiful there, so that he can get much jute in return for each bale of calico which he imports. These are the things that really affect his prosperity. The currency does not affect it directly. If he knows that he can get 100 bales of calico in London for the price of 300 bales of jute, he does not really want to know what the price is, it might be given to him in a sealed bag. If the contents of the bag were guaranteed to purchase him his 100 bales of calico, that is all that he would want to know. If the 100 bales of calico would sell in Calcutta for the price of 450 bales of jute, and the price of 150 bales would enable him to pay all expenses of the double traffic with profits to himself, then the business would be profitable, otherwise not. If there were to be a suddenly increased issue of rupees, and Calcutta prices rose, so that Rs.120 were needed to do the work of 100; then the exchange would instantly follow suit, if there were

no other disturbing cause at the time. But, of course, there might be a disturbance. The credit of the country would, perhaps, be lowered, and this might make foreigners withdraw capital from it. That withdrawal would injure the country as a whole, and the exporters themselves in the long run; but, for the time, it would be a powerful bounty on exports: and a real bounty due to that cause exporters sometimes get, and attribute it to a different cause, *viz.*, the direct action of the fall in the exchange. Again, the change under discussion—the increase of the currency—might lead people to avoid rupees and seek gold and silver bars for their hoards. This is a special case of an increased desire on the part of India for a commodity (silver is now one) such as silver, petroleum, and diamonds, from whatever cause arising. Let us, then, leave this illustration with regard to an increase of the currency, and take what has been, in fact, the chief cause of increased purchases of these commodities by India—the increased output of American and African mines. Well, the increased desire for petroleum, diamonds, and silver, any or all, would make India bid more eagerly for foreign produce, and give more jute, &c., in return for it. The way in which this would work out in the exchanges would be as follows: The importers of diamonds, petroleum, and silver, would need bills on London, and pay an increased number of rupees for a bill for 1,000, that is to say, in technical terms, the exchange would fall. Its first effect would be to give a real bounty to exporters of jute, and impose a real burden on importers of calico. After a while, the price of jute would have fallen a little in London, and the price of calico would have risen a little in Calcutta. The rupee would count for less relatively to calico, the sovereign for more relatively to jute. The all-round merchant might have to sell 320 bales of jute instead of 300 in London, in order to get 100 bales of calico, but he would get his own again because he would sell his calico at home for the price of more jute than before. And if, in this state of the trade, he stopped off from importing, he would require to obtain a larger number of rupees than before for a bill of 1,000. Thus the increased demand of India for foreign goods would lower the exchanges, and it would keep them low so long as there was no other change in the situation except this increased demand; that is, especially, so long as there was no change in the supply of rupees or gold relating to the work they had to do, and this supposition implies that the mints are not open to silver. A permanent alteration in the rate of exchange due to such causes as these is the outward expression of a change in the real terms of trade between India and other countries. But an alteration in the exchange due to changes in the currency of India or other countries has no such deep significance. It may disturb the business relations of individuals, it does not as a rule modify the substantial trade relations of countries. Even if the Indian mints were never reopened to silver, an increased production of silver in the West might lead to a permanent increase in India's eagerness for foreign imports, and a permanent alteration in the terms on which she obtained them, just as was done on a smaller scale by the African diamonds and the American petroleum. The case of silver resembles that of diamonds more nearly than that of petroleum. For, if the price of petroleum falls, people buy more of it to use at once; they do not wait to see if the price will fall even more next year. But with diamonds and silver it is different. A fall in their price sometimes make buyers more eager, sometimes it makes them hold off in expectation of a further fall. The want of correspondence between changes in the real price at which silver could be bought, and the amount of it which India will take, may, perhaps, be explained by those who know the history of Bazaar rumours. I have been told by natives that there is a good deal to be learnt in that direction. Of course, I never got below the surface at all, but to me it is inexplicable. The common

saying that the course of the rupee cannot be predicted as that of any Western coin can, seems to me to derive its chief justification from this fact. It seems to me that nearly everything is explicable about the rupee with a little patience; but on this point I confess the action of the rupee is quite inexplicable to me. What I cannot understand is the relation between the price of silver and the imports. For instance, if one takes a diagram showing the net imports of silver into India, and the net imports of gold into India, and the rate of exchange, one has a paradox that one cannot solve (see *Appendix*). I thought that such a diagram must yield something to study; but, though the causes of some of the most striking movements of these net imports are well known, I can get nothing out of it that suggests a general law connecting movements of these imports and movements of the exchange. As one instance, I may mention that the Superintendent of the Post Office for the North-Western Provinces in 1886—I am quoting second-hand—states that the import of gold was increased considerably, because of the rise in its rupee value. People thought that the rise in its rupee value was going on fast, and for that reason they imported on a very large scale. But in 1892-93 gold was on the balance exported, because speculators and boarders took their profits on the purchases of earlier years, preferring not to wait longer.

11,791. Do you wish to say anything as to the different relations which affected the question when the mints were open?—When the mints were open, importers of silver into India were secure of a better market, and therefore a fall in the Western price of silver was liable to disturb trade more. There were some re-adjustments of price levels, rupee prices at the ports being specially plastic, as Mr. O'Connor has told you. Sterling prices might yield temporarily a little in some cases, but ere long equilibrium was reached with more silver and higher prices in Indian ports than there otherwise would have been. To go over this difficult question again somewhat in detail: the gold price of silver having fallen, either the relation between gold and silver prices of the chief commodities in trade would quickly re-accommodate itself to the new gold value of silver or it would not. If it did, as in my belief it would, the rupee prices at the ports would rise nearly in proportion to the increased value of gold in terms of silver. It is however true that, if there happened to be a growing scarcity of gold, or growing facilities for the production and transport of cotton, iron, &c., the gold prices of these things might fall to meet the rupee prices; (and this did in fact often happen between 1873 and 1885) In whatever way the re-adjustment was made, provided only it was made quickly, the premium on the exportation of Indian goods in return for silver would be small and would quickly pass away. If on the other hand there were no rapid re-adjustment of relative prices, the premium on the importation of silver would lead to a bottomless demand for it. Silver would be exported by 20,000,000*l.* or 30,000,000*l.* worth a year, if there were no re-accommodation of the relations between gold prices and silver prices. For it would then be profitable for anybody whatever to buy silver and take it to India and buy commodities, and the flow of silver to India must reach enormous figures. As a matter of fact, there has never been any large and persistent import of silver into India which can be attributed to this cause, and therefore we are compelled to admit that prices at the ports accommodate themselves very quickly to the new conditions. I do not say that inland prices accommodate themselves rapidly

11,792. Would you wish to add anything on the question whether a depreciating currency gives a bonus to any of those engaged in producing for export?—The influence of a relatively depreciating currency upon the position of the exporter has been the subject of a very long controversy in which I have taken a somewhat lengthy part, as a good deal

of my evidence before the Gold and Silver Commission bore upon that subject. I find that those who think that a relatively depreciating currency gives a bounty to the export trade, generally quote in support of their conclusion facts which I should not dream of calling in question, and I think it may be well to state what seem to me to be matters common to both sides, matters which are not in dispute. The dispute is whether from these facts it follows that a depreciating currency gives a bounty to the export trade. It is common ground that, if the price at which an exporter sells his goods in foreign markets be taken as fixed, then a fall in the value of his own currency, relatively to foreign currency, of one per cent. increases his gross currency receipts by one per cent., and is likely to increase his profits in a much larger proportion, or to turn a loss into a profit. Expert witnesses have been called, and numerous expert writings have been written by people making a point of the fact that they are actually engaged in trade, and in a position to prove that this is the experience of practical life. But really no experience is needed: the result follows from an elementary application of the first rules of arithmetic: and it has never, as far as I am aware, been doubted by any person in the world. It is common ground also that, if the currency in India is rising in value, while that in, say, China, is falling in value, then the employers in India, having to pay relatively increased fixed charges, salaries, wages, &c., may be complaining of hard times, while the employers in China are making good profits. This will, perhaps, be expressed by saying that currency changes are giving an advantage, or a premium, or a bounty to the Chinese employers as compared with the Indian. If these employers in India are producing for export to foreign countries, they may be described as exporters; and it may be said then that the Chinese exporters have a bounty in comparison with the Indian exporters. But this appears to me to be an incorrect way of expressing an undoubted fact; for, first, the gain of the Chinese employer is independent of the accident that his goods are exported; and, secondly, it is at the expense partly of the creditors who are financing his export industry, but mainly of the employes in it. Now, if one says that the export trade of a country is continuous with the undertakers of business enterprise, who are generally employers, and that anything that benefits the employers is a bounty on the export industry, then the proposition may be conceded. But, as I hold that the creditors who finance an industry that produces for export have some share in the export trade, and that the employes who make the thing for export have a very large share—quite as large a share as the undertaker,—holding that, I do not admit the proposition. If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it; only, I add, the bounty is just the same, and at the expense of just the same people, as that which he would get from a depreciating currency if he were producing for his home market, and not for export. Again, it is common ground also that, when a country lends capital or returns any of its borrowings, or increases its payment of foreign dues (for example, increased sales of Council bills), or has increased its imports above their wont, then there is an increased demand for exporters' bills; that this is necessarily accompanied by a fall in the value of that country's currency relatively to foreign countries, causes a stimulus to exports, and increases, for the time, the profits of exporters. But all this does not go to show that a depreciated currency is a bounty to exporters in the way of causing an increase of exports relatively to imports. On the contrary, any stimulus to exports relatively to imports which is not accompanied by lending to foreign countries, or returning loans, must necessarily be followed and compensated, by an exactly equal falling off of exports relatively to imports. For it causes an excess of exporters' bills, and that gives at once a bounty to imports. If the bounty is not sufficient, the discount on exporters' bills rises, and, therefore, the

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bounty on importers' uses, until precious metals or other goods come in. In other words, a bale of jute has to be sold in London for a price that will bring back enough yards of calico to fetch, in Calcutta, a price that will pay for the jute and the expenses of the traffic. Here I am getting back on old ground. Whether this can be done or not depends, so far as London goes, on the needs of England for jute, in comparison with their power of producing calico; (sovereigns are mere counters in the transaction); and, so far as Calcutta goes, it depends on the needs of India for calico, in comparison with her power of producing jute. Rupees are mere counters in the dealings between the two nations, though not in the dealings between individual members of the nations. Nor is the case altered if we interpose a third country, and look at the competition in neutral markets between countries with a depreciating currency and countries with a currency that is not depreciating. Let us suppose, for instance, that China tea and Indian tea of equal quality are sold in London, presumably at the same price, and therefore in return for the same amount of English goods. If the Chinese currency is depreciated, a smaller part of the value of these return goods will have gone to the employes and to the creditors in China with whom the capitalist tea grower has relations, but that is a distribution within the country. It is a gain of one class at the expense of another. The change in the currency does not affect the amount of calico which can be brought back for a chest of tea of a given quality, and therefore it does not affect the advantages of the trade as between the nations. Of course, both countries have dues in Europe, and cannot bring back European goods in return for all their exports, China and India being both borrowers; but, so far as these are concerned, local currency counts for nothing at all. The question that is of importance to them both, as regards paying dues in London, is, whether they must give more tea to buy the means of paying 100*l.* in London than before; and, if the Chinese tea and the Indian tea are of equal qualities, the same number of pounds of Indian and Chinese tea will go for the purpose of paying a given due. It is, however, quite natural that capitalist employers in a country in which currency is not depreciating, should look with envy on the position of those who can pay wages and other dues in a depreciating currency, and therefore retain for themselves a larger share of the price which they get for their goods, whether sold in the home or foreign market. But this envy has little effect on the course of trade. If gold prices have remained stationary, while the rupee has depreciated 10 per cent. in terms of commodities, then the employer in India is better off than English employers. He gets 10 per cent more rupees for his produce, whether he sells at home or abroad: he has to pay but few more rupees in wages, since wages have not risen fast, and so he gets higher profits whether he sells at home or abroad. Most of his sales are, in fact, to gold countries; so he regards as a benefit arising from the exchange and accruing to the trade what is really a benefit arising through the

depreciation of the currency and going to the employer chiefly, but being taken from the employe.

11,793 Do you think India especially hindered from obtaining a gold standard, or a gold currency, by reason of her poverty, and the fact that she has to make gold payments?—I think she is hindered, but I think the difficulty, on examination, appears much less than at first sight. The difficulty of keeping gold in a country seems to arise from its having been required to make large payments abroad, especially on short notice. When foreign capitalists withdraw their capital, which they commonly do when credit is bad, something or other must be sent to meet the country's obligations, under pain of bankruptcy, and those things which have the most elastic market, and are most easy of transport, naturally go first. Diamonds are as easy of transport as gold, but they have not as good or as quick a market as gold, therefore, gold goes first, and silver second, if a country is outside of the Western world. But in the Western world the first line of defence is not now in gold or in silver; the first line of defence is in International Stock Exchange securities. Poor countries, unfortunately, seldom have such; they hold very few securities, except their own, and those are specially unmarketable at such a time. The developments of modern business have caused a country to be liable, under severer penalties than before, to pay up many millions' worth of capital at short notice, and this first line of defence, International Stock Exchange securities, is not largely available for poor countries, including, I believe, India. I admit that to be a very great difficulty, but that seems to me to be the only point in which India is in a specially bad position. As regards the second line of defence, the precious metals, she is perhaps in a particularly strong position. She normally imports 11 crores' worth, and, therefore, she could pay 11 crores abroad by merely suspending her normal imports. The third line consists of goods which are portable, valuable, of elastic demand, having well-organised world markets, and having also a well-organised local machinery for collecting them from up-country, and putting them on world markets. In this third line, India is stronger than almost any other country that is not rich. Her exports of cotton in various forms equal about 20 crores, and imports of cotton nearly 30 crores. Now, cotton is a portable commodity, and elastic in the world's demand; and, therefore, by importing less and exporting more, she could meet a portion of her debt. Again, she exports hides, rice, and tea for about 30 crores. The world markets for hides and rice are large and elastic; and, so long as Chinese competition remains strong, it may be said that the market for tea is elastic, because Indian tea could push out Chinese. If Indian tea had completely pushed out Chinese tea, then tea would be for this purpose rather a bad defence, just as coffee is in the case of Brazil. Jute, I should think, is also elastic, since there are other fibres in some competition with it, though perhaps not so elastic. Moreover, there are some (although not many) of India's imports, other than cotton goods, which are not indispensable.

The witness withdrew.

Adjourned.

Professor ALFRED MARSHALL, recalled and further examined

(16th February 1899.)

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11,794. (*Mr. Le Marchant*) In your evidence at question 11,765 you say that the "high rate of interest on permanent investments in India seems to be attributable partly to a relative scarcity of real capital." Would you from that regard the addition to the currency under open mints as not having increased the real capital of India?—In my opinion it does not. It is very difficult to say what position the metallic currency of a country holds in its real wealth or real capital. It is a matter on which there has been a great deal of academic discussion, I think, to a great extent, the discussion has been with regard to the meaning of words. If a country has an unsound currency, say a paper currency, liable to large fluctuations, and imports bullion to put that currency on a sound foundation; then it does get a return for the expense to which it has been put in getting a sound currency. But when once it has got a good currency; then if, through an unfortunate increase in the production from the mines, it has to import a good number of millions of ounces of precious metals in order to make a more diluted currency do the work that the old currency did well before, that seems to me to be no increase of wealth, the country is giving its real capital in return for a thing that merely causes people to carry about larger purses, and—so to speak—use more cumbersome weighing machines, without any increased in their real wealth.

11,795. If the additional currency is sent there because it is cheap in terms of the money or of the commodities of foreign countries, if it is sent in preference to other commodities because it is the cheaper thing to send, there is a strong probability, is there not, that it will not be a gain to the country receiving it?—So far I should say there will not be a gain.

11,796. And the degree to which it would add to the real capital would depend on the circumstances of actual want for it and the uses of it?—Yes. It would depend very much, I think, on the question whether the currency without that increased supply of precious metals was in a wholesome condition, or in one in which it was liable to be unduly disturbed by shocks to general credit.

11,797. It has sometimes been suggested that, with open mints, the additional currency that arose from silver imports was a natural increase of Indian capital as distinguished from foreign capital, and formed a fund available for promoting local enterprises which would otherwise have depended on foreign capital?—It does not seem to me that that statement, as it is commonly made, and as it is commonly understood, is at all true. At the same time I should be unwilling to give it a direct negative, because there does seem to me to be concealed behind it a certain element of truth. It seems to me that, as India is passing from what we may call a medieval condition to a modern Western condition, it is using a great deal more currency as a specific medium of exchange on modern methods in lieu of the old fashioned barter and payment of dues in kind. That is giving India a commercial power, which she can only obtain by this means, that is, by having an increased number of what I may call weighing machines. So that, had the general level of precious metals not been disturbed by the increased production of the mines at all, I think it would have been necessary for India (unless she had developed a banking system which could not be expected in the circumstances), to import extra bullion in order to put her machinery of exchange on the efficient but expensive Western system. And so far, I should not say that the bargain was a bad one for her. I imagine that part of the importation of silver was caused by this need for increased Western appliances and was not to be regretted, and so far did give her an increased power of meeting her own needs and supplying those things which meet the needs of the

rest of the world, and thereby caused them to contribute to her needs.

11,798. So far, in fact, as it supplied the necessary mechanism of circulation, which in this country would be provided by expansion of credit money or by banking devices, to that extent it would be an advantage?—Yes, by expanding credit money or of course, expanding coin.

11,799. Would you regard the importation of silver as having contributed directly to a higher level of prices in India?—Yes, I think the level of prices is higher than it would have been had there not been so much importation of silver for currency purposes. Had silver not been imported for those purposes, then I think prices could not have risen and would probably have fallen, because there was an increased demand for currency owing to the adoption of Western methods of business.

11,800. So far as the additional silver caused labour to be brought into operation and production, to that extent it would have contributed to the increase of wealth?—Yes, or so far as it enabled people to do their business by the Western methods, which are more quick, precise, and elastic, and, generally speaking, efficient than the primitive methods.

11,801. How far would the same facilities exist under a gold standard? Would the same essential conditions exist?—Broadly, yes. The term "essential" is a little difficult to understand. The existence of a gold standard without a gold currency would, of course, act in certain important respects differently from a silver currency.

11,802. With regard to discount and the volume of currency as affecting it, would you regard the rate of discount as affected not so much by the total volume as by the distribution of the currency—the hands in which it stands?—I should think that that was largely true.

11,803. I think you refer more especially to capital rather than currency in that relation, I gather that you viewed capital as being the command of currency?—My own way of looking at things is this: I prefer to talk of currency as giving a command over real capital, and bank money as giving a command over currency, and therefore giving a command over real capital in a secondary degree.

11,804. Assuming that there was a scarcity of currency in banking circles that would involve a high rate of discount?—Certainly.

11,805. It would also depend, would it not, on the facility for introducing fresh currency from abroad?—Certainly—the facility and the time required.

11,806. At the moment of demand?—Yes.

11,807. There might be different conditions bearing on the introduction of fresh currency, according as the standard was silver or gold?—I should think so, probably. Perhaps I should say that I have been a good deal surprised at seeing it stated frequently before this Committee that high exchange and high rate of discount habitually go together. I understand that that is the prevalent opinion in the business world in Calcutta. It does not fit in with what I should have supposed *a priori*, and, on looking at the chart, I find that, so far as yearly fluctuations go, the opposite seems to be rather the rule. Indian banking is a matter on which I feel myself beyond my depth, but I feel that I could not talk with any satisfaction about the relation between discount and prices until this doubt of mine has been laid before the Committee. I am not able to see *a priori* why there should be that correlation, nor am I able to see that there has been. The charts, on the contrary, seem to me to indicate not only that that law does not hold, but that the opposite law holds as a rule from year to year. And that has led me to guess at the cause of this general opinion; and I think it may be possible

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that the movements under discussion are mainly those from week to week, and month to month, rather than from year to year; and, secondly, that there may be a great difference between the effects of a scarcity or of bad crops of food grains, and of those products which are chiefly used for export. In this diagram the red curve is the rate of discount, and the green curve is the rate of exchange (see diagram in the Appendix). I cannot see any general tendency for their movements up and down to coincide; rather it seems to me that often one goes down and the other goes up.

11,808. Might the relative movements of the two differ in the case of countries such as India and England, which are not on a common basis, whereas, if you take capitals like London, New York, and Paris, where gold is the basis of currency, and passes most easily from one to the other owing to their extensive banking relations, the rate of discount might more quickly affect the rate of exchange?—I said in my first day's evidence that I could not trace any general connexion between high rates of discount and high exchanges statistically with regard to the world in general, or with regard to India in particular, and that I could not see why there should be any such coincidence. India seems to me to stand on a different footing from England. First, so long as it had silver, because the rate of exchange was liable to be violently disturbed by causes that had nothing to do with India's special circumstances or trade—to be disturbed much more violently than the gold exchange could possibly be disturbed between two neighbouring countries such as England and France. Secondly, because the business of Calcutta appears to me in many respects to follow lines more different from those of the rest of India than the business of London does from the lines followed by the rest of the business of England. And, thirdly, because the difference between the effects on Indian business of a check to the supply of the things that India consumes herself, and the effect of a check to the supply of the things that she exports has nothing exactly corresponding to it in a western country. My own guess is that a famine or generally a scanty supply of food grains tends to raise discount, partly because it draws currency from the banks, and generally from Calcutta and Bombay, to the uplands. That guess receives some support from a comparison of the black, blue, and red lines in this diagram (see Appendix). But I think that a very active export season, which itself is generally a consequence of very fine crops of things suitable for export, also raises discount. So that I should rather suppose that, when it is said a high rate of exchange goes with high discount, what is meant is that, given the amount of currency available for general trade purposes, and the amount of bank money available in Calcutta, if the export trade is active, you will have a high exchange and a high rate of discount. That is the only solution I have been able to guess at of this paradox, that, speaking broadly, a high rate of exchange seems to go, not, as has so often been said before this Committee, with a high rate of discount, but rather the other way.

11,809. (Chairman) I do not think that has been the uniform tendency of the evidence given before the Committee. For instance, when Lord Rothschild was before us, he was asked by Mr. Le Marchant, "There would be no necessary connexion between a rate of exchange and a high rate of discount?" and Lord Rothschild said, "I do not think so." The Committee, of course, have come to no conclusion upon the point; but I simply wanted to draw your attention to the fact that, on this particular point, you have the high authority of Lord Rothschild in agreement with your views?—Yes. The distinction which I wanted to bring out was this. It may be true that the minor movements in the busy season of exchange and discount go together. That is indeed what I should expect as regards the slight variations from week to week and month to month, especially from week to week; but it does not seem to me that,

comparing one year with another, these statistics, which are among the few that are beyond the possibility of doubt, support the motion that high yearly rates of discount and of exchange go together.

11,810. (Mr. Le Marchant.) In fact, would you say that, if the high rate of discount is owing to adverse causes, such as exceptional expenditure on famine relief, which have altered the usual channels in which currency flows, a high rate of discount would be likely to concur with a lower exchange—from insufficiency of exports?—It might. At present I feel great difficulty in putting forward any general proposition with regard to them except that when business slackens they would both be lower, both being affected by the same cause. It seems to me to be something like the question whether a greenhouse is likely to be hotter when there is a good fire in the stove. The bigger the fire in the stove the hotter the greenhouse, of course, on the other hand, the colder the weather is, the colder the greenhouse will be, and therefore the bigger the fire must be. Just in the same way the rate of discount is continually raised because exchange is low, and with the effect of raising exchange. You get two sets of causes, one of which tends to make a high rate of discount go with a low rate of exchange; and the other set of causes tends to make the two rates be high together, and low together; and I have not been able to see either *a priori* or statistically that one of these sets of causes prevails over the other. Speaking generally, with regard to England, I suppose that the high rate of discount does force exchange up, and bring in bullion quickly; and that, if the high rate of discount is for any reason maintained after the country has attracted the gold that it needs from abroad, then you may have for a certain time high rates of discount with a falling exchange. But the supplies of the material of currency in India being so very far off, the time and cost of transport of bullion being so much greater than in the case of England, I should not be able at all to guess *a priori* the extent of the power that the discount would have over the influx of bullion, and through that over the exchanges.

11,811. (Mr. Campbell.) Has it occurred to you that the rate of exchange with open mints depends very much on the price of silver?—Most certainly. I discussed that.

11,812. And that, if the cost of silver were tending downwards over a course of years, you might have a declining exchange, even although you had periods of stringency in the money market?—Certainly.

11,813. That is a very important factor in the question, is it not?—Certainly.

11,814. (Mr. Le Marchant.) You were referring, in your answer to question 11,773, to the dependence of India on foreign capital. The opinion has been advanced that foreign capital is not so beneficial to India—that it entails a yearly drain for remittances. How do you regard that?—I cannot see a reasonable foundation for that opinion at all. I hold in the most clear, and, if I may say so, confident, manner the opinion that there never was a country which needed foreign capital more than India does. It needs foreign capital partly to enable India to throw aside those mediæval methods of production which still prevail in many branches of industry—to develop means of inter-communication in all directions, and partly to educate the natives themselves to store up capital. When the natives have once got to see that the function of a surplus of income over expenditure is to be devoted to making the future happier, then, I think, their own capital will grow, and India may be able to move fast ahead, somewhat as Japan has been doing lately, with less dependence on foreign aid. But a check to the use of Western capital in India at the present stage would seem to me to be the greatest calamity that could happen to her.

11,815. At question 11,790 you say, "An alteration in exchange, due to changes in the currency of

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"India or other countries has no such deep significance" Would you regard a change from a silver to a gold basis as in any way calculated to disturb the permanent trade relations of India?—No, I should regard it as like a movement towards bringing the railway gauge on the side branches of the world's railways into unison with the main lines.

11,816. And promoting a facility of interchange?—Yes.

11,817. You are aware of the opinion often expressed, that it would disturb the balance of exports and imports, and thereby render the payment of obligations more difficult?—Yes, I have heard that opinion.

11,818. What importance do you think should be attached to the apprehension as to the imports becoming excessive and exports deficient?—To myself personally the matter has unfortunately been one of considerable importance. There is no other question on which circumstances have caused me to spend so much time in controversy against my will. I am quite clear that it is impossible for a country's exports to increase relatively to its imports, except when it is sending away capital, provided no part of her dealings with other countries is omitted from the reckoning. It may not be easy to see how the adjustment is being made. But this statement that whatever a country buys it must pay for unless it is borrowing, unless some other country is making it a present, seems to me to be as true with regard to the trade between countries as it is with regard to the budget of a private person. If a person says he is getting a great number of things and is not paying for them, I should then say, "Then you must be borrowing." If he says, "No, I am not borrowing," then I should say, "Somebody must be giving you things." Or as a last resort, he must be stealing. These last two explanations, of course, would not apply between nations. Nations do not make presents to one another. They do borrow and they do lend, and the dislocations between the exports and imports, which are continually attracting attention, seem to me to be all due either to a change in the relations of borrowing or lending or to a change in the character of the services and goods rendered. For instance, we export to India every year a great number of prime young men. If their value were capitalised, as it would be if they were slaves, it would be several thousands of pounds apiece. We bring them back afterwards, if they come back at all, more or less shrivelled and worn out. These are vast unreckoned exports. India complains that she sends us a tribute of goods for which we have given no return. We have given a return for many of them in the shape of men in the prime of life, who, on the whole, I think are very cheap for the purpose.

11,819. You have spoken in your evidence of the premium on bills, owing to a low exchange or a depreciating currency, as being paid by importers. Do you regard the Government of India as being an importer of services, and so having to pay the premium for remittances in common with other importers?—I am not quite sure whether I follow the first part of your question, but, taking the last part first, I regard the Indian Government as, in effect, the largest trader in the world; I think that its exports consist largely of services, and its imports consist of jute and hides, and so on, which it does not import directly, but takes when imported through the ordinary course of trade.

11,820. Would you say that it "imports" or "exports" jute, and so on?—I was then looking at the Indian Government as having its seat in England. It would be better, no doubt, to regard it as located in India, and exporting jute.

11,821. To that extent there is a competition between the Government and merchants who equally require to export those articles?—Yes.

11,822. Do you think that any difference would be introduced into that competition by a gold standard?—Yes, I think a great number of minor differences

would be introduced. I do not think there would be any fundamental change. I think the greater fluidity of movements between India and the West in general, and England in particular, that would arise, would cause the fluctuations and disturbances to be more numerous, but less intense. A great number of causes which tend to produce certain effects do not produce those effects at all, if there is too great resistance. For instance, a certain thing may become cheaper in one place than in another, and that causes a tendency for it to go from the first place to the second; but, if the difference in the level of prices is not likely to last long, it does not move. Gold being more portable than silver—I understand that the charges are not much more than a quarter as much for a pound's worth of gold as they are for a pound's worth of silver, as between England and India—and the market that gold has, both for buying and selling in England, being so much freer and truer, and so much less liable to be worked against the individual dealer by powerful combinations of capital, it would seem to me that a great number of minor adjustments would go on with a gold currency in India, or even with a thoroughly well established gold standard, which do not take place without such gold currency or standard.

11,823. Would you regard the power of meeting those temporary disturbances—in other words, the demand for gold exports—as depending on banking facilities which would distribute the pressure over a longer period of time?—Speaking generally, yes.

11,824. I think you have spoken of exchange as being determined by the relative level of prices in India and abroad?—Yes. That is to say, that in my opinion the international distribution of the precious metals with open mints must be such that the gold and silver values of the different commodities bear the same relations to one another all over the world, allowance being made for transport; and that, if at any time any external change, such, for instance, as new American currency legislation, upsets that arrangement, then there will be a general shifting which will show itself through the exchanges; the exchanges not being the real active force, but the channel through which the real force acts; and after a time there will be a new settlement, and a new rate of exchange, and a new international level of prices.

11,825. With a gold standard, do you think the degree of pressure for gold would be partly determined by the rapidity with which Indian prices adjusted themselves to prices abroad?—Yes; very much so.

11,826. And what would be the immediate influence bearing on prices? Would it be a rise in the rate of discount? The export of gold would compete with other exports?—Yes.

11,827. And, so far as it went, it would tend to cause other exporters to lower their prices?—Yes.

11,828. An opinion has been expressed that a debtor country has a difficulty in retaining a precious metal in the absence of a protective tariff. The idea, I think, is that a protective tariff turns the balance of payments in its favour, and assists it in acquiring and retaining a precious metal. What importance do you attach to that theory?—It seems to me that the theory has some portion of a foundation in fact; that is, that there are two facts nearly corresponding to the statement, but not quite: but for the particular purposes for which it is used the statement is not, in my opinion, correct. There is no doubt, I think, that the immediate effect of the imposition by any country of protective duties, or rather high duties—I do not lay stress on their being protective—is to raise prices there—to make gold for a time a more eligible means of making payments than those goods which would have to pay this differential tariff, gold coming in free from such a tariff. If gold when it arrives is put away, as to a great extent it has been by Russia, that process may go on for a very long while. If Russia chose to prohibit all imports, except gold, and to put gold in store when it arrived, of course she could go on draining the rest of the world of gold. But, if the

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gold is allowed to go into the currency and act upon prices, that process can last only a very little while. When the gold has raised prices in the country, then, in spite of the heavy duty that is imposed upon other goods, other goods become as good cargoes to send to the country as gold would be. When the high level of prices that corresponds to a high import tariff has once been reached, then I am not able to see that that tariff is any protection to the stock of gold at all. It may seem as though it ought to be, one might expect it to be; but, when one comes to look at the reasons, I cannot see why it should be at all. The protective tariff has brought gold by making the country require more gold to do its business than before; the country has got the gold, there is again equilibrium, and I cannot see that without the tariff it would be more willing to give up the gold required to do its business at a normal level than with the tariff. While, on the other hand, it is, I believe, common ground to all parties, protectionists and free traders alike, that a high tariff, whether it is in the ultimate interests of the country or not, does diminish the volume of her foreign trade for the time. The consequence is that the feelers which that country throws out into all other countries are less numerous, and less elastic, and less widely diffused than under free trade. If, then, something or other, say, for instance, a discredit of that country's commerce arising in foreign markets, compels that country to pay unexpectedly part of its obligations, then gold would be likely to leave that country, as it would leave any other country under the same conditions. I think it would be even more likely, because there is always an easy market for gold. But an easy market for goods requires to be made beforehand, it is the product of years of trade; and, since the feelers that a protective country would have thrown out would be less than those which a free country would throw out, therefore it would be more difficult for that country to throw, say, 20 millions of pounds extra upon the world's markets without making a glut, and possibly even getting smaller returns in return for larger imports of goods. It would be more difficult, I think, then in the case of a protective country than in the case of a free trade country to meet unexpected foreign demands without exporting gold. On the whole, I conclude that once equilibrium has been reached, a protective tariff operates rather against the retention of gold than in favour of it.

11,829. You would, therefore, consider the fact of principal importance with regard to the command of gold to be that India produces a variety of exports for which the demand is world-wide?—Yes, and with organised feelers running out into various markets.

11,830. (Mr. Campbell) On the question of exports and imports, did I understand you to say that a country could not export more than it imported unless it was sending away capital?—Except when it was sending away capital; allowance being of course made for the payment of its interest upon borrowed capital, and the trade being taken broadly, so as to include, for instance, the services which an English man of business resident in Calcutta renders to the country. His profits are, of course, the payments for his services, and they enter into the trade in that way.

11,831. But do you not think it possible that a surplus of exports might be invested in securities which would operate exactly in the same way as any other imports?—When one country invests in another country's securities, I call that lending to the other country.

11,832. So that a country might be exporting in excess of its imports without being unprosperous; in fact, it might be an evidence of prosperity?—I think one can never say that the excess of imports over exports is an evidence of prosperity or adversity until one knows the causes.

11,833. It might be?—It might happen to be caused by increased prosperity; but I do not think

by itself it could be taken to be an evidence of either prosperity or adversity.

11,834. At question 11,787 you say that you consider 1s 4d. "an equitable adjustment and one which does not operate as a tax on trade." If the intrinsic value of the rupee in silver is 11d., will not the lowering of rupee prices involved in its artificial enhancement to 1s. 4d. place the trade of India at a disadvantage with other countries whose currency is on an intrinsic silver basis?—It would put the trader, that is, the undertaker or *entrepreneur*, at a disadvantage: because, while he would sell his goods for the equivalent of the same amount of foreign goods as if there had been no currency disturbance, and while, therefore, he would be able to bring back a substantial real return for his exports, he would by the currency change be forced to keep a less quantity of that for himself and give more of it to his fellow men than he would have been able to do if the currency had not been appreciated. This is a most important social question; but I do not see that it has any connexion with foreign trade. To take the converse case, what happens when a currency is depreciated, is that a person who is under obligations to make certain currency payments (those obligations being in some cases fixed by definite contracts, in particular when he has already borrowed money at a definite rate of interest, but in other cases governed by custom), he is allowed through the change in the value of the currency to discharge those obligations at less cost to himself and less benefit to those who are engaged with him in trade. It seems to me, therefore, that the common opinion that a depreciating exchange is for the benefit of an export trade rests upon the natural habit of regarding the interests of the *entrepreneur*, the undertaker, as co-extensive with those of the trade. It has never been denied that a rise of prices or a fall in the value of currency is for the benefit of those who are undertaking the risks of speculation; but I conceive that it has never been shown that an *entrepreneur* gets a benefit from a fall in the value of the currency of his country, in consequence of his being engaged in foreign trade, which he would not get if he were not engaged in foreign trade.

11,835. He might get it in both cases?—He would get it in both cases, I think. Conversely, if the gold value of the currency were raised and prices lowered, as indicated in your last question, the employer would have to make heavier real disbursements out of the gross returns of his business.

11,836. Then would you not describe it as a tax on Indian trade from which other countries on a silver basis are relieved?—No, that is my point. I object to the use of the word "tax" there. In my view, the Indian export trade consists of three classes, speaking broadly. First, the undertaker of the risks, who is the person who figures most largely in the eye of the public; secondly, the people who supply that undertaker with such capital as he may want beyond his own, and, thirdly (and in my opinion by far the most important of all) his employees. I believe that the greatest harm is done, and the seeds of social discord are sown, if the interests of the export trade of a country are spoken of, when people have in mind only the interests of the *entrepreneur*, the undertaker.

11,837. (Chairman.) The interests of the capitalists?—Well, I would rather say the *entrepreneur*, because he may be borrowing capital.

11,838. It includes capital arising from two sources, his own capital or his borrowed capital. What you really are at, I take it, is capital and labour?—I wished to present the three classes of people.

11,839. The employé represents labour?—The employé represents labour; then there is the capitalist who is himself not engaged in the trade, but lends his capital.

11,840. That is capital?—That is part of capital. Then there is the third interest, that of the undertaker, the man of business, the employer who takes

the whole risks, and supplies nearly always some part of the capital.

11,841. I only want it to be clear that, where you say that there are three classes, and that the most important is the employé, you are thinking of what has been called throughout this inquiry "labour"?—Yes, provided that skilled labour be counted too; for instance, salaried managers and so forth.

11,842. (*Mr. Campbell.*) At Question 11,792 you say, "If the statement is that a depreciating currency gives a bounty to the employer who is producing for export, I admit it." But you add, "the bounty is just the same, and at the expense of just the same people, as that which he would get from a depreciating currency if he were producing for his home market, and not for export." And I think you go on to say that the bounty to the exporter is at the expense of the employés?—Of the employés, and possibly, to some extent, of the person who has lent capital to them.

11,843. But the fact that there is a bounty is not altered or done away with by the fact that the advantage is gained at the expense of the classes that you name; the fact of the bounty remains?—There is no doubt that it is a bounty, but the question is whether it is a bounty to the export trade. I say there is no bounty to the export trade, but there is a bounty to one class in the export trade at the expense of other classes in the export trade.

11,844. (*Chairman.*) That is, what one gains another loses?—That is my opinion; and the question whether these shiftings from one class to another are substantially equitable and in the interest of the country as a whole, or not, depends, in my opinion, as indicated in my first day's evidence, on the question whether the currency retains a constant value in terms of man's efforts. An increased purchasing power of the currency in terms of commodities seems to me a good thing if it corresponds to an increasing command over nature which man has obtained by improvements in production and transport.

11,845. In Sir Robert Giffen's letter, to the "Times" of the 15th May last, it is stated that "by the necessity of the case the exchange is chronically against India." What do you say to that?—I should have thought that, as India is on the balance an importer of precious metals, the tendency would have been the other way. It is commonly said that the exchange is against Australia, because she is naturally an exporter of gold. Of course, when you have two different currencies—gold and silver—it becomes a rather difficult question to say what you will take as your par of exchange; but still I cannot myself take the sentence in any sense in which I should agree with it. I think it is possible that Sir Robert Giffen meant something rather different from what I have taken him as meaning.

11,846. (*Mr. Le Marchant.*) I think the intention of the writer may have been to say that there was a large amount of fixed payments that India has to make—the home charges and so on—and, in addition, interest and dividends on railways and all the profits on foreign capital, and that, taking those requirements in the aggregate, it meant a pressure of payments against India?—That the balance of payments was against India. I think he may have meant that.

11,847. (*Chairman.*) I do not think that that exactly governs the case. For instance, take the remitting of money in respect of investments of capital in India. You pointed out this morning the enormous advantage to India of the importation of western capital to develop its resources. Now, if India gets its capital, India must export something to provide for the interest on that capital, and that is what some gentlemen are good enough to call a drain on the resources of India; in other words, if India gets 100,000,000, which she has invested in railways, and she has to pay in London 5,000,000, sterling, and that 100,000,000, invested in railways in India

produces, say, an income of 7,000,000, they call the remittance to London a drain on the resources of India?—Well, it is part of a stream—the stream on balance being one of benefit which India receives.

11,848. But you can hardly say that in that case the exchange would be chronically against India?—No, I think not. But I am always unwilling to express an opinion upon a sentence without seeing its context.

11,849. Now one other question. Who in India benefits, and who loses, temporarily or permanently by a fall of exchange? Who is the gainer and who is the loser?—I presume you are referring to a fall of exchange other than that which arises by the ordinary intercourse between any two countries from the deficiencies of exporters' bills.

11,850. No, I do not confine it to that?—Then I think one would want to take the cases separately. First, with regard to these variations in exchange between India and other countries which are of the same order as variations in exchange between England and France. With regard to these, a fall of exchange is generally an indication that a country has been importing overmuch; it is an indication that, to reduce the trade to a position of equilibrium, exporters are to push on and importers to hold back; it is for the time being a bounty on exporters and a penalty on importers. These fluctuations are not in themselves, I think, matters of any importance, nor do they in any way depend upon monetary arrangements. They depend on the movements of trade themselves. The movements of exchange are partly a method of clearly stating the temporary absence of adjustment between exports and imports (all reckoned in); and partly a method of indicating to those concerned a clear and definite channel by which they can help to re-adjust the mutual obligations between that country and other countries, and derive benefit to themselves in so doing. Then, secondly, we come to those fluctuations in exchange between silver-standard countries and gold-standard countries, which arise from a purely external cause, such, for instance, as the repeal of the Sherman Act. A fall in the Indian exchange, if it results from a fall in the purchasing power of the rupee, seems to me to give at once a bounty to every undertaker of risks, every person engaged in speculation in India; that is, every person who stands to gain by a rise in commodities relatively to currency. In so far as Indian prices up-country respond to the repeal of the Sherman Act, anybody engaged in manufacturing up-country for up-country demands would, I think, get that bounty, but the people with whom he was in contact would lose. He had borrowed, say, 1,000 rupees, and had to pay back say, 1,100 rupees; those rupees would be worth less to the person who got them than they would have been had it not been for the repeal of the Sherman Act, and that person would suffer. Indian employés, particularly as they would not be likely to possess an energetic trades union leader who could prompt them as to the right time to strike, would receive wages at the old rate in a currency which was worth less; and they would suffer. I do not think that a fall in the purchasing power of the rupee caused by external events, such as the repeal of the Sherman Act, would quickly spread up-country very far; but, so far as it does go, I think the results are as I have explained. In Calcutta I imagine that the undertakers of business risks concerned with the export trade are of several kinds, bankers, merchants, &c.; and that a great deal of the bounty would go to them, and that not nearly the whole of it would get to the grower of tea or jute, or whatever might be the product for exportation. Some, I think, would go to the merchant, some, perhaps, to other intermediary dealers, and some to the capitalist producer. Those who had lent money to all these would lose a little, in so far as they were not able to anticipate what was going to happen. The employés would, I think, lose a great deal. I wish again to lay stress on the fact that those who lend

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capital are not in so bad a position as those who supply labour; I have argued that history seems to show that they are able to anticipate changes in the purchasing power of money very much, and to accommodate the rate of interest which they charge to those changes, and so to prevent their bearing nearly as large a proportionate share of the burden as that which the unfortunate employes have to bear.

11,851 I suppose the greater portion of that reasoning would apply to a depreciated currency?—The whole of it in my opinion applies to a depreciated currency from whatever source the depreciation comes.

11,852. Is there anything further which you wish to state for the information of the Committee?—I should like to say a little more as to the fluctuations of the rate of discount; and as to the need that they should be softened and controlled by the maintenance of an adequate reserve of coin and notes in normal times, ready to be drawn upon in times of exceptional pressure. I am aware that these matters do not fall fully within the terms of this Committee. But as one side of the problem of Indian currency is being thoroughly investigated, the present seems to be a suitable occasion for inquiring whether violent fluctuations of discount are not an evil of the same order as those of exchange, and whether there is not a partial remedy for them, which would cost much less than it is worth to the community, but which is not easily to be attained by private effort without some aid and direction from Government. It seems to be established that the very high rates which prevailed early in 1898 were mainly due to exceptional causes, and not to the closing of the mints: that similar stringencies occurred before 1873 with a 2s rupee, and afterwards with open mints and a fallen rupee. The fall in the gold value of the rupee is itself, I have already argued, one cause of the maintenance of a high average rate of discount. But, when we consider that this average rate has remained almost stationary in Calcutta during half a century, while it has fallen fast in almost every other great trading country, and in some countries has enabled enterprise to obtain the use of the necessary capital at little more than half the rates that prevailed fifty years ago, I think we must throw some part of the blame on the want of adequate provision for the fluctuating needs of Indian business. It is, of course, real capital alone that can provide the substantial force needed to make business prosperous. A supply of currency is but the flux that makes real capital fluid, and enables it to get at its work. And a mere permanent increase of currency does not make capital more fluid; it simply depreciates the currency. What is wanted is a currency which expands when business expands, and thus enables real capital to become fluid when it is wanted to be fluid; and which shrinks when business shrinks, and thus preserves itself from becoming superfluous and falling in value. By this means only can the currency retain its full power; and be ready by expanding again to supply the needful flux for business, when it again becomes exceptionally active. Foreign drains of bullion arising when there is no good stock available to meet them, give shocks to credit, which ought to be avoided. And any shock to credit, whether arising from within the country or from without, makes solvent traders as well as others need an unusual stock of currency to enable them to meet exceptional demands. The discussion of these matters in England, about eight years ago, in which Mr Goschen took the leading part, resulted in the general adoption of the belief that a great commercial country was guilty of false economy, if it allowed the reserve of bullion and currency, which it keeps against such needs, to run too low. And the Directors of the Bank of England, aided by Lombard Street generally, have earned the gratitude of the country by increasing that ultimate reserve. The combined strength and elasticity which the currency of a country requires as provision against external and internal drains is most efficiently provided by a large reserve stock of bullion and coin. But this is expensive. And when, as

appears to be the case in India, the drains to be guarded against are, in a large measure, internal, and dependent on the season of year, and therefore capable of being foreseen, it seems better to adopt the more economic provision of a moderate reserve stock of bullion and coin, combined with a limited and automatic elasticity of fiduciary paper currency. India's relative poverty makes it expedient that she should use the most economical of those devices which modern banking experience and science have shown to be at once effective and free from risk. But for this purpose the cooperation of Government is needed. And I wish respectfully to urge that the Government is not morally free to give the go-by to this question. By the terms of its existence, it is ever extending Western methods of public finance, and aiding the extension of Western methods of private business over the great continent of India. These powerful methods work for good, but because of their very power, they are apt to do much harm when they get out of gear. And therefore the Government, which promotes their extension, seems to me bound also to take thought how far India may require a parallel introduction of those powerful devices which the Western world finds necessary for grappling with occasional disorders of modern business and credit. I do not venture to urge any particular plan for the discharge of what seems to me the bounden duty of the Government in this matter. It must lie with those who know more of India, and more of the practical side of banking than I do, to decide whether there is the material in India for the formation of a bank corresponding to the Bank of England, or— which would probably be better for the special purpose—to one of the great continental banks; or whether a more direct route will be necessary for the present.

But this question leads me to wish to make a remark on one other subject, which lies perhaps rather far from the special business of the committee; but which has been brought home to me by contact with candidates for the Indian Civil Service. The nineteenth century is heading down to the twentieth a vast number of complex economic problems, which are occupying much, perhaps the greatest part, of the attention of the most thoughtful statesmen of the West. Western Governments are aided by the advice and criticism of a large number of able business men, not a few of whom have had time to consider the broader problems of economics, as well as the details of their special trades. There is every sign that the difficulty and urgency of these practical economic problems will grow during the twentieth century as fast in India as in any other country. And the Government of India cannot expect as great a volume of assistance from business men trained in high thought, as a great Western government can. For active life in India is short; it is interrupted by visits to Europe; the climate is hostile to severe mental toil after the day's work is done; and the number of able English business men in India who have an aptitude for high and hard thought in matters ranging beyond their own affairs, can never be very large. If India is to prosper, the difficult economic problems of her government must be solved mainly by the Government. But English officials in India have plenty of occupation for their strength in doing the day's work. And, if they have not learnt to separate the apparent from the real in the action of economic forces before they go to India, they can hardly learn to do so in India. It seems therefore urgently needed that some half dozen of the young men who go out to India every year, should take with them a good grounding in economics, and have already got to understand the main bearings of those modern economic forces which are revolutionizing the West, and are making great changes in the East. But under the present Regulations it is impossible for every candidate to make more than a rapid and superficial study of economics without gravely impairing his chance of being selected for service. I would like, even though it be not quite in proper season, to plead most earnestly for a change

in this respect. If, for instance, those who acquitted themselves with distinction in the paper on economics and economic history in the first part of the examination, were encouraged to present themselves for an

advanced paper in economics in the second examination, they would be helped much on the way to becoming efficient administrators of Indian finance, and in later years wise counsellors.

Prof.
A. Marshall.
16 Feb. 1899.

TWENTY-SEVENTH DAY.

Thursday, 13th January, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR

Sir JOHN MUIR, Bart.
Sir FRANCIS MOWATT, K.C.B.
Sir CHARLES CROTHWAITE, K.C.S.L.
Sir ALFRED DENT, K.C.M.G.

Mr. ROBERT CAMPBELL.
Mr. EVERARD HAMBRO.
Mr. W. H. HOLLAND.
Mr. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary.*

(For Mr. Robert Barclay's evidence on this day, see page 160, above.)

Statement of Mr. ALFRED DE ROTHSCHILD.

Mr. A. de
Rothschild.
12 Jan. 1899.

The CHAIRMAN stated that Mr. Alfred de Rothschild was prevented by illness from being present this day, but on his behalf he read the following paper which Mr. de Rothschild, if present, would have read to the Committee:—

11,853. "In venturing to make a few observations in respect to the important and complex question of the Indian currency, I trust I may not be considered presumptuous. But, having had the honour of representing Her Majesty's Government at the Brussels Conference, where the question of the Indian exchange in connexion with silver played such a prominent part, I naturally take the greatest interest in the present controversy.

"It was at that time that the serious and continuous fall in silver had reached such proportions that it was evident the mints in India could not remain open indefinitely to the free coinage of that metal, and the scheme recommended by Lord Herschell's Committee, for preventing the rupee from following the downward tendency of silver, has certainly been so far successful that there is a distinct and very important difference between the relative values of the two, the rupee indeed having been maintained near the maximum proposed by that Committee for about the whole of the year 1898.

"But the fact that an important Committee has been named by Her Majesty's Government to examine into the Indian currency, is in itself a conclusive proof that the authorities in India are not satisfied that the scheme has placed the currency of the country on such a footing as to enable them to look to the future with perfect equanimity and satisfaction. The closing of the mints was in fact only the first and preliminary step towards the introduction of the gold standard; and, until the next and necessary steps are taken, the condition of the Indian currency must be a condition of transition, accompanied by the inconveniences which are inevitable while such a condition continues.

"Judging from the evidence which has been given before the Committee, I think that nearly all the witnesses are agreed as to the absolute undesirability of re-opening the mints, although in 1893 opinions differed very much as to the advisability of closing the mints; and I think I am also justified in saying, from the many suggestions made before the Committee,

that the opinion in this country generally agrees with that of the Indian authorities, that the present state of affairs is not satisfactory.

"What is the exact position of the Indian currency at the present moment?

"The silver rupee, and the notes representing the rupee, are an unlimited legal tender. I might, therefore, perhaps describe the currency in India as being based on a silver standard, which must be abandoned, or an 'exchange' standard, which is not really a currency standard. I fail entirely to see how either a silver standard or an exchange standard can be transformed into a gold standard without the introduction of a certain amount of gold into the country, and without gold being recognised as legal tender.

"In fact a gold standard without a gold currency seems to me an utter impossibility, and, in this respect, I entirely agree with the evidence given by my brother, Lord Rothchild, as I do also on all the other points on which he has laid stress.

"But at the same time, I should like to see the idea of a gold standard and a gold currency take further development with reference to the embodiment of the idea in actual practice. How can the idea be most conveniently, cheaply, and rapidly realised? That is, to my mind, the really important and crucial question to be discussed as soon as it is recognised that the silver standard is a thing of the past, and is to be replaced by an effective gold standard. I cannot help thinking that an efficient plan might be devised for introducing into India the gold which is essential, in view to establishing and effectively maintaining a gold standard. The simpler such a plan is the better, and the more likely is it to command success. Essentially it should consist of arrangements for the establishment of a sufficient gold reserve as a beginning, and the free flow of gold into the country as well as out of it when need arises.

"But the detailed working of such a plan, simple as it is in its essence, requires a technical skill and adaptability which can hardly be looked for in a Government Department. It seems to me that, if a bank were created in India, with privileges similar to those held by the Bank of England, that desideratum would, in a very few years, be accomplished. The Bank might be constituted on the general lines which I now proceed to indicate.

Mr. A. de
Rothschild.

12 Jan. 1899.

"Proposed Bank to absorb the present Presidency Banks."

"The capital to be the same as that of the Bank of England, namely, 14,000,000*l.*, and it would be a matter for consideration as to how much gold should be placed at once in the Issue Department, and as to how much should be invested out of the 14,000,000*l.* in Government Securities, &c., &c., against both of which the Bank would have the right to issue notes. But the question of the amount of capital is a matter for further and detailed consideration, with reference both to the efficiency of the Bank as a machine for maintaining the gold standard, and as a machine for earning dividends for the proprietors, and also as a machine for aiding in the development of trade and industry.

"The notes should bear their value stamped both in sterling and rupees, in the proportion of 15 rupees to 1*l.* But naturally the convertibility of rupees into gold would not be attempted all at once, nor would it be desirable to do so; but, even if absolute convertibility were declared, it could never take place on a very large scale, because, with such an enormous population as that of India, a very large amount of rupee currency would always be required.

"The Board should be as influential as possible, and composed of representatives of the chief merchants and bankers, the Government having the right to appoint its own representatives, as it is most desirable that the policy of the Government of India and that of the Bank should be in absolute harmony.

"The Government of India would, of course, use the Bank and its branches as its Treasury, which is the case at present with the Presidency banks, and, as regards the fusion of the latter into one large State bank, I think there ought to be no difficulty in bringing this about, especially if the new institution were prepared to offer very favourable and liberal terms.

"It has occurred to me that all silver imported into the country might be subjected to a heavier import duty (I do not, however, consider this as absolutely imperative), but, in the event of the number of silver rupees for currency purposes being deficient, and of its being felt that more are required, the Bank should have the sole right of buying silver duty free, all the silver bought being sent to the mint for coinage. Such coinage could be left in the hands of the Government, and would only be undertaken when actually ordered by the Government; but still, I cannot help thinking that the Bank should have some share in the profit on coining, the proportion of such share to be decided by the Government. This would facilitate the raising of the capital of the Bank, and would prove that the Bank had the Government's goodwill and support.

"But in making the suggestion of a silver import duty, I do so with a view of trying to make the intrinsic value of the rupee more nearly approximate to its token value, and, if I have mentioned the coining of silver rupees by the Bank of India, supposing it were formed, it is because at some future period there might not be a sufficient amount of currency in the country in connexion with the payment of wages for the moving of crops, or the payment of troops, &c., &c.; and this, in my opinion, has been the weak point in connexion with the closing of the mints in 1893, namely, that since then nothing has been done to augment the available currency of the country, the population of which has unquestionably increased, and demands, therefore, increased facilities for making payments. This is the necessary consequence of the period of transition, in which the Government have ceased to add silver to the currency and no gold has been substituted for the silver. I think, therefore, that, while it may be necessary from time to time to coin rupees, it must also be part of the scheme to make the sovereign legal tender, as suggested by Sir Edgar Vincent in his evidence before the Committee and as intended by the Government of India. This would also facilitate the operations of the Bank, one of the

principal objects of which is to introduce gold into the country.

"I should like to emphasise (should a gold standard with a gold currency be suggested) that gold should be current in commercial centres and for international transactions, but not necessarily for all Native internal purposes; and, in support of this argument, if we assume that the new bank is formed, and it will have the custody of the Government balances (these, if I am not mistaken, amounting to about five crores of rupees monthly, *i.e.*, just sufficient to pay the India Council bills), no gold would be withdrawn by the Government for the interior, but only notes or silver.

"Advantages of the Bank"

"The advantages of a bank of this sort would be multifarious, amongst the principal ones being the following:—

"1. A large sum of gold would be immediately provided.

"2. This sum would be found by private enterprise and without recourse to a Government loan, thus avoiding a further heavy permanent charge upon the revenues of the country.

"3. By the establishment of the Bank, the machinery would be at once provided for the effective maintenance of a gold currency and for the conduct of operations connected therewith, which can be far better carried out by an institution of this description than by a governmental department, especially as regards the gradual accumulation of a further stock of gold.

"4. The maintenance of a steady rate of discount. Money could never be dear in the principal centres of India for more than a few hours, namely, the time occupied in the exchange of telegrams, because, if a million sterling were paid into the Bank of England (presuming the latter to be the agents of the Bank of India, which, no doubt, would be the case), the Bank of India, on being telegraphically advised, would at once have a right to issue 1,000,000*l.* in notes, or to give out gold certificates pending the arrival of the bullion itself. I am aware that telegraphic transfers of this kind can be made now through the agency of the Government; but, without convertibility, it is not certain that the money could be had back when required.

"5. The establishment of the Bank would tend to create confidence in the public mind as to the security and permanence of the currency system, and would consequently be effectively instrumental in directing to India the flow of capital which is so desirable for the increase of her prosperity.

"The fact of there now being in India about 100,000,000 acres of uncultivated soil ought alone to be sufficient inducement to attract any amount of British capital, which, I believe, would be at once forthcoming if the British investor knew that there was a fixed rate of exchange between the two countries.

"The Bank should not conduct any exchange transactions, but should confine itself (like the existing Presidency banks) exclusively to internal operations, and it would also, when necessary, make advances to the Indian Government against deficiency bills, which is frequently the case with the Bank of England.

"Considerable amounts of silver and gold go yearly to India, but what becomes exactly of these amounts it is difficult to say. Whatever may be their ultimate destination, it is a pity that the Government should not derive any benefit from them, which they certainly would do if a more substantial import duty on silver were established. In addition to this, a gold standard, if attempted, would naturally contribute towards the shipments of gold which would naturally take the place of those of silver.

" I am aware that, in the opinion of some, India would soon lose her gold ; but against such a contingency the new bank would have to act for the first few years with great discrimination, and would have to exercise its judgment as between the gold required for internal and genuine trade purposes, and that which would be required for exchange operations as being the cheapest mode of remittance. In fact, each case would have to be considered on its own merits.

" In cases of small amounts intended for internal purposes, these would be freely given ; but, in the case of any large amount for transfer or export, then the advisability of raising the rate of discount would have to be considered by the Bank authorities, which is the case all over the world when State banks are called upon to protect their stock of gold.

" The Bank of France takes very stringent measures for the protection of its bullion, by immediately charging a premium ; the Bank of Germany has likewise the means of placing impediments in the way of exports of bullion, and the Bank of England has the power to raise its price for eagles, bar gold, and all foreign coins, to a certain extent, but naturally not for sovereigns.

" But in the event of the Bank running short of gold, then I would suggest that the Government should come to the rescue to the extent of 10,000,000*l.* sterling, by buying one or two crores of rupees, and, according to competent authorities, what with the gold raised by the Bank, and this Government subsidy, there should be sufficient to face all eventualities for some time to come.

" At the same time, I know that no special legislation in respect to the currency of any country is sufficient in itself to bring about absolute prosperity. Such prosperity depends upon the country's trade, which consists of its imports and exports ; but, if giving stability to the currency would tend to bring about confidence, then, in proportion to the confidence thus restored, fresh capital would be forthcoming, and the trade of the country would flourish and increase in the same ratio ; and I cannot help thinking that this would be accomplished if a gold standard were introduced and if a relative value of 15 to 1 were established between the rupee and the sovereign. If I say a relative value of 15 to 1, it is because the majority of the witnesses are of opinion that this is the ratio which one should seek to maintain permanently, and it is approximately the ratio which now exists and seems likely to continue.

" After all, the financial position of a country in respect to its currency should be judged by its credit and its resources.

" As regards the former, the credit of India is second only to that of England, and, as regards the latter, the exports of India considerably exceed its imports, as is shown by the demand for Council drafts and the quantities of gold and silver annually sent into the country.

" It is estimated that there are in circulation four rupees to every inhabitant in India, the amount in circulation being 1,200,000,000 ; and if by the introduction of a gold standard, and taking the exchange at 1*s.* 4*d.*, the fact could be established that the British *£* is worth 15 rupees, then it is equally true that 15 rupees would be worth 1*l.* In fact, my idea of a gold standard with a gold currency is

where the note of a State bank inspires such confidence that it passes *pari passu* with coin, and I feel convinced that the notes of the Bank of India would very shortly command the same confidence as do those of the Bank of England.

" But in addition to the reasons to which I have briefly alluded above, there is one which has much greater weight with me than any other, namely, that all great countries have of late years adopted the gold standard, and in view of the fact that China is the only important country at present which is a buyer of silver, and then only on a limited scale, it may perhaps be said that the day has already come when India would find it difficult, if not impossible, to get rid of any appreciable amount of silver if she were anxious to sell on a large scale.

" Under these circumstances I should like to see the future profits made by the exporters of goods, as well as those made by the internal trade, represented by gold. A part of this gold would certainly leave the country if the balance of trade went against India, but if there were no gold to export, then the exchange would decline to a much greater extent, and the rupee would decline in value likewise.

" I am also fully aware that it has been suggested that a proposal for the creation of a great bank in India with certain privileges, and which would presumably do a very large and profitable business, might arouse opposition on the part of the great financial institutions both in India and in Europe ; I doubt this, but in any case I feel certain that that opposition would be of very short duration, and that these institutions would be the first to lend their valuable aid and co-operation, which would be easily secured if their directors or managers figured on the board of the new bank. The world, in fact, is large enough for every one, and I am sure that the London Joint Stock Banks and private institutions do not suffer because there is a Bank of England, and on that score, therefore, I am quite confident.

" I have purposely not entered into statistics, nor alluded to any figures ; these have been so fully gone into by the different witnesses before the Committee, that I feel it would be impossible to add to them, and even useless to allude to them.

" I have ventured to set out this very important question in a wide and general way, being convinced that what has been carried out successfully by other countries, far less powerful in every respect than India, not only might but ought to be attempted in that country, and that we in England ought to lend our co-operation in the settlement of the currency question of a country with which we have such intimate relations, commercially and politically.

" Of course, where an experiment is made, it is impossible to speak with certainty as to its results ; but it seems to me that this would be an experiment attended with a minimum of risk.

" The more advanced the principles in connexion with the currency of a country, the more they emphasise the civilization which exists ; and, as India is England and England is India, I, for my own part, have every confidence and belief that a gold standard might be introduced, and have no doubt but that, in the course of time, the British *£* would be accepted in India, in the character of full legal tender, as readily as in other parts of the Queen's dominions."

Mr. A. de
Rothschild.

12 Jan. 1899.

[Adjourned.]

TWENTY-EIGHTH DAY.

Wednesday, 15th February, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRID DENT, K.C.M.G.

MR. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Mr. WALTER DUNCAN called and examined.

Mr. W
Duncan.

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11,854. (*Chairman*) You are Mr. Walter Duncan, of the firm of Walter Duncan and Co., of Glasgow, East India merchants?—Yes, the senior partner, and also of Duncan Brothers and Co, Calcutta.

11,855. Have you been engaged in the Indian trade for a long time?—It is rather more than 40 years since I arrived in Calcutta to establish a business which remains to this day.

11,856. How long were you in India?—I was 10 years resident there, and I have been connected with India ever since.

11,857. Since then you have resided in Glasgow?—Yes, I have only paid one visit to India of six months' duration.

11,858. Then you have had a very wide experience of Indian trade?—Yes, I have had a fair experience.

11,859. Now you remember the closing of the mints?—Yes.

11,860. Will you tell us whether you approved or disapproved of that measure?—I thought it was a mistake, I disapproved of it.

11,861. Will you give us your reasons?—I think it is better in the interests of India that the exchange should remain at the natural level instead of being appreciated by any artificial arrangement.

11,862. You are aware of the financial position of India at the time when the mints were closed?—Yes, and I sympathised most fully with the difficulties of the Government of India.

11,863. In your opinion what has been the effect on the trade and production of India of the closing of the mints? The experiment has been in force now, say, for six years. Will you tell us what you think has been the effect on the trade of India?—I think the full effect has not yet shown itself, because these natural laws work very slowly, though they work very surely, towards their end. It is always a difficult thing for a merchant to analyse the causes that produce a given state of things at any moment. It is his duty to try to do it, but there are so many influences working in different directions that it is a difficult duty. But I cannot get over the conviction that the closing of the mints, and so raising the rupee, tends to burden and must burden the exports of India, which is the interest of the great bulk of the population.

11,864. Will you just explain to us how that works out? In the first place, have prices risen or fallen?—Well, that is a very wide question, and it is not easy to give a single answer to it. There are many things the prices of which one can scarcely say have risen, there are other things the prices of which have clearly risen, but it seems to me that on the whole—I am speaking over a broad period—for a long time there has been very little change in prices in India. I think any difference is due rather to a change in the

commodity itself than to change in the standard of value.

11,865. Do you mean the supply has been insufficient for the demand, and that therefore prices have risen?—Prices have not much risen; that is my belief.

11,866. Then it would not be in the article itself?—But where there have been changes, I say it is due rather to seasons, for example, affecting the article itself than to any change in the standard of value in which the price of the article is measured.

11,867. Then am I to understand that, irrespective of the changes arising from the excess of supply, or the deficiency of supply, in the article itself, prices have been unaffected by the exchange?—They seem to have been very steady. The striking thing has been that silver has been such a good standard for India. I think it is rather a better standard of value for commodities in India than gold has been in England.

11,868. How has the price of silver run during the past six years—or rather the value of silver?—If you say the value of silver, then you raise the question of commodities again.

11,869. The price of silver?—The price of silver declined after the mints were closed, but it has risen since. It was down, I think, to 24s., and it is 27½d now.

11,870. Now, about the effect of the steady rise of exchange that there has been. There has been a steady rise of exchange, has there not?—Yes, for the last two years. For some time after the closing of the mints exchange fell.

11,871. For some time exchange fell, and then it began to rise, and it has risen pretty uniformly since?—That is so.

11,872. If the mints had remained open and exchange had still further fallen, what do you think would have been the effect on prices then?—I am not sure that prices would have been very different from what they are if exchange had fallen to 11s., as probably it would have done.

11,873. I rather thought you held the opinion that higher prices would have ruled?—In course of time they would.

11,874. But not by now?—Possibly they would.

11,875. Who would have gained the advantage of those higher prices?—The producer of the commodities which are exported from India.

11,876. Do you not think that higher prices would have affected the cost of production?—It would have encouraged production.

11,877. That is not the point. Your argument, if I understand it correctly, is this: that the price becoming higher and the cost of production remaining the same, there would have been a larger margin of profit, which would have been to the benefit of the cultivator?—That is my view.

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11,878 But do you not think it possible that the cost of production might have risen?—It is likely that the prosperity would have diffused itself through the whole community, and that the labourer would have got his share. I think that would come infallibly.

11,879. Have you any opinion as to how far the advantages consequent on a rise in prices would be neutralised by increased taxation?—I am not quite sure that I follow your question.

11,880 Take some of the instances you have given here. Take first what you have said with reference to cotton goods?—I think the right way for a Government to pay its way is to impose import duties. I look to the great example of England in that matter. I have put down here figures which would make up a revenue of Rs. 5,000,000, the amount that would be required if the 1s. 4d. exchange were reduced to a 1s. 1½d. exchange, or some say 1s. 2d. I prefer to say 1s. 1½d. for this reason, that I take that figure to be the middle figure between 11d. and 1s. 4d. Now, I give an analogy that I think will explain what I mean. If I had been raised 20 feet above the ground, and had only one way of getting down, namely, by dropping the 20 feet, I should expect some calamity—I should expect broken limbs. But, if any kind friend interposed a platform half way between me and the ground, I should have to drop only 10 feet at a time and so reach *terra firma* safely.

11,881. As I understand, you put the limit of fall at 1s. 1½d.?—That is so.

11,882 On what ground do you base that?—Because we have an artificial state of things out of which I think it is desirable that we should get in the wisest way.

11,883. The wisest way, if I understand you correctly, is that the rupee should be at its billion value, and, of course, that the exchange should be affected accordingly?—Ultimately, but I mean only 1s. 1½d. in the meantime.

11,884. We are not dealing now with the meantime; we have to deal with the thing permanently. Now, suppose the mints were open, and that the silver value of the rupee went down to 10d.?—It is more than 10d. just now; it is rather over 10½d., and I expect that with open mints it would not go lower but would rather go higher, and I have put figures down here to show that.

11,885 The point of your evidence is this, that a 1s. 1½d. rate is better than a 1s. 4d. rate for the trade of India?—That is so.

11,886 Why?—Because I think the chief consideration is India's interest as a producing country. If we put a burden on the production of India, India cannot prosper, and no interest in it can prosper. If India is prosperous, everybody concerned in the trade of India will be prosperous, because the people of India will be able to purchase what in their poverty they could not pay for. I will try to give you an illustration of how it tells. It is the producers who are the real exporters of produce from India, and with a low exchange they get so many more rupees. No doubt you will say that, if exchange were to fall, that would cheapen the gold price, and therefore tend to reduce the gold price in this country. That is quite true, but India is not the only producer of these articles; other countries produce them, and she is competing with other countries. We could compete favourably with exchange at the natural level, or, I believe, at something above it; but it would be hopeless to compete if the exports of India had to bear a 1s. 1d. rate of exchange, while others were competing on the privileged level of 10½d.

11,887. What have they had to bear on an average for the last 30 years?—There has been a much higher rate of exchange, but never an *appreciated* rate of exchange. I do not want a low rate of exchange. The *artificially* appreciated rate of exchange puts us at a disadvantage with silver-using countries. That is the serious consideration.

11,888. It puts India at a disadvantage with silver-using countries?—That is so.

11,889. Do you know the extent of the trade of India with silver-using countries?—But I mean in competing with other silver-using countries, though she may not be doing business directly with them.

11,890. Do you know that nearly 80 per cent. of the trade of India is with gold-using countries?—I am aware that that is so.

11,891. Would not that form one of the reasons upon which you ought to base your opinion?—It is with that knowledge that I have formed the opinion which I have expressed to you.

11,892. Then you think the prosperity of the trade of India dates back from the time when silver fell?—I would not say that. India was quite a prosperous country before silver fell, and I never had any desire that silver should fall.

11,893. Then will you tell me where the burden is? You say that a 1s. 4d. rate now would be a burden on the exports of India. I want to know whether that 1s. 4d. rate, or a 1s. 6d. rate, or even the 1s. 9d. rate which prevailed years ago, was a burden?—That was no burden, because it was the natural level, and the same as in other silver-using countries.

11,894. You said that before, but I want you to explain what you mean by that?—I mean, India competes with other countries; it competes with China, for instance. China will be remaining on a 10½d. level, or, even taking copper cash into account, 10 or 15 per cent. above that—say on a 1s. level—whereas we are working at 1s. 4d.

11,895. (Lord Balfour of Burleigh) Do I understand that the use of the word "burden" in your answer means this, that, as compared with what would be the natural value of silver—take it for the moment at 11½d. or 1s.—the expression "burden," in your mind, is intended to imply the difference between the 11½d., or the 1s., and the 1s. 4d. which is the exchange at the moment?—That is so. I say India has to carry a burden from which China, a competing country, is altogether free. That is my point.

11,896 (Chairman) Your argument really is now based on the Chinese competition?—Mainly, not solely.

11,897. Assuming China out of the way?—Then something would still remain.

11,898 But it would be very little?—Certainly it would be less.

11,899. With your experience in the Indian trade, will you tell us where and to what extent China is in competition with India now?—Well, it is not so much in competition with India, so far as tea is concerned, as it used to be; in point of fact, Chinese tea is pretty well driven out of the market, but we cannot leave out of view the events that have recently occurred in China. I think in all probability China will be a field for European capital and enterprise in the future which it has not been in the past.

11,900. What I want to see is where India has been in competition with China, and where it has been disadvantaged owing to a high rate of exchange, or take it on the silver basis, or in any way you like?—I have given as an illustration the case of opium. The Indian Government itself is a producer of opium on the Bengal side. Now in 1896 they sold 33,000 chests for a gross sum of Rs. 51,165,550. In 1897 they sold the very same quantity, which realised only Rs. 40,901,985, being Rs. 10,263,565 less, due to a difference in exchange.

11,901 Is there an effective competition now between Bombay and, say, any great Chinese place in the production of cotton or cotton goods in which the Indian market is at a disadvantage owing to the rise in exchange, or rather where China is at an advantage as against India, owing to the rise in exchange?—I think there has not been time for the competition to be effective; but there is a real hope that it will be; and I understand, from the manager of a large steam

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shipping company here that they have been carrying out machinery for years past in very large quantities to China. I understand further that building lots fronting the Shanghai river have risen very much in price, just for mills to be erected there.

11,902. All this is speculation as to the future?—It is a fact as to the machinery going out there.

11,903. And it is also a fact, is it not, that some of the Chinese mills have come to grief?—I do not know that. I know one was burnt that was not insured.

11,904. Do you know anything of the internal taxation of China?—I do not.

11,905. It is very different, I suppose you know, from the internal taxation of India?—No doubt.

11,906. And again, there is no coinage in China, in the proper sense of the word?—I do not know about that. I know that there is copper cash in use, and that it costs more than silver at the present price, so that there is a tax there to some extent.

11,907. I understand your opinion is that, supposing the mints were opened and exchange fell, and therefore there was an increase of taxation required in order to remit the gold to London for the payments that India has to make in gold, the best way to meet that would be by an increase of taxation?—Yes.

11,908. You say you are in favour of import duties?—Yes. Take the example of England, which it is well to consider; I think everyone knows and acknowledges that imports are the proper subject for taxation and exports are not.

11,909. Who pays the tax on imports?—The consumer. Let us take an example of these two things—tea and whisky. Whisky is produced in Scotland in very large quantities, as we know, yet the Government does not put a single penny of taxation on it as a *product*. They do tax it as an article that is *consumed* but not as a *product*, it is sent away perfectly free to the ends of the earth, whereas tea is an article produced in India and Ceylon chiefly; it is burdened with an import duty equal to 50 per cent. at least of its value. I ask would the moral sense of this great country not recoil against an incongruity of that kind if the question were not dominated by purely economic considerations.

11,910. The economical consideration is this, that the consumer is taxed?—Well, it is a wise thing to tax consumption because that rather leads to economy, and economy itself is a good thing. It is a bad thing to tax production, because that discourages the creation of wealth, and that is a bad thing.

11,911. That is rather outside what I was asking you just now. I asked you who would pay the increased taxation which you propose to impose upon India, and you said the consumer?—That is so.

11,912. Let me draw your attention to the resolution which you seconded at the Glasgow Chamber of Commerce in October last. That resolution is this: "That the true interests of India will best be attained" by a return, as circumstances may permit, to a "re-opening of the mints"?—Substantially so.

11,913. Is that the view of your Chamber?—It is not the view of the Chamber; our Chamber is very much divided on that question; but it is the view, I think, of those who have experience of India, Mr. Donald Graham, and others.

11,914. Now, do you think that opening the mints at once would cause widespread disaster to merchants and traders, and grave difficulty to the Government of India?—I think so.

11,915. Will you tell us very shortly the plan which you would recommend to the Committee in order to avoid that widespread disaster?—I think the Government of India could come, with perfect safety to itself, to a point midway between, say, 1s. 4d and 11d, which is what I call the natural rate of exchange.

11,916. How would you proceed as to opening the mints?—I would keep the mints closed, and let the Government aim at 1s 1½d instead of 1s. 4d

11,917. (Mr. Campbell.) You mean closed to the public?—Yes, that is all we mean when we talk of the mints being closed—simply closed to the public.

11,918. (Chairman.) But, as I understood, the resolution which you seconded at the Glasgow Chamber of Commerce asserted that the true interests of India require the re-opening of the mints?—Ultimately, yes, and I think so, too.

11,919. Ultimately, it would come to that?—Yes.

11,920. I want you to tell us how you would arrive at that?—I think that the future may bring us a great deal that we do not know of just now. I point in my paper here to what I think is a very striking fact, the growing disparity between the value of silver and the value of gold produced year by year. So recently as 1890 the value of silver produced in relation to the value of gold was as 108 is to 100. This last year we have not got the returns of silver, but we have got the returns of gold. Assuming that silver, which has been a diminishing quantity, is in 1898 the same as it was in 1897, the proportion instead of being as 108 is to 100, will be as 29 is to 100. I think that is a very important and weighty fact tending to give us some conception that silver has reached bottom, has passed it, and is now much more likely to rise in relation to gold than to fall. But, when we speak of the future, one must always speak with reserve and with modesty.

11,921. Your opinion is that the mints for the present should remain closed, but that the rate of exchange which, of course, using your own language, will be an artificial rate, should be 1s. 1½d?—That is so. I think we must consider the present state of things, while cherishing the hope of our ideal.

11,922. Now, judging from the experience of the past year, do you think that the maintenance of the rupee at 1s 4d. is compatible with prosperous trade?—I think it will seriously injure trade. I have some figures here, they are not at first hand, but they were taken from the "Home and Colonial Mail." I can give the imports and exports, but the balance of trade is perhaps the important thing. In 1895-96 it was Rx 38,820,000. Next year it had fallen to Rx 23,850,000 and last year 1897-98 it had fallen to Rx 14,775,000. I think that is a very striking fact, assuming it to be a fact.

11,923. Do you consider the trade of India to be prosperous just now?—I do not think it is prosperous just now. The jute mills have just agreed upon short time, to come into effect from the 1st April. The imports of cotton goods during the last four years were as follows:—In 1894-95, Rx. 32,673,000, next year, Rx 25,756,000; the next year, Rx 29,750,000; and in 1897-98, Rx. 26,395,000. I do not, for a moment, suggest that all that is due to the appreciated rupee, we have had famine and other considerations to take into account, but what I always say is this, the most difficult thing that any merchant who tries to be fair with himself has to do is to analyse causes.

11,924. The famine would be a disturbing element?—No doubt it would contribute its share.

11,925. And probably the increased production of cotton goods in India would be a disturbing element?—Quite likely, but the imports of other merchandise show an increase in these years, whereas cotton goods show a decrease.

11,926. But taking the trade of India, as a whole, do you think it is decreasing?—The imports, as a whole, have not decreased in the last four years, they have rather increased, but the exports have decreased. Taking these figures, as I say again, to be authentic, the exports in 1895-96 were Rx. 118,000,000—

11,927. We have all the figures before us, I do not think you need go into that?—Very well.

11,928. (Lord Dalhousie of Burlington.) What are the considerations which lead you to fix upon 1s. 1½d. as your favourite rate of exchange?—My conviction,

which I hold with all deference to the views of others, is that we shall never be right until we have returned to open mints, but we are in an artificial state of things just now, and we must consider the position. To return immediately to open mints would, I think, produce disaster to merchants and traders, and grave difficulty to the Government of India.

11,929. Do I understand that you would return at once to 1s. 1½d.?—Yes, and I have shown how the Government could easily pay its way if that were done.

11,930. Why do you take 1s. 1½d. as the rate?—Because it is the middle betwixt 11d. and 1s. 4d., and it is easier to proceed by two steps than by one, easier and safer.

11,931. Your ultimate idea is to get back to open mints, utterly irrespective of how high or low silver may go?—I have faith in the future of silver.

11,932. But suppose your faith should be not well placed—it is a very speculative subject, new silver mines may be discovered, and so forth, and it is not beyond the bounds of possibility that silver may go very much lower than it has?—I think it is beyond the bounds of possibility. That is my opinion.

11,933. Why?—Because everything that can tell against silver has been telling for years past, and the result has been not a lower price for silver but a higher. If we were to open the mints it would create an increased demand. China has got a very great future; so has Africa; and both need silver.

11,934. But, after all, the real factor in the value of silver will be its cost of production?—Yes, that is so with all commodities—and demand and supply.

11,935. Do you know what is the cost of production of silver now under favourable circumstance in the best mines?—I have heard it stated as low as 1s. 8d., but that is exceptional, and I think that would no more regulate the price of silver than the salmon that leaps into the fisherman's boat and costs him nothing affects the price of salmon, to use an illustration with which we are all familiar in economic writings.

11,936. So the policy that you advocate obviously does hinge entirely on the future of silver?—Yes, and I think everything warrants our anticipating a reasonable price of silver. Everything has been against silver for years past, and yet silver has risen.

11,937. Suppose America were to cease the purchase of silver in order to coin silver; would that have a bad effect?—No doubt. But you know our Scotch proverb usually given in answer to suppositional questions—"If the lift should fa' it would smore the haverocks," which in English is, "If the heavens should fall the larks would be smothered," and yet they sing.

11,938. Do you consider it as improbable that America will give up buying silver and coining it as that the heavens will fall?—Oh, I do not say that.

11,939. Then you would not press your proverbial analogy too far?—No, but it illustrates the difficulty of dealing with hypothetical questions.

11,940. (*Mr. Campbell*) With regard to the competition of China or other silver-using countries with India, you do not suggest, do you, that it is only in competition with these countries that the question of exchange tells?—No, it tells quite as much in the South American markets—Argentina for example.

11,941. You think the rate of exchange affects India's trade and competition with gold-using countries to a certain extent?—Yes.

11,942. For instance, in regard to the supply of wheat to the English market. At a low rate of exchange India might be able to outbid America, whereas, if the rate were raised, it might give America the advantage?—Quite so. India could not compete effectively at the price.

11,943. Therefore, it is not only with silver-using countries that this question of exchange tells, but in competition with gold using countries also?—That is

so; all other countries that produce similar commodities.

11,944. You say in your paper that you hold that it is no part of the functions of Government to regulate the volume of currency?—What I mean by that is that, if a Government enter upon that course, it enters upon a very injurious policy. I do not want to put it in any offensive language, but that is what I mean, and I am not aware that any Government has tried to raise exchange by doing that.

11,945. You think that the regulation of the volume of currency should be left to the operation of trade influences?—That is my view entirely.

11,946. Then, taking the question of the ratio, whether it is 1s. 4d. or 1s. 2d. or 1s. 1½d., would you say that whatever ratio was fixed upon should be one that would permit of gold coming to India freely and automatically and without artificial assistance?—Of course, so long as the rupee is appreciated we cannot say it is relieved from all discouragements, but I do think that at, say, 1s. 1½d. it is much more likely to come. The argument is often used that, if exchange were steady, gold would go to India; but it seems to me that English gold will go out there only if it can find profitable investment; and my belief is that an appreciated exchange puts such a tax upon exports of every kind, whether they be the produce of the soil or the products of modern machinery, that you would not have prosperous undertakings in India.

11,947. Then you suggest that in addition to offering 17 rupees for the sovereign the Government should also have the power to coin rupees themselves?—That is so.

11,948. But to the extent to which gold came in as currency at 17 rupees to the sovereign, the currency would be to that extent replenished, and the need for coining rupees would be correspondingly reduced?—That is so, and therefore I fall back on providing a budget from taxation.

11,949. Would you admit that there are any objections to allowing the Government to make a profit out of the coinage by turning out a rupee worth 1s. 2d. or 1s. 4d. out of 10d. or 11d. worth of silver?—I cannot regard the principle as sound, but it is much more pardonable to do it at 1s. 1½d. or 1s. 2d. than at 1s. 4d. The Government just now are relieving the burden that falls on them by raising exchange to 1s. 4d. I say you cannot create wealth by a financial device. You can shift the burden from one interest on to another. By raising the rate of exchange to 1s. 4d. the Government is relieved to a certain extent, and imports get a certain bonus, but both of these forms of relief must rest somewhere, and they fall upon exports, which I say is the very last thing that should be taxed; quoting the example of England again in justification of that remark.

11,950. With regard to this power of coining, do you think it would be right to give the Government full discretion, or that there should be certain restrictions imposed to prevent the possibility of over-issues?—I am not sure that I have considered that question sufficiently to give evidence of any value, but I quite see this, that, if the rupee be appreciated in that way, it is open to abuse the same as paper currency is open to abuse.

11,951. Speaking generally, you recognise the necessity of some check?—Yes, I think it would be advisable.

11,952. Now, taking 11d. as the intrinsic value of the rupee, I think you hold that the difference between that and the Government rate of 1s. 4d. operates to that extent as a tax upon exports, while at the same time it operates to the same extent as a bounty on imports?—That is my view.

11,953. And you would propose to equalise that to some extent by reducing the rate to 1s. 1½d. and raising the import duties to 10 per cent.?—I would.

11,954. You think an arrangement of that kind would be in no way unfair towards imports?—Very far from it. Even then I think imports would still get a bonus. The Manchester interest is a great interest;

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it deserves to be considered and will be considered. But Manchester manufacturers who want open mints could desire nothing more than free imports. Now a piece of shirting costing, let us say, 5s. with exchange at 11d. would cost 5 rupees 7 annas 3 pies free of duty, whereas with mints closed to the public and exchange at 1s 1½d, even though that 5s. were taxed to the extent of 10 per cent and made 5s 6d., the cost in rupees would be only 4 rupees 14 annas. Therefore there is still a bonus to imports.

11,955. There is still a bonus to the imports after making the adjustment you speak of?—That is so; a bonus of over 9 annas on every 5s.

11,956. Now, if a suitable ratio were adopted at which currency would flow into the country, what effect do you think that would have on the country's prosperity?—I am quite sure that exports would receive a great stimulus. The producers, who number 180 millions, would prosper, and therefore imports would certainly prosper as well, and the indirect gain to the Government would be very great from railways and otherwise.

11,957. Do you think that the revenue would expand under those circumstances?—I think the revenue would expand certainly, because the area of cultivation would be increased and rents would rise—slowly, but surely.

11,958. You think the revenue might expand sufficiently to enable the additional taxation you suggest to be dispensed with?—I think that is quite a reasonable expectation.

11,959. (Sir C. Crosthwaite) You say that the method adopted by the Indian Government has been to close the mints and restrict the currency. What is the object of the Indian Government? Is it merely to restrict the currency or have they any further object?—That is a step towards a further end—to raise the rate of exchange, and so save them the loss on their remittances.

11,960. Is that the object with which the mints were closed?—I so understand.

11,961. Was it not to introduce a gold standard?—I believe it was.

11,962. Was not that the avowed object—the very purpose for which the thing was done—to lead to the introduction of a gold standard?—Then it was a step to something else. Ultimately it was to relieve the Government from the burden of meeting the 16,000,000l. or 18,000,000l. sterling in this country.

11,963. But the object was to introduce a gold standard?—Quite so. My evidence can be of no value as to that, but I admit that, as you put it to me.

11,964. When you say that there is no precedent for such a step, do you know of any other method by which a gold standard can be introduced into a silver standard country, except by the preliminary step of closing the mints to silver?—But 15 rupees to the sovereign is no necessary condition of a gold standard. It might as well be 18 or 20.

11,965. The radical distinction between you and the Government of India is that the Government of India aim at a gold standard, and you would have no gold standard at all?—That is so.

11,966. You have laid stress on the fall in the price of opium. Have you examined the latest statistics of opium sales?—I have not the latest statistics before me.

11,967. Are you aware that the price of opium has risen considerably since last December?—I am not aware of that. I have no knowledge on that subject.

11,968. (Mr. Le Marchant) You allude to the price of opium being very low in the year 1897. Have you observed whether it has been as low, or even lower, in past years?—I think not so low in past years—never so low in past years, so far as my recollection goes.

11,969. Not even when the mints were open?—Not when the mints were open. I am not speaking of the price just now so much as the aggregate value.

11,970. How far would the aggregate value depend on the quantity of the crop that had to be sold?—

I know that the Bengal Government used to sell 55,000 chests in former years; it has been a declining trade, it has always been an uncertain trade. I remember very well when Mr. Wilson came out in 1860 that he deprecated much reliance being placed on the opium trade. He thought that it was a trade that would diminish, and, perhaps, disappear ultimately.

11,971. In your notes you speak of the same amount of chests being sold in 1897 as in 1896, but realising in 1897 Rs 10,000,000 less than in 1896. You attribute that difference to the rate of exchange?—Yes, the price in China being the same, the difference in exchange would account for it.

11,972. The price in China you look upon as a fixed quantity?—Not necessarily, only as a merchant I observe this; the closer you come to the consumer the more difficult it is to raise prices.

11,973. But the consumer's power of purchasing may be affected by a good many circumstances?—That is so.

11,974. You allude in your notes to the introduction of the precious metals as having forcibly diffused wealth. Do you regard silver as having come in for ordinary commodity uses or solely for currency purposes?—For both.

11,975. Should you say one more than the other?—It used to be about 8,000,000l. sterling of silver that was introduced annually into India (I am speaking from memory), and it was understood that about half of that was coined into rupees, the rest being taken for other purposes.

11,976. Do you think that the bulk of what was coined in rupees was added to the currency?—In the first instance, but then a great deal was taken from the currency for manufacturing purposes, because with the stamp upon it it was a guarantee that it was silver of acknowledged purity.

11,977. Would you regard the amount of silver that came in in that way as a test of prosperity?—It speaks to the balance of trade.

11,978. May it not speak to a preference for taking silver rather than other commodities?—No doubt, but then silver is the form in which the surplus wealth is kept. A man does not buy two needless dhooties; he rather puts his surplus into coin. It is after all his common needs are met that he would lay by his surplus wealth, and in that form.

11,979. If other imports are now being taken in greater proportion, would that not show that the country had a preference for other forms of commodities instead of silver?—I do not know to what period you refer.

11,980. I think you say the higher exchange tended to cause a larger importation of commodities generally?—It helps, it cheapens the rupee price.

11,981. Then would you regard the result as being worse for India than if India took silver?—I would not regard it as being worse.

11,982. You say: "Despite the supposed advantage to imports of an appreciated rupee, the trade in cotton yarns and piece goods shows no increase, but rather marks a decline"?—Yes, I have given figures already to that effect.

11,983. Is that an exception to what you regard as the general rule?—Increase is the natural thing to look for. When I went to India, 40 years ago, Calcutta imported 25 millions or 26 millions, or at the most 28 millions of yards monthly. She now imports 90 millions; but we know that the population has increased. Sir Robert Giffen has given us the facts in his lecture, which appears in the *Times* this morning, of the great increase of population, and therefore the trade ought to expand correspondingly.

11,984. But you would say that this trade does not increase in the same proportion?—I am speaking of the last few years, but then I do not assign that to any one cause. I say there is more than one cause. Let me explain that we have had famine and troubles of various kinds, and very likely these have had their influence.

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11,985 Do you think that the local manufactures in India would have had something to do with that, the out-turn of the Bombay mills, for instance?—No doubt that is so.

11,986. But putting those particular commodities aside, would you say that imports had been increased by the closure of the mints as a matter of fact?—There, again, my difficulty is to analyse the causes that produce the effect which we acknowledge. I wish to speak with great reserve, because I know the difficulty as a merchant who has had in the course of his life to analyse causes. There are currents in this direction and currents in that direction.

11,987. (Chairman.) Cross currents?—Cross currents; and he is not a wise man who jumps to a conclusion in matters of that kind. But what discourages exports cannot be good for imports in the long run.

11,988 (Mr. Le Marchant.) I thought from your singling out these two particular articles that you viewed them as an exception to the general rule that imports would be increased?—Cotton piece goods are the largest single article, and therefore I selected them.

11,989. But you find, as a matter of fact, they do not increase?—The last few years they have not increased; but, if you go far enough back, you find they have increased wonderfully. As I say, when I went to India the first time, and found 28 million yards coming out in one month—it was too much; now we find 90 million yards imported in a month.

11,990 I wish to arrive at what conclusion you draw from the facts which you mention in this paragraph?—What is in my mind is this, that raising the rate of exchange does directly favour imports, and does directly burden exports; but, inasmuch as imports must in the long run be paid for through exports, the serious question remains. If the exports are burdened the country cannot prosper, and if it does not prosper it cannot afford to pay so freely for piece goods or anything else.

11,991. And you consider that the reason India is not taking piece goods in larger quantities is from this hampering of exports?—There again, I must just repeat what I said. I acknowledge there have been experiences in the last few years, in the way of famine and so on, that very likely have contributed their share to this result.

11,992. Also the Indian manufactures at home?—Very likely that also.

11,993. What would you say of exports in the present season? Would you regard them as being on a favourable scale compared with average years?—The last three years they have been steadily diminishing.

11,994. But take the present season—what should you say?—You have had better crops following upon a time of famine; but I think in a broad question of this kind, no one can safely rely on one year or two years; you need a longer average in order to illustrate how a law operates.

11,995. Would not the restriction of currency be operating now with increased force? Now that the mints have been closed for six years, would not one expect a marked and visible diminution of exports at this moment?—I would not say marked; I would not expect marked. Last year, for example, there was a great impulse given to the export of wheat, not from anything special in India, but from the great rise in price which took place in this country for some time, which again originated in the brain of one distinguished man in Chicago, Mr. Leiter.

11,996. Which would you view as the more important condition, exchange, or those other influences

which you speak of?—It seems to me that, if you raise the rate of exchange, you introduce an element which is bound to tell—to tell steadily always and increasingly against India as a producing and exporting country. That is the law. I would not wait for statistics, or expect statistics to do anything else than illustrate that. The law appeals to us as certain to act always.

11,997. And you would regard statistics as proving it so far as they go?—I am not quite sure that they would immediately; but in the long run they would.

11,998. But up to now?—Well, I think you need a broader average to give you reliable evidence.

11,999. (Sir A. Dent.) You advocated imposing a duty on cotton goods to benefit the Indian revenue, and you also advocated that the duty should be taken off tea in this country?—Oh, no.

12,000. You do not advocate that at all?—Not at present. I think the Government of this country is well enough guided in its fiscal arrangements. I would be glad to see the tea duty taken off, but I am merely putting it as an illustration of the different way in which the Government of this country proceeds, and the way in which the Government of India has proceeded.

12,001. The great object of putting a duty on tea in this country is, I take it, to levy a tax upon a certain part of the population who would otherwise not be taxed at all?—That is so, and it is perfectly legitimate, I admit.

12,002. I thought you advocated the removal of the duties here, and I was going to say that it is very doubtful whether the planters in India and Ceylon would favour that. Now you say that silver is a good standard for India?—I think it has been a good standard for India.

12,003. Does that mean that you are against a gold standard in any form?—I am against a gold standard, certainly, at the rate.

12,004. (Chairman.) The question is, are you against a gold standard or not?—Well, I am against a gold standard.

12,005. You are against a gold standard altogether?—Yes.

12,006. (Sir A. Dent.) Then you favour 1s. 1½d., as being a natural rate of exchange, and you think that profit on coinage would be more pardonable at that rate than at 1s. 4d.?—I do not regard 1s. 1½d. as a natural rate. The natural rate, I should think, would be about 11d.

12,007. But 1s. 1½d. would be a more natural rate than 1s. 4d.?—A more natural rate. I take it as the middle betwixt the natural and artificial rate now existing.

12,008. You point also to the large increase in the production of gold and the way in which the production of silver is, anyhow, not increasing. If the Indian Government were to fix their limit of exchange now too low—for instance, if they fixed it now at 1s. 1½d.—but some 10 years hence it should be found that that was a very improper rate, owing to the relative production of gold and silver, what do you think would happen?—Then the cure would be easy. They would open the mints and bring about the natural level. That would be a solution, I think, perfectly possible and desirable; although, as it is prophetic, I would not like to be sure of it. I should be very glad to see exchange at 1s. 4d. if it came about in consequence of silver rising in gold price.

12,009. But the object of the Indian Government is of course to have gold, and they could not throw their mints open to the world and get their gold?—But I was assuming that we were not to have a gold standard.

The witness withdrew.

Note subsequently handed in by Witness.

May I be allowed to refer to the universally acknowledged help that railways give in developing India? The evidence of Sir A. P. Macdonell before

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the Committee on that subject is alike interesting and instructive. But after all what can they do? They may cheapen transport to the sea-board by 10, 15, or at most 20 rupees, or a maximum of 11. 6s. 8d. per ton. But a 1s. 4d. rate of exchange adds 35 or 40

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rupees, or a maximum of 2*l.* 13*s.* 4*d.* per ton, to the gold price of ordinary produce, while on tea it adds at least 14*l.* per ton.

We give to the people of India good government, and, so far as human power can avail, we protect them from the three great providential scourges of war, pestilence and famine, so that they are increasing at the rate of 8,000 every day. But, if we condemn them to a deeper poverty by interposing a prohibitive finance betwixt them and the foreign market for the produce of their labour, where is the blessing?

In illustration of what I have said, that we cannot create wealth by any financial device, though we may relieve one interest by burdening another, let me submit the following figures. Taking exports at 70,000,000*l.*, imports at 52,000,000*l.*, and Government remittances at 18,000,000*l.*, the comparison stated in millions stands thus:—

		Differences.				
At 1 <i>s.</i> 4 <i>d.</i>		At 1 <i>s.</i> 1½ <i>d.</i>	At 11 <i>d.</i>	At 1 <i>s.</i> 1½ <i>d.</i>	At 11 <i>d.</i>	
Exports	£ 70 = 105	Rx. 124½	Rx. 158	Rx. 19½	Rx. 48	
Imports	52 = 78	92½	113½	14½	35½	
Government Remittances	18 = 27	32	39½	5	12½	

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12,010. (*Chairman*.) I will first of all ask you one question about a statement made by the last witness, Mr. Walter Duncan. Speaking of Bengal opium, he says that in 1896 the Government sold 39,000 chests for a gross sum of Rs 51,165,550, and, in 1897, it sold the very same quantity, which realised only Rs. 40,901,985, bang Rs 10,263,565 less?—The fact is that the price of opium is a most fluctuating thing. It is the most speculative trade in India, so much so that it might even be called a gamble. In 1897 the Marwaris were not able to gamble as freely as they had been able to do when the rate of discount was lower, the stringency of the money market restricting their operations, with the result that the active competition of ordinary years was absent. This was the main cause of the fall in price, but there has been a recovery since.

12,011. What is the price now?—In September 1897 the price was 968 rupees a chest, in September 1898, 1,079 rupees; in October 1897, 984 rupees, October 1898, 1,073 rupees, November 1897, 987 rupees, November 1898, 1,134 rupees, December 1897, 1,040 rupees, December 1898, 1,138 rupees.

12,012. That is about a 10 per cent. rise all round?—Yes.

12,013. Have you got the quantities sold in 1898?—We are selling and exporting more than in 1897. Of Bengal opium the number of chests sold up to April 1897 was 3,250 a month; from April down to December 1898 the number was 3,400. In connexion with the export trade we must take into consideration Malwa opium. The trade does not consist of Bengal opium alone; there is a large quantity of Malwa opium, and Malwa opium has revived considerably after a period of great depression extending over some years. There is a much larger export of Malwa opium from Bombay this year than last year. The exports of opium in the first nine months of the present year, compared with the same period in the two preceding years, are:—

	From Calcutta. Chests.	From Bombay. Chests.
1896-97	29,090	17,534
1897-98	29,361	14,106
1898-99	30,778	19,084

Thus to save 300 millions of people from paying taxes amounting to Rx. 12½ millions = 6½ annas each, we have put a tax of Rx. 48 millions upon 180 millions of the poorest, which amounts to 42½ annas each. My proposal is to relieve those 180 overburdened millions, to the extent of Rx. 19½ millions, by putting Rx. 5 millions upon the whole population, that is to say, I would burden all who share in the benefits of good government, to the extent of 2½ annas each, in order to relieve three-fifths of their number—the poorest—to the extent of 17½ annas each. This is an argument based on equity, and is quite apart from the all too reasonable fear that under the present disabilities to exports the balance of trade may so seriously diminish as to produce an absolute deadlock. The tendency must be in that direction though it may only be after prolonged suffering that the result becomes unmistakable.

Then, in regard to the great loss which the Government of India sustained as a producer of opium in 1897, compared with 1896, I hold it to be demonstrable that the loss was due to the Government's financial policy more than to any or all other conceivable causes put together. The point is important chiefly as an illustration of the way in which the interests of other producers for export are prejudicially affected by that same policy, for their positions are analogous.

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recalled and further examined.

12,014. You say that the stringency of the money market prevented the Marwaris from borrowing money for the purpose of speculating with it. Now that the market is resuming its normal conditions, there is nothing to indicate that opium is being affected by the rate of exchange?—Nothing at all. Business operations and speculation have been actively resumed. Perhaps you will allow me to point out that during the years when the mints were open the price of opium was frequently much lower than it is to-day or was in 1897.

12,015. In your evidence before us last July, you were asked a question with reference to the allegation that the closing of the mints has caused great dissatisfaction in India. Would you say whatever you have to say upon that point?—I said that no such evidence was forthcoming. We examine the native press with the greatest care in India from week to week, and, if there is anything causing dissatisfaction among the people, we hear of it from the native press as well as from other sources. We never heard at all that there was such dissatisfaction. The native press always makes itself promptly heard if there is any kind of a grievance or dissatisfaction, and the subject is kept permanently before the public. Neither from the native press nor from other sources has there been any indication of dissatisfaction with the action of Government in closing the mints. A witness before this Committee demurred to that remark, and pointed as evidence of dissatisfaction to a resolution passed by the National Congress last December. I have that resolution here. Mr. Wacha, of Bombay, a Parsee gentleman, who has written extensively on the currency question for some years past, moved the following resolution—

“(a.) Resolved, that, having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss, either by changing the currency at a heavy cost, or contracting the internal currency, must add to the pressure on India's monetary resources and to her trading disadvantage.

“(b.) That the only real relief is carrying out practically the principle, affirmed by competent authorities, of England bearing an equitable share of that expenditure.

"(c.) That the Congress regrets that, save Mr. Romesh Chunder Dutt and Mr. Merwanji Rustomji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee, of which Sir Henry Fowler is the President.

"(d.) That the President be authorised to request Sir W. Wedderburn, Chairman of the British Congress Committee, to communicate the foregoing Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London."

That is the Resolution of the Congress, passed in Madras, on the 29th December 1898, which was pointed to as evidence of dissatisfaction. I have been looking through the annual proceedings of the National Congress to see what it has said from time to time upon currency matters, and this is what I find. In December 1892, during the agitation for the closing of the mints, the Congress resolved:

"That, having regard to the diversity of opinion that prevails on the currency question, and the importance of the question itself, this Congress desires to express its earnest hope that, unless its hands are forced by the action of any Foreign Power, necessitating a change in the currency or the standard, which might prove injurious to the interests of the country, the Government of India will refrain from taking any steps until the labours of the Brussels Conference have been completed; and, further, that the Government will lay before the public for discussion the proposals which Lord Herschell's Committee may recommend, before definite action, if any, is resolved upon."

In December 1893, after the mints were closed, Mr. Dadabhai Naoroji being in the chair, it was resolved:

"That this Congress places on record its deep regret at the recent hasty legislation of the Government of India closing the Indian mints against the private coinage of silver, whereby the people of this country have been subjected to further indirect taxation of a burdensome and indefinite character, and some of the most important trades and industries, notably the mill industry, have been seriously disorganised and injured."

Between December 1893 and December 1898 the National Congress did not revert to the subject. In December 1898, the resolution read just now was preceded by only two speeches, which were made by Mr. Wacha and Mr. Iyer. Those speeches may be called in effect mere political speeches.

12,016. You still retain your original opinion that there is no general dissatisfaction existing in India upon this question?—If there had been any dissatisfaction we should not have been left to hear of it more than five years after the closure of the mints from a resolution passed by the National Congress. When I gave evidence before, I remarked that there were no expressions of dissatisfaction, although attempts had been made from England to incite to such expressions. An illustration of my meaning occurs in connexion with the resolution of the National Congress to which I have been referring. It appears from the report of the proceedings that the following telegram was sent, though unnecessarily, to the Congress:—"From the Royal Exchange, Calcutta, "Mr. Forbes Mitchell" (described by the Congress Chairman as "a well-known gentleman of Calcutta and friend of India"): "Mr. Barclay, Chairman of the Manchester Chamber of Commerce, hopes that the National Congress will protest against the gold standard." On receipt of this message a copy of the resolution was sent to Manchester, as the Committee were informed.

12,017. (Lord Balfour of Burleigh.) What inference do you want us to draw from the fact that there was nothing done between 1893 and 1898?—

That there was no dissatisfaction in the sense in which the word has been used before this Committee.

12,018. (Chairman.) Now we will go to the question of illicit coinage. We should like to hear what the Government of India have said in respect of illicit coinage of rupees. Will you state their views and give us the evidence on which it was based?—I have here a despatch from the Government of India, dated the 12th January 1899, in which they send all the information they had. The following paragraphs contain the gist of the despatch:—

"We have already, in reply to your Lordship's telegram of the 28th November, telegraphed the substance of the information at our disposal in regard to cases of illicit coinage recently discovered. We now beg to say that Mr. Henry's remarks attracted our attention before the receipt of your Lordship's despatch, and we made inquiries on the subject. We forward a copy of our correspondence with the Government of Bengal, from which it will be seen that Mr. Henry's remarks as to the likelihood of coins, with the same proportion of silver as Queen's coins, being produced in large quantities were wholly conjectural. For it is now admitted that, although special measures have been taken since the closing of the mints to watch persons previously convicted or suspected of coining, and several hundred counterfeiters have been collected by the police in Bengal, only five false coins have been detected in the last five years the composition of which approximates to that of genuine coins.

"We may further add that, in connexion with the remark made by the Chairman of the Assam Branch of the Indian Tea Association, in his letter of 20th June 1898, a copy of which was sent to your Lordship with our Financial Despatch, No 235, dated the 4th August 1898, we caused inquiries to be made as to the alleged circulation of spurious coin in Assam. We enclose a copy of the correspondence with the Chief Commissioner. His inquiries are not yet complete, but all reports yet received from district officers, some of whom have made most minute inquiries, tend to show that the number of spurious coins in circulation in Assam is very small, and not increasing.

"We beg to enclose a copy of a memorandum we have caused to be prepared of all cases of counterfeit coinage which have been specially brought to our notice within the last year or so. The evidence afforded thereby in no way justifies the fears that have been expressed as to the possible production on a large scale of counterfeiters containing a high percentage of silver, nor is there any evidence of a large increase of silver counterfeiters in the experience of the Calcutta Mint, to which specimens of the counterfeiters discovered in Bengal and Northern India have been sent for assay. During the past year the Assay Master, Calcutta, received for assay 205 counterfeit coins, of which 101, very nearly 50 per cent, contained no silver whatever, while 104 contained silver varying in proportion from 6.08 per cent. to 90.50 per cent., the standard for genuine rupees being 91.66 per cent. We append a table showing the proportion of silver found in each of the 74 whole rupees assayed.

"We also wish to bring prominently to your Lordship's notice that, with the exception of six coins struck between dies (all of one batch) which were recently detected by the National Bank in Calcutta, all the counterfeiters discovered have been cast in moulds, and that this method of manufacture is too laborious and slow to admit of coins being produced in sufficient quantities to constitute a danger to the currency of the country. The origin of the one batch of coins that were struck has not yet been discovered, but it seems to us in the highest degree improbable that the machinery required for turning out coins in large quantities could be imported and used anywhere in British India without immediate detection.

"We remain, therefore, of the opinion expressed at the close of our telegram of 26th December, that there is no evidence of counterfeiting on any appreciable scale, and we think with your Lordship that the

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re-appearance of coins of the earlier issues is due to hoards being brought into circulation owing to famine, and also, perhaps, to the stringency of the money market during recent years, and to the attraction of purchasing cheap silver bullion."

The Chairman of the Indian Tea Association, at a meeting in June last year, remarked that the amount of spurious rupees in circulation in Assam required the serious attention of the Government. Thereupon, the Government of India asked the Chief Commissioner of Assam to report whether spurious coin was circulating in Assam, as was alleged. After elaborate inquiry, he answered to this effect:—"The Chief Commissioner believes that there is very little counterfeit coming in of a kind which would be likely to deceive a person of ordinary intelligence and education. The remark of the Chairman, Assam Branch, Indian Tea Association, which you refer to in your letter under reply, appears to have been based on the discovery of certain coins which were not counterfeit, but genuine rupees that had been tampered with or sweated, and must have been brought into Assam from Calcutta. This was the effect of a report by the Master of the Mint on the coins which Mr. Buckingham sent him for examination. I am to add that the Inspector-General of Police, Assam, and other officers whom the Chief Commissioner has consulted are also of opinion that there is no great circulation of spurious coin in the Province."

Among the reports that the Chief Commissioner sent in were several from large tea companies and from the manager of the Assam Railways and Trading Company. He wrote:—"About 10 spurious rupees only have been found by the chief cashier during the last 14 years amongst their receipts, which amount to about Rs. 67,000 monthly in cash alone. They have not experienced any increase in spurious coin amongst their large takings from the railway and other ventures of the company during recent years." Similar answers were given by everyone consulted—managers of stores, planters, officials, managers of tea companies, managers of trading companies, bankers, and so on.

12,019. Then you still adhere to the view you expressed when you were before us last year?—Yes, and in addition to the official evidence supporting that conclusion, I have evidence obtained privately. In a letter from Mr Lindsay, now acting manager of the Bank of Bengal, he says, "I can get you from Hyderabad any number of illicitly coined Halli Sicca rupees made of pure silver; but they will be of no use to O'Conor, as the Farrukhabad coinage case proves that native State coins can be readily imitated by ordinary village silversmiths. What O'Conor wants, I presume, is a counterfeit of the British Government rupee, made of pure silver, and you may tell him that the cash department of the Bank of Bengal have never come across any coins of the kind." I am informed also that Messrs. Ralli Brothers, who have very large transactions in cash, have found no such coin, though they find the ordinary counterfeits such as have always been made, in the usual small proportion. Mr John A. Anderson, a member of a mercantile firm in Calcutta, has sent me 17 samples of counterfeits, containing a varying proportion of silver. He informs me that it took three weeks to collect this small number, though banks and brokers were engaged in the collection. With them he sent me a report by Colonel B. Scott, C.I.E., Master of Her Majesty's Mint at Calcutta, from which it appears that, of the 17 samples, one was genuine, but it had been used to hang on a necklace, and was mutilated; of the other 16, one only was struck in a die, and it was struck so badly that when it was put into circulation it was rejected.

The difficulty in striking coin in a die is that the corners have no sufficient stamping power to do the thing properly. When done by hand, owing to the hardness of the metal, the impression is probably indistinct, and, if a second impression is taken, as was

done in this coin, it is blurred and the coin is open to suspicion. Further, without the machinery collar, which does the mulling at the same time that the reverse and the obverse are struck, the mulling must be done separately by hand, and it is necessarily imperfectly done. Of the 16 rupees which I have here, 15 were cast in moulds, and, as the Government of India point out, there is no danger to be apprehended from cast coins, the process being slow and crude. This kind of coming is limited to the small and poor class of professional coiners, and it would be impossible for them to make any appreciable addition to the coinage before they were discovered and apprehended.

12,020. Then the net outcome of all that is that no appreciable increase of counterfeit coin has been discovered?—That is so.

12,021. And there is no reasonable ground for apprehension in the future?—None.

12,022. It has been suggested that one result of closing the Indian Government's mints might possibly be that the depreciated coin of native States would drive out the appreciated rupee from the British zone surrounding the native States. On a previous occasion you gave the Committee figures to show that the coinage of the native States had been on such a restricted scale that this result need hardly be regarded as serious. Have you any more recent information on this point?—We have received from the Government of India figures showing the quantity of silver going into the native mints during the first nine months of the year 1898. These supplement the figures of the quantity passed in to the end of 1897, which will be found among the Financial and Statistical Tables printed for the Committee (see Appendix). During these nine months of 1898 the total quantity passed into the native mints was only 2,889,263 tolas. At this rate, if it should continue for the rest of the year, the coinage of the 12 months will be 3,611,578 tolas. A tola is the weight of a rupee. Moreover, very nearly half of this quantity is the re-coinage of old coin, so that the coinage of the native States during the present year has been less than 2,000,000 tolas.

12,023. All the native States?—All the native States. In 1897 it was 8,000,000; in 1896, 12,000,000; in 1895, 11,000,000; in 1894, 8,750,000. The only large quantities were in 1892 and 1893, when 15,000,000 and 20,000,000 were passed into the native mints. There has been a gradual falling off since 1893, and it seems evident that there is no need to suppose that British coin is being, or will be, superseded by the coin of the native States.

12,024. You told us that two States, Kashmir and Bhopal, had ceased coining. Have any others ceased coining since you gave your evidence?—Yes, Gwalior also has ceased to coin. Gwalior is much the largest State of the three. Both Kashmir and Bhopal have withdrawn their own currency altogether and taken British India rupees, and Gwalior is now doing the same thing.

12,025. Was there any compulsion put upon either of those three States?—Absolutely not.

12,026. It was done entirely of their own free will?—Entirely. I happen to know exactly what happened in Kashmir, for I was in Kashmir myself for two months in 1897. Kashmir formerly was practically almost inaccessible to Europeans, but a road was recently constructed which enabled people to go from Rawalpindi to Srinagar with ease in three days. There has since been an increasing crowd of visitors to the State, who come with British Indian rupees. A branch of the Punjab bank was established there which also did its business in British Indian rupees. Soon everybody, even the natives of the country, refused to take Kashmir rupees, and the State Treasury was filled with the local coin presented in payment of taxes. The safes of the bank were also filled with Kashmir coins, which its customers declined to take. The State found itself loaded with a great sum of rupees which were practically bullion, and application was made to the

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Government of India for advice and assistance. The Government was ready to prevent the State from falling into serious financial difficulty, and an arrangement was made under which the Government took over all this Kashmir coin at a value materially above its bullion value, British Indian rupees being given in exchange. Of course it had to safeguard itself by requiring that the State should not coin more native rupees. The Maharajah willingly accepted that proviso. He did not forego his right of coinage, he merely waived the exercise of that right for a specified period. The state was anxious to make the arrangement, which gave it complete relief in a difficult juncture.

12,027. (*Mr. Campbell*) For how long a period did he waive his right to coin?—Fifty years. We feel satisfied that before the end of that term the State will have fully recognised the advantages of a unification of the coinage, as it has already recognised the advantage of the unification of the Post Office and telegraphs.

12,028. (*Sir A. Dent*) If the native States call for British Indian rupees, do they get any share of the profit?—Of what profit?

12,029. The profit that the Government make on coining?—The Government did not make any profit on this. They made a loss in fact. They took over the native coin when they might have bought bar silver in Bombay much cheaper—they took the native coin at a higher rate, and received it into British Indian rupees, and gave the State the equivalent of the native coin in British Indian rupees.

12,030. But with regard to any future transaction, is there any arrangement as to sharing profit?—There is to be no future transaction. After this replenishment of the currency, the native State will get its supplies of British Indian coin in the ordinary course of trade as British districts do. The Government will not coin specially for any state.

12,031. (*Sir C. Crosswaite*) Was the Maharajah of Kashmir a minor at the time?—He is a man of mature age, probably not under 40.

12,032. Was his State in any sense under British management at the time?—Not in the least. The Maharajah for a time was under a cloud, and was put aside.

12,033. That is some time ago?—That is some time ago. A Council of Regency was established, but he was reinstated some years ago, and he governs now with a Council consisting of his two brothers and a minister.

12,034. This took place after he had regained his powers?—Yes, three or four or more years after. There is no ground whatever for the suggestion that there was compulsion in the matter.

12,035. (*Chairman*) What have you to say about the other States?—The Begum of Bhopal, as Sir Charles Crosswaite knows, is one of the most intelligent rulers in India, and one of our best friends. She found the State suffering from a depreciation of the currency, and came to the conclusion that the best thing was to get rid of the currency on the favourable terms that Government had offered to Kashmir. Like Kashmir she asked for advice and assistance, and readily accepted the offer of the Government.

12,036. Her rupees were at a great discount, were they not?—A very great discount.

12,037. And after she adopted our mintage and took our currency, did she revise her revenue at all?—I do not know. I cannot say what she has done with regard to that.

12,038. What have you to say about Gwalior?—Gwalior is in rather a different position. In Gwalior three different currencies were in circulation, each of them legal tender only in a certain part of the State. In some districts also the British rupee was current and legal tender. The State found it had got into serious difficulties over the system. One currency was insufficient, another was excessive, and the third was so small that nothing satisfactory could be done

with it. The Maharajah came to the Government of India for advice, and the Government, instead of suggesting that he should follow the example of Kashmir and Bhopal, advised that he should begin by reforming his currency—making all his different rupees legal tender everywhere indiscriminately. When he had got his local currencies into some sort of definite condition, he might then consider what should be his next step. The Maharajah found himself unable, from local circumstances connected with the assessment of the land revenue, to accept this advice, and, instead of reforming his currency, he decided to get rid of it altogether. The State happens to be wealthy and able to bear the expense. He made no arrangement whatever with the Government of India, but simply, quite of his own motion, withdrew his native currency and substituted British Indian rupees.

12,039. (*Sir A. Dent*) All this was done last year?—Yes, it is tolerably evident that, having regard to the dimensions of the coinage of native States and to the withdrawal of the coinage of three of those States, there is no fear that native State coinage is intruding on the area in which the British coinage has been circulating hitherto. The reverse is, indeed, the case, as I said when I was under examination before.

12,040. (*Mr. Le Marchant*) There was no sort of compulsion on Gwalior?—Not the slightest, and no thought of it.

12,041. (*Chairman*) Have you any reason to think there has been any compulsion put upon any other native rulers, or that they are at all dissatisfied?—Nothing of the kind. We have had nothing to say to them at all. They have made no representation to us, and we have made no representation of any kind to them. They were told in 1893 that the Government would be glad to advise and assist them in any way if they wanted advice or assistance, but they have not asked for advice or assistance. With the exception of these three States, they are going on in their old way.

12,042. Then you do not attach much importance to any allegation that they have been prevented from taking steps in consequence of the action of the Residents?—It is a suggestion that has absolutely no foundation whatever.

12,043. Have you anything to say as to the present condition of Indian trade, especially as to whether there is anything unusual or abnormal?—There was a great deal said last year about the condition of trade being abnormal, but, so far as the trade is going now, I maintain the opinion that I expressed six months or so ago, that there is nothing abnormal in the condition of trade in the present year. We are having a good year on the whole, but, though we have done fairly well in some things, we have not done very well in some other things. On the whole, although there has been some decline in imports and a large increase in exports, I do not feel inclined to anticipate that the increase in exports or decline in imports is abnormal. I would ask the Committee to look at the figures of the period for which we have the accounts, April to November, the first eight months of the year, compared with the preceding six years.

The exports are:—	Rs. (000's omitted.)
1892-93	71,400
1893-94	68,874
1894-95	75,878
1895-96	73,787
1896-97	70,216
1897-98	65,620
1898-99	77,873

There does not seem to be anything in these figures to justify the apprehension that the export trade is in an abnormal condition.

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The imports are:—

	Rx. (000's omitted)
1892-93	52,690
1893-94	60,947
1894-95	54,837
1895-96	55,479
1896-97	59,030
1897-98	59,955
1898-99	56,790

The excess of exports over imports in the same years was:—

	Rx. (000's omitted.)
1892-93	18,710
1893-94	7,927
1894-95	21,041
1895-96	18,308
1896-97	10,286
1897-98	5,665
1898-99	21,083

In 1894-95 there was an excess of Rx 21,041; and in 1898-99 there is an excess of Rx. 21,083. In 1893-94 there was an excess of only Rx 7,927, Council bills having been suspended for a part of that year, which may be treated as an abnormal year. In 1896-97 and 1897-98 the excess was also small, Rx 10,286 and Rx 5,665. Those two were years of famine and plague—abnormal years, in the latter of which Council drawings were reduced, as in 1893. Looking at the years of normal trade, we find that there is no special excess in the present surplus of exports.

12,044 (Sir A. Dent.) You give those figures to show that we are perfectly justified in taking them as the usual condition of trade?—Yes, I think that they may be regarded as normal figures such as we may expect in ordinarily good years.

12,045. Other people point out that in the last five years there has been war and famine, and that now we have come to rather an exceptional year, but, notwithstanding that, you maintain that we are justified in taking these as the figures of the normal condition of trade?—I say that the two years, 1896-97 and 1897-98, were exceptional years. We have now reverted to normal conditions since the beginning of 1898.

12,046 You do not consider this an exceptional year at all?—No, I think it is a normal year.

12,047 Then what do you say to the enormous export of wheat that has governed these figures so largely?—There have been very large exports of wheat before, and the exports really have not governed the aggregate figures of the trade in any marked degree. The increase in these 8 months amounted altogether to 13 crores. The increase in the value of the wheat is eight crores out of the 13 crores; so that there are five crores left.

12,048. Then, rice?—It is an ordinary trade that is going on in rice. In regard to both wheat and rice, the two previous years were exceptional years; there was no wheat to export and the higher price of rice restricted trade.

12,049. (Chairman) Do the conditions of trade justify the apprehension that it may prove to be unequal to the maintaining of the rupee at its present rate? For instance, do you expect a diminution of India's exports and an increase of imports, or a fall in prices?—We have come to an end of the abnormal period, and, although there may be an increase in the imports (as I hope), there will be a corresponding increase in exports. We must pay for our imports.

12,050. And we can only pay for them by exports?—Exactly. The test is in the excess of exports over imports, which is the means of paying the Secretary of State's bills. I am not able at present to see anything which would justify the apprehension that that excess is likely to be reduced.

12,051. (Mr. Campbell.) Not in the next four months?—Not in the next four nor in the next 12 months.

12,052. (Chairman) At all events this year has only another month to run?—I should not feel inclined to base any wide inference on the trade of one year only, but I am comparing the trade of the present year with the trade of preceding years, and I find that the trade of this year does not differ essentially in its character or its volume from the trade of previous years, or in the relative proportions of imports and exports. So that on the whole I conclude that we can stand the rate of 1 s. 4 d., which has prevailed this year, in future years.

12,053. I suppose the balance this year will be quite sufficient to pay for all the remittances to London?—No doubt.

12,054. Will there be any surplus beyond that?—Well, there ought not to be. If there were any surplus beyond that, it would mean outflow of capital from India.

12,055. (Mr. Campbell) Any surplus would probably be taken in bullion?—Perhaps so, but not necessarily.

12,056. (Chairman.) It has been stated here, on the authority of an official report from the Straits Settlements, that the closure of the mints has changed (to the disadvantage of India) the course of trade between India and the Straits, discouraging exports from India and encouraging exports from the Straits. What are the facts in respect of that allegation?—That statement was made here by a witness in answer to question 11,686.

12,057. Yes. A Straits Settlement Consular report was quoted which said, "the success of the experiment of closing the mints in India has favoured exports to that country while diminishing exports therefrom to places with a silver standard," and the witness says, "I can give several reports showing that the effects are very great."—It was a report from the Acting-Governor of the Straits, who stated, as a sort of *obiter dictum*, that rice and opium, which are the two things constituting the bulk of the exports from India to the Straits, had fallen off, and on the other hand that the exports from the Straits to India had increased as the result of the closing of the mints. The statement shows the danger of generalising from the trade of a particular year. The Acting-Governor was writing of the trade of 1897, which was the famine year in India. The bulk of our trade with the Straits consisting of rice, the exports fell off, because the price of rice in India doubled. We had indeed to import rice, and we took a considerable quantity from Singapore, which was used as a depot for rice produced in the further East. Now take the figures from 1892-3 and let us see how the exports of rice to the Straits come out. The exceptional nature of the year will at once be apparent if we look at the course of the rice trade for some years. The exports have been (in cwt) as follows (eight months of each year):—

1892-3	1,693,304
1893-4	1,753,042
1894-5	2,856,997
1895-6	3,844,442
1896-7	2,629,882
1897-8	1,241,044
1898-9	3,994,216

The exports during the present year are the highest on record. In 1897 there was a temporary diversion, not merely a diversion, but a reversal of the flow of trade due to temporary causes. Again, the opium exported from India to the Straits in the same period has been as follows:—

	Chests.
8,465	6,819
9,967	8,262
10,794	10,159
8,274	

12,058. What do you say as to the fall in the exports of opium?—In 1895-6 a very low export was coincident with a very low exchange. 1896-7 and 1897-8 were years of famine and plague, and of

monetary stringency; there was in consequence a restriction for the time being in the export of opium, but that has passed away and we are now back again in the flow of the ordinary tide.

12,059. And so far as the year 1898, at all events, is concerned, the rate of exchange of 1s. 4d. has not discouraged exports from India, and has not encouraged exports from the Straits?—Our exports to the Straits have been, in fact, larger than ever before during this present year.

12,060. Similar statements have been made in respect of China. Can you tell us whether there has been any particular decline of the Indian trade with China?—There has certainly been a decline in Indian trade with China. As I have frequently had occasion to point out in writing my Reviews of Trade, our trade with China has, unfortunately, been a stationary or declining trade for the last quarter of a century or more, but it is noticeable that it is not our exports to China which have fallen off, but the imports from China to India. Now, if the closing of the mints had anything to do with the conditions of trade between China and India, there should have been a restriction of exports from India and an expansion of exports from China to India, which was what the Governor of the Straits thought had happened in the trade with the Straits. It has been just the contrary. If you will allow me I will show you what the imports have been during the last five years from 1893—the year of the closing of the mints—to 1897–8. The figures are:—

Rx.
3,542,556,
2,662,957,
2,805,858,
2,149,089,
1,691,012.

12,061. (Sir A. Dent.) What is that chiefly made up of?—We get raw silk chiefly; some copper and tea, the last mainly for re-export.

12,062. (Chairman.) That is a steady decrease?—Yes, it is a steady decrease. Then our exports are:—

Rx.
11,129,322,
12,695,448,
13,949,290,
13,818,583,
12,226,990.

12,063. (Sir A. Dent.) That is mostly opium?—Opium and cotton yarn. Opium is so predominant a factor in the trade that it must of necessity affect totals materially, and yet, even with that, we do not find any decrease, except in the last year of the series, when the export trade was affected by the fall in the price of opium, to which reference has already been made. In the present year that trade has revived. It may therefore be said that since the closure of the mints there has been no decline at all in our exports to China.

12,064. China always imports more, does she not?—China always imports a great deal more from India than India imports from China.

12,065. How is the balance made up?—By transactions here.

12,066. Do you include treasure in your figures?—These are for merchandise only. I have the figures for treasure here also, and the result, with or without treasure, is practically the same.

12,067. In your original figures, was the treasure included?—I have it here.

12,068. That is silver bullion?—More gold than silver. There has been little silver sent by China to India in recent years.

12,069. Gold bars?—Gold bars and leaf gold.

12,070. You cannot say what proportion of silver and what proportion of gold, can you?—Yes. I have the figures. They are as follows:—

VALUE OF THE IMPORTS OF GOLD AND SILVER FROM CHINA.		
	Gold.	Silver.
	Rx.	Rx.
1894-94 - -	969,398	138,029
1894-95 - -	460,537	47,723
1894-96 - -	370,792	17,605
1894-97 - -	451,067	15,539
1894-98 - -	774,540	186,289
Total - -	3,026,334	355,265

We are now exporting silver (British dollars) from India to China (Hong Kong)

There is clearly no indication in the trade with China of that decline in our exports to China and increase in the exports from China to India which ought to have taken place if the closure of the mints had been the only factor, or a main factor, in the trade. I should like to observe here that, although our commercial intercourse with China is not increasing, and has not been increasing for the last quarter of a century, what we may have lost in the China trade has been more than replaced by the development of the trade with Japan. Our commercial intercourse with Japan has increased enormously in the last few years, and, looking at the accounts since the year of the closure of the mints, the augmentation of our trade with Japan is three times as large as the decline in our trade with China.

12,071. (Sir A. Dent.) That is largely made up of raw cotton?—Yes.

12,072. (Chairman.) Have you anything to say as to why what has happened with regard to China is the opposite of what has happened with regard to the Straits?—The inference I draw is that in neither case has the closure of the mints had anything to do with either the course or the volume of trade. The course and the volume and value of trade depend on considerations which are quite separate and apart from any questions of currency. Currency in the long run has no effect whatever on trade between two countries.

12,073. (Sir A. Dent.) The starting of many cotton mills in Japan has created the Japan trade entirely?—That is the principal reason for the development. Japan has entered upon the ways of civilisation, progress, and industrial enterprise. China is still practically what China was a hundred years ago. The result is that Japan, which formerly did hardly any business at all with us, now does a large business, and it may be anticipated that a few years hence our trade with Japan will exceed in volume and value the trade with China. If China were to enter on the same road as Japan, no doubt our trade with that country would expand as our trade with Japan has expanded.

12,074. Do you expect to export as much cotton to China as you have to Japan?—Yes. I do not believe that China is capable of growing cotton in quantity sufficient to feed a considerable number of mills. China has always been an importer of Indian cotton, and, if a large number of mills were established there, I am sure they would have to come to us for cotton.

12,075. That is an open point, is it not? People say that China can produce any amount of cotton in the Yangtse Valley?—We have heard much of the dense population of China. If the statements made are correct, China must be far more densely populated than India, and, outside the areas required to produce food for the population, there cannot be room for any large cultivation of cotton or other commercial products. However, apart from that, I have no hesitation in saying generally, that, if China were to enter upon the same road as Japan, we should certainly have a very largely increased trade with China. The more prosperous our neighbours are, the better for our trade.

12,076. (Chairman.) In other words, you are not in the least apprehensive that the commercial development

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of China would be any disadvantage to India?—Quite the contrary. I should like very much to see the commercial development of China.

12,077. I should like to call your attention to some articles that have appeared in the *Statist*, in which it is argued that the importance of the fall in exchange has been exaggerated, in consequence of the official ignorance of the Government of India. Two of these articles are signed by a writer calling himself "Monometalist," and one by Mr T. Lloyd. There are several allegations made. The first is "That only about a third, or about six millions sterling, of the Home Charges are chargeable to the general revenues of the country . . . The other two-thirds of the Home charges, or about twelve millions sterling, are assignable to the immense commercial business in railways, irrigation works, forests, and telegraphs carried on by the Government." In another passage, which I will read to you, the *Statist* criticise the supposed views of the Government of India:—"The argument of the Indian Government is, that it has to pay in gold in London every year what are called the Home charges, amounting, roughly, to about 18 millions sterling, and that the loss by exchange on these payments is a serious burden to India. If, the argument goes on, the Indian mints had been kept open, the rupee would now be probably under a shilling, whereas, little more than a quarter of a century ago, it was worth two shillings. Therefore, twice as many rupees as were needed a quarter of a century ago would, in that case, have now to be raised in order to make the payments in London . . . Or, to put the matter a little differently; if the mints were now open, the Indian Government contends that it would have to raise by taxation at least twice as many rupees to pay the Home charges as it had to raise when the rupee was at 2s.; and, now that the rupee is at 1s. 4d., that it has to raise, by taxation, 15 rupees for every pound sterling payable in London, whereas, formerly, it had to raise only 10 rupees. Lastly, the Indian Government alleges that India is too poor to bear the taxation that would be necessary if the mints had not been closed or were now to be opened. In answer to this, 'Monometalist' points out that, as a matter of fact, out of the 18 millions sterling, or thereabouts, payable in gold in London yearly, only about one-third—or, say, six millions sterling—is payable out of the taxes; whereas about 12 millions sterling—or, say, two-thirds—are payable on account of the purchase of stores and materials." What have you to say about this criticism of the position of the Government of India?—I should like to begin by saying that the Government of India has never said that India is too poor to bear the additional taxation which would be required if the mints were re-opened. The Government of India has said that it is not right or politic that such taxation should be imposed upon India, and that, if it became necessary to impose taxation, it would be difficult to obtain the amount required, except by new and objectionable forms of taxation. The position of the Government is that such taxation should not be imposed, if it can be avoided, because it is not good policy for a Government to be constantly seeking to increase the burdens of the people, even if they are capable of bearing additional burdens. Another reason for the objection is that taxation for this purpose, that is to say, for the purpose of meeting the decline of exchange, differs essentially from taxation spent in the country for useful purposes; here, the revenue collected is remitted out of the country, and no return is obtained for it. Further, it might be necessary to increase the burden with reference to administrative needs, and, if taxation is levied up to the hilt for exchange, there is no reserve to fall back upon for administrative needs until some considerable time elapses. The process would be that taxation would be imposed for the sake of keeping the mints open to silver, it might become necessary to increase it for the same purpose with a

new fall in the price of silver, it might be necessary to increase it for administrative purposes, and the position of the Government would be that of lying in wait to impose new taxation from period to period, as each series of developments and improvements made the people more prosperous, taking from them a portion of their earnings from time to time, when it became evident that they had more earnings. That is an Eastern rather than a Western notion of good government. The Government of India prefer that there should be a stable currency, so that they may be able to regulate taxation with reference to the needs of the country, not with reference to the production and profits of silver mining. A further reason is that such taxation must almost of necessity take new forms, an impolitic thing in itself in India, while the effect in practice would be doubtful. I wish to observe that, in the article to which I am referring, it was stated that "the receipts from general taxes in India increased from Rs 15,630,000 in 1873-74 to Rs 23,540,000 in 1893-94, the increase not being due to imposts, but generally to the increased productiveness of existing taxes." It was shown before this Committee, it was also shown before the Royal Commission on Indian Expenditure, that the statement is untrue, large additional taxation having been imposed.

12,078. Then we come to the statements, "that only about a third of the Home charges are chargeable to the ordinary revenues of the country," and that "the other two-thirds of the Home charges, or about 12 millions sterling, are assignable to the immense commercial business carried on by the Government?"—That is not correct. Analysing the figures, as given in the budget of 1898-99, we find that for general administration the charge is 10,586,800*l.* sterling, while for railways and irrigation the charge is 7,949,900*l.* Let us call the figures 10½ millions for general administration and 8 millions for railways and irrigation.

12,079. The £8,000,000 you appropriate to railways, and irrigation, and military stores?—Everything.

12,080. Telegraphs, and so forth?—Yes.

12,081. In fact you might call it the commercial part of the business?—Just so.

12,082. Locomotives and railways?—Yes; stores and interest, and everything connected with what are called commercial services.

12,083. The argument appears to be that the price or cost of this £8,000,000 ought not to come out of revenue, but ought to be provided out of the great industrial enterprises in which the Government are interested?—Yes.

12,084. That is stating their argument fairly, is it not?—Yes.

12,085. Now will you give us your answer to that?—We have to find rupees in India for all the Home charges, however the accounts may be split up or divided, or the nature of the transaction disguised. Now, suppose the mints were opened, and the rupee went down to 1s.; at 16*d.* we must find the rupee equivalent of the £8,000,000 for railways in Rs. 12,000,000. At 12*d.* we must find Rs. 16,000,000, an excess of Rs. 4,000,000. The rupee equivalent of the other 10½ millions at 16*d.* and 12*d.* respectively is Rs. 15½ millions and Rs. 21,000,000, the excess being Rs. 6½ millions. On both sums it would be an excess of Rs. 9½ millions. Well, let us assume for a moment that we find the excess 4 crores on railways and irrigation from increased rates, but we must also find 5½ crores on the other side from general taxation. The present revenue from taxation (excluding land revenue) is just under Rs. 30,000,000, so that an addition of 20 per cent. at least must be made to it, for the yield from taxation does not increase in exact proportion to the increased rate, and probably 6½ or 7 millions of Rs. must be assessed in order to obtain 5½ millions; this would be an excessive increase of taxation. The Rs. 4,000,000 for railways and irrigation and commercial services would also entail the addition

of more than 16 per cent. to present rates and fares, if equally distributed; but it would not be equally distributed. It suits many of the railways to charge inward traffic comparatively lightly in view to its encouragement and to the reduction of the cost of sending waggons into the interior to fetch down the freight seeking the ports, which is always larger than the inward traffic. They would be averse to raising the rates here, and also to raising the fares for third and fourth class passengers; and, moreover, the earnings from passenger traffic are but little more than one-third of the whole earnings. The bulk of the Rx. 4,000,000 would therefore fall upon the goods traffic, and especially upon the export traffic. Anyhow, it would be on a goods traffic returning about Rx. 16,000,000 that the increased rate would fall, and the increase must be at the rate of 25 per cent. to produce Rx. 4,000,000. Now the consistent cry of all merchants and producers in India is that rates should be lowered; and every Chamber of Commerce joins in the cry. The railways would not object to increased rates, if they thought that the increase would not have the effect of restricting or impeding trade; but they know from experience that a substantial increase has that effect. It should be borne in mind, too, that a large proportion of the railways are worked or owned by companies and native States. At the end of March 1898, out of the 21,245 miles of lines then open, only 5,305 miles were owned and worked by the Government, the rest were owned or worked by companies or native States. In regard to these three-fourths, the Government cannot compel the owners or lessees to raise rates as suggested, and, if the Government could do so, a considerable proportion of the proceeds would go, not to the Government, but to the companies. Trade would be taxed for their benefit, the benefit would be disproportionate (as in the case of general taxation) to the burden imposed, the companies do not want the benefit and would object to the process, and the Government must still, in any case, find the rupees to meet the sterling obligations. All the Indian railways, whether worked by companies, native States, or the Government, are worked on commercial principles, which may be stated broadly thus. Rates are fixed with reference to competing traffic, whether by rail, by river, or by road, and with reference to capacity of development. They are fixed low to attract traffic in goods which are easily handled, are conveyed in bulk, go over long leads, and are likely to increase under the stimulus of low rates. As high rates as can be paid without checking or stopping the trade are charged on other articles. Rates are varied according to the time of year and the openings for trade. Passenger fares are charged on such a scale as will induce the people to use the railway instead of the road. All these decisions have in view the working expenses on the one hand, and the conditions of the country traversed by the line on the other hand. The question of exchange does not, and cannot, enter into the consideration of the rates to be charged. Assuming, however, for a moment that rates and fares might be regulated with reference to exchange, and that it would be possible to vary them as rapidly as exchange varied, without on the one hand incurring what is said to be a loss, and on the other charging unnecessarily high rates, the operation is in its essence the imposition of taxation in disguise. It is also taxation of a very bad class, because unequal in its incidences, imposed on a class, directly striking at a section of trade which it is desirable to keep free from restriction, and because a material proportion of the proceeds would not reach the Government treasury but would go into private pockets. The idea seems to be that, by dividing off the accounts into two sections, a saving can be made. On this point Sir Henry Waterfield writes: "To any intelligent student of the accounts this division of the home charges is absurd. The railway charges consist of guaranteed interest and re-payment to railway companies of capital previously deposited by them; and the Secretary of State can in no way

" avoid the charge for exchange on these sterling payments by dividing the accounts into two portions. " The payments to public works and telegraph officers on furlough or duty in this country, are administrative charges. And even with the stores, a very large portion is for the army, and must be obtained from the War Office in order to ensure similarity of pattern; so that any contention that the saving in price makes up for the charge for exchange must be limited to, perhaps, one-tenth of the home charges, at the outside. . . . The writers seem to be under the extraordinary hallucination that, by splitting the accounts into two sections, it would be possible to turn a loss into a gain, and so avoid the increase of taxation. They also hold that a reduction of net receipts or increase of charges through a fall in exchange is not a 'loss,' if there is still a surplus derivable from the particular work in connexion with which the increased charges occur."

12,066. Then what about the suggestion that stores bought in England are bought more cheaply than in India; that there is no loss by exchange in respect of stores—in fact that there is a gain? What do you say to that?—That is a very curious idea.

12,087. The argument is that there is no loss through a fall in exchange on the purchase of stores in England, because the price paid by the Government is less than it would be if the stores were bought in India, and paid for in rupees. It is said that stores are purchased in England because they can be bought there cheaper than in India, and that this means a gain for India, rather than a loss, and it is declared that Indian officials confound the material gain with a heavy loss. What is your answer to that?—The writers in the *States* think that two-thirds of the home charges (or 12 millions sterling) represent stores (stores really, however, only represent two millions), and the argument is that we buy them here because we buy them more cheaply than in India; therefore we actually gain, not lose; if they were bought in India there would be no question of loss by exchange. This suggestion again, like the other we have just discussed, is one to disguise the nature of the transaction. We do our best to buy as much as we can in India, of good manufactured there. We also buy a considerable quantity of articles in India which are imported, thus being done for convenience in respect of certain classes of goods. But in respect of all stores not made in India, whether we buy them here or there, the question of exchange cannot be eliminated. If we buy them in India, we have to pay a sterling price which the seller charges in rupees at the exchange of the day. In this transaction he takes a certain risk for which he charges in the price, and the Government is under certain disadvantages with reference to the quality of the article and other considerations. It prefers, therefore, (except in the case of goods of certain classes) to buy in England and import direct, saving certain charges; but it can by no means evade, whether it buys in India or England, the cost of translating rupees into sterling. The transaction in either case is essentially the same. An article bought in England costs, say, 1,000*l.*; at an exchange of 16*d.*, Government must find Rx. 1,500; if the exchange is 15*d.* we must find Rx. 1,600. If we bought this article in India we should equally have to pay the importer Rx. 1,500 or Rx. 1,600, plus what the importer thought necessary as an insurance for taking the risk of an unstable exchange. The question in the matter of stores is a question of price and exchange. Assuming the price of what we buy to remain unaltered, each fall in exchange requires that Government shall pay more rupees. If there is a rise in price and fall in exchange, the Government must find all the more rupees; if there is a fall in price, the Government is deprived by the fall of exchange of a portion of the gain from a reduced price; and this happens whether the goods are bought in England or in India, but in a greater degree if they are bought in India. That is the only difference between the two. The suggestion is that, if we bought our stores

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in India, this question would not arise at all. That is not so, the question is there exactly the same.

12,088. (*Sir A. Dent.*) But these stores cannot be bought in India?—The greatest part of these stores, at least three-fourths, cannot be bought in India.

12,089. (*Mr. Campbell.*) Or they could only be bought in India from an importer?—There are certain army stores which cannot be bought at all in India. We have to buy them through the War Office. Then there are several articles, such as rails and locomotives, and so on, which are much better bought here. If we bought them in India we should have to pay considerably more. In either case we have to pay the exchange, there is no question about that; and buying them in India we must also pay the importer for his risks and profit.

12,090. (*Chairman.*) Now, the next suggestion is that you, as representing the Indian Government, the officials who gave evidence, and also I myself when I was Secretary of State, have all misunderstood the question, and that the accounts are prepared so as to show a heavy loss by exchange, where there is none. What do you say to that?—The writers have been misleading themselves, and are under a delusion. The statement made is that, "The system of accounts is such that in respect of the twelve millions there must always be shown loss of exchange equal to the difference between the current exchange and the obsolete exchange of 2s., although there might be a large profit on the undertakings." It has frequently been explained that the Government do not use the term "loss by exchange." The accounts are rendered in Rx., but part of the Indian revenue and expenditure arises and is incurred in England in sterling. In order to show the actual sums received and paid in sterling, they are entered in the accounts with the sum in Rx., which, added to the sterling figure, gives in Rx. the total sum received or paid. This sum in Rx., which is inserted in the accounts, is entered in a column headed "Exchange." Thus, say that the rate of exchange is 16d. per rupee, we should have entries as follows, to show expenditure in India and England—

In India	-	-	Rx 10,000
In England	} -	-	£10,000
Exchange]	-	Rx 5,000
Total	-	-	<u>Rx 25,000</u>

If exchange fell to 15d., the entry would be—

In India	-	-	Rx 10,000
In England	-	-	£10,000
Exchange	-	-	Rx 6,000
Total	-	-	<u>Rx 26,000</u>

In such a case, comparing the two years, it would be reasonable to say that the fall in exchange had imposed upon the Government the necessity of finding an additional number of rupees, to meet the fall in exchange, equal to the difference between Rx 25,000 and Rx 26,000. But it is quite an error to suppose that the item "Exchange" is considered or treated as "Loss by Exchange." As regards the imputation of deception, the fact is that the form of the accounts, showing separately the "Commercial Services," "Civil Services," "Military Services," and so on, was devised by Sir Henry Fowler himself, when he was Secretary of State for India. I have in my hand the Summary of Accounts issued with the Budget Statement, and this Summary follows the form which was adopted at the instance of Sir Henry Fowler.

12,091. The table shows the exact amount of Rx. which has to be raised by taxation in India, and which is spent for the purposes of the Government of India?—Yes.

12,092. It is very fully explained, I think, in the preface to the Return entitled "East India (Income and Expenditure)," and there are illustrations, showing what exchange costs us?—Yes.

12,093. I see that in that Return the "charge for exchange" is explained:—"The term

"Rx. is used to denote tens of rupees. In order to ascertain the number of tens of rupees required to defray a sterling payment, an amount termed the 'exchange,' must be added to the latter, varying according to the average rate of exchange for the year. For example, a payment of one thousand pounds when the rate is 15d. the rupee, requires 16,000 rupees, and, adding to the 1,000l. the exchange of Rx 600, the total is Rx 1,600, which is shown as the charge in Indian currency." Is there any possible way of stating that more clearly?—I may say that I gave that illustration without having noticed that it was given there already in print.

12,094. It is not put as loss by exchange, it is put in an appendix to the Return as "summary of charges for exchange"?—And we call it simply "exchange." It is merely a method of showing, as you have just pointed out, that the addition of the two together represents the total Rx. that we have to find. That is the foundation for the allegation that the system of accounts is such "that in respect of the 12 millions there must always be shown loss of exchange equal to the difference between the current exchange and the obsolete exchange of 2s., although there might be a large profit on the undertakings."

12,095. The next point is that the accounts are so compiled that it is impossible to find from them the financial results of the commercial undertakings of the Government?—There again, this charge could only have been made by a person who had not looked at the accounts. They show the "commercial services," so-called, separately, the receipts and expenditure under them, also the net revenue or expenditure, in abstract and in detail, so that the financial outcome of the working of the whole, or of any particular enterprise, may be seen by an enquirer at a glance. Here again I may be allowed to observe that this classification in the accounts was made at the instance of Sir Henry Fowler. One of the accounts in which the information is given is the Return made every year to the House of Commons of Net Revenue and Expenditure of the Government of India, and on the back of that return is the name of Sir Henry Fowler. It is for sale to the public at the price of 7d. In this Parliamentary Paper we find the whole of the commercial services, post office, telegraphs, railways, irrigation, and the total of the net receipts or charges for commercial services, each given separately.

12,096. So that everybody can find out exactly what everything is gaining or losing?—Exactly. Then in the financial statement presented by the financial member of the Viceroy's Council annually, when the Budget is published, there is a statement E., "Statement of net revenue and expenditure—India and England." In this is entered all expenditure and income under each of the different headings. "Debt service, military service, collection of revenue, commercial services," under this last head being shown the net expenditure on railways and irrigation and the net receipts from the post office and telegraphs. That table was also devised by Sir Henry Fowler. In the Finance and Revenue Accounts of the Government of India, Tables 1, 2, and 3, contain the railway revenue account, the irrigation account, and the others shown separately. In Table No. 49A of these accounts, the particulars are given for each railway separately with the net loss or gain to Government, including everything. In Table No. 49 there is a detailed account showing the revenue and expenses of each railway, and a column showing the "Percentage of net receipts on capital for each railway." Similar particulars are given in other tables in these accounts for irrigation works, so that any one looking at the returns can see for himself, if he chooses to spend a few minutes over them, exactly the position of each railway and irrigation work in India separately, and of the whole of them collectively.

(Adjourned.)

TWENTY-NINTH DAY.

Thursday, 16th February, 1899.

PRESENT:

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR CHARLES CROSTHWAITE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

MR ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary.*

Mr J. E. O'CONNOR, C.I.E., recalled and further examined.

*Mr. J. E.
O'Connor,
C.I.E.*

12,097. (*Mr. Campbell.*) You expressed yourself yesterday as of opinion that, after some abnormal years, the trade of India has returned to its normal condition, so far as can be judged from the trade of the eight months from April to November?—Yes, fairly normal conditions.

12,098. During those eight months the surplus of exports over imports was how much?—I think I mentioned it yesterday; it is 21 crores. I compared the surplus with the surplus in the same period of several previous years.

12,099. Twenty-one crores is larger than it has been for some years back?—Yes.

12,100. How far back have you to go to find so large a surplus as during the past eight months?—The surplus in 1894-95 was almost exactly the same as it is this year.

12,101. The exports this year have been increased by unusually large shipments of wheat and rice?—I would not call them unusually large shipments; the exports of rice are large compared with the two preceding years, and the exports of wheat have been large compared with the last three or four years, but not large, really, as compared with former normal years.

12,102. What was the value of the wheat exported in those eight months?—About 8½ crores.

12,103. How far back have you gone to find the corresponding volume of export of wheat?—There was quite as large a volume, I think, in 1890-91.

12,104. That is the year of the Russian famine?—Yes.

12,105. That, of course, was abnormal?—Yes; still we have only exported in the first eight months 16,000,000 cwt. If we export to the end of the year as much as 20,000,000 or 22,000,000 cwt. it will not be anything particular, for that quantity has been shipped before in ordinary years. Then, as against the export of wheat may reasonably be placed as a set-off a reduction in other things which will, no doubt, all things going well, largely increase next year.

12,106. To what things do you refer?—Jute is one. I understand that the area under jute this year has been restricted by reason of the greater profit of growing rice.

12,107. The crop this year is a small one?—Yes.

12,108. Do you anticipate that it will be larger next year?—Yes, I am informed from Calcutta that that is the expectation.

12,109. Now, what were the exports of rice in the last eight months?—9 crores 40 lakhs.

12,110. How does that compare with eight months in the previous years?—If it is compared with the eight months of the two preceding years, it is enormously larger; but in those years we did not export

rice at all. Compared with other previous periods it is not exceptional.

12,111. Then will you go further back?—I can go further back, a great many years. I have not got the figures here, but I know that it is nothing really exceptional. I have the figures from the year 1893-94, not for eight months, but for the 12 months; 10 crores 24 lakhs, 13 crores 69 lakhs, 13 crores 43 lakhs, 11 crores 85 lakhs, 11 crores 58 lakhs—those last two are the two bad years.

12,112. 9 crores 40 lakhs for the eight months is rather above the average?—That is so. We shall have a very good rice year on the whole. I should not call 13 crores 69 lakhs and 13 crores 43 lakhs above the average. These five years do not form an average, because there are two quite abnormal years in them. You would have to go back another five years to get a fair average.

12,113. Between November and March two at least of these months are very heavy export months?—January, February, and March are three months of very good exports.

12,114. So that the four months from November to March are more than half the other eight months?—It may be, I should not be inclined to attach any very great value to an expectation of that kind. In the first place we know that the crop in Burma has not been quite as good as we could have wished; then, in the next place, prices have fallen.

12,115. Would you admit that these large shipments of rice and wheat have had a considerable effect in maintaining the rate of exchange up to the neighbourhood of 1s. 4d. 2?—No, I do not feel inclined to think so. If they go on, then we may look to the same factors operating in future years.

12,116. Providing the shipments continue equally large?—Yes. I take it that in regard to rice and wheat we may assume that the present year will be practically a normal one. That is to say, the trade is not likely to be in excess of that of future years, so far as one can prophesy. Assuming that we have good harvests in India during the next few years, as we generally do after a bad famine, we shall continue to have a good export trade.

12,117. Now, as regards the effect of a high or low exchange on trade and prices, I should like to draw your attention to some remarks in the recently-published "Review of the Trade of British India for the five years up to 1897-98," published by the Government of India, and compiled by Mr. J. A. Robertson, Officiating Director-General of Statistics to the Government of India. The first remark to which I wish to draw your attention is on page 2: "A very noticeable feature in the last year's export trade is the general fall in the values of all the important staples except grain, of which the

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"price was kept up by the scarcity of food. In some cases this can be traced to special causes, such as "over-production"?—May I venture to say, to begin with, that that refers to the year ending March 1898. It is a long time ago now.

12,118 Quite so. "But," the writer says, "the rise in the exchange value of the rupee must "have tended to this result." Then, on page 3, the writer refers to the imports of gold and of silver, and he remarks: "The receipts of both "were extraordinarily large, and this is the more "remarkable in view of the contraction of the "export trade and the impoverishment of the country "by the famine. The purchases were doubtless "largely speculative, the rise in the exchange and "the fall in the price of silver making the trade "profitable"?—In regard to that remark, I may say at once that I understand that, although the country generally was impoverished, there were parts of the country which benefited in an extraordinary degree by reason of the famine. The cultivators in the western part of the North-Western Provinces, who grew good crops in irrigated tracts, sold their products at extraordinarily high prices; and they invested their profits in gold and silver, as is the habit of the people whenever they make sudden profits.

12,119. I suppose there was greater inducement to do that, inasmuch as the rise of exchange reduced the rupee price of gold and silver?—That may be.

12,120 Then, at page 33, the remark is made: "A small trade is done in the exportation of kerosine "oil from Burma to the Straits, but owing to the "unfavourable exchange it was considerably less "last year"?—That is a very small trade. I should not have made any reference to it had I been writing that report.

12,121 It may be a small trade, but a principle can assert itself in a small thing as well as in a large?—No doubt.

12,122 However, you do not agree with that?—No.

12,123. I only want to bring out that some other high officials of the Government do not agree with your views?—No doubt you may say that. In regard to those matters also, as I observed when giving evidence before this Committee last year, exchange may have an effect on particular transactions, and during a limited period, but exchange does not determine trade generally. The course of exchange will determine whether a transaction may be effected at a particular moment or not; but in the long run, over a whole year or more—and I have the great authority of Sir David Barbour in support of that position—it is the condition of trade which determines the course of exchange.

12,124. There is no doubt they act on each other. Then something was said yesterday as to the Budget statement tending to give a wrong idea of the amount of revenue derived from taxation through the inclusion in the statement of the gross figures of receipts and expenditure in certain departments. Take railway receipts and expenditure on pages 72 and 73 of the Budget Statement. There is included on the receipt side Rx. 21,822,000, and on the other side Rx. 23,931,000, showing a net result of about Rx. 2,000,000; but the Budget is thereby swollen to the total revenue of Rx. 99,000,000 on the one side, and Rx. 98,000,000 on the other; which would give any casual or superficial observer the idea that India is taxed to the extent of about 20 millions more than she really is?—No doubt a casual or superficial observer might come to that conclusion.

12,125. There are a good many casual and superficial observers only too ready to come to that conclusion?—We do the same as Her Majesty's Government does with reference to the Post Office and Telegraphs and a large number of services for which the receipts are not in the nature of taxation, but in the nature of payments for services rendered. That cannot be avoided. If you want to make an analysis you have to go from this general statement, which is an abstract

statement, to the further detailed statement in which everything is classified. The very next statement gives you the classification on page 74.

12,126. It would take a long time to wade through all that?—Sir Henry Fowler's return makes it perfectly clear. It is not possible to instruct the casual and superficial observer, and neither in India nor in any other country are accounts or statistics constructed for him. There must be sufficient instruction to enable men to go behind the mere figures and apprehend their meaning. In this country Her Majesty's Government inserts receipts and expenditure in the postal and telegraph departments in the accounts because the figures must be brought before Parliament. Our accounts also, by statute, are brought before Parliament, and the same system applies to us. I think all Governments everywhere frame their accounts in the same way.

12,127. Now you referred yesterday to the particulars given in the budget statement of the results of the various undertakings carried on by the Government, such as the Mint and Post Office, and so on. There is one important undertaking of which the Budget statement takes no notice whatever. I mean the Currency Department?—We do not show it in the abstract general statement, but the figures are included, perhaps under the head of minor departments.

12,128. No, it comes under the head of interest?—No doubt you are right. I am not sufficiently intimate with the details to say.

12,129. But you know no reason why that Department should not have a heading to itself as well as the Mint?—The question is one of relative importance. If there is any call for its separate exhibition, I have no doubt the Government would be inclined to enter it separately. It is entered separately, however, in the Finance and Revenue Accounts, which are the final and detailed accounts of the revenue and expenditure of India. The figures in the Budget statement are only in abstract and are ephemeral and preliminary. At page 68 of the Finance and Revenue Accounts you will find an "account showing receipts and charges in the Paper Currency Department for the year."

12,130. But, if the Mint is entitled to a separate heading of its own, why should not the Currency Department have one also? The Currency Department gives a bigger revenue to the Government than the Mint does?—I do not know why it should not be done. If you wish it done we can convey that view to the Government of India. It is, as a matter of fact, shown in the accounts. The Budget statement, of course, is more or less an estimate and an abstract.

12,131. You are aware that the Government derives a large revenue from the Currency Department?—I would not call it a large revenue. It does get a revenue.

12,132. The report issued by the Department itself shows what the revenue is?—Yes. The total net profit as entered in the accounts in 1897-98 is 24 lakhs.

12,133 (Chairman.) Appendix III in the Return of Net Income and Expenditure shows the revenue derived from the interest of securities held by the Paper Currency Department, together with the interest on loans by the Government to port trusts and municipal bodies and advances to land-owners, and so on?—When abstracts and preliminary accounts are made, considerations of space arise. At a later period the fuller details are given. Everything is shown in the Finance and Revenue Accounts.

12,134 (Sir A Dent) Can you give us a table showing the course of exchange during the last ten years between India and the three places, Shanghai, Hong Kong and Singapore?—I am afraid I have not got that here.

12,135 It bears rather on the opium question that we were discussing yesterday. It is easily got from the local papers, of course?—I have got the exchange rates between India and China, that is Hong Kong rates, since the closure of the mints. Before the

closure of the mints the exchange kept practically steady. I think it was 224 rupees for the 100 dollars 12,136. Hong Kong will do?—I have got that since the mints were closed. The variations, of course, have been enormous. The following are the figures:—

RATE OF EXCHANGE in BOMBAY ON HONG KONG (Rupees per 100 dollars.)

Month.	1893-4	1894-5	1895-6	1896-7	1897-8
April - - -	—	185 $\frac{3}{4}$	194 $\frac{3}{4}$	188 $\frac{3}{4}$	162 $\frac{3}{4}$
May - - -	—	195 $\frac{3}{4}$	197	190 $\frac{3}{4}$	164 $\frac{3}{4}$
June - - -	—	195 $\frac{3}{4}$	197 $\frac{1}{2}$	190 $\frac{3}{4}$	164 $\frac{3}{4}$
July - - -	197 $\frac{1}{2}$	197 $\frac{1}{2}$	199 $\frac{1}{2}$	189 $\frac{1}{2}$	157 $\frac{1}{2}$
August - -	198 $\frac{1}{2}$	195 $\frac{3}{4}$	199 $\frac{3}{4}$	186 $\frac{1}{2}$	143 $\frac{1}{2}$
September -	197 $\frac{1}{2}$	194 $\frac{1}{2}$	198	188 $\frac{3}{4}$	141 $\frac{3}{4}$
October - -	197 $\frac{1}{2}$	195 $\frac{3}{4}$	196 $\frac{3}{4}$	179 $\frac{1}{2}$	149 $\frac{3}{4}$
November -	190 $\frac{1}{2}$	192 $\frac{4}{8}$	195 $\frac{3}{4}$	169 $\frac{3}{4}$	151 $\frac{1}{2}$
December -	190 $\frac{3}{4}$	190 $\frac{1}{2}$	188 $\frac{3}{4}$	167 $\frac{1}{2}$	157
January - -	168 $\frac{1}{2}$	190 $\frac{1}{2}$	187 $\frac{1}{2}$	167 $\frac{1}{2}$	147 $\frac{1}{2}$
February - -	189 $\frac{1}{2}$	187 $\frac{1}{2}$	186 $\frac{3}{4}$	166 $\frac{3}{4}$	148 $\frac{1}{2}$
March - - -	175 $\frac{1}{2}$	188 $\frac{1}{2}$	186 $\frac{3}{4}$	163 $\frac{3}{4}$	141 $\frac{1}{2}$

12,137. It shows curious fluctuations?—Yes, very great fluctuations, with a constant tendency to decline to the end of 1897-98, the latest period for which I have figures

12,138. It is up now?—Because silver is steady.

12,139. (Mr. Le Marchant.) You expressed the opinion that trade conditions as favourable as those of the present year, in which the exports of wheat and rice have been large, may be expected to prevail over any ordinary series of years. Can you point to facts shewing that Indian exports are elastic and that deficiency in some is compensated for by increase in others?—That happens very frequently. In fact, so far as wheat and rice are concerned, if we have some decline in either, the aggregate of trade is not appreciably affected; there is always something else to compensate. This year there is jute, with a large decline amounting to well over Rs. 2,000,000. I have no doubt that next year, if wheat should fall lower than this year, there will be a considerable expansion in the export of jute, assuming that there is a good crop. We have such a variety of climates and products in India, that that is what always happens, unless, as occurs once in 20 years or so, we have a real disaster, a general drought over extensive areas of the country.

12,140. Can you infer from the returns of the area under cultivation that the tendency is for crops to increase?—It is rather difficult to base inferences on our agricultural statistics, which are extremely imperfect. If I were to depend only on the figures we have, I should say there was distinctly a tendency for crops to increase; but we keep adding new areas to the statistics, and you have to make allowance for this. But we know that the population of India has increased, and has been fed and clothed; also that the export trade has increased, by reason of our capacity to send more exports out of the country; therefore, there must have been increased production.

12,141. What would you say of improved means of communication? Does the railway system bring produce more directly into channels conducive to exportation?—In a great many cases the construction of a railway has given an export market to a large area of country which had no export market before that railway was constructed.

12,142. Can you trace the effect of that in the comparison of local prices with prices at the ports?—They run fairly enough together now, though in former years there were great differences. But the effect of railways on prices in the interior of the country is, I think, most shown by the uniformity of levels in recent years, compared with the differences of levels that existed in former years. Wherever a railway has been laid, there the prices of the tract served by the railway have always risen to the level of prices not only in surrounding tracts, but in regions which might be regarded as remote.

12,143. Have you any observations to make about the course of prices recently?—When I was here before, I pointed out to the Committee that there had been a material increase of prices in the interior of India, dating from about 1885. Then came the famine period, with a further very large, but temporary and exceptional, increase. I took seven food grains, the principal grains of the country, rice, wheat, jawar, bajra, ragi, gram, and harley, and gave what might be called an index number (700) to the price of these for 1873. I showed that the index number for the period 1891-1895 was 913, the figure for 1886-1890 having been 826. Then came 1896 and 1897 with a very high range of prices. By June last year the number was 1,000. Now, at the end of November 1898, the level has come down to 862. This number is 41 per cent. less than the number in 1897, and 21 per cent. less than the number in 1896; but it is only 5 per cent. below the number of 1891-1895, and it is 4 per cent. higher than it was in the years 1886-1890. I wish to lay some stress upon this point, because these comparisons show the futility of attempting to deduce any conclusion from the course of Indian prices over a brief period. A witness before this Committee compared the prices of 1894 and 1895 with the prices of, I think, 1891 and 1892. He pointed to the relatively lower prices in the two years 1894 and 1895 as proving the assertion that the currency was restricted and inadequate. Though there have been three good crops in India since the famine, yet prices at the end of November last were still ranging at a much higher level than in 1894 and 1895.

12,144. The prices of food grains?—The prices of food grains. Sir Antony MacDonnell the other day made a speech in Cawnpore, in which, referring to the range of prices, he said that prices had fallen to a level as low as any that has prevailed during the last 10 years. He was referring to prices in his own provinces. If prices had fallen uniformly all over India in that way, there would be room for saying that there was one general cause for it, and to argue that the currency was the predominant factor in the fall. But, if you examine the details of the changes of prices, you will find that, while in Northern India, where they have had such very good crops since the famine that they have been able to fill up their stores of reserve grain and yet have a considerable quantity for trade, prices have fallen for the moment; in] Central, Southern, and Western India and in Burma there has been a relatively small decline from the famine level. This leads to the inference that the existing range of prices is the result of temporary local conditions, and that the result may be modified next year. We cannot draw any conclusions in regard to Indian prices from one year, or two or three years; but, looking back over a series of years, the course of prices up to November justifies one in saying that there has been since about 1885 a general and substantial, and apparently permanent, rise in the level of prices in India.

12,145. How far can you go back for reliable statistics of prices?—In regard to prices in the interior of the country we go back to 1861—no further back than that. In regard to prices of articles which are staples of export and of import, we can go back to 1843 for some articles, and to later years before 1860 for others.

12,146. Has there been a marked change in prices in the interval, taking averages of 10 years or

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whatever other periods may be convenient?—Yes, export prices for a long period were low. Then there was a rise (because export prices correspond with sterling prices), and 1873, which happened to form the basis of our return—it is the datum level—was a year of what might be called inflated prices.

12,147. For exports?—For exports; so that, if it is argued that there has been no special increase in the export prices since 1873—which is not the case anyhow—the answer is, that year was a year of excessively high prices.

12,148. And comparing it with preceding periods that would be evident from statistics?—Yes, they are all in this book (*Prices and Wages in India*); in fact, there are no other statistics but what are contained in that book. This book gives, in Table 10, the prices of exports and imports for, in many cases, half a century down to 1898—and those prices (which are actual quoted prices) are given for Calcutta, Bombay, Karachi, Madras and Rangoon. In Table No. 11, I have given the variation on those actual prices, taking the price in March 1873 as the datum level. That is represented as 100, and, if we go far enough back, we find enormous variations and fluctuations, both in imports and in exports, and a general rise—a very large rise as compared with the period antecedent to 1873, and a rise since then.

12,149. You appear to regard export prices as closely corresponding to sterling prices?—Yes, that is for all articles that are mainly produced for export. There are certain articles of which a small quantity is exported relatively to the quantity that is produced and consumed in the country. There, I think, the sterling price has to follow the price of the markets of the country. It is rather difficult to analyse these things, but I should say that articles largely produced for export must be regulated by the sterling price, so far as they are exported to countries under a gold standard.

12,150. Would you apprehend that with a gold standard there would be any change in that respect, that there would be, as it were, an inertness in Indian prices as compared with sterling prices or those in foreign markets?—No, I do not know why prices should be affected at all by a change of standard. Prices depend upon the markets—the supplying market and the consuming market—but Professor Marshall would be much more competent than myself to explain how far, if at all, the standard comes in as a factor in the determination of prices. In my own mind, I do not see why a change of standard should have any real effect on prices, unless the change of standard should affect trade; but I also hold that it does not affect trade and cannot affect trade.

12,151. Have prices shown much mobility of late?—Yes; in fact the fluctuations of prices in India, speaking of export prices, correspond very largely to the fluctuations of prices in other countries.

12,152. With regard to the question of foreign competition, what figures can you give us as bearing on Chinese competition with India?—I was much concerned to find that gentlemen interested in tea were apprehensive of Chinese competition, and I asked a large firm of tea brokers, Messrs. Gow, Wilson, and Stanton, here in London, how the matter stood. They sent me a circular which they issued at the end of the year reviewing the trade in Indian, Ceylon, and Chinese tea for the year. I may remind the Committee that London is the market for nine-tenths of the Indian and Ceylon tea. The imports of China tea are given by the firm as in the last three years 41,169,000 lbs., 39,778,000 lbs., and 33,002,000 lbs., so that in the year during which the people interested in tea have been lamenting the encouragement to the competition of China tea given by the action of the Government of India, the imports of China tea have materially declined, although exchange ruled during the year at nearly its highest possible level. The deliveries of China tea in this market declined in even greater degree than the imports. During these three years the

Ceylon tea imported amounted to 81,870,000 lbs., 92,072,000 lbs., and 93,580,000 lbs.; and Indian tea was 117,932,000 lbs., 131,650,000 lbs., and 135,376,000 lbs. The deliveries have increased in the same way.

This firm write in their circular:—

“The tea-producing industry has been passing through a severe crisis. The worst of the depression appears now to be over, and there are decided indications of a brighter outlook.

“For years past cultivation has been rapidly increasing both in India and Ceylon, necessitating constant reduction in price, which gradually receded, until during 1898 the lowest average prices ever recorded were reached.

“The cost of production in the meantime was greatly augmented; first, by the enhanced price of rice owing to the Indian famine; and, secondly, by the artificial rise in the value of the rupee, so that the margin of profit was thus still further reduced. Home consumption during last winter showed a marked falling off, probably due to the increased use of cocoa as well as to the strike in the engineering trade. Whatever the cause, the result was the consumption of less tea, and consequent accumulation of stock with reduced prices.

“But a marked change has come over the position. Home consumption has again increased and is now greater than ever, some six million pounds more of British grown tea being used during 1898 than in 1897, while the total supply to the United Kingdom appears likely to be little, if at all, above that of last season.”

They add:—

“Another feature is now to be taken into consideration. For years past efforts have been made by Indian and Ceylon planters to foster a taste for their teas in new markets, the result being that, whereas in 1890 only 14,000,000 lbs. of British grown tea were used outside the United Kingdom, the quantity had risen in 1897 to 51,000,000 lbs. For the 11 months of 1898 there was an increase of 9,000,000 lbs. over the corresponding period of 1897.” That has happened during the period when this Committee has been informed that people interested in Indian and Ceylon tea dread the competition of China not only in the markets of the United Kingdom, but in foreign markets which India and Ceylon desire to enter.

On this question of competition in foreign markets, a member of the firm wrote to me in answer to an inquiry—

“In regard to that point of your letter which speaks of the successful competition by India and Ceylon tea against China tea in countries outside Great Britain, I think what the gentlemen you allude to intended to imply was that they did not think the competition could be carried on at a profit while the rate of exchange remained higher than the intrinsic value of the rupee, as China and Japan would have such an advantage owing to their currency being based on the actual value of their coins.

“At the present time, I think a great deal of the tea which has been forced into these markets outside the United Kingdom has been sold with little, if any, profit to the growers, the increase in production during late years having caused so heavy a drop in the price that it was impossible to get rid of the large quantity of tea grown without some reduction in value, and I think it is this fact which has enabled British grown tea during the last year or so to compete successfully with other growths; but, of course, planters cannot go on growing tea at a loss.”

As regards selling tea in foreign markets at little, if any, profit, I believe it is a common feature of trade that the trader who desires to enter a field already occupied by others, has to face a present loss in the hope of future profits. That is what I infer is happening in the tea trade.

12,153. Has the price been falling with the increase of production?—There has been no fall in price;

there has been a good recovery, although the quantity placed on the market has increased, so that the outlook is good for the producer.

12,154. In what other products does China compete with India?—I know of none.

12,155. As to the competition of the Argentine Republic in oilseeds, has that been a marked feature of recent years?—The Argentine Republic has increased its exports of wheat and of oilseeds, but neither the one nor the other seems to have affected our trade. Our principal oilseeds are subject to the same conditions of cultivation and seasons as wheat. In the same way as wheat has increased

during the year, there has, compared with the year before, been an increase in the value of the oilseed trade of 2½ crores. We are keeping, in fact, at the fairly high level of the time before the bad crops of the last two or three years. We are not afraid of the competition of the Argentine Republic in the oilseed trade. If, however, oilseeds in India were cultivated by European planters we should, no doubt, have heard as much about them as we have heard about tea.

12,156. Are oilseeds cultivated in India by natives exclusively?—Yes; and the natives go on happily producing and selling.

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(For the evidence given on this day by Professor Marshall, see page 178 above.)

Adjourned.

THIRTIETH DAY.

Wednesday, 1st March, 1899.

PRESENT :

THE RIGHT HON. SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR.

THE LORD BALFOUR OF BURLEIGH.
SIR FRANCIS MOWATT, K.C.B.
SIR CHARLES CROSTHWAITHE, K.C.S.I.
SIR ALFRED DENT, K.C.M.G.

Mr. ROBERT CAMPBELL.
Mr. W. H. HOLLAND, M.P.
Mr F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary*.

THE RIGHT HON. the LORD FARRER, called, and examined.

12,157. (*The Lord Balfour of Burleigh*.) We know, Lord Farrer, of your long experience at the Board of Trade, and your public work generally. What is more germane to this matter is that you were a member of Lord Hirschell's Committee which considered the closing of the mints?—I was

12,158. Are you satisfied by the subsequent experience which we have all had since that time that the conclusions arrived at by that Committee were just and expedient, and that the action taken by the Government was wise?—I am entirely satisfied.

12,159. I understand you have read a good deal of the evidence which has been taken before this Committee?—Yes, most of it, especially the earlier portions.

12,160. Do you see anything in that to shake the opinion which you have just expressed?—No, it entirely confirms me in the opinion I have expressed.

12,161. Would you give us first generally, and then I will take you through it rather in detail, any of the results which the reading of that evidence has left on your mind?—There are certain results which are left in my mind, upon which I am tolerably clear and positive, and there are certain other points upon which I am in doubt. I wish to keep those two sets of opinions separate.

12,162. Then we might commence first—probably that will be agreeable to you—with those results on which you feel able to express a rather more decided opinion?—Very well. The first subject upon which I have a decided opinion is bimetallicism. I think that, whatever might have been the merits of bimetallicism from an Indian point of view, if it had been possible to make a satisfactory international agreement with a satisfactory ratio, all notion of bimetallicism as a solution of the Indian difficulty must,

after recent events, be dismissed as impracticable and out of the question. Of course, I refer to the American proposals of last year, and the conclusion to which the Indian Government and the English Government came about them.

12,163. Do you wish to amplify that in any way?—I have nothing further to add on that, unless any member of the Committee wishes to question me. I could, of course, go at length into the subject, but on this as on other points it seems to me that it may be for the convenience of the Committee that I should answer the questions put to me as shortly as possible, subject, of course, to any further questions which may arise out of what I say.

12,164. Would you or would you not contemplate the reopening of the mints to silver under the circumstances in which we are now placed?—That is the second point on which I have a decided opinion. I think it is entirely out of the question.

12,165. Would you give us your reasons for that?—In the first place, because to reopen the mints to silver would be injurious to the trade of India. In the second place, because it would be ruinous to the finances of India, and through the Government and the finances of the Government to the people of India. Lastly, as regards a subject which was perhaps of more importance last year than it is this year—as regards the stringency of money—I believe that reopening the mints would leave the difficulties in that respect quite as great as they are at present, if not greater.

12,166 (*Chairman*.) Would you wish to give any explanation of those three points?—It would be injurious to the trade of India, because, putting aside the exaggerations which have been made by bimetallicists in the courses of recent controversies, it is true that a difference of standard between India and

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the countries with which she trades is injurious to the trade of India. It is a sort of break of gauge which prevents business from going on as well and smoothly and easily as it would if she had the same standard as the countries with which she principally trades.

12,167. We know that between 80 and 90 per cent. of her trade is with gold-using countries?—That is so.

12,168. And therefore this difficulty you mention arises there?—Yes.

12,169. Then you say it would be disastrous to the Government, and, of course, if to the Government, it would be disastrous to the people of India?—Yes. Of course everybody knows—I need not enlarge upon that—the great difficulties which the Government of India have experienced in consequence of the fall of exchange, and the necessity of getting a larger number of rupees out of the people of India, wherewith to pay the interest on their gold debt. As regards the stringency of money, I think that capitalists who might be disposed to send money to India at the present rate, if they were sure of its being repaid in gold at that rate, would be deterred from doing so if they thought that it might be repaid in depreciated silver rupees. Capital would be prevented from going to India, and the stringency of money would be increased.

12,170. Do you think it is desirable to continue the present condition for a longer time than necessary?—No; that is my third point; I think it is very desirable that, if we do not at once adopt a gold standard and thus put an end to the present period of uncertainty, we should at any rate contemplate an end of it as soon as possible.

12,171. You would hold, I presume, that the present uncertain state of the currency is abnormal, and should be terminated as speedily as possible?—Quite so. It is a state of things in which you have—I do not know how to express it—an anomalous standard, a rupee with a superior limit, and without an inferior limit, as measured in gold.

12,172. In fact, you have a token currency without any standard?—Without any complete standard.

12,173. Now what do you say is the true solution?—The fourth point on which I have a decided opinion is that the only true solution of the question is the adoption of a gold standard of value and a return to an automatic currency based on gold.

12,174. Will you just explain that a little? First, why do you say a gold standard?—A gold standard of course is a different thing from a gold currency. What I mean is that the standard of value should be in India, as it is in this country, gold, that gold should be the thing which has value to which all currency and all values should be referred. I say an automatic currency based on gold, because the ordinary currency of India as far as I understand it—the bulk of the currency of India—must at any rate for a long while be silver.

12,175. Or copper?—Or copper; but I say that it should be based on gold, that is to say, that the silver or the copper should be token currency having a fixed gold value.

12,176. Then you do not agree with the witnesses and authorities we have had before us, who say that for India silver would be a better standard than gold?—No, I do not.

12,177. Will you just tell the Committee upon what you base that opinion?—I base that opinion on the fact that, as far as I can judge, silver is a metal that is going out of use as a standard throughout the world; that it is a metal of which the future value is extremely uncertain; that, as I have said before, India's trade is chiefly with gold using countries, and that it is very desirable that India should have the same standard of value as those countries; in short, that India should have as its standard of value gold; which is becoming (I cannot shut my eyes to that fact) the standard of value all over the world.

12,178. Now, do you think there is anything in the condition of the English money market to prevent the adoption by India of a gold standard?—That is my fifth point. I can see no reason to think so. Any doubt which I may have had on this point had reference rather, perhaps, to the state of feeling which existed last year than to what I believe exists now. There was an idea in the City that the adoption of a gold standard by India might cause dangerous drafts on the London money market and upon the gold supplies in the world. I do not believe that there any reason to suppose that that would be the case.

12,179. (Sir F. Mowatt) Would you define what you mean by an automatic currency?—I mean a currency which can be increased *ad libitum* by persons bringing a certain quantity of the standard metal to the Government and getting it converted into currency.

12,180. (Chairman.) Do you mean that every person is to have the right to take it, or is it to be under the control of the Government?—I mean that every person is to have a right to go to the Government with a certain quantity of gold in his hand and be able to say to them, "You shall give me for that a certain number of rupees."

12,181. But is that the state of things in England?—It is not the state of things in England, because everybody is entitled to have the gold coined into gold sovereigns, which are themselves the currency and legal tender. Now, in India, as far as I can understand the matter, you cannot expect to have a gold currency universally there, at any rate at present, and you must have a power of getting rupees.

12,182. But in England it is essential to the transactions of this country that there should be a large amount of silver currency, which is a token currency, of course, but nobody has a right to go to the Mint with gold and say "give me coined silver"?—That is so; but everybody, as a matter of fact, gets as much silver currency as he wants, provided he will give the gold price for it. That is the practice, as a matter of fact.

12,183. The Chancellor of the Exchequer is Master of the Mint. The Chancellor of the Exchequer means the Government, and, therefore, the Government of the day, as I understand, regulate the amount of silver token currency. The practical working of it is this, that they are influenced by the applications they receive from the Bank of England. The matter is really left in the hands of the Bank of England?—That is so.

12,184. If the Bank of England were to show a disposition to increase to an improper extent the silver currency, the Chancellor of the Exchequer can say "stop"?—Yes, but there is not the least risk of the Bank of England acting in that way, or any other bank, and I believe that in procuring silver currency the Bank acts at the instance of other banks; I believe any bank can go to the Bank of England and say, "We want so much silver, and here is so much gold."

12,185. They have no legal right to it, but that is the practice?—That is the practice.

12,186. In India there is nothing corresponding to the Bank of England?—That is another point, to which I will come by and by. But, as regards the principle on which silver currency is issued in England, there is not the least fear of an excessive issue of silver, especially under present circumstances, when the value of silver has gone down, because neither the Bank of England nor any other bank will go to the Mint to turn a sovereign into 20s. unless they really want the 20s. for circulation; because the silver, except for circulation, is very much less valuable than the gold they give for it.

12,187. Is there not another question involved in it, namely, that sooner or later we may have to arrive at absolute convertibility of silver into gold?—I think it is a defect in our present system that the silver is not absolutely convertible into gold.

12,188. Does not that involve a limitation of the silver in currency?—I do not think that absolute convertibility would involve any greater limitation than exists at present, because a man would be a fool who would go to the Bank or the Mint to turn gold into silver unless he wanted silver for circulation, because the silver when he got it as silver would not be worth half as much as the gold that he gave for it.

12,189. Then, if I understand you correctly, your limitation is that the metal which is to be brought into the Mint, and in exchange for which they are to receive currency, is not to be the silver of which the currency is composed, but gold?—Certainly, I said gold.

12,190. Your limit is the metal?—Yes; the standard metal, gold.

12,191. (Str F. Mowatt.) You define an automatic currency as a currency which can be automatically expanded on the production of the equivalent in gold by an applicant?—That is it.

12,192. (Chairman) Where the specific ratio is a matter of expediency, do you think there is any objection to fixing a rupee, say, at 1s. 4d., or do you prefer a higher or lower ratio?—That is my sixth point. I think 1s. 4d. is the best rate, simply because that is the present rate, and to make it higher or lower would be to make an unnecessary change.

12,193. What do you say to the objections of Indian exporters, either to a stable ratio or to this particular ratio of 1s. 4d.?—That is the seventh point on which I wish to express a decided opinion. I think there is nothing whatever in that objection. I think they have no right to make that objection.

12,194. Why?—For two reasons. I think that they make a mistake about their own interests in the matter. They talk about a low ratio. But a low ratio, if fixed and steady, would make no difference to them. What they want is a falling ratio. They have an idea that a falling ratio gives them an advantage. I am inclined to think that in the long run it does not give them an advantage. I am inclined to think that on the whole it is the best for exporters, as for everybody else, to have a stable standard of value with their customers, and that it is not an advantage to them that the money in which they are paying their labourers should tend to vary against money which they receive for their produce. I think on the whole it is to their advantage that the ratio should be a stable one. When you come to particulars, one of the things they complain of is their competition with silver-using countries. China especially is one that is mentioned. My impression is that, if you were to compare the effect of currency with a stable ratio upon trade with the effect of such an imperfect currency as that of China, (which is after all, I fancy, rather a copper currency than a silver currency), you would find that the Indian exporter has an advantage over the China exporter even in the matter of currency. Then, again, adjustments of prices and wages sooner or later take place. If they take place at once, then the exporter gets no advantage at all. There is one case in which he gets an advantage; that is the case in which the adjustment of his wages and expenses does not take place at once, and in which consequently he is receiving the price of his produce in gold, and has to pay wages in a depreciating currency. There undoubtedly the exporter gets an advantage for the moment, it is an advantage which I do not think lasts, first, because an adjustment must sooner or later take place and the exporter's expenses must rise, and, secondly, because it does harm to the country, and he will feel that in the long run; but for the moment he gets an advantage. He gets that advantage, however, at the cost of the persons to whom he pays wages, or at the cost of somebody else in the country. It is therefore a transfer, it is not a gain, it is not a benefit. It is a transfer of benefit, of advantage, of gain from one person to another—from the Indian native to the English exporter—and I think that is an unjust advantage, and one that he ought not to have.

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12,195. That is the case of the tea trade profit?—That is so. The tea trade is a special case in point. Unlike many other Indian investors, the English investor in the Indian tea trade receives the whole of his returns in the form of the gold price of tea in gold countries, whilst he pays all his outgoings in rupees. No wonder that he likes a state of things in which the gold price of the rupee is constantly falling.

12,196. You regard that really as an illegitimate profit and made at the expense of other interests?—Exactly.

12,197. In fact, what one gains somebody else must lose?—Certainly. There is no actual profit by a change in value between the sovereign and the rupee. What one person gains another must lose, and *vice versa*.

There is one other observation I should like to make before quitting this point. It has been said by many persons, and said, as I think, with great exaggeration, that the benefit which the exporting merchant gets is to lower the price of the article that he sells in the gold country. I doubt if that is the case to any great extent. It may occasionally, in certain states of the market, have some effect of this kind. Where it has that effect it is clear that no one in the exporting country gets any gain; the exporting merchant does not get any advantage, because he is obliged to lower his gold price; the only person who gets an advantage is the consumer in the gold country. I do not say that this happens often; I do not think it does.

12,198. We have had conflicting evidence on that point. Take this concrete instance: a certain amount of tea is sold in the London market for a sovereign. At one time at an unstable ratio that sovereign commands 18 rupees; at another time that sovereign commands only 15 rupees. The wages are unaffected; they have to be paid in rupees; therefore there is a profit as between the 18 rupees and the 15 rupees, which goes into the pocket of the exporter of the tea?—It has been stated, and if I remember rightly, by Mr. Lindsay, among other persons, that under certain circumstances and in certain particular states of the market the profit which the exporter gets may induce or compel him to lower his gold price. I do not think that happens often.

12,199. Have you anything to say with reference to the limitation of the currency which has already taken place by the closing of the mints—as to whether that has any effect on the gold value of the rupee?—That is my eighth point. I am inclined to think that it has. The experience of last year shows that throughout both the slack time of the year and the busy time of the year the rupee has been maintained at 1s. 4d.

12,200. Do you think there is a contraction of the currency involved in the plan proposed by the Government of India?—That is my ninth point. Yes, as far as I can understand their plan, they propose to actually ladle out, if necessary, a part of the currency, and so contract it violently. I should be indisposed to do that, if we have not reached the point at which the rupee is permanent at 1s. 4d. I should be disposed to let the natural state of things and the growing demands of business and the ordinary waste of currency raise it to 1s. 4d., but I have every hope that the 1s. 4d. has come to stay.

12,201. What have you to say about the convertibility of the token rupee—assuming that to be adopted—into gold?—That is my tenth point, and a most important point it is. I believe that the only sound ultimate foundation for a gold standard in India is the convertibility of the token rupee currency of India into gold, if not for all purposes, at any rate for the purpose of foreign exchange.

12,202. How do you think that the Indian Government should deal with that question? What do you think is their responsibility?—I think that the Indian Government cannot escape the responsibility of

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guaranteeing convertibility and of maintaining such a degree of credit and accumulating such a reserve as may be necessary in order to enable it to discharge such responsibility.

12,203. What are the dangers which might be reasonably apprehended from convertibility?—That is an eleventh point. The danger is apprehended to be this; I am not now stating my own opinion, but this is what is put forward. It is thought that there may come a time when by reason of war, of famine, or otherwise, India's productive powers may be diminished, and when she will have reduced power of exporting to pay her debt; a time when imports will exceed exports; when the real exchange will be against India; when the value of the rupee in terms of the pound sterling will be lowered, and when there will in consequence be a tendency to export gold. At such a time, it is said that any gold in the Indian currency is likely to be exported; and not only so, but that, when it is known that the Indian Government will give gold for rupees at 1s. 4d., there will be a drain on the Indian Treasury by the offer not only of the rupees in circulation but of the vast quantity said to be hoarded. Such a rush for gold, it is said, no treasury could stand.

12,204. That is your statement of the objections?—Yes, as far as I understand them.

12,205. What is your answer to those objections?—I think it must be admitted that, wherever there is a large token currency of whatever description, (and under the proposed circumstances the bulk of the Indian currency would be a token currency), whether silver, as in India, or notes, as in France, or bank money, as in England, there may be cases in which it is difficult or impossible to redeem the token money in gold. Even the Bank of France has had to suspend cash payments; and the restrictions of the Bank Charter Act in England have had to be suspended. Extreme cases may always require drastic remedies or powerful cordials, and India would probably be no exception to the rule. But these exceptional cases are not made the basis of our currency systems. We look to the ordinary state of things. Looked at from this point of view, the case of India seems to be a specially favourable one, for the following reasons. She has a great and elastic power of producing saleable exports; she imports, on the balance, a large quantity of the precious metals, which she retains with great tenacity, and she recovers very quickly from great depression, as is seen from the history of the last few years.

12,206. Will you go to the question of hoarded rupees?—This is a twelfth point, on which, from want of knowledge of India, I speak with more hesitation; but, so far as I can judge, the hoards do not frighten me. I do not see why they should come out and be presented for payment in gold. Perhaps on this point some encouragement may be derived from what has happened during the last year. The value of the rupee has been equivalent, or nearly equivalent, to 1s. 4d., the highest point to which under the existing system it can rise, so that persons holding hoarded rupees might, if so disposed, have exchanged them for gold at this high rate. At the same time there was no undertaking on the part of the Government that they would give gold in future for rupees at this rate, and one of the principal features of the case before the Committee has been the future uncertainty of the rupee. Consequently a state of things has existed in which there was every motive for bringing out hoarded rupees and converting them into gold. And yet nothing of the kind has happened. The people have preferred to keep their rupees. Why should it be different in future, especially when the Government has pledged itself to maintain the gold value of the rupee, and when people will know that their rupees will always be worth the 1s. 4d. in gold? I do not myself, as far as I can judge from the evidence, attach much importance to this danger of the hoarded rupee.

12,207. (Sir F. Mowatt.) But do you say that this last year any man taking rupees could claim to get gold for them?—Yes, as long as the rupee was actually at 1s. 4d.; he could not go to the Government and get it, but he could have bought the gold.

12,208. He could have bought in the market?—Yes.

12,209. (Chairman.) Is there any other consideration to be taken into account, in your opinion, as to India keeping her gold?—Yes. The next point on which I wish to express a decided opinion is a very important one. To the above considerations bearing on the ability of India to keep her gold, it should be added that India has an honest and a solvent Government which is not likely to outrun the constable, as has been the case with most, if not all, the nations which have failed to maintain a gold standard. But this consideration leads to a caution. The gold standard cannot be secured without some effort and some sacrifice. Some reserve will be necessary, though I doubt whether it need be a very large one. But, if the actual reserve is not very large, India's credit ought to be proportionately stronger and more secure. For these objects it seems to me to be absolutely necessary that, pending the establishment of the gold standard, the finances of India should be most cautiously administered. India cannot afford at the same moment to establish a gold standard, to indulge in costly wars and increased military expenditure, or to materially reduce taxation. Even Public Works, which may in the end be reproductive, might cause a dangerous strain, and, for the present, borrowing for this purpose of Public Works should, as far as possible, be either avoided or very cautiously conducted. To establish the standard of value, and to maintain the reserves or credit necessary for that purpose, should be the paramount object of the Indian Government.

12,210. Do you mean that the Indian Government should as soon as possible form an actual gold reserve?—That is a point which I will come to afterwards. But they must either form a gold reserve or be in a position of financial strength and credit in which they could at once procure the gold if it was necessary.

12,211. Let me put an analogous case. Suppose in this country we had a large surplus at the end of the financial year, which surplus would, in a normal state of things, be appropriated to the liquidation of debt. If a gold reserve was wanted for some financial experiment, would not the course be not to pay off debt and not to reduce taxation but to treat the two as a reserve for that future drain?—I think that might probably be the best way of doing what is needed.

12,212. And that would be sound policy as applied to India?—Yes, very probably, but at the same time it must be remembered that paying off debt increases the credit of India.

12,213. Of course that can be borrowed again?—Yes.

12,214. Assuming the normal average value of the rupee to be fixed at 1s. 4d., and excluding any exceptional circumstances which might affect its value, and seasonal and other fluctuations which might make the sterling value of the rupee greater at one time than at another, how would the steadiness of the rate have to be provided for?—There must be a reserve of gold, or of silver, or of both, sufficient to meet the demands occasioned by these fluctuations, just as reserves are kept in the Bank of England to meet fluctuations in this country.

12,215. If these conditions were observed and the productive powers of India maintained by ordinary sound administration, what do you say as to the excess of exports?—That is my next point, and it is one on which I lay great stress. Having established your currency, on what you believe to be a sound footing, then, I say, leave the exports to take care of themselves. There is no greater fallacy than to suppose that you can improve the exchange or the credit of India by manipulating currency for the purpose of increasing exports.

12,216. Is stringency to be cured by depreciation?—That is my next point. I think not. It is not cured by depreciation in this country. No one would dream, because there was a stringency in the money market, of authorising the Bank of England to issue more notes, and in the same way I do not believe that stringency in the Indian money market is to be permanently relieved by enabling them to add depreciated silver to the currency.

12,217. Just let us apply that to a state of stringency in this country. The property is there, the capital is there, but there is a want of currency. The Bank of England is not allowed to issue bank-notes unless there is either gold bullion to meet those banknotes or the Government debt which is added to that figure. Then in those circumstances the Chancellor of the Exchequer suspends the Bank Charter Act, and then they are allowed to issue notes without gold. Does not that relieve the stringency of the money market?—That is so, in the extreme cases to which I have already referred as special and exceptional cases. But these are not the ordinary case, and everyone would wish those extreme and exceptional cases to be as few as possible. I do not see how, if you have a token currency, you can avoid the possibility of an extreme case, and then you must meet it as best you can.

12,218. Have you anything to say with regard to the present year?—Yes; this Committee was appointed and our attention was first directed to this subject last year, when the question of the stringency was very different from what it is at present. I think it is now only necessary to refer to the facts of the pre-ent year. Since last spring, time must have further contracted the currency, relatively to the demands upon it; the volume of trade is much larger than it was; exchange is above 1s. 4d.; and at the same time the discount rate is 7 per cent. as against 12 per cent. or 13 per cent. in 1898. I am inclined to think that, if the question had arisen in the present year, it is doubtful whether your Committee would have been appointed.

12,219. If the stringency in question were due to a want of currency, and such want was also due to an unwillingness to buy rupees at 1s. 4d., in consequence of mistrust concerning the future gold value of the rupee, what is the true way to remove that evil?—To establish confidence in the future gold value of the rupee.

12,220. And that would be sufficient?—That would be sufficient.

12,221. Now, about the ultimate intention of the Government of India with reference to the standard. Assuming that the plan for a gold standard is approved, what do you say about ensuring public confidence?—This is the last point on which I wish to express a decided opinion, and it is a very important one. If the proposed plan for the gold standard is to succeed, public confidence must be assured; and for this purpose it is essential that this Committee, as well as the Indian and the English Governments, should, whatever may be the intermediate steps adopted, allow no doubt whatever to be entertained as to their intention ultimately to establish and maintain the gold value of the rupee at 1s. 4d., or at whatever other ratio they may adopt. This, in my opinion, they can only do by making the token rupee convertible into gold. In what manner, by what stages, and under what limitations such convertibility should be effected, are comparatively matters of detail.

12,222. These are the points on which you hold, what we may call, final opinions?—Strong opinions. No opinions on such a subject as currency can be considered as absolutely final; because circumstances may change in some manner which we do not now foresee.

12,223. We should like to have your opinion on some of those points as to which you may not be quite so decided. First take the question whether there should be a gold currency in India, as proposed by the India Government, or only a gold standard,

as proposed by Mr. Lindsay and Mr. Raphael?—On this point I wish to be neutral, and to state what shall appear to me to be the principal considerations on both sides of the question. That the bulk of the Indian currency must be a silver token currency there is no doubt; and, if there is to be a gold currency, it will probably be confined, at any rate for a considerable time, to a marginal currency of comparatively small amount, used chiefly for the purpose of foreign remittances. If such a currency could be established, it would have one great advantage. It would leave the working of the *real* exchange between India and Europe to be governed entirely by business relations, as in the ordinary case of exchange between two countries each of which has a gold currency. The fluctuations of exchange above and below the actual par in each country would be limited by the actual cost of procuring and remitting gold, and within these limits the fluctuations would operate to redress excesses of liability on either side and to adjust the balance of liquidation. The schemes of Mr. Lindsay and Mr. Raphael propose to attain the same object, but in a more artificial and therefore less satisfactory way.

12,224. But we should like to hear your opinion of Mr. Lindsay's scheme?—In some respects I should prefer the schemes for a gold standard proposed by Mr. Lindsay and Mr. Raphael to any schemes for a gold currency. The reasons are so well stated by Mr. Lindsay in his evidence (questions 3580 and following, and 4001) and by Sir W. Hely Hutchison in his evidence that I need not repeat them here. A further consideration, which was perhaps in the state of opinion in the City of more importance last year than it is now, is that Mr. Lindsay's scheme would disturb the English money market less than a scheme for a gold currency—that it would leave the money in London and would probably create less alarm here. It would use no gold except what was necessary for the purpose of the remittances.

12,225. For the balance here?—The balance here. It would also enable the matter to be entirely conducted, if it was thought right, by the Bank of England. In fact, the balance might form part of the Bank reserve. I think I should add to that that it seemed exactly to hit the object that was wanted, namely, to provide for foreign remittances; and that therefore there was a great deal to be said for it on that ground. And, at the same time, you do not want a gold currency in India except for purpose of remittances.

12,226. Now, you have some detailed criticism to make of Mr. Lindsay's scheme?—Yes, but I should like first to add, in favour of Mr. Lindsay's scheme, that, whilst the existence of a gold currency in India would relieve the Government from the necessity of artificially fixing a margin, it would not relieve them from the necessity of interfering if the gold currency should tend to diminish and disappear and of determining the point in the falling value of the rupee which calls for such interference.

12,227. Assuming that Mr. Lindsay's scheme is adopted, what ought in your opinion to be the margin on either side of the par value beyond which the public would have a right to call on the Government for rupees in return for sterling, or for sterling in return for rupees?—Mr. Lindsay gives the figure of 1s. 4½d., as what people would have to give in England in order to get the rupee in India, and on the other hand they would have to give a rupee in India in order to get 1s. 3½d. in England. That is Mr. Lindsay's view. Mr. Raphael seems to think that Mr. Lindsay's margin is rather too large, and that the limit ought to be less. That is a point upon which I have not sufficient practical knowledge to offer an opinion.

12,228. What is the difficulty?—One difficulty that has been suggested is that under Mr. Lindsay's scheme there would be really no remittance of gold either from England to India or from India to England, and consequently no real cost of remitting gold to serve as a gold point. In this state of things, a suggestion has been made that there should be no margin at all, and that the Government should in all

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cases be bound to convert *sterling* into *rupees* and rupees into *sterling* at the actual par of exchange. But this would involve a total abolition of the fluctuations in the real exchange caused by the ordinary operations of trade and remittance, fluctuations which are founded on a real difference of value between a gold coin in England and the same gold coin in India, and which have the wholesome effect of helping to redress the balance of liquidation. Whatever might be the true balance between the two countries, no one would give more than 1*l.* sterling for 15 rupees, if he knew that the Government would cash any quantity of sterling in rupees at that rate; and no one would give more than 15 rupees for 1*l.* sterling if he knew that the Government were bound to give any quantity of sterling for rupees at the same rate. Under such a system the Exchange Banks would cease to do what is not only a profitable business to themselves, but a business important to trade; and the Government would in all probability suffer loss. That there must be a margin is clear; and it is no less clear that there is a difficulty in fixing the margin, as I have stated before. That is an argument against Mr. Lindsay's scheme and in favour of having a gold currency in India, in which case the real exchange would be automatic, as it is between gold countries.

12,229. But that difficulty is inseparable from (to quote Sir John Lubbock's phrase) any exchange standard—the difficulty that there must be a margin?—Yes, if you are to fix it arbitrarily.

12,230. If you are to have an exchange standard, it must be an arbitrary standard?—Yes; only that, if you fix your rupee at 1*s.* 4*d.* and you have a gold currency in India, then the exchange of gold in India for gold in London, the remittance backwards and forward, will settle itself.

12,231. It will depend on the real value of the coin in both cases?—Quite so.

12,232. But Mr. Lindsay's scheme does not depend on that?—No; it is artificial.

12,233. And so is Mr. Raphael's scheme?—Yes.

12,234. And in fact the Government's too?—Yes.

12,235. You say that, if the margin is too small, it will unduly contract the wholesome fluctuations due to the state of the balance between the two countries; if it is too large, it will *pro tanto* unsettle the gold value of the rupee?—Quite so.

12,236. Would you give any opinion as to what it should be?—No, that is for bankers and practical men.

12,237. Now, what do you say about the agency by which this new currency should be managed, assuming such a currency to be adopted?—The answer to this question will depend to some extent on the question whether the gold reserve is to be kept in India, or, as in Mr. Lindsay's and Mr. Raphael's plans, in London. If the latter, it would, it seems to me, be desirable to place the whole management of the gold reserve in the hands of the Bank of England. When once the ratio of the rupee to the £ sterling is determined, the function of maintaining convertibility and of keeping a sufficient reserve for that purpose in the face of whatever fluctuations, seasonal or other, may occur, is essentially a banking function, such as the Bank of England and other banks have to deal with in their ordinary business; and I believe it would be better done by them than by the Government, and would be kept apart from the ordinary financial operations of the Indian Government. At the same time the Government of India cannot under any scheme avoid the responsibility of keeping in India, and, if necessary, of coining, as many silver rupees as are likely at any given moment to be in demand. How this should be effected, whether it can be facilitated by the issue of notes in India, and how the accounts between the Indian Government and the bank should be kept, are points on which I am incompetent to offer an opinion. The Indian Government must of course in some form or other pay and indemnify the bank; and I should like, in Mr. Raphael's emphatic words (6459) to see

not only "the Indian Government but the English Government support the scheme with its entire credit."

12,238. If the English Government supports the scheme with its credit, then a great many of the difficulties would disappear at once about the gold reserve?—Entirely.

12,239. That would practically solve the question?—That would solve the question, I believe.

12,240. Now, will you proceed with your statement?—Whether Mr. Lindsay's scheme be adopted or not, and whether it is determined to have a gold currency in India or not, I should be glad if it were found possible to commit the management of the scheme to the Bank of England or to some other bank rather than to leave it simply and entirely in the hands of the Government. I believe they would manage it better; it is part of their business, and I do not at all desire to see a system in which the Indian Government put a quantity of gold in their shop window and ask everybody to look and see from day to day how big it is.

12,241. In fact you would prefer bank management to Government management?—I should.

12,242. Have you at all thought over the possibility or wisdom of establishing a bank in India that should do for India what the Bank of England does for this country?—I have not sufficient knowledge of India to go into that.

12,243. You have seen Mr. Alfred de Rothschild's paper?—I have heard of it; I have not read it.

12,244. Do you think that a complete and final scheme with absolute convertibility should be adopted at once, or that more experience should be acquired before that is done?—I regret that the imperfect scheme of 1893 should not have been allowed a somewhat longer trial before throwing it again into the crucible. The circumstances of the last five years have been in many respects exceptional, and the experience of two or three more years, without war, without famine, without pestilence, and without exceptional borrowing, would have been very desirable for the purpose of establishing the fact that the currency of India at the gold value of 1*s.* 4*d.* for the rupee is not normally or permanently redundant; in other words that trade and business have accommodated themselves to that value, subject, of course, to seasonal fluctuations. Even if the rupee were still normally redundant at that value, the contraction arising from the natural waste of currency and the increasing demands of business would no doubt soon bring it up to that rate without any such violent operations as the Indian Government propose. But, if it is thought desirable to adopt a complete scheme at once, I have no doubt that an undertaking to secure the convertibility of the rupee at 1*s.* 4*d.*, especially if backed by the credit of the English as well as the Indian Governments, would now and henceforth maintain the token rupee at that value. The great difference between the immediate adoption of a final plan and a policy of waiting, is not a difference of principle, but of policy and regard for public opinion. If the experience of the present year should be confirmed by the experience of one or two consecutive years, and if the rupee should continue at or near 1*s.* 4*d.* for that time, men will have become accustomed to it, and the operation of guaranteeing its convertibility, which now appears to some people heroic, will not appear heroic at all. Under these circumstances it is a question of practical politics, whether to establish a system of convertibility at once or to wait for the experience of two or three years. But, whichever course be adopted, it is a *sine qua non*—if the currency of India is to be placed on a sound footing—that the Governments both of India and of England should allow no doubt whatever to exist about their intention to establish and to maintain the gold value of the rupee at the fixed ratio, by undertaking to convert it either now or hereafter at that ratio. When specie payments were

resumed in England, or rather when the bank was compelled to pay its notes, it was done by degrees.

12,245. You mean in 1819?—Yes

12,246. It was spread over four or five years, I think?—Yes, but the effect of saying that they would do it at the end of three or four or five years was to raise the value at once to par

12,247. You say that the imperfect scheme of 1893 should have been allowed a longer trial. If Sir David Barbour were here, he would say that an essential part of the scheme of 1893 was the introduction of a gold standard?—Undoubtedly Sir David Barbour always intended that, and I think you will find that Lord Welby and I expressed a strong opinion to that effect.

12,248. I mean, he regarded the introduction of a gold standard as the scheme, and this was the first step in it?—Certainly.

12,249. It was part of the original scheme that there should be a gold standard?—Certainly. I would never have signed the Report of 1893 unless I had believed that it would lead to a gold standard.

12,250. (*Sir F. Mowatt*). You have dwelt on the great importance of guaranteeing the maintenance of the rupee at whatever figure is agreed upon, either now or in course of time, and you have said that that would be greatly facilitated "by the English Government giving it its entire support" Will you define what you mean by the English Government giving it its entire support?—Suppose, for instance, the English Government agreed with the Indian Government to ask the Bank of England (I am only giving this as an illustration) to undertake the business. If the Bank of England did undertake the business and dealt with this as a part of their business, adding to their own reserve for the purpose, and did it at the request of the Indian Government and the English Government, I should say that the Indian and the English Governments would both have agreed to support the Bank of England

12,251. You mean the English Government should in some way undertake to recoup the bank any loss which the management of the rupee cost?—The repayment of the cost must be a matter of arrangement.

12,252. I should say the loss on the transaction?—It would rather mean this, would it not? Supposing that there occurred one of these extreme cases in which there was a great run, and in which something equivalent to the suspension of the Bank Charter Act had to be effected, then the Government would come to the assistance of the Bank of England, just as they would in an extreme case in London

12,253. Then you are not contemplating that the English Government would simply guarantee a loan, either limited or unlimited, issued by the Indian Government in order to ensure convertibility?—I was not thinking of that particular form. I do not think that would be necessary.

12,254. Would you contemplate a loan, or a reserve established by loan by the Indian Government?—That is really a matter of arrangement for the Indian Government. I should myself prefer to contemplate some such plan as the Chairman suggested, of accumulating surpluses, rather than anything heroic in the way of borrowing, but there might be a time when the reserve became very low, and it was necessary to replenish it, and when that could only be done by borrowing

12,255. And you think that that borrowing should be by the Indian Government, supported by a guarantee of the English Government?—I should be glad to see that.

12,256. You include that in the "entire support" of the English Government?—Yes.

12,257. Now, you have spoken of the gradual introduction of conversion. Have you considered at all how to ensure a gradual introduction of convertibility?—I think it must be a question of time. In the English case in 1819 they did it by raising the value of the note by steps till it came to par. That

would not be necessary now, because you have the rupee at 1s. 4d. already, but you might say, "this shall go on for so many years, and at the end of so many years we will undertake to convert."

12,258. How would that be affected by, for instance, the rupee now for some reason falling below 1s. 4d.; how would the Government deal with that? Suppose people came and said, "You are guaranteeing convertibility; we want gold for these rupees?"—My impression is that, if you said you were going to undertake to convert either now or four or five years hence, the rupee would not fall below 1s. 4d.

12,259. It is on that conviction that you base this argument?—Yes.

12,260. (*Lord Balfour of Burleigh*). In the course of your answers to Sir Henry Fowler you said that persons hoarding rupees, if there are any who have hoarded them, would probably have taken advantage of the high price of recent times of close on 1s. 4d. to realise their hoards?—Yes, to secure having them in gold.

12,261. Yes, to secure having them in gold. Perhaps a large number of persons, some intelligent and influential people in India, might do so, but would that apply to the great mass of the population who may be supposed to have some hoards of rupees?—No, it would apply to those who thought about it; but I doubt very much whether under any circumstances the mass of the people would bring their rupees to convert them into gold. The rupee is useful to them as a rupee. I do not see why they should come to turn it into gold. The people whom you have to fear are those people who look forward and who think, "Gold will be more valuable at some future time than this rupee is, therefore I will at this advantageous juncture turn my rupee into gold." Those are thoughtful and speculative people

12,262. No doubt; but in theory the possibility of such a contingency as my first question indicated does add to the responsibility of the Government in undertaking what you propose?—To whatever extent that goes, that is so.

12,263. But the risk of that does not affect your opinion?—No, I do not think it does.

12,264. Just at the conclusion of that part of your evidence dealing with the matters on which you had a very confident opinion, you said that the manner of making the token rupee convertible into gold, by what stages and under what limitations such convertibility should be affected, are comparatively matters of detail?—Important matters, but still comparative matters of detail.

12,265. Are they not so important—certainly the limitations under which the convertibility is to be effected—as really to be the gist of the whole scheme?—I do not think so. For instance, it has been suggested that rupees should only be convertible if brought in certain quantities, or that they should only be convertible in the form of notes of a certain amount. That has been suggested as one scheme. I dare say other schemes might be suggested.

12,266. (*Sir F. Mowatt*) When you say convertible in the form of notes, you mean that rupees notes should be exchanged for gold?—That rupee notes should be exchanged for gold.

12,267. (*Lord Balfour of Burleigh*). Such a limitation as only receiving rupees in certain quantities might be desirable for large exporters and for large transactions, still, if the time came when there was any premium on gold as compared with 15 rupees to the sovereign, people would very soon amalgamate their hoardings and bring in the required amount?—I think they would if that occurred.

12,268. So that that limitation of only doing it in large quantities would not affect the ultimate liability of the Government?—I do not think it would. But it would offer less ostensible temptation.

12,269. And in fact, if things were to turn adversely to the Indian Government (I only put that hypothetically), that would be no protection for them?—I do not think it would.

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12,270. Have you formed an opinion at all in your own mind, either from reading the evidence or from any knowledge elsewhere, as to what would be the ultimate possibility or the worst of the liability which the Indian Government, more or less by your hypothesis supported by the British Government, would undertake?—It is impossible to say, but I can see no reason to suppose that the rupee, as a rupee, will not continue to be useful and valuable to the people of India as it is at present. I can see no reason for anything in the nature of a *débacle*.

12,271. The rupee will continue to be as useful to the people of India as a shilling or half-a-crown is for us to-day, perhaps even more necessary, but at the same time you might have to face the contingency of the people who now hoard rupees, wishing to turn a large quantity of them into gold. We must admit that a large quantity of rupees must always remain in the country as rupees, but admitting that, have you ever thought of what number of millions of pounds might be demanded in gold from the Indian Government?—No; of course the ultimate limit is the quantity of rupees that there are.

12,272. The quantity of rupees, having made the proper calculation of the number of rupees which people cannot get rid of?—That is, to take the quantity of rupees which there are in hoard, or the quantity of rupees which there are in the banks. Of course you must deduct from the whole quantity of rupees whatever number of rupees are actually needed for circulation.

12,273. You must take the quantity of rupees which there are over and above the necessities of the population?—Then you must allow me to say that, when you once take these away, you would increase the value of the remaining rupees.

12,274. No doubt, but you have not gone into that at all?—No, I have made no estimate of numbers. I doubt the accuracy of any such calculations: I doubt their value, if accurate. If all the rupees in India, or all the rupees except those absolutely required for purposes of circulation, were presented at one moment for payment in gold, the demand would no doubt exceed any possible reserve. The security is that no such demand is likely to be made. I should no more care to get out the result in figures than I should care to get out what the result would be if all persons in this country who have money at banks were to insist at one moment on drawing out all their money in gold.

12,275. (Mr. Le Marchant.) You said just now that, if there were a promise on the part of the Government of India, supported by the English Government, to make the rupee convertible into gold at some date, say, three or four years hence, that would prevent the rupee in the interval from falling below gold point?—I am inclined to think so.

12,276. On the other hand, is not the rate of exchange often determined by the balance of immediate payments?—No doubt that is so, but I think that, if people knew that the rupee would, after a certain time, be convertible into gold at 1s 4d., that would have a very great effect in maintaining its value in the face of adverse circumstances.

12,277. How would that operate, would it be by inducing the banking world to send capital to India?—I am inclined to think so. I think they would have a belief in the future of the rupee.

12,278. In fact, that it would be profitable to provide funds and exchange, quite apart from Government action?—Yes.

12,279. Do you consider that the introduction of a gold currency would lead to a greater demand for gold, in order to take the place of rupees?—That is a thing which I am not capable of judging, but, as far as I can gather from the evidence, it seems that the great bulk of the transactions must for a long while be done in rupees, and that it will be a long while before there is a large use of gold in India compared with the other

currency. There might be a certain quantity of gold in the banks.

12,280. Of course, during the last year, while the rate of exchange has been about 1s. 4d., there has not been, so far as one knows, any offering of rupees for gold to an exceptional extent. But that has been the case while gold is not a currency?—Yes.

12,281. So that any demand under present circumstances would merely be for gold as a commodity?—For gold as an investment.

12,282. Do you think that would be changed, if gold became a circulating medium; do you think that would introduce a new condition?—That is a question for people who are better acquainted with India than I am; so much depends on the habits of the people of India. So far as I can judge from the evidence, they are so accustomed to the rupee that they would be very little likely to use gold in the ordinary circulation even when it became legal tender.

12,283. You were alluding to the rate of 1s 4d., as having now prevailed for about a year. Do you regard the duration of time as important for enabling an inference to be drawn as to the suitability of the rate?—I think the fact that it has lasted a whole year, through slack times and through busy times, is very much in its favour.

12,284. And, if the time were longer so that the inference could be drawn from a more extended period, that would fortify any conclusion?—Certainly.

12,285. It has often been suggested that the existence of a maximum of 1s 4d., without a corresponding minimum, must operate against the reception of gold into the Indian Treasuries?—Yes, because people are not certain that they will be able to get their gold back again at the same rate, if they want it by and by.

12,286. Do you consider that the disadvantage applies more to the particular rate of 1s 4d. than to any other rate, or do you view it as a general principle?—As a general principle.

12,287. (Mr. Holland.) You say that in your view the re-opening of the mints to silver is out of the question. Would you contemplate ever re-opening them under any circumstances, or do you think that, being closed, they are closed for good?—I think I told the chairman that I should hesitate to say that any opinion I formed was absolutely final, because circumstances may change, circumstances which we cannot foresee and over which we have no control, but, so far as I can see at present, and so far as existing circumstances may be expected to last, I can see no prospect or likelihood of its being desirable to re-open the mints to silver.

12,288. Referring to the guarantee of convertibility by the Government, do you consider it to be the proper function of the Government to undertake responsibility of that kind?—Certainly.

12,289. You say that you consider 1s. 4d. to be the best rate, and one of the grounds of considering 1s. 4d. best, is that it is the rate that obtains just now?—Certainly.

12,290. But I believe you were in favour of the rate of 1s 4d. at a time when the then existing rate was much lower than 1s. 4d.?—It was 1s. 2½d. or something below 1s 3d. at the time, but it had been much above that very shortly before, and the Indian Government had proposed to raise it still higher; of course 1s 4d. is arbitrary, but it was thought that that was a fair point to take—that the Indian Government should have power to raise it to 1s 4d., but should not have the power to contract the currency so as to raise it beyond 1s. 4d.

12,291. You probably agree that, allowing 1s. 4d. might be easily maintained when harvests are good, the task would become very much more difficult if there were to be unfavourable crops?—Of course, if the balance of trade is unfavourable, the tendency is to lower exchange, but once established there it remains, crops or no crops, it does not depend on the crops; you are not to have a standard varying with the amount of your exports or imports. Your object

is to get a permanent stable standard. What I deprecate above all things is any attempt to manipulate currency for the purpose of promoting exports or of interfering with trade. We want a stable standard of value.

12,292. You say that in your view it is indispensable that a gold reserve should be accumulated. I suppose you would agree that, as a matter of fact, not very much has accumulated so far?—No, I suppose there is no accumulation at present, but we hear that a certain quantity of gold has gone to India.

12,293. Do you think that the reason it is so small, or one reason, at any rate, is that only 15 rupees have been offered for the sovereign; do you think that, if 16 rupees had been offered for the sovereign, there would have been a larger accumulation at this time?—That I cannot say, but I think that the real reason why there has not been more, is that there is not an inferior as well as a superior limit to the gold value of the rupee.

12,294. (Chairman) You are not referring now to the unknown hoards of gold, of course?—No, I am referring to gold available for currency purposes.

12,295. (Mr. Campbell.) Mr. Le Marchant asked you some questions as to the rupee falling below 1s. 4d. if the Government guaranteed convertibility within a certain time, and you expressed the opinion that it would probably not go below 1s. 4d. if convertibility were guaranteed in that way?—I am inclined to think so.

12,296. But you are aware that the Indian Council must sell its bills every year?—Yes.

12,297. Then, supposing that the balance of trade were such as to prevent the Government selling the Council bills except at a lower rate than 1s. 4d., would not that tend to send the exchange below that point?—I suppose that would be so. If the Government could not sell their bills at 1s. 4d., that would mean that the exchange had fallen—of course it would.

12,298. Then, would you suggest that the Council should hold for 1s. 4d., or meet the market and sell at current rates?—This is a point for practical men rather than for me, but the inclination of my opinion would be to keep the currency question totally separated from the other financial questions of the Government of India.

12,299. That means to sell the council bills at whatever rate they could get?—At whatever rate they could get, but at the same time with the duty of those who managed the currency department to keep exchange at 1s. 4d.

12,300. How would they do that?—By making the rupee convertible at 1s. 4d.

12,301. That would mean borrowing to maintain the rate?—It might mean that.

12,302. With regard to the gold standard with a gold currency as well, would you consider it one of the advantages of a gold currency that, during a time of adverse trade balances, that adverse balance could be adjusted automatically by the shipment of gold?—Yes, I consider that a considerable advantage.

12,303. It would be an advantage in favour of a currency as compared with a mere standard?—Yes.

12,304. Then you object to borrowing, if it could be avoided, for the purpose of maintaining the standard?—If it were possible to get the necessary reserves without any heroic borrowing I should be glad to see it done.

12,305. But, if it were not possible otherwise, you would not hesitate to borrow if it were absolutely necessary?—No.

12,306. (Sir F. Morant.) For the purpose of maintaining exchange?—For the purpose of maintaining exchange.

12,307. (Mr. Campbell.) Then, having once given way and begun to borrow for that purpose, where are you to stop?—It is possible that we may be wrong. It is possible that exchange may go down, it is possible in that case that you would have to make some change or adopt some heroic remedy. I do not think it is likely, but it is a possibility.

12,308. It is a very serious possibility?—It is a possibility in this country that the Bank of England or the banks may not be able to meet the enormous liabilities to which they are subject every day, but it is a possibility which we disregard. We have to act on probabilities, and to adopt the scheme which has most advantages and fewest disadvantages.

12,309. If this possibility that we are speaking of arose from the fact that a wrong ratio had been adopted between gold and the rupee, that is a very serious question in considering what ratio should be adopted?—I do not understand what is meant by a wrong ratio. There is no such thing as an absolutely right or an absolutely wrong ratio. There is an existing ratio which may be either raised or lowered. It is an evil either to raise or lower it. It is quite as great an evil to lower the ratio as to raise the ratio.

12,310. With regard to the Lindsay scheme, and other schemes for raising the ratio to 1s. 4d., would you say that, if that ratio is a proper ratio, it should not require artificial support to maintain it?—I am not quite sure that I understand what you mean by artificial support.

12,311. Borrowing?—Any scheme artificial or not, any system of guaranteeing the convertibility of a token currency, may mean borrowing at times. I understand the Bank of England borrow at times.

12,312. They borrow at times to raise the discount rate you mean?—Yes.

12,313. But would you not say that, if a scheme is the correct scheme, it should not need artificial support, it should work automatically and that, if it requires artificial support, that very fact tells against it?—Yes, but I am not quite certain that I see how the Lindsay scheme requires artificial support any more than a gold currency would; because, if there was a gold currency and the gold currency was all departing, it would be necessary for the Indian Government in that case to have recourse to some such procedure as borrowing.

12,314. I mean with the ratio of 1s. 4d. Mr. Lindsay's scheme contemplates the establishment and maintenance of the ratio at 1s. 4d.?—If you are afraid of 1s. 4d. being too high, allow the present state of things to go on for two or three years; allow the currency to contract itself with reference to the demand; and you will make the 1s. 4d. rate more secure than it is at present.

12,315. You admit that the ratio is an important part of the question?—To fix upon a certain ratio is important, but the still more important thing is when once you have got a ratio not to change it.

12,316. Once you have the correct ratio?—I am not quite certain whether you and I are agreed upon the fact of there being a correct ratio.

12,317. What would you take to be the test?—The test of a correct ratio is that trade and prices have adapted themselves to the ratio that exists, in other words that the currency is equivalent to the demands upon it, neither redundant or scarce.

12,318. The Government adopted, on the recommendation of Lord Herschell's Committee, a ratio of 1s. 4d., but for a long time, as you are aware, the actual fact was that the rate of exchange was very much below that?—It was so for special reasons. Lord Herschell's Committee did not recommend a fixed ratio of 1s. 4d., they recommended that the Indian Government should not have power to contract the currency so as to raise the ratio above 1s. 4d.

12,319. Now, if the mints were closed to silver and a ratio named for the reception of gold, do you believe that the need for fresh currency would make that ratio effective sooner or later?—Yes, I think that it would. I am not sure—you know and I do not know—what is happening just now; but I am told that a considerable quantity of gold is going to India at this moment.

12,320. Would you consider that evidence that 1s. 4d. is a proper ratio?—It is evidence in support of the view that it is a proper ratio.

12,321. Supposing 1s. 6d. had been fixed upon instead of 1s. 4d., would you say that it would only be

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a question of time until the contraction of the currency made 1s 6d equally effective?—Yes, I do, but one must remember that all that period of the contraction of the currency is an evil, and that what you want to do is to get as near as you can to the ratio that now exists.

12,322. The point I want to make is this Is the fact that 1s. 4d. has been arrived at after this long period sufficient evidence that it is the proper rate any more than 1s. 6d. would have been?—The 1s. 4d. is nearer to what was then in existence and is now the ratio to which things have adapted themselves. There is no divinity in 1s 4d

12,323. Do you remember Mr Bertram Currie's proposal to leave the ratio unsettled altogether and to allow the exchange to rise indefinitely?—I do. I was never able to understand it.

12,324. You would not approve of that as a proper means of finding the ratio?—Certainly not. The effect would have been that the currency would have contracted indefinitely by waste, by stoppage of supply and increase of demand, and the ratio or rate of exchange would also have increased indefinitely

12,325. But is not naming an artificial ratio which, whether right or wrong, the contraction of the currency will in time make effective, merely a variation of Mr Bertram Currie's proposal?—You may so describe it if you please, but it would be a greater change than the change that has been made and an unnecessary change, and one which would in its progress cause great friction and difficulty

12,326. (Chairman) I suppose an arbitrary Government might fix it at 2s.?—Certainly.

12,327. And smash the trade of India almost in doing it?—Yes. I should like to add one word on the expressions "natural ratio" or "correct ratio" and

The witness withdrew.

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MR. JOHN MATHESON MACDONALD called and examined.

12,328. (Chairman) You are a member of the firm of Matheson & Co., of 3, Lombard Street?—Yes.

12,329. All your business life has been spent in London?—Yes.

12,330. But you have been connected during the whole of your business life with the Eastern trade?—More or less.

12,331. You have had special experience, I believe, in the Chinese trade?—Yes; we have always done a large business with China.

12,332. Shanghai, I suppose?—Yes.

12,333. Are you familiar with the cotton mill industry in China?—I have got up the information on the subject as well as I could, and I believe I have got pretty accurate information.

12,334. Is there any serious competition between the Indian cotton industry and the Chinese cotton industry at the present time?—The impression I have gathered is that the Chinese cotton industry can hold its own with Bombay, leaving out entirely the question of the advantage of the silver premium on rupees; that is to say, if Shanghai and Bombay were competing on the same currency, I believe China would hold its own. Of course, with the enormous advantage of the inflated rupee, I do not think Bombay has any chance, except as supplementing the production of the Chinese mills

12,335. You mean that, irrespective of that advantage which China enjoys, if China did not have that advantage, she would still be able to compete successfully with India?—Yes, I think so.

12,336. When were the foreign factories first started in China?—The strictly foreign factories have only been started in China since the close of the Japanese war in 1895. Prior to that they were not allowed to import machinery or erect mills.

12,337. On what ground do you think China can favourably compete with India?—Labour is extremely cheap

12,338. And coal is cheap?—Yes.

"artificial ratio" When you can manipulate a token currency there is, properly speaking, no such thing as a "natural" or a "correct" ratio as distinguished from an "artificial" ratio. The ratio depends on the value of the currency, in other words, on the proportion of supply of currency to the demand for currency. If you diminish the supply by contracting the currency, you raise the value and the ratio. If you increase the supply, e.g., by issuing forced paper or by allowing a depreciated metal such as silver or copper to be coined *ad libitum*, you diminish the value and the ratio. Either process may be unlimited, and appreciation or depreciation of the rupee may therefore also be unlimited. But, although you may thus alter the ratio indefinitely, there is, when a given ratio has existed for some time, a certain fixed relation between the currency at that ratio and prices of all kinds, which it is extremely undesirable to alter; and which on the other hand it is extremely desirable to stereotype. This it is now proposed to do by making the currency convertible into gold at 1s. 4d. It will then only vary automatically with gold. You may, of course, contract the currency and make the ratio 1s. 6d. or more, or you may depreciate the currency and make the ratio 1s. 3d. or less. But these ratios will be no more "natural" than 1s. 4d.; and to adopt either of them at this moment would have the bad effect of creating an unnecessary disturbance in all existing business relations.

Let me add that, if you adopt a ratio of 1s. 3d. instead of 1s. 4d., you may for the moment find it easier to maintain the 1s. 3d. ratio. But, when prices and business arrangements have once adjusted themselves to the 1s. 3d. ratio, it will be just as difficult to maintain that ratio in the face of adverse circumstances as to maintain the 1s. 4d. ratio.

12,339. Raw material?—The raw material is at hand. It is a little higher in cost than the Bombay material, but the yarn produced from it fetches a higher price

12,340. And it is nearer the market?—Yes

12,341. (Sir F. Mowatt.) When you say labour is cheap, do you mean as compared with Indian labour?—I think so, so far as I can gather. I have not wished to exaggerate, and therefore I have taken Indian labour at the lowest rate, so far as I could ascertain the figures

12,342. I only wanted to understand whether you meant cheap as compared with Indian labour?—I think the very cheapest labour in India is about on a parity with the cheap labour in China, but I think in India a larger number of persons at higher rates of wages are employed in the mills.

12,343. (Chairman) Up to what numbers do they make in China now?—Up to 20's. At this time I think they have over 200,000 spindles. At present they find yarn is a more profitable production than cloth, but they do manufacture certain coarse cloths of narrow widths, in imitation of the Chinese native make

12,344. Where is the yarn woven that they spin?—The yarn is woven by the native weavers

12,345. By hand?—Yes.

12,346. Are there many power-looms?—For weaving do you mean?

12,347. Yes?—I do not think there are, except in the foreign mills

12,348. The production in China is the production of yarn, the weaving being by hand-loom chiefly?—Yes, chiefly

12,349. Have you any idea what is the supply of native cotton?—As an indication of the supply, I notice that an amount of about 2,500,000 of bales passes through the Imperial Maritime Customs

12,350. Into China?—Not into China, but moving in China from one place to another. Of course an

enormous quantity is used locally and never comes through the Customs at all

12,351. That is China-grown cotton?—Entirely

12,352. Do they import from America?—A little, and they have imported from India, but that is falling off.

12,353. There is an unlimited supply of labour?—Practically unlimited.

12,354. Both men and women?—Yes, women and children are chiefly employed.

12,355. Do the local yarns pay no duty?—Not within the Shanghai Settlement, but if they go outside they are on the same footing as all other yarns.

12,356. There are heavy import duties?—Yes, they are the *Likin* duties, but that applies to all, so that I have not gone into that.

12,357. Is there any competition between India and Japan?—Yes, very much, I think Japan follows China. The order I should say is Shanghai first, then Japan, then India.

12,358. That is to say Japan is more favourably situated than India?—Yes.

12,359. And then China?—China is more favourably situated than Japan.

12,360. But trade is more developed in Japan than in China?—Yes, they started earlier in Japan.

12,361. Now, what other manufacture is there in which Chinese enterprise and Indian enterprise come into competition besides cotton?—Tea and opium.

12,362. Is the production of tea in China diminishing or increasing?—Diminishing; that is to say, the production may not have diminished, but the export to this country has diminished enormously. There is still a considerable export kept up to America and other places. The Americans take mostly green teas and Oolong, and the Indian teas have not yet captured that market. Then again, a good deal of China tea goes to Russia—the best tea.

12,363. What about opium?—Opium, I am quite satisfied, is doomed as regard India. The revenue has fallen off to half what it was, and the rest will certainly follow.

12,364. The Chinese are growing their own opium?—Yes.

12,365. The consumption, I suppose, is increasing?—Yes, I should think so.

12,366. But that increased consumption is supplied by native-grown opium?—Entirely.

12,367. Then it is practically a question of tea and cotton?—Yes.

12,368. The tea trade to some extent?—Yes.

12,369. What have you to say under the heading of tea?—As regards tea, my opinion is that, while China tea has the advantage of the exchange to the full extent, this is very largely counterbalanced by other factors. First of all, there is the export duty. That amounts on all tea to about 0.6 of a penny, and, as the bulk of the China tea now exported is of extremely low quality, it forms a very heavy percentage.

12,370. (*Sir F. Mowatt*.) The *Likin* duty does not affect cotton?—Yes, it affects cotton, but only locally. The cotton manufacturers in Shanghai are allowed to sell within the Settlement, free of duty. It is when the stuff gets outside the Settlement, that it is subject to duty. Then, the quality of tea has fallen off in China. Once any community acquire a taste for Indian tea, China tea becomes practically unsaleable.

12,371. (*Chairman*.) I suppose they have better machinery and so on in India than in China?—Whether it is due to that, or to better soil in India, I do not know, but Chinese tea is certainly inferior as regards strength and pungency to Indian tea.

12,372. And there is a great decline in the export to England of China tea?—Very great. I remember when the export was something like 160,000,000 lbs., it is now down to 30,000,000 or 40,000,000. Another factor is the local consumption, which, at a price, competes with the foreign demand. The effect as regards Indian tea is certainly to keep prices at a low average, that is, if the price of Indian tea goes up,

there will probably be an increased export of China tea. There is a certain demand for cheap teas for mixing with Indian tea.

12,373. There is no local demand to any extent in India, is there?—None, and that of course entails the necessity on all persons who manufacture tea in India to ship it and sell it—to force a sale, in fact, in London.

12,374. I suppose, if there was a material rise of price in tea, that would be met by an increased shipment of cheap tea?—It would, to some extent.

12,375. Do you think there is any early prospect of China tea being grown and manufactured under European supervision?—No, I think not. There have been some trials made; there was a company got up at Hankow, and another at Foochow, but I believe they are both wound up.

12,376. What is the experience with reference to the Indian industry being affected by the restriction of the currency?—I think there can be no question about that. To restrict the currency of any country must affect the industries of that country.

12,377. And do you think there has been a restriction of currency in India?—Yes.

12,378. On what grounds do you base that opinion?—On the ground of the high rate of interest ruling, which was an inevitable consequence of closing the mints.

12,379. That may have been so last year, but it is altogether different now?—But circumstances have been very different this year. There has been an enormous export this year.

12,380. Was not there a famine last year?—Yes, and I think the effects of the famine were exaggerated in some respects by the restriction of the currency.

12,381. Now, what is the standard of value in China?—The standard of value in China is silver by weight.

12,382. Have they any coins?—The currency in China where they have coins is in the hands of the Local Government, but the Chinese Government—the Imperial Government—do not recognise any coins. If you have to pay duties at the port of Shanghai on imports, you are obliged to pay in silver.

12,383. By weight?—Yes, by the tael.

12,384. And of a certain quality?—Yes, I do not know what it is, but they will not accept coins of any kind.

12,385. (*Sir F. Mowatt*.) Not by weight?—They will accept coins as silver. Sir Halliday Macartney, the Secretary of the British Legation in London, informs me that “he considers the currency of China “is the silver Tael. The so-called copper “cash” has “no uniform standard.” Cash are of course largely used in retail payments and wages. The wages are so small that it is absolutely necessary to employ a subsidiary currency.

12,386. (*Chairman*.) The local dollars vary in weight and quality?—They do.

12,387. Mexican dollars are used?—Mexican dollars are used, but they are being supplanted very much now by the British dollars.

12,388. And Japanese yens?—Japanese yens were in use, but they are now being called in, because at the ratio recently fixed by Japan they were worth more in Japan than their intrinsic value as silver.

12,389. Is there any banking in China?—Yes, there is a very elaborate native banking system.

12,390. And well managed?—Extremely well managed some of it, so much so that the Imperial Customs in Shanghai, who will not, as a rule, accept anything except sycee in payment of duties, will occasionally accept an order on a native bank for the delivery of so much silver.

12,391. Is that the nearest approach they have to a paper currency?—No. In some districts, notes issued by the native banks are in general circulation. They also issue letters of credit which are available all over the district and readily encashed.

12,392. Is one of the great drawbacks to Chinese commerce the want of a proper and well-regulated currency?—It is an enormous drawback, especially

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Macdonald.*

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to the lower classes. The question of the local exchange and currency arises in every transaction, and complicates business. The "cash" in which they deal are of various weights, and latterly some of them have been very much reduced in size. Then, all sorts of disputes arise as to the quality of the silver; at every turn such questions arise, and, of course, the money-changer has always an advantage in dealing with ignorant coolies and people of that class. The question of exchanges in the different districts comes in constantly, and must hamper trade.

12,393 How do you measure the range of prices in China?—I do not quite understand that question.

12,394. You say. "The range of prices in China measured in silver seems to have followed the indication given in Sauerbeck's Tables; namely, that from 1873 to 1893 silver continued to be a fairly steady standard as regards commodities, but that since then prices of commodities have risen 12 to 15 per cent. measured in silver"?—I am speaking there of average prices. I have a table here which I have taken out of the average prices of commodities given in the Chinese Imperial Customs Returns:—

AVERAGE PRICES OF COMMODITIES EXPORTED, in
Hankwan Taels per Picul (133½ lbs.).

	1872-76	1877-81	1882-86.	1887-91.
Black Tea - -	22.56	17.42	16.20	17.08
Green Tea - -	26.95	21.80	20.57	18.51
Black Tea - -	11.06	7.80	6.07	6.82
Silk Cocoons - -	88.00	55.88	55.62	59.59
Wool - - - -	6.81	6.77	8.33	8.46
Yellow Silk (Hankow)	153.20	176.69	201.81	195.46
Raw Cotton (Shanghai).	9.23	9.52	11.07	10.36
Rice (Shanghai) - -	1.20	1.35	1.40	1.44
Wheat (Shanghai) - -	1.16	0.97	1.25	1.25
Brown Sugar (Swatow?)	2.38	2.97	2.63	2.38
White Sugar (Swatow)	4.36	4.85	4.10	3.85
Bengal Cotton (Hong Kong) } highest	11.15	11.16	10.00	11.02
} lowest	6.17	6.17	5.06	6.40

During this period the quotation for bank bills on demand fell from 6s. 1d. per Shanghai Tael in 1872 to 4s. 3½d. in 1891, and in 1898 it had fallen to 2s. 8½d. Then I have another table which is made upon the index-number system by the Consul at Shanghai, who is very much interested in this question, which confirms what I have already stated. Sir Halliday Macartney in his Memorandum says: "I understand that the prices of all articles of common consumption and wages have of late years slightly risen in and around the Treaty Ports, but this rise bears no proportion to the depreciation in the exchange value of silver, and is not greater than might have been accounted for by the effect of "prosperous trade"

12,395. Does "of late years" mean since the depreciation in the value of silver?—Since 1893. Consul Jamieson estimates that there has been a rise of some 14 or 15 per cent.

12,396. (Sir A. Dent) Do Consul Jamieson's figures apply to Shanghai alone or to China generally? I suppose it is principally Shanghai.

12,397. (Chairman.) Let me read you this extract from one of the Consular Reports "It has been stated that, while the price of silver in relation to gold has been going down, its purchasing power in China has remained constant. This would only be true if there had been no alteration in the exchanges between silver and copper coin, and supposing the value of the latter in relation to other commodities had remained unchanged. As a matter of fact there has been a steady rise during the last few years in the silver price of cash. The year 1896 has witnessed a further considerable rise

"throughout China, attributed partly to scarcity and insufficient minting of the coin, so that the tael, which formerly exchanged for 1,500 cash, will now only purchase 1,200 or less. Side by side with this increase in the silver price of cash, there has also been a marked tendency for the cash itself to depreciate in regard to commodities in general, so that the gold-price of Chinese commodities has not fallen to an extent by any means so great as has been generally assumed from the decrease in the exchange value of silver." Do you agree with that?—No, I do not fully agree with it.

12,398 Where do you disagree?—I think the price of cash has not varied so much as is supposed, and that, so far as the price of cash has varied, it has done so more from the contraction of the currency—by scarcity of cash—than from any change in its intrinsic value.

12,399. (Sir F. Mowatt.) Let me call your attention to one single expression. He says: "The year 1896 has witnessed a further considerable rise throughout China." It is not merely in the neighbourhood of the ports, but throughout China?—Yes, I agree with that. Since 1893 there has been a rise in prices of commodities measured in silver.

12,400. I thought you said only in the neighbourhood of the ports?—That applied to the table of prices of exports.

12,401. (Chairman.) At Shanghai Consul Jamieson gives us a table in which he shows the increase in silver prices, from 1887 to 1897, viz., 49 per cent. so far as regards rice, 82 per cent in flour, 66 per cent. in eggs, 36 per cent in pork, 58 per cent in fish, 70 per cent. in vegetables, 75 per cent. in oil, 43 per cent in sugar, 55 per cent in salt, and 50 per cent in house rent. I have not seen that table. Latterly there has been a rise.

12,402. Would that at all show that the cost of production in China is increasing?—Yes, it is now.

12,403. Now we will go from China to India. First of all, what was your opinion about the closing of the mints?—I disapproved very much of the closing of the mints.

12,404. The mints having been closed, what do you say about their now being reopened?—I should prefer their now being reopened.

12,405. At once?—Yes, I think at once.

12,406 You think there would be no disturbance of trade?—There would be a disturbance of trade for a time, but I think a change of that sort very soon rectifies itself, and it is less detrimental to trade than a period of suspense.

12,407. Has there been much suspense for the last 12 months?—There is at present a feeling of suspense.

12,408. The rate of exchange has not varied, has it?—No, but no one has any confidence in it. It has been steady from exceptional circumstances, I consider.

12,409. Suppose the mints were now open, I suppose the rupee would go down to the bullion price of the silver that it contains, would it not?—The value of the rupee would fall to some extent, but I think the price of silver would rise also.

12,410 Are you in favour of a gold standard?—Of course, one has to consider the question of a gold standard from every point of view, and I see very great difficulties in establishing one. I should prefer that a silver standard were retained in India, speaking as a merchant, because I think it would be more conducive to the prosperity of the country.

12,411. I want you to look at it for the moment from the merchant's point of view. India does a large trade with you as a London merchant?—Yes.

12,412. The trade that is done with you is on a gold basis, is it not?—I do not know that I would say so.

12,413. You do not think that it is?—I do not think so.

12,414. Do you mean that the gold price is not taken into account when you buy and sell?—Yes, you have to do that, but exchange is a factor.

12,415. I am coming to that in a moment. I want first to get this fact, the gold price is taken into account in your trading?—It is based on the gold price certainly.

12,416. Then that is subject to fluctuations of value?—Yes.

12,417. That is not a desirable state of things?—It is unavoidable.

12,418. Many things are unavoidable which are not desirable. I want to know whether in your opinion it is desirable for a silver-using country which does a large trade with a gold-using country to have no par of exchange?—It would be better, of course, with a par of exchange.

12,419. What is your reason for thinking silver a better standard than gold?—It has retained its value relatively to commodities up to a recent date much better than gold has. The alteration has been by the appreciation of gold and not by the depreciation of silver.

12,420. Personally you would be in favour of getting back to open mints and for the exchange to depend upon the bullion value of silver?—Yes, and one strong reason for that, I should say, would be this; I do not see how you are ever to have an automatic currency unless on that footing.

12,421. What is the difficulty that presents itself to your mind?—Do you mean with a gold currency?

12,422. The difficulty in the way of an automatic currency?—Well, there is a distinct difference between an automatic currency and what you may call a managed currency. With silver you may have an automatic currency which is undoubtedly the most desirable from every point of view. With a managed currency—of course it can be done, there is a large experience in this world of countries that are worked upon a managed currency—but the difficulties in the way are enormous, and very much greater in the case of an English dependency than in the case of any other country.

12,423. I do not think I quite understand what you mean when you talk about a managed currency?—By a managed currency I mean one in which the Government controls the currency. In an automatic currency the Government does not interfere at all. It is simply the agent to certify to the fineness and the quality and the weight of the coin.

12,424. What do you call the silver currency of this country?—The silver currency of this country is a mere token currency.

12,425. It is a mere token currency, gold being the standard?—Yes.

12,426. What would be the difficulty of applying that to India?—That is to say, having a gold currency in India?

12,427. No; a gold standard with a token currency?—One difficulty would be that it is inevitable that a very large proportion of the currency in India must always be silver. It is very undesirable from many points of view, that the token currency should bear a high percentage to the gold currency.

12,428. Will you apply that to England? A considerable proportion of the currency of this country is silver?—No; I think it is very small. In the United Kingdom the amount of silver per head is estimated at 12s 9d.

12,429. The silver currency of this country is 25 per cent. of the gold currency; it is from 22 to 23 millions of silver in circulation among 40 millions of people. Of course, all these calculations per head, like a great many of the averages, are very delusive, because a large number of people use very little silver, they use gold, cheques, and bank notes; but the bulk of the people who do use silver use a great deal more than 12s 9d per head?—No doubt.

12,430. In India the transactions of the bulk of the people must remain in silver, which is a token currency?—No doubt.

12,431. You object to its being a token currency, and you say it should follow its bullion value. Is it the fact that a large proportion of the transactions of

the bulk of the population of this country are in silver, and that that silver is a token currency, and that the effect upon prices and the general user is in no way affected by the fact that 20 silver shillings are really worth only 10s. intrinsically?—I do not think that is so in this country at all, but I consider the token currency in this country is quite different to what the token currency in India would be with a nominally gold standard.

12,432. Because its convertibility is safe?—And it is comparatively small in proportion. And again, in this country so much business is carried on without the intervention of coin at all, whereas in India that is not the state of things.

12,433. We are not talking about the great mercantile houses, we are now dealing with the great mass of the wage-earning classes of England and the great mass of the wage-earning classes of India?—I do not think the coins in the pockets of those people affect the question; it is the standard currency which affects trade.

12,434. Your transactions, between London and Calcutta are in gold?—They are.

12,435. Why should not a token currency be as safe and good for use within India as it is for England?—If India had no foreign trade it would be perfectly good there.

12,436. It would?—Yes.

12,437. It is the foreign trade that you have in view?—The foreign trade entirely. The rupee is good enough for the internal trade in India, but it is absolutely worthless for foreign trade, under existing circumstances.

12,438. You regard it as very important to establish confidence?—Yes. With all currency systems confidence is half the battle.

12,439. If confidence were established with the rupee at either 1s., or 1s. 2d., or 1s 4d., and continuity and permanence were secured, you would be satisfied with that system?—Yes, but I do not see how confidence is to be established by anything but a thoroughgoing and sound system of currency.

12,440. If the public knew that a sovereign would command 15 rupees and that 15 rupees would command a sovereign, would that establish confidence?—If they had that assurance and could count upon it, yes; but I do not see how they are to get it.

12,441. You would consider that the British Government and the Indian Government might ensure it?—At a very great cost they might.

12,442. What would the cost be? You said just now that the gold would only be used for exchange purposes?—Yes, chiefly for exchange purposes.

12,443. Where is the great cost?—I think that, if the present system were continued, it would be absolutely essential for the Government of India to establish an Indian bank, with the sole object of managing the currency; and that the Indian Government would practically have to hold the gold reserve of the trade of India; and that, in consequence of so large a proportion of the currency being in silver, the gold reserve necessary to be held by the bank to meet the fluctuations would be very large indeed.

12,444. (*Sir F. Mowat.*) Because of the large amount of business done in silver?—No, but because of the fluctuations of the foreign trade, for the settlement of the balance of trade. It would be necessary to hold a gold reserve which was equal to the drain at any one time. As long as the adverse balance was against India, the Government would have to see it through to establish confidence, and, if there was any question about their gold reserve being insufficient, of course confidence would be at once broken.

12,445. (*Chairman.*) Are you aware that the proportion of silver currency in Great Britain to the population and the proportion in India are pretty much the same?—I do not quite follow; do you mean per head?

12,446. I am taking the population as a whole. The population of British India is between six and seven times the population of Great Britain. So far

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as we can ascertain, the rupees in circulation are about six or seven times the silver currency in this country?—I accept what you say

12,447 I mention that, of course, only with reference to the transactions of the bulk of the people. I think you and I are agreed that, so far as large transactions are concerned, silver has nothing to do with the argument?—So far as regards international transactions.

12,448. That is entirely a question of exchange?—Entirely.

12,449 And the external trade is conducted on a gold basis?—It is not at present, because gold is not available

12,450. Your remittances are made in gold equivalents?—I should like to illustrate that in this way. The system of the exchange banks, for instance, is this: They buy bills at one rate and sell at another, the difference being their profit. In an ordinary way, with a perfectly steady exchange, they would be content with that. But suppose, for instance, some unexpected event happens, and that a bank finds itself having sold a large number of bills on London that they are obliged to cover, they cannot go into the market and ship gold, as they would do, certainly, if there were a gold currency; but they are obliged to go into the market and offer inducements for the manufacture of bills on London, and the only way in which bills on London can be manufactured is to offer the shipper an inducement to ship produce and draw against it; and the only way in which the bank can induce shippers to manufacture bills is to lower the rate of exchange to a point at which it becomes profitable to them to ship produce and draw bills.

12,451. But do you know that at this moment gold is being sent to India?—I understand there have been some shipments from Australia.

12,452. Large shipments?—A million and a quarter, or something like that.

12,453. Now, suppose the transaction, instead of being between England and India, were between England and France; the only element of variation in the rate of exchange as between England and France, would be whether it was a cheaper thing to remit the gold or to buy bills?—As between England and France?

12,454. Yes. Now, the exchange between India and England is liable to be affected by a third consideration, namely, the value of silver?—It is affected by the balance of trade, which is measured in the exchange. It is not affected by the value of silver at present, because the rupee is artificial.

12,455. It is not at present, but how was it a few years ago?—Now the rupee and silver are entirely different things.

12,456. That is exactly the point I want to get you to. Assuming that there was a fixed par of exchange between England and India, the only difference would be the cost of remission one way or the other—the balance of trade so to speak?—Yes, the balance of trade.

12,457. The exchange is stable at this moment; but, suppose it were rendered unstable, would not another element be introduced?—The element would be introduced that you would have to lower the rate of exchange in order to induce exports.

12,458. Would you not also have the question of the price of silver?—I think not at present

12,459. Then what makes an unstable exchange?—The rate of exchange is simply regulated by the balance of trade

12,460. By nothing else?—The exchange is merely an indication of the balance of trade.

12,461. How will you apply that to the remittances by the Government of India to this country? The Government of India, as you know, has to pay in England a large amount of interest on money borrowed in England for the purpose of constructing works in India; that has to be paid in London in gold. Now what effect has that?—That can only be paid by

shipments of produce from India in excess of imports into India, with the addition of this debit balance.

12,462. You think that taxation is totally unaffected by it?—If exchange falls, of course the Government would have to pay a larger amount in rupees for the equivalent of that debt.

12,463. And you think the fall or rise of exchange depends solely on the amount of the exports?—Entirely.

12,464. You heard what Lord Farrer said about that this morning; he did not seem to agree entirely in that view?—I should have thought that that was a point on which there was hardly a possibility of difference of opinion.

12,465. (Sir A. Dent.) You spoke of 3 million bales of cotton goods having passed through the Imperial Customs of China. To what ports do those bales go? That is not taken from the Customs returns, is it?—My authority for that is a very valuable report compiled by the Blackburn Chamber of Commerce in 1896. I should gather from the way in which it was put that they got the information from the Imperial Customs, either from their published returns or directly.

12,466. As far as we had the returns, there is nothing like that quantity of cotton returned in the Yellow Books as passing through the Imperial Customs. If 3 million bales of cotton goods passed through the Imperial Maritime Customs, the production of cotton in China must be something most gigantic?—Well, I hesitated to give the opinion of the Blackburn Chamber upon that point because they add this statement, that 3 million bales had gone through the Imperial Customs, and that, "that was probably not more than one-tenth of the production of China."*

12,467. Therefore China produces 30 millions?—Yes, according to that. Of course with a population of something like 300 millions, all of whom are practically clothed in cotton garments, one can imagine that the product must of necessity be enormous.

12,468. I asked you the question in order to point this out. It does not pass through the ordinary Maritime Customs returns that we get?—I understood that it did.

12,469. Perhaps you will find that out definitely?—Latterly, since cotton mills were started in Japan, the export of cotton to Japan has increased enormously.

12,470. There is nothing like one million bales, I fancy?—Probably not. Then, of course, a great deal of this cotton is shipped to various ports to natives, for native manufacture.

12,471. If that report is correct, and that is what passes through the Imperial Maritime Customs, it is a most alarming thing for the future of India?—I will try and verify the figures.

12,472. That is about three times the amount of the American cotton crop?—There is a tabulated statement given showing the quantities at the various ports.

12,473. They appear to have made a ludicrous miscalculation. It is really only 300,000 bales?—I thought the figure was startling.

12,474. Now about tea. I think you said that the *Likm* and export duty amounted to 6-6 of a penny?—It is rather more than that, it is 2 taels 5 mae.

12,475. Are you not rather under-estimating that?—It entirely depends on the exchange you take it at. I have taken it at the current exchange.

12,476. Does the table that you have put in apply to Shanghai, or to the Treaty Ports generally, or to China as a whole?—The heading of the table in the China Return is "Average Prices of Commodities exported."

12,477. From what ports?—From various ports, and they give it in the various articles; black tea, green

* Note added by witness.—It appears the 3 million bales are the ordinary Chinese bales of 1 picul, or 133 lbs. each, and are thus equal to about 1 million American bales.

tea, brick tea, silk cocoons, wool, and so on, that is all Shanghai. Then, yellow silk, Hankow; raw cotton, Shanghai; rice and wheat, Shanghai; brown sugar is apparently Swatow; white sugar the same; Bengal cotton, Hong Kong.

12,478. The table does give the details?—Yes.

12,479. (*Mr. Le Marchant*) With regard to the Russian demand for tea, I think you mentioned that Russia took chiefly Chinese tea?—Well, it has been hitherto Chinese tea. All that is taken from China must, of course, be Chinese tea, but latterly there has sprung up a considerable trade in Ceylon tea. They have had facilities for shipping it by the steamers of the Chinese Volunteer Fleet, which go to Odessa, or call that way, so that the trade is gradually gaining ground there.

12,480. And it is not necessarily displaced by the difference of price; that is to say, the relative cheapness of inferior China tea does not necessarily account for the increase?—Of course a great deal of the tea that is sent to Russia is very inferior to Indian tea, it is what is called brick tea.

12,481. Still, there is a preference for high-class teas in Russia?—Those portions of the community who pay the highest price get the highest class tea; it is very expensive.

12,482. Looking at the aggregate import of tea into Russia, there would be a considerable quantity?—Yes, an increased quantity.

12,483. Of tea at a good price?—It depends on what you call a good price. They are accustomed to very much higher prices than we have in this country, but the limit of consumption of high-priced tea is very small even in this country. In Russia they have a very heavy duty upon tea.

12,484. But, in spite of that, they take high-priced tea?—Yes. It is a country where they drink a large quantity of tea. All the people drink it when they have the opportunity.

12,485. (*Mr. Holland*.) You told us that since 1895 there had been eight cotton mills erected in Shanghai. How many spindles would that represent?—317,000 spindles, I think. About three of these mills were established before 1895 by the Chinese.

12,486. Are considerable extensions going on now?—No further mills are being added at the present time.

12,487. I hear that some manufacturers in Lancashire are very much alarmed at the prospect of increased competition from China?—I think that is inevitable.

12,488. You tell us that there are many advantages that the Chinese manufacturers have; amongst them being cheap raw material, vicinity of market, and cheap labour. Have you considered whether the labour, although cheap, is also efficient?—Most efficient. There have been for many years silk flature mills in Shanghai, and the superintendent of one of them stated that the Chinese women had learned in three months to be as efficient as Italian reelers would become in a twelvemonth. I am assured on all hands that the Chinese themselves have a remarkable facility for any work of that kind.

12,489. (*Chairman*.) Better than Indian workers?—That I cannot say.

12,490. (*Mr. Holland*.) You say that you "have been much impressed by the heavy tax imposed on the community, and especially the lower classes, by the absence of a proper and well regulated Government currency." Do you think the heaviness of that tax discounts to any extent their advantages?—I do not think it applies very much in Shanghai or to the foreign trade, it is more in the country districts.

12,491. You told us you are in favour of the reopening of the mints to silver?—I am.

12,492. Have you anything to say with regard to an international agreement? Would you reopen the mints quite apart from any international agreement?—I look upon an international agreement as almost impossible at present. I certainly would have been in favour of it. I have been a bimetalist for 30

years, and I think a great opportunity was lost when the question first came up.

12,493. (*Mr. Campbell*.) You mentioned that the China mills are not yet in full swing, although they were established in 1895?—They started in 1895; they began operations about the end of 1896; in 1897 they paid fairly; in 1898 the Japanese mills and the Bombay mills apparently had a falling off in the demand, and enormous shipments were made to Shanghai, and for a time the market was completely glutted; but I see that latterly they have again in some cases resumed working day and night, which they had been doing before. I also notice that one of the mills has recently sold its whole production for four months of this year in advance.

12,494. Then the Shanghai mills are in a prosperous condition at present?—I cannot say that. Last year they barely paid their way, but I should think it is only a matter of time. Of course they are not thoroughly organised as yet. Their labour is not perfect; and I dare say they do not understand the management of a mill very thoroughly.

12,495. They chiefly manufacture coarse cotton yarns?—Up to 20's

12,496. And that class of goods chiefly competes with Indian products?—Yes.

12,497. So that China competes directly with India rather than with Lancashire?—Yes. The Lancashire coarse cotton yarns have been killed off a long time ago by Indian spinnings.

12,498. Is the production of cotton in China increasing?—As regards the production of cotton, when Indian yarn first began to be shipped in large quantities to China, the price of cotton fell, owing to the weavers buying Indian yarn to manufacture their cloth, instead of cotton, and for some time there was a tendency to decrease. Latterly, since the mills were set up in Japan and Shanghai, the tendency has been to increase.

12,499. (*Chairman*.) At any rate we have got this from you that there is an effective competition between China and India?—That is so.

12,500. (*Mr. Campbell*.) Is the production of cotton in China capable of great expansion?—I think so. The valley of the Yangtze is very much like the valley of the Ganges, for 600 or 800 miles up you can grow cotton.

12,501. You say you are of opinion that these Chinese factories will compete on favourable terms with India, apart from the question of exchange altogether?—I think so.

12,502. Do you consider that the fall in the dollar and tael exchange, since the Indian mints were closed, gives the China mills a further advantage in competing with the Indian mills?—Undoubtedly.

12,503. If a shipper of goods to China could formerly get his proceeds remitted at about 300 taels, and can now only get 199, he must get about 30 per cent. more in order to give him the same return?—Yes.

12,504. Have you any record of the prices in China in 1893, as compared with what they are now?—I have found great difficulty in getting the prices latterly; they are only tabulated at intervals. I have them up to 1895 in a Consular Return.

12,505. And there are import duties?—Yes.

12,506. Do you know what they are?—I have not gone carefully into that, because they would apply to all imports equally.

12,507. Yes, but if Bombay produce has to pay an import duty, that gives China a still further advantage, does it not?—No. Chinese manufactures have to pay the same import duty outside the Settlements.

12,508. But Indian goods have to pay an import duty before they get to Shanghai, have they not?—No, they have to pay an import duty when they reach Shanghai.

12,509. Whereas the Shanghai manufacturers pay no excise?—Yes, they do.

12,510. They pay an excise in Shanghai?—Yes.

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12,511. Equal to the import duty?—With the exception of what is used in the Settlement. The moment they leave the Settlement they are treated as foreign shipments.

12,512. But the foreign goods pay that also, and the foreign goods are subjected to an import duty before they leave the Settlement?—The foreign goods are subjected to an import duty whenever they reach China; the others are equally subjected to an import duty the moment they get out of the Settlement.

12,513. (*Chairman*) Cotton goods made in Shanghai are in just the same position as the cotton goods from Bombay; that is, they have to pay the Customs duty?—That is so. You may put it in this way; that the one pays an export duty and the other an import duty in going out of Shanghai.

12,514. (*Mr. Campbell*) But they both pay the import duty on going out of Shanghai?—Oh no! If you are right that would be an additional advantage, but I do not understand that that is so.

12,515. Now, you referred to opium, and you said you considered that opium is doomed?—I look upon it as doomed.

12,516. Why?—Because the advantage of the exchange is so great in China. The cultivation in China is extending enormously, and the Chinese Government get an equal revenue from the native-grown opium to what they formerly got.

12,517. You attach considerable importance to the question of the exchange in regard to the extinction of the opium trade?—Yes. I think probably the opium trade might have gradually died out in course of years, without any disadvantage in exchange, but when the mints were closed, of course that settled it.

12,518. You said you considered silver the most suitable currency for India?—Yes. I think it is an absolute necessity to a very large extent.

12,519. You object to a managed currency?—I do.

12,520. But, if gold were to go into the Indian Currency Department by ordinary trade influences without the intervention of Government at all, would you call that a managed currency?—With a debtor country I can hardly imagine gold going into and remaining there to such an extent as to supply the wants of the country for foreign trade.

12,521. Gold does go in to a very large extent?—Yes, at present.

12,522. Suppose gold were to go in under a proper system and with a proper ratio, it would not be in any sense a managed currency?—No, it would not be, that is to say, so far as that special item of it went, it would not.

12,523. Then, as regards the effect of exchange on trade, as to which Lord Farrer expressed certain views, what is your opinion as to the effect of a high or low exchange in checking or promoting a trade balance?—The effect of a high or low exchange is either to stimulate imports or check exports. A low exchange stimulates exports and checks imports, a high exchange checks exports and stimulates imports.

12,524. For example, if the Secretary of State has to draw 17 millions of Council Bills in the year, is it not natural that he would have to accept a lower rate than if he had only to draw 10 millions?—Certainly, other things being equal.

12,525. His drawing 17 millions instead of 10 millions means that India has to send away seven millions more of surplus exports than she would need to do in the other case?—Yes.

12,526. And the lower rate, by its action on rupee prices, is what commands the additional seven millions of exports?—That is so.

The witness withdrew.

Adjourned.

THIRTY-FIRST DAY.

Thursday, March 2nd, 1899.

PRESENT :

THE RIGHT HONOURABLE SIR HENRY H. FOWLER, G.C.S.I., M.P., in the Chair.

THE LORD BALFOUR OF BURLEIGH.
SIR FRANCIS MOWATT, K.C.B.
SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
MR. ROBERT CAMPBELL.
MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

Major LEONARD DARWIN, called and examined.

*Major
Leonard
Darwin*
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12,527. (*Chairman*) You were formerly M.P. for the Lichfield Division of Staffordshire?—Yes.

12,528. Have you been in India?—No, I have not been in India.

12,529. We know that you have made a study of the currency question?—Yes, I have written on bimetalism, and I came to the conclusion that bimetalism would be the best currency system under certain conditions, but I do not think that those conditions are at all likely to be fulfilled for some time to come. Moreover, I do not see any greater difficulty in introducing bimetalism after a gold standard has been adopted than before, and therefore my preference for bimetalism would not lead me in any way to oppose the adoption of a gold standard in India.

12,530. You consider that we can discuss the Indian currency question outside bimetalism altogether?—I think so.

12,531. You have written also a work upon the Indian currency question?—I wrote a short pamphlet, the main object of which was to show that the reopening of the mint to silver would be the worst possible course that could be adopted. The reasons for that view have been so fully stated that, perhaps, there is no need that I should repeat them.

12,532. We should like to have them from you shortly. First of all you were of opinion that it would be an unwise thing to reopen the mints?—Yes.

12,533. Will you tell us why?—My main reason is that it would at once reintroduce all the

evils of a shifting rate of exchange. I feel sure myself that the relative value of gold and silver will not remain stationary; sometimes you will have a falling exchange; sometimes you will have a rising exchange; you will never get fixity. Although it is possible that the evils of a fluctuating exchange have been exaggerated, yet I think they are very real and ought to be avoided if possible. That is my main reason. A second reason is that each one of the schemes for opening the mints to silver, if discussed in detail, shows its own separate disadvantage. You would have to discuss each separate scheme in detail in order to show the full objections to them.

12,534. No scheme has been proposed which to your mind would be free from vital objection?—That is so.

12,535. Are you in favour of the introduction of a gold standard into India?—Yes; I think that the present monopoly rupee system is decidedly objectionable, and I look upon a gold standard as the only alternative before us practically.

12,536. Do you accompany that opinion with a further opinion as to whether that gold standard should be accompanied or not with a gold currency?—I am coming to that point later.

12,537. Now, have you formed any opinion as to the rate of exchange?—Of course that is the very first point to be settled in dealing with a gold currency. I am in favour of a 1s. 4d. rate of exchange.

12,538. Why?—It is the rate in the market at the present moment—at least approximately the rate, and to introduce a 1s. 4d. exchange would cause the minimum of disturbance. In the second place, although I believe it is true that the Government are not definitely pledged to that rate, yet it is, I think, the only rate that has been mentioned in despatches since 1893, and therefore the public have come to regard it as the rate which the Indian Government are prepared, and intend, to adopt. I think it is almost certain that a large number of contracts have been entered into in the belief that that rate will be maintained. Therefore, unless there is some strong argument in favour of another rate, I think that rate ought to be adopted.

12,539. Do you think there would be any effect on trade if a lower rate or a higher rate were adopted?—I do not think there would be any balance of gain or loss to the community at large by adopting another rate of exchange, but I think that different classes would gain. Perhaps I could illustrate it in this way. The rate of exchange is the ratio of the purchasing power of gold to the purchasing power of the rupee. Well, the Government cannot affect the purchasing power of gold. All they can do is to affect the purchasing power of the rupee. If, for instance, they determined to introduce a 1s. 2d. rate of exchange, they would have to increase the currency and, by increasing the currency, reduce the purchasing power of the rupee. Of course the exchange is the relative price in rupees and gold of the goods which either do or can pass backwards or forwards between the two countries concerned, and, if the Government altered the rate of exchange from 1s. 4d. to 1s. 2d., they would increase the prices in rupees of those goods in that proportion.

12,540. You mean in the foreign trade?—Yes, the goods in the foreign trade. As to the other goods, the increase in the number of rupees would affect their prices also. It does not follow that it would affect them in the same proportion, but their prices would be affected. Therefore, the increase in the number of rupees would cause a general rise in prices. It is a well-known fact that, when prices rise from causes of this sort, wages do not rise equally quickly. Therefore, you would have, from an increase in the currency, a rise of prices not at first accompanied by an equivalent rise in wages. Everybody who has had anything to do with manufacture knows that that is a very happy state of things for the manufacturer; he is certain to have his profits

increased. Therefore I look upon it—it is no use blinking the fact—that lowering the rupee would stimulate production. Manufacturers see this, but I do not think they see the cause of it. I think the cause of it would be exactly similar to putting a tax on wages and salaries and fixed payments, and handing the proceeds of that tax directly into the pockets of producers and manufacturers. I believe that would stimulate trade, but, if it was seen that that was the real operation, no one would demand it. And I may add this, that it is not only those concerned in trade who would be affected in that way, but every Government employé and every man gaining his wages in any way would be affected.

12,541. If the raising of prices stimulated production would it also stimulate consumption?—I think it is very doubtful whether it would or not.

12,542. An increase in production without an increase in consumption does not benefit trade?—Yes; such a state of things is certain to lead to a reaction. The beneficial and the harmful results are only temporary.

12,543. Take the case of the tea trade. High prices caused over-production?—Yes, I think they did, and then there was a reaction.

12,544. Then your reason for adopting this rate is purely one of expediency?—Purely one of expediency.

12,545. No principle in it whatever?—No; I do not think you can say that there is any natural rate of exchange between the monopoly rupee and gold.

12,546. Unless you adopted the bullion value of silver?—Just so, but take any value between the bullion value of silver and 1s. 4d., and I do not think any rate of exchange can claim any special advantage.

12,547. Assuming the rate to be what you suggest, how would you introduce the gold standard?—I think that, if no steps be taken, it is quite certain that a gold standard will be automatically established in time. Therefore, there are two policies between which the choice lies; one is what I may call the policy of drift and letting the gold standard establish itself by the process of time, and the other is the policy of taking active steps to introduce it at once. Those are the two alternatives. But, even if the policy of drift is adopted generally speaking, then some steps should certainly be taken even under that alternative.

12,548. You mean by "drift" going on as we are?—Yes, or very nearly so.

12,549. That is with the present closing of the mints to silver?—Yes.

12,550. And going as we have been going on for the last four or five years?—Yes, but I should like to make some alteration even if broadly that policy were adopted. If you look merely to the results of the different possible policies, then I have no hesitation in saying that more active steps should be taken at once; but then this is very largely a political question. If any scheme too new, novel, or bold were proposed, the whole plan might be wrecked. Now, I feel that this Committee is in a better position, if I may say so, than any other body to judge of the position which will be aroused by any scheme. But perhaps I may make this one remark. I think it is very probable that the Government will whittle down any proposal made by this Committee, and it is possible that the House of Commons may whittle down any proposal made by the Government. Therefore, it seems to me right to say both what is the best system that can be adopted, and also the concessions that might be made to meet the apprehensions of the public.

12,551. Will you state what you think would be the best system?—I would like to answer that question under two headings. First, the changes that I should make if what I call the policy of drift were adopted. The first thing to consider is the ebb and flow of the currency which is necessary to establish an even rate of exchange. You must have a proportion of the currency ebbing and flowing in order to maintain an even rate of exchange. If the gold flows out to India, as it is doing, I understand, at the present

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moment, and if that gold passes into the currency of India, that undoubtedly will make a fluid margin which will be capable of oscillating backwards and forwards, and creating a stable rate of exchange. But, supposing that gold going out to India is used for the purchase of rupees, I take it that the gold will then pass into the Government reserves. I do not see what is to bring back that gold to England if there is an adverse international balance. If you trust to the policy of drift, then you are establishing a system by which you perpetually keep filling up the currency to the full that it is capable of holding, but you are supplying no means for certainly bringing down that currency to its old volume. In order that that result should be obtained you must make the reserve completely fluid. That is the essential thing.

12,552. The reserve of gold?—You must keep the reserve of gold, which is to help to keep the exchange steady, in a fluid condition.

12,553. (Sir F. Mowatt) When you say "fluid," do you mean that it should pass into the currency?—No, I mean that it should be capable of flowing backwards and forwards between India and those countries which are trading with India and with which there is a balance of trade to be adjusted. That is what I mean.

12,554. (Chairman.) You mean that not only should the gold go into India as we are now assured it is doing, but that it should also flow out?—Yes, that is the essential thing.

12,555. And the ebb and flow would create the true level?—Quite so, and I do not feel sure that under the existing system it will flow out again readily because it may get caught in the Government reserves. The best expedient to adopt is, I suggest, to give the public the right of buying that gold. Of course, if the Government themselves shipped home their gold, and at the same time filled up their reserves with silver rupees and currency notes, then the Government might keep a stable rate of exchange; but I do not like trusting to the Government, and I should like to make the system automatic by giving the public the right of buying any gold that has accumulated in the Government reserves.

12,556. Is not that another way of putting the convertibility of the rupee?—It is not quite the same thing.

12,557. It is not quite; but it is a long way towards it?—Yes, it is going very much in that direction, but it is a limited convertibility because it would only act in so far as gold had accumulated.

12,558. That is to the extent of the gold that would be available for the purpose?—Yes.

12,559. I do not want to interrupt you, but you are not overlooking, are you, that the Government has to make payments to the extent of something like 17,000,000*l.* of gold every year in London?—I am not overlooking that fact. That I should prefer to be carried on very much in the same way as at present.

12,560. Now, will you go on to explain that in your own way? Have you any other suggestion to make with reference to what you call the policy of drift?—I should like to avoid having a gold currency in India.

12,561. Is that part of the policy of drift?—Yes. Even if the policy of drift is adopted, I should like to avoid having a gold currency in India, although I admit that it is a matter of quite secondary importance. If you had no gold currency in India, the gold which reaches India all flowing into the reserve, it would be far easier to keep a watch on that reserve and to tell when it was running dangerously low; and, when it was running dangerously low, steps might be taken to increase it. That is one reason why I would prefer a gold reserve rather than a gold currency. Another reason is that paper is less likely to be hoarded than gold. As I have not been in India, I can only speak with diffidence on this matter, but I suppose there is a risk of hoarding, and I would rather avoid it if possible. Lastly, I think gold in a reserve can be made more readily available for

flowing abroad than if it is in currency. If the gold is in currency, up country for example, then it might require a considerable change in the rate of exchange before all that gold was dragged out of the currency. If the gold was held in a reserve, and if there was a considerable amount of money which might be exchanged for that gold, all that gold would at once be available to flow abroad in response to any change in the balance of trade. Therefore, gold in reserve is always more readily available for international purposes than gold flowing about in the currency. I mean to say that I would have gold held in reserve and the certificates, which might be exchanged for that gold, would flow about the country.

12,562. You mean paper notes?—Paper notes.

12,563. A paper currency?—A paper currency.

12,564. With gold at its back?—Quite so.

12,565. (Sir F. Mowatt) When you say the public should have the right of purchasing the gold from the Government reserves, do you mean purchasing it by notes?—Purchasing it with silver rupees or currency notes.

12,566. With silver rupees?—Yes; if the policy of drift is adopted I should prefer to have that.

12,567. (Chairman) Those are the suggestions that you make as to the policy of drift. Now supposing the policy of drift is not adopted, and that the Government should be of opinion that it was desirable to proceed with vigour, how would you suggest the introduction of a gold standard?—If you desire to take immediate action, which I think it is right should be done, then still I should like to take these steps to prevent gold becoming current. But that is not the most important point. The most important point is still this contraction and expansion of the currency, which I do not think will be efficiently provided for under the policy of drift. I should like to see the Government sell notes for gold at the rate of 1*s.* 4*d.* I would not put the Government under the compulsion of selling silver rupees for 1*s.* 4*d.*, because I would much sooner have the currency consist more of paper and less of silver, although it is of the greatest possible importance that there should be sufficient silver in circulation. That of course gives the expansion of the currency. Then with regard to the contraction of the currency, I should like to make the Government undertake to convert all the existing currency notes into gold on demand. If that was felt to be too rapid a change to be made all at once, then in the first instance only a proportion of them might be made convertible into gold. I would like to make these notes convertible into gold in London, but that is a point of secondary importance. The reasons why I should like to make the notes convertible into gold in London are those which have been very fully stated by Mr. Lindsay, and I do not propose to repeat them. There is one point I should like to emphasize. I take it that one of the great objects to be attained in any currency reform in India is to get a greater elasticity of the currency. Now, I think that you will get a greater elasticity of the currency if you make conversion in London. To make the currency more elastic in times of stress, it is, I think, necessary judiciously to allow the amount of notes against a given volume of gold to be increased. The amount of notes against a volume of gold must be increased in times of stress, and I think that it would be more possible to do that if the gold were held in London than if the gold were held in India. Your gold reserve in India will at first be small, and, when it is running low, greater apprehension will be felt if it is held in India than if it were held in London. That is one of my reasons for wishing to have the convertibility in London, because I think you will get greater elasticity.

12,568. Does not that practically amount to this, that your convertibility is to be confined to exchange transactions?—That would be the result aimed at. I would, in fact, propose something in the nature of Mr.

Lindsay's proposals, with modifications. The great objection that has been taken to Mr Lindsay's proposals is that they appear artificial. I do not think that the criticism is well founded. If gold is handed in to the bank in London, and notes are handed out at another counter, nobody calls that an artificial transaction, and I think nobody calls it Government interference even if it is done at a State bank. I do not see how it makes the system any more artificial if you separate the two counters, the one at which the gold is handed in, and the other at which the note is handed out. I do not see that it makes the system any more artificial, even if you place the counter at which the notes are handed out as far away as India. My proposal simply would be that sovereigns might be handed in in England and the corresponding notes would be handed out in India. That would be the way in which the currency would be swollen. The circulation would be contracted by the note being handed in again in India, and the gold handed out in England. Then as to the question of the margins said to be necessary to give a certain play to the rate of exchange. If I may just allude to Lord Farrer's evidence given before this Committee yesterday, his Lordship thought it was necessary to have margins. That is a very complicated point, but I have thought over it carefully, and I see no advantage in having two margins as proposed by Mr. Lindsay.

12,569. What have you to say about the convertibility of the rupee?—I think, if we consider the question of the convertibility of the rupee we are on the horns of a dilemma. We must make them either convertible or not convertible, and there are objections to both plans. If you do not make them convertible into gold, there is a chance of the convertible notes going to a premium. I do not think there is any theoretical reason why they should do so, but the want of confidence in the inconvertible rupee might possibly have the effect of driving the convertible notes to a premium, which would be objectionable. But there are other reasons, and perhaps stronger reasons why I should like to make the whole currency convertible.

12,570. What are they?—The first of these reasons is that it would reduce to a minimum the amount of gold necessary to maintain a stable rate of exchange, if all the money in the currency was available for conversion. For instance, if gold notes were hoarded, and if gold were set apart specially for the redemption of those gold notes in hoards, that gold would be for the time being quite useless for the purpose of adjusting the balance of trade. Gold notes may be locked up for a time without being actually hoarded. If all the gold were readily available for exchange operations, a small reserve would suffice to check oscillations in the exchange, and, if the gold can be bought with all the currency, then it would all be quickly available. There is another reason why I should like to make all the currency convertible. If you have a large mass of inconvertible currency, silver rupees or currency notes, you always run the risk of filling up the currency too full. The Government will always be under the obligation of seeing that they are not forcing too many silver rupees or too many currency notes into circulation. If they do that, they must inevitably drive the whole gold out. If you apply the safety valve of convertibility, the Government will at once have warning if they are filling up the currency too full with silver rupees and currency notes, and, therefore, in my opinion there would be an element of safety in making this complete convertibility.

12,571. (Sir F. Mowatt.) And you would take any premium on gold or notes as a proof that the silver currency was becoming too ample?—The proof would be, I think, that the silver rupees would be presented for exchange for gold, they would come in rapidly for exchange, and the excessive issue would show itself in that way.

12,572 (Chairman.) But would you make all the silver rupees convertible at once?—I should like to do so.

12,573. Would it not require a large quantity of gold?—I do not myself think it would.

12,574. Will you just tell us what your views are upon that point?—Each rupee, as it flows out of the currency, provided it is not replaced by a gold coin, must diminish the number of rupees in circulation; and when the rupees in circulation diminish, their value increases, because the demand remains the same. The value of these rupees must inevitably rise as the coins flow out of circulation. You would therefore come, and come, as I think, very quickly, to the point where it would cease to be profitable to exchange rupees for gold. If the gold does not flow into circulation to replace the silver rupees flowing out of it, there is an absolutely definite limit beyond which no rupees will be presented for conversion.

12,575. It excludes the possibility of money coming in from hoards?—That is, of course, one of the dangers that have to be considered; but I think the point to be considered with regard to convertibility, to which sufficient consideration has not yet been given is that, if you are to make rupees convertible into gold, it is absolutely essential that the gold itself shall not flow into circulation to replace the silver rupees. If gold flows into circulation to replace the silver rupees, then you may have a very considerable amount of silver rupees flowing out and demanding conversion into gold, and the liability may then become very great.

12,576. What shape is the conversion to assume? Take this illustration:—I have got 15 rupees, and I go to the Indian Treasury with my 15 rupees; am I to receive a sovereign for them?—I should prefer, as I said before, having the conversion in England; but, if you assume the conversion is to be in India, that would be the form.

12,577. Now, that sovereign coming out, does it not go into circulation?—I should endeavour to prevent the gold getting into circulation by, in the first place, preventing it from being received at any State institution.

12,578. You would not make it legal tender?—I would not make it legal tender, and I would go further; I would prevent it from being received, as I understand it is at present, in payment of taxes. I would abolish that law.

12,579. That is, you would not give 15 rupees for the sovereign?—I would give 15 rupees for the sovereign, but I would not allow any tax collector to receive that sovereign, and I would prevent it being received at any railway; and I would prevent it becoming legal tender. And I would take one more precaution in order to make gold flow out of circulation more readily than silver rupees. The Government would sell currency notes for silver rupees; they would be bound to do that; but they would have the option of charging $\frac{1}{2}$ per cent. when silver rupees were presented in demand for notes. This option should only be used if gold is entering into the currency.

12,580. (Mr. Campbell.) Do you mean gold notes?—Yes, I would only have one class of notes.

12,581. (Sir F. Mowatt.) The note would be changeable for a sovereign, would it not?—Yes.

12,582. So that the two transactions would amount to this, that the person bringing the 15 rupees would buy a 11. note, and he would then buy 11. with his 11. note?—Just so, but in the first of those transactions I would give the Government the right to charge $\frac{1}{2}$ per cent. premium if silver rupees were presented, the object being to make gold flow out of circulation more readily than silver rupees. I think in that way you would make it quite certain that gold would flow out of the circulation more quickly than the silver rupees, and that is all that is required in order to make complete convertibility a safe proposal.

12,583 (Chairman.) Then do I quite understand your scheme to be this, that the currency in India

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would remain as it is now, mainly rupee currency supplemented with convertible gold notes?—Yes.

12,584 That there would be no gold coin in circulation at all?—Yes.

12,585. But that, if anybody wished to have gold for his rupees, the first step would be to have a note, and the second step would be to turn that note into gold?—Yes.

12,586 But that note would be turned into currency, into sovereigns?—Into sovereigns, but it would not be turned into sovereigns in India.

12,587. It would be turned into bullion, the bullion assuming the shape of a sovereign which would require to be exported?—If you have the conversion in India. But I should prefer to have it in London. I have written out my scheme here.

12,588 Will you just read it to us?—Before I read it I should like to say this: As I have said, this is very largely a question of policy. The essential features, and this I want to put very strongly, are that the rupee should be at 1s. 4d., and that a portion of the currency should be convertible into gold. Those to my mind are the really essential things, and I would give up everything else rather than sacrifice those. Thus the parts of the scheme which I would give up rather than sacrifice those essential things are, first, the convertibility in London, and, secondly, the convertibility of silver rupees. I should give up those with great regret, because I feel sure that they are right.

12,589. (Lord Balfour of Burleigh.) You mean those are the things you would establish?—I would give them up for fear of wrecking the whole scheme if that would be the probable result of endeavouring to carry out these proposals in their entirety. I said that the matter is largely a question of policy, and you might have to give up what was theoretically right in order to carry your proposal. I would give up first of all the convertibility in London and secondly the convertibility of silver rupees rather than run any chance of wrecking the whole scheme.

12,590. (Sir F. Mowatt.) Before you read your scheme let me ask you this: Taking your convertibility in London, what would happen to a man in India who wanted to convert say 15,000 rupees? How would he proceed to convert them through London?—Are they in notes?

12,591. No, I will take it in rupees?—He would first exchange those for notes. The Government would have the option of charging $\frac{1}{2}$ per cent. premium, and then he would transmit those to England through a Government office. When they reached England they would be convertible into gold.

12,592. (Chairman.) That is really Mr. Lindsay's scheme?—Yes, I have said so. There is one other point I would mention. There is another way of meeting the objections that are raised to any scheme of this sort, and that is by limiting the amount of the liability. If the conversion were done in England, and if the conversion were undertaken by the Bank of England, it might be laid down that the Bank would not be liable for more than so many million pounds sterling, and the Government of India might limit their liability in a similar way. That is the way I should really like to meet any popular apprehension. There are two ways of meeting popular apprehension, one by abandoning the convertibility of the silver rupee and abandoning the convertibility in London, and the other is by limiting the liability, by making the Government responsible for the conversion only until a definite gold reserve is exhausted. It is the latter one of the two that I should prefer.

12,593 Then you would have to limit the notes?—I do not see that there would be any necessity to lay down a limit to the number of the notes. If it were announced that notes would be converted into gold up to a certain definite sum and not beyond that definite sum, you could in that way limit both the liability of the Government and the liability of the bank.

12,594. But suppose that more rupees were tendered for the notes?—Then the exchange would have to

fall. That is the case in which you have a limited liability and the limit is exceeded; then the exchange must fall, there is no help for it.

12,595. Then you would stop the issue of notes beyond that amount?—I would stop the convertibility of the notes.

12,596. If you have notes for a million and your limit is 500,000l., which notes out of the million are to be converted?—The first that are presented.

12,597. Now will you read your scheme?—“(1.) The legal tender currency to consist of notes and silver rupees. (2.) The Government to sell notes to an unlimited amount at the rate of 1s. 4d. per rupee. (3.) In England the sales to be conducted like the existing telegraphic transfers. In India, the notes to be sold for gold. (4.) All notes to be convertible into gold in London at the rate of 1s. 4d. per rupee, the Government having the right to issue regulations as to the method of transmitting the notes from India to England. (5.) The Government to sell notes for silver rupees in India to an unlimited extent, but to have the option of charging a premium of $\frac{1}{2}$ per cent. (6.) All the laws and regulations dealing with the use of gold currency in India to be repealed. No collector of taxes, nor any State Institution, to receive gold from the public. (7.) The Bank of England to undertake to cash notes sent back from India. (8.) The Bank to receive all moneys received for the sale of notes in England, and all gold shipped home by the Government from India. The bank to keep such a special reserve of gold against these notes, if any, as may be necessary, according to regulations framed by the Government, and to receive suitable remuneration. (9.) The Government to have the power at some future date, and with due warning, to cancel their liability to convert notes into silver rupees. (10.) If the Bank of England should demand remuneration at a very high rate, because of the apparently unlimited liability, then a limit should be placed on that liability. A definite sum (say 5,000,000l. at first, and increasing as time went on) should be named beyond which the bank should not be required to find gold in exchange for notes, and the Government should strictly limit their liability in a corresponding manner.”

12,598. Have you any further remark you wish to make to the Committee?—I think not.

12,599. (Lord Balfour of Burleigh.) I do not know whether I quite followed the part of the scheme which I think you foreshadowed in an answer to one of the questions earlier, viz. —that only a proportion of the notes were to be convertible into gold. When you first mentioned it, you said a proportion of the notes were to be made convertible into gold; the next time you said a proportion of currency. You meant no difference between those two—the notes being part of the currency, is that it?—What I should like to adopt would be this scheme that I have just read, which makes a portion of the whole currency convertible; because both the notes and the silver rupees would be capable of being converted into gold until the gold in the reserve was exhausted. In the answer to which you allude, I was thinking of a possible initial stage in the introduction of the system. The first step might be to make the whole or a portion of the existing currency notes convertible into gold without making any other part of the currency convertible.

12,600. But, if only a proportion were to be convertible at the will of the holder, and that proportion were to be tendered for conversion, and the Government said, “Well we are not bound to convert any more, and we are not going to do it,” surely that would prevent your keeping up the par of exchange at 1s. 4d.?—Inevitably. If there is a limit to the liability of the Government, and if that limit is reached, exchange must fall. You can only avoid the fall in the exchange under all circumstances by undertaking a nominally unlimited liability. You are on the horns of a dilemma. You must either say, “my liability is unlimited and I will prevent the exchange falling,” or,

if you take a limited liability, directly the limit is reached, exchange must fall. I see no alternative.

12,601. I agree, but suppose people know that there is to be a limit; would not that tempt some people for selfish purposes to disturb the balance and bring about a fall of exchange, and so defeat the real object which you have in view of making a stable par of exchange?—I think that is one of the dangers of limited liability, but I do not see how, with any limitation of liability, you can get over that danger. However you limit it, I think you will find that that danger will come in in some form or other.

12,602. Then there is another passage in the earlier part of your evidence. You mentioned that last point two or three times, which I endeavoured to concentrate in my question, but there was another passage in your evidence which attracted my attention and which I did not fully understand. I understood you to say that notes held against gold were to be increased in time of stress. What did you mean by that?—If any system such as that which I have now proposed were adopted, I think the elasticity of the currency could be increased in some such manner, because I do not propose to have definite gold held against definite notes.

12,603. But surely the propriety of having notes is that they should be either held against gold or converted into gold on somebody's guarantee?—That is the idea in England. But we do not have a right to convert our silver currency or our copper currency. There is no right of conversion in that case; and, if you gave a right of conversion of the silver currency in England, I do not see why you would necessarily have to put aside a separate amount of gold to meet that silver and that copper currency.

12,604. This last answer has opened up rather a large question, and one which we had before us yesterday; but, obviously, if silver is not a legal tender beyond 40s., it is in a wholly different position to either notes or a rupee, which is legal tender to any amount?—That is, no doubt, so.

12,605. In that case, of course, the analogy fails between the two?—It does make a considerable difference.

12,606. Now let me get back to the other point. If notes held against gold may be increased in time of stress—I presume at the will of the Government?—Yes.

12,607. Does not that put a tremendous temptation and power in the hands of the Government of really debasing the currency? Does it amount to anything less than that?—That is the danger, but I think you must face a certain danger in order to give elasticity to the currency.

12,608. But, if you contemplate the Government doing that at all, even to the extent of 100,000, sterling value, is not that an improper and illicit operation?—I do not see that it is so, if it has the effect of diminishing the stringency. If you have convertibility of the coin you prevent the debasement of the rupee; no doubt, you cannot increase the currency without producing a debasement in the rupee if you increase it to an illegitimate extent; by making the rupee convertible you avoid that danger as long as any gold remains in the reserve.

12,609. You used the words "increased to an illegitimate amount." I suggest that, if notes are known to be held against gold, any increase of it beyond the amount of the gold you hold would be illegitimate?—Well, I am not prepared to agree with that view, that is all I can say.

12,610. (Chairman.) What you suggest is some equivalent to the suspension of the Bank Act by the Chancellor of the Exchequer?—Yes, but a more regulated operation.

12,611. If that is illegal, the Chancellor of the Exchequer's letter justifies the Bank in doing it, but only on the ground that the Chancellor of the Exchequer promises to get a Bill of Indemnity passed in the next session of Parliament?—Quite so.

12,612. (Lord Balfour of Burleigh.) Then I will take you upon that point. What is to be, under your proposal, the security corresponding to the fact that the Chancellor of the Exchequer has to get a Bill of Indemnity passed through Parliament?—Under my scheme you would have to trust to the Government framing suitable regulations.

12,613. We do not trust the Chancellor of the Exchequer; he has to get a Bill of Indemnity from Parliament?—Yes. I think, as far as I can judge, it is a pity that a little more trust is not placed in the Bank of England. I should be prepared to trust the Bank of England rather more.

12,614. (Sir F. Mowatt.) That amounts to saying that you would give the Indian Government a permanent Bill of Indemnity for the issue of notes beyond its reserve guarantee?—I should prefer to say that I think regulations might be framed for increasing the currency in times of stringency. It would be similar in its effects to a permanent Bill of Indemnity under conditions.

12,615. Now, you said that, if the *status quo* were maintained, it would lead to the gradual introduction of gold into India. What is the reason that you would give for that?—I suppose that there will be a slow diminution in the number of coins by wear and loss, and we may expect a gradual increase in the amount of business demanding an increased currency at the existing rate.

12,616. That would tend to bring the gold in?—That would tend to bring the gold in.

12,617. You said that part of your plan, if active steps were taken, was that the Government should sell gold at 1s. 4d. for notes. Did you contemplate those notes going into the reserve from which the gold had been taken or did you contemplate those notes passing into the currency?—I contemplated those notes passing into the currency reserve; or rather being cancelled.

12,618. Then the silver for those notes would go into the reserve?—I do not quite follow that point.

12,619. Somebody purchases gold at 1s. 4d., for the Government is to sell the gold at 1s. 4d.?—For rupees?

12,620. Not for rupees but for notes at 1s. 4d., I understand?—Yes.

12,621. Then the Government has the notes and the purchaser has the gold?—Yes.

12,622. (Sir F. Mowatt.) The Government sells the gold?—You are talking of conversion in England.

12,623. No. Suppose it was in India. A person coming to the Government would say "I want gold" and here are my notes." The Government then has the notes and the purchaser has the gold. The notes are in a reserve. Should these notes be passed into the currency?—No. It is essential that they must be withdrawn from the currency.

12,624. (Chairman.) Will you just explain the two operations, the convertibility of the gold and the convertibility of the rupee?—Suppose a man has silver in India, he will have the right of going to Government and obtaining notes for that silver. The Government may charge $\frac{1}{4}$ per cent. premium. Then he has his notes. Take the case that he wants to get gold. He hands those notes into some office in India. I have not gone into the exact method of transmission, but either the notes themselves or preferably some document representing those notes would be sent to England, and the holder of that document would have the right to draw sovereigns in England. The object of the $\frac{1}{4}$ per cent. premium is, as I have explained, to make gold flow out of the currency in India in preference to silver rupees.

12,625. (Mr. Campbell.) With regard to the ebb and flow of the currency which you think would be necessary to maintain the par of 1s. 4d., you say the gold received into the Treasury could not be shipped back to England?—I meant to have said that there seems to be no automatic arrangement for the shipping back of that gold—that we cannot be sure that it will come back.

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12,626. But you said that you would give the public the right to buy the gold?—I would give that right to meet the difficulty.

12,627. How could you be sure that the public used the gold that they bought for that purpose?—You could not ensure it; all you could do would be to take the precautions I have mentioned to keep gold out of the currency by preventing its being legal tender or being received in payment of taxes, &c.

12,628. Suppose a person were to buy gold and lock it up, then the gold reserve would be wasted or applied to quite a different purpose from that for which it was intended?—No doubt.

12,629. The Chairman put a question to you as to the liability of the Government to provide 17 million sovereigns, and I think you said that you would prefer not to allow the reserve to be used for that purpose?—I do not recollect the answer to which you refer.

12,630. Why would you not allow them to use the reserve for that purpose?—If it is good business for merchants to send out gold to India, I should think it must be bad business for the Government to immediately ship it back again. If it is at once shipped back to England, whatever be the state of the balance of trade, then you will have no gold reserve in India.

12,631. I only mean their shipping it to England when they cannot sell their Council Bills at 1s. 4d.?—I should not object to their doing that, provided that the Government fill up the vacancy in the reserve with silver rupees or notes from the circulation.

12,632. I notice your statement as published in your pamphlet?—I have simplified that a good deal.

12,633. I notice from your statement as regards the gold notes which you would issue against gold paid in in England, that the holders would not have the right to go to the Treasury Department and demand rupees for these?—I have stated in my scheme that I would allow the Government to cancel the liability to give rupees for notes at some future date. I would not cancel it immediately. Of course, Government must be exceedingly careful that there are enough silver rupees in circulation in India; that is an essential thing for the Government to look after. But I would prefer there not being a legal liability to give silver for these notes.

12,634. Then practically these notes would be inconvertible in India; they would be legal tender, but inconvertible?—Inconvertible in India, quite so.

12,635. The currency of the country, if your scheme were carried out, would consist of rupees and inconvertible gold notes?—I should not call them inconvertible, because they are convertible in England.

12,636. But a native of India could hardly use them in that way?—In that sense of the term, as you put it, they would be inconvertible.

12,637. Then do you think that the natives of India would take these notes?—I am inclined to think they would. I have got the best evidence I could—of course with difficulty—as to the using of notes in India. I believe that, with certain precautions, the use of notes may be very largely increased in India. That is the evidence I have.

12,638. But you are aware that at present the note circulation is confined to the Presidency towns and the large trade centres; notes do not circulate in the interior at all?—I am aware of that, but I think that the objections to using them could be overcome with proper precautions. I have a long letter here as to the reasons why the natives of India do not use notes.

12,639. If they do not use currency notes, which can be converted into rupees, do you think they could be got to use gold notes which were practically inconvertible altogether?—I think that steps could be taken to induce them to use notes.

12,640. Then you contemplate the possibility of these going to a premium?—No, not a greater premium than $\frac{1}{2}$ per cent.

12,641. But suppose the exchange were to fall?—If the exchange falls, the whole gold currency system is a failure.

12,642. If exchange were to fall, and these gold notes went to a premium, your scheme would fail?—How could they go to a premium if they were convertible in England?

12,643. If the exchange in India fell they would go to a premium measured in rupees?—They would hardly be used at a premium in India, would they not be sent home for conversion rather than be used in India at a premium?

12,644. Certainly, but the mere fact that they were available for remittance to England would send them to a premium. Supposing exchange went to 1s. 3d., then a gold note would be worth about 6 per cent premium?—But would it be used in India for any payments?

12,645. Whether used or not it would be worth that in rupees?—Possibly, but the result would be that it would flow back to England and the flowing out of these notes would raise the value of the rupee and bring it back very quickly to the 1s. 4d. rate. That is the automatic arrangement for steadying the exchange.

12,646. Supposing they did go to a premium in that way by a fall in the exchange, do you think it would be a satisfactory currency to have a note circulating at one price one day and at another price another day?—I do not admit the possibility of that. I think that is the very essence of the system of a fluid margin; the notes cannot go to a premium, because if they were at a premium they would be sent home to England.

12,647. If they could be sent home at 1s. 4d., and exchange were only 1s. 3d., would not you, as a remitter to England, go and buy a note at 1s. 4d. and pay your 5 or 6 per cent rather than go to a banker and pay more?—I certainly should, and notes would flow to England rapidly.

12,648. Then they would not be available for currency purposes in India at all?—Not until the premium ceased.

12,649. Is not that another objection?—No, because, if the margin is sufficient, those notes flowing home to England must inevitably raise the value of the remaining currency and at once bring it up to the old value. That is the very idea of having a fluid margin.

12,650. But until exchange rose to its old level these notes would command a premium?—I do not think that will occur any more than in the case of 5l. notes in this country.

12,651. With regard to the gold notes issued in exchange for rupees, would you propose to borrow in London to meet those presented for encashment?—The arrangement I should prefer, if it could be managed, would be to get the Bank of England to undertake the cashing of the notes, and to pay them a definite sum for undertaking the liability. That would, in effect, be borrowing, but it would be borrowing, as it were, by deputy.

12,652. It would be borrowing from the Bank of England instead of borrowing from the public?—It would not be strictly borrowing, because it would be paying a sum for them to undertake the liability. It would be very analogous to borrowing.

12,653. Considering the very indefinite nature of the liability, would the Bank of England be likely to undertake such a thing without at least some very large consideration?—I dealt with that point in a note to my scheme. I think it very likely they would not, and therefore it probably would be necessary to limit the liability of the Bank of England. If you limit the liability of the Bank of England, you run the risk, as you do in all limited schemes, of exchange falling. There is no escape from the dilemma. If you have unlimited liability you can keep up the exchange under all circumstances. Directly you put any limit to your liability, you must face the fact that, when that limit is reached, exchange will fall.

12,654. But is there not this objection to placing a limit on the liability, viz., that, whenever there is any indication of the liability coming near that limit, the scramble to avail of it as long as it lasted would be intense?—I think that is an objection to any limit of liability; but directly the scramble begins that scramble will have the effect of diminishing the number of coins in circulation in India, and raising the price of the rupee. It will act in both countries very rapidly.

12,655. Then, if the limit of liability were reached, and the scheme broke down in consequence, you would be saddled with whatever debt had been contracted in order to keep it up?—Yes. If you were to pay the bank so much a year for undertaking the liability, if you limit your liability, and they give gold up to the limit of their liability, your expenditure will cease. The expenditure you will have incurred in payment to the Bank of England for undertaking the liability will no doubt be gone; you cannot avoid a risk without certain expenditure.

12,656. Then practically you transfer your liability from your own shoulders to those of the Bank of England?—Only the liability to find gold at the moment it is required.

12,657. (*Sir F. Mowatt*) Then it would be the Bank of England that would have lost the money?—Well, I am not a banker, and I find it very difficult to suggest a scheme with the Bank of England which might be acceptable. It is rather difficult for me to suggest any definite scheme. All I meant was that, on the payment of a certain sum to the Bank of England, they would undertake the liability to find the gold, on the condition that, if they gave gold for notes, we should in a certain time repay them any expenditure that they were put to.

12,658. (*Mr. Campbell*) Then, as regards the rupees or notes received in India against these sales of gold notes, these would be locked up in the Treasury?—Yes; in the currency reserve.

12,659. And practically withdrawn from circulation?—That is the essential thing. They should be withdrawn from circulation.

12,660. What would you propose doing with them, because they would be lying idle and involve the loss of interest?—The notes would involve no interest. The silver rupees would lie idle until the silver reserve—if there was a definite reserve—had gone up to a certain point.

12,661. Would you propose melting or selling any of these rupees?—I should be very cautious about melting silver rupees, mainly because I think that the sentiment of the people would be against that. I do not think there would be any harm in melting a certain number of rupees and selling silver, provided that by so doing you did not materially reduce the price of silver. What I should do with regard to melting the rupees would be to melt them and sell them, provided there was a plethora, until the silver began to show a material sign of falling in gold price; then I would keep them in reserve.

12,662. Would it be right to say that your scheme proposes, by an artificial contraction of the currency, to maintain exchange at 1s. 4d.?—I should not put it myself exactly in those words. We are now at 1s. 4d. If the exchange were to tend to fall, a contraction would take place, just as, if exchange falls between any other country and England, and gold flows out of England, there is a contraction in England. If you call that a contraction in England, then I say it would be a contraction in India under those circumstances. It is a matter of words.

12,663. But in the one case it would be a contraction produced by artificial means; in the case of England it would be produced by the natural influences of trade?—There I entirely disagree, if I may say so. It seems to me that one would be as natural a process as the other.

12,664. (*Mr. Le Marchant*) Under the first system you were mentioning, which you term the

policy of drift, you would propose that any gold received should be kept in India?—Yes.

12,665. You spoke of its possibly being delivered out to the public?—Yes.

12,666. Have you considered by what steps that could be done? For instance: would it be by tender, as in the case of a sale of Council Bills, or at a fixed rate?—My idea was to have it at a fixed 1s. 4d. rate, because, I think, if you depart from that rate you might at once be helping to produce the change in the rate of exchange which we want to avoid.

12,667. How would you determine the priority of applicants if the rate were fixed?—I think it would be merely a priority in time.

12,668. Are there any steps that you think would conveniently follow on upon that, moving towards a more perfect system?—What would be the next step in fact you mean?

12,669. Would you propose to move from the first system to the subsequent one which you described, with gold in London?—It is always very difficult to discuss the steps to gradually reach a perfect scheme. I should not like to say what would be my next step without further consideration. I should increase the gold held in India as a reserve by purchasing that metal when there is a surplus.

12,670. Would you regard the first scheme as consistent with the transition eventually?—Yes.

12,671. In speaking of elasticity, would you regard the notes issued under your second system—notes payable only in London—as of a character to meet the demands in the crop season in India?—I should think only partially.

12,672-3. (*Sir F. Mowatt*) That is the excess of note issue you mean?

(*Mr. Le Marchant*) Yes?—I should imagine that would only be partially the case at present in India, because the demand would be for an increase of silver rupees, which are not sufficiently mobile to meet the strain quickly. But from the evidence I have been able to obtain, I think that notes could be more and more introduced into the Indian system, and then the notes would more and more fulfil the requirements of elasticity. One of my reasons against melting rupees at present is that to meet that very want in the crop season I think it very desirable that for a long time to come the Government should have a very large reserve of silver rupees, which could be made available in different localities.

12,674. From what fund would these rupees be provided? For instance, I think you would require a reserve of rupees as well as a gold reserve?—No doubt.

12,675. Would you propose taking those rupees from the currency reserve?—Yes, in times of stress.

12,676. (*Sir F. Mowatt*) You would issue into the currency again the rupees which were in the reserves when the tight time of the year began?—Yes, that would be my view.

12,677. (*Mr. Le Marchant*) Upon the gold notes being paid into the currency reserve?—My view was that it might also be done in times of stress, very carefully and to a limited extent, without any such inflow of gold notes, in order to relieve the tension.

12,678. Would you leave that at the discretion of the Government?—Yes, I do not see any other way of doing it at present.

12,679. You mentioned that under a system of convertibility the Government would have warning if they had allowed excessive issues to be made; in what way would the Government control excessive issues? Would it not be the right of everyone to ask for notes?—If the issue were excessive, there would be a tendency for the exchange to fall, and rupees would be presented for conversion into notes, the notes being required for transmission to England. If there was too rapid a presentation of notes for transmission to England, then the Government would have warning and could take one of two steps; they could either contract their currency in

*Majar
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Durant.*

2 March 1899

Major
Leonard
Darwin.

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India by calling in rupees, or they could increase their gold reserve to meet the liability created in England by further borrowing.

12,680. Any material expansion of the currency in one season would be liable to be followed by a reaction?—Yes, probably it would.

12,681. You spoke of Government calling in rupees in India. In what manner would they call in rupees?—I imagine that would be possible by local borrowing in India, or, in the case of an expansion to meet exceptional stringency, the contraction would be effected by the repayment by the Banks to the Treasury, and by the Treasury to the currency reserve, of any special advances, the maximum amount of such special advances varying with the excess of the rate of discount in India over the English rate.

12,682. That might not be convenient in a season when people were anticipating depression?—You are rather dealing with banking questions, upon which I do not profess to be in any way an expert.

12,683. But it appeared to me that the Government was being converted into a banker?—No doubt.

12,684. When you were discussing the probability of a premium upon gold notes in the event of a tendency of exchange to fall, were you alluding to gold notes with complete convertibility or limited convertibility?—I do not remember the point you are alluding to.

12,685. I think you were discussing with Mr. Campbell the question whether the notes would not go to a premium if exchange tended to fall. Were you speaking then of notes with limited convertibility, that is to say, with a limited amount convertible, or with unlimited convertibility?—I did not distinguish the two cases in my mind. As far as I can see, my answer would apply to both cases.

12,686. You mentioned, I think, that limit of convertibility might be obtained by a statement of the Government that a certain amount only of the notes in circulation would be cashed?—Either that or, I think, more conveniently, that there was only a certain amount of gold available for cashing them.

12,687. Would not that be a breach of faith with existing holders? It is not easy to draw a distinction, when notes are in circulation, between the rights of different holders?—I think if anyone drew a note, knowing these conditions, their enforcement could not be said to be a breach of faith.

12,688. It might increase the desire to cash them?—It might; but, as I said before, it is very difficult to get any form of limited liability in which you will not have that difficulty.

12,689. (Chairman.) The strength of the chain is to be measured by its weakest link, and the possibility which might attach, even to one note, may be taken to be the ultimate possibility of all the notes?—I think so, and it is for that reason that I prefer unlimited liability. But if it is admitted, and of this I am not certain, that notes would be reduced in value if there were not a full reserve held against them, is it not almost equivalent to admitting that, if you have gold notes and inconvertible silver rupees, there would also tend to be a difference between those two in value?

12,690. (Mr. Le Marchant.) If you issue notes convertible only in London, would you propose to issue no further notes of the kind now current in India?—I do not know why all notes should not be equally convertible under this system. I would not have two classes of notes.

12,691. (Sir F. Mowatt.) You would have them all convertible in London?—All convertible in London.

12,692. (Mr. Le Marchant.) At present the notes are paid in rupees. Would you still continue that facility?—I have said that I would not put the Government under the legal liability to convert notes into rupees as well as into gold; or rather, I would give the Government the power to get rid of that liability, when they felt it safe to do so. You must look to an increase of notes. If this liability is not cancelled, either you must have notes convertible both

into gold and silver, when you have a double liability created, or you must have one set of notes convertible into gold and another set convertible into silver, which is to my mind objectionable, because you might have one set of notes going to a premium as compared with the other.

12,693. Speaking of the first system, have you any opinion as to the probable movement of exchange?—Whether the rate is likely to vary to any material extent?—My impression is that the rate of exchange will keep up to 1s. 4d., but then that is only a prophecy, and anybody who looks to the history of currency will, I think, see that it is strewn with false prophecies. Perhaps I might give my reasons why I think it will keep up and where the danger lies. The exchange is really based upon the rupee price of the metal gold in India. We should all admit that the rupee prices of tin or copper or lead will continually vary, and, as long as you have a monopoly rupee system, so long will the exchange certainly vary. Of course the rules of 1893 have a great influence on the question. The rupee will probably increase in value both because the numbers are diminishing and because of the increase of business; but what is, I think, often forgotten is that it will not be enough for the rupee to increase in value; it must increase in value quicker than gold. Now, we do not know what the future of gold is going to be. Probably it will fall in value; but that prophecy has been made for years and years, and so far it has proved false. If that should be false in the future—if the gold should increase in value and increase in value quicker than the rupee, then exchange is bound to fall. I do not myself think there is any chance of the exchange falling very greatly, but it might fall to a certain extent, and my strong feeling is that, the exchange now being at 1s. 4d., now is the time to fix it there for ever. Such a fall as I predict as possible but not likely is one that would only last a limited time, because the increase of business and the diminution of the number of coins in India would be sure to bring the rupee back in time to 1s. 4d. Some expenditure might be necessary to keep it up to 1s. 4d. for a comparatively short period, and I do feel very strongly that that expenditure would be justified, and would be worth incurring.

12,694. You say, if I understand you rightly, that the increase of value must be quicker in the case of the rupee than in the case of gold?—Yes.

12,695. Why is that necessary, why may not they move *pari passu*?—I will say quicker or equal.

12,696. (Sir C. Crosswhite.) I suppose you admit that the bulk of the currency must remain in rupees for a long time to come?—In silver rupees, I presume it must. I should only like to say on that point that, although India is a very poor country, I think there are a considerable number of rich people, and those rich people might use a fair amount of gold in currency if you allowed the currency to absorb gold.

12,697. I suppose you know that, in order to buy produce—supposing a merchant is buying produce up country in India—he will not be able to pass notes to the peasantry; they will not take them?—I know they will not take them at present, but I think, from the little evidence I have, that something might be done to make them take them.

12,698. You are not acquainted with India yourself?—No, I am not.

12,699. Suppose the bulk of the currency to be in silver rupees for a considerable time to come, it is important, is it not, to have that currency automatically increased or reduced, as the trade requires?—I think it is.

12,700. Then suppose more rupees are required, I want to understand how, under your system, those rupees are to be obtained?—They would be obtained for gold; and although, as I said, I would allow the Government to get rid of their legal liability to exchange notes for rupees, I would not do that in the immediate future until it seemed safe to do so.

12,701. So that immediately the rupees would be obtained for gold?—For gold or notes. Notes, I understand, are now convertible into rupees on demand. I would not abolish that immediately—not till it was quite safe to do so.

12,702. So that, if a man wanted rupees, he would get them, either for gold or notes?—Either for gold or notes.

12,703. Then suppose rupees became redundant through the turn in trade, they would be paid into the Treasury?—Yes.

12,704. For what? What would a man get in exchange for them?—He would get paper notes for his silver rupees; and, if he wanted to convert his paper into gold, he could do so in London, according to my scheme.

12,705. You would charge him a premium for doing that?—For converting the silver into notes, yes; the Government would have the option, not necessarily used, of charging $\frac{1}{2}$ per cent.

12,706. Do you think that that would, to any appreciable extent, prevent the ready flow back of rupees into the reserve?—I should have thought not; it is a small premium, and not certainly enforced.

12,707. Then what is the object of charging the premium—merely to make a gain?—No, it is not to make a gain; it is to induce the public to present gold in preference to silver rupees.

12,708. But the case that I was putting was that, in consequence of the turn of trade, rupees were redundant. In that case it would not be the gold that was redundant, it would be the rupees that people did not want. Suppose a slack season comes, and rupees are no longer wanted. How would the charge of a small premium induce a man to pay gold, which he wants in London, into the Treasury, instead of paying rupees, which he does not want any longer in India, and cannot use in London?—If he wants to ship home gold, and he owns gold, he will not need to buy gold with rupees in India. It may be that the $\frac{1}{2}$ per cent. premium is not sufficient; but, if there is a certain premium charged on the rupee, that would tend to make the gold come in first—I think your point would be met by saying that it may possibly be that the premium of $\frac{1}{2}$ per cent. is not enough.

12,709. What I am putting is that, when the rupees are redundant, they should be able to go back into the reserve without any hindrance. You say you charge this premium in order to induce the gold to go back instead of rupees. What I mean is that the rupee is the thing that should come back, so that its value may be kept up?—I agree; but I want the gold to come in first of the two, and I think that, by giving the option of charging a premium, you would induce gold to come in first and silver rupees to come in afterwards.

12,710. Ultimately, under your scheme, what you are aiming at is to substitute a paper currency, to a large extent, for the rupee currency?—Quite so.

12,711. Those notes, ultimately, would not be payable in rupees at all?—No.

12,712. They would be payable in gold?—Yes.

12,713. And in London, not in India?—Just so.

12,714. So that your scheme practically tends to put an inconvertible paper currency upon India; to take out both silver and gold, and leave the people with nothing but an inconvertible paper currency—inconvertible in India?—Inconvertible in India, yes. I should like to say that, in forming my scheme, I have not looked to the very distant future; I have looked to the more immediate needs. If, after a large gold reserve had been accumulated in London, it was thought more desirable to make the convertibility in India, then it would be easy to transfer that gold reserve to India.

12,715. Do you not think that the people would look with great suspicion on a currency which was adopted with any such intention as that—to take the precious metals out of the currency?—If they have not looked with suspicion on the present scheme, which has reduced the intrinsic value of the rupee so much, I should not think they would look with any more suspicion on a scheme for a paper currency, provided that that paper currency did really keep up to its gold value.

12,716. (Sir A. Dent.) Part of your scheme is that the sovereign should not be legal tender to the State, the railways, or tax collectors or any Government institution?—Yes.

12,717. If that were adopted, would it not tend to discredit the sovereign throughout India?—If the term "discredit" is merely synonymous with driving it out of the circulation, I think it would, and that would be my object.

12,718. Would it not also be a great check on the importation of sovereigns by travellers, and in small commercial transactions in India?—I think it would; and, as long as the convertibility is in London, I would prefer having no gold coming into India. I do not think India gains—I think India rather loses—by the importation of the precious metals.

12,719. That would be a great check upon one of the great objects the Government of India has, namely to attract gold to the country?—I should say that would be quite an erroneous object, if the convertibility were to be in London. The mere attraction of gold to a country is, as far as I can see, not the object to aim at. I do not see that a country gains any direct advantage by having gold brought to it.

12,720. (Chairman.) Assuming that it was possible for a system to be introduced into India exactly corresponding to the system which prevails in England, a gold standard and gold currency with a large silver token currency, practically convertible into gold when needed, should you prefer that to your scheme?—Yes, I should; but at present I think that would absorb such an amount of gold that it cannot be thought of.

12,721. I say, assuming it to be possible and practicable, that would be far better than any of these halting schemes?—Far better, though in England we use an unnecessarily large amount of gold in actual circulation. I wish to repeat that my scheme is only to tide over the difficulty for the immediate future, and is confessedly a makeshift.

The witness withdrew.

Adjourned.

Major
Leonard
Darwin.
2 March 1899.

THIRTY-SECOND DAY.

Thursday, 16th March 1899.

PRESENT :

THE RIGHT HON SIR HENRY H. FOWLER, G.C.S.I., M.P., IN THE CHAIR

THE LORD BALFOUR OF BURLEIGH.
 SIR FRANCIS MOWATT, K.C.B.
 SIR DAVID BARBOUR, K.C.S.I.
 SIR CHARLES CROSTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.
 MR. ROBERT CAMPBELL.
 MR. W. H. HOLLAND, M.P.
 MR. F. C. LE MARCHANT.

Mr. ROBERT CHALMERS, *Secretary*

THE RIGHT HON. THE LORD ALDENHAM called and examined

Rt Hon.
Lord
Aldenham.
 16 March 1899

12,722. (*Lord Balfour of Burleigh.*) You are, I believe, head of the firm of Messrs. Antony Gibbs and Sons, and you have been a director of the Bank of England since 1853, and were a governor of the Bank from 1875 to 1877?—Yes.

12,723 You represented along with Mr. Goschen the British Government at the International Monetary Conference in Paris in the year 1878?—Yes.

12,724. We know also that you are president of the Bimetallic League?—Yes.

12,725 Do you in any way come as representing that body?—Not at all.

12,726. Do you speak with personal knowledge of Indian trade?—Very little indeed.

12,727 Apart from that, the Committee may take it from your writings on this and kindred subjects that you have given considerable attention to the economic aspects of the questions which are before the Committee and to the general principles and facts of monetary science?—Yes.

12,728. It is based upon that experience that you come before the Committee to express your views?—Yes.

12,729. I think you were opposed, were you not, to the closing of the Indian mints in 1893?—Yes.

12,730. As a matter of policy?—Yes.

12,731. Would you like to recapitulate your reasons for that view?—Yes, I will do that as concisely as I can, but I am afraid that it will take rather longer time than the Committee would desire.

12,732. Without going into great detail, perhaps you can tell us your views generally?—I may put it in this way. India possessed an automatic standard of value in silver, the same kind of standard that England possesses in gold. It is, to my mind, a necessity of a good standard that it should be automatic, that the needs of commerce should be supplied by commerce itself. Now, in the place of that, the closing of the Indian mints substituted a managed currency. Instead of being automatic, you may say it was autocratic; the Government has under the present system, and would have under the proposed system, to settle what amount of currency is needed for the people. It should regulate itself by the needs of commerce. The currency existing in rupees is divorced from the metallic value of the rupee, and is dependent only upon the face values, it is, in fact, a forced currency—a debased currency. It is debased exactly in the same mode—I should say rather with the same result, because the *modus operandi* is different—as that by which Henry VIII. debased the currency of England in his day. He did it in a different manner. He said that a shilling weighing such and such a number of grains was the same as the shilling weighing the legal number of grains. He

diminished quantity; this diminishes quality. Here the 180 grains of the rupee remain what they were, but the gold value of the grains, by the action of the Indian Government, has been altered and greatly diminished. I do not like to speak of this in the same contemptuous manner in which it has been sometimes spoken of—for example, Lord George Hamilton, on February 21, 1895, spoke of it as a “quack remedy.” I do not think it was a quack remedy at all, because, in the belief of those who recommended it, it was a proper remedy. Your quack who prescribes *pidula panis* and *aqua pura* believes, not in the goodness of his remedy, but only in the goodness of what he gets for it. But in this case one might almost recall what was said of another heroic remedy many years ago, that it was “a crime and a blunder.” That it was a blunder was not at all to be wondered at, for the reasons that I shall presently give. The Committee which recommended it had unfortunately not the qualifications that a committee of that kind ought to have had. They ought to have had amongst them merchants, men of business concerned particularly with India, and concerned generally with commerce. They had none of those things. The order of reference to them was not to examine into the question, but to see how such and such a thing was to be carried out. That I think a very vicious style of reference to a Committee on such a grave subject. The present Committee has been appointed in a very different way. The present Committee contains men upon it who are thoroughly acquainted with the needs of commerce both in England and India. The order of reference here is also very much in contrast with that of the former Committee, because this Committee is desired to look into the proposals of the American Government, to look into the despatch of the Indian Government about those proposals, and to consider them, and to consider any other matters that may appear relevant and any other modification of those proposals that may seem to be germane to the matter. Now, as to India generally, it seems to me that the closing of the mints placed it as a producing and exporting country at an economic disadvantage with China and all silver using countries. As to the people of India, it inflicted a grievous wrong from a money point of view, and a very serious wrong from a political point of view, upon the natives by the divorce of the rupee from silver, and consequent loss upon their hoards and savings in uncoined silver. I do not use such a harsh word as “robbery,” which is, I think, wholly inapplicable; a robber injures another for his own gain, but the Indian Government injures the native for what is ultimately its own loss. Those are the general reasons that I have to give. The Committee probably will not require me to go into any great detail.

12,733. Just let us take the terms of reference to the Herschell Commission. I do not wish to argue the matter with you, but reading them here, I see that (as I should be inclined to read it) it leaves everything open. You have, of course, studied it, and come to a different conclusion; but the words are: "I have decided to request your Lordship to preside over a Committee for the purpose of considering the proposals of the Government of India as contained in this correspondence, and to advise whether it is expedient that Her Majesty's Government should allow them to be carried into effect." Surely those words give the Committee a discretion to report for or against?—Certainly, I did not say otherwise. What I said was that they were not at liberty apparently to consider anything else but that one thing alone.

12,734. I reserve some of the arguments that you use about the disadvantage in regard to Chinese trade and the wrong done to the natives of India, and so on, because those matters will come more properly in cross-examination rather than in your examination-in-chief; but let me refer to one of the expressions that you used in the early part of your evidence. You said that by the closing of the mints the standard was made autocratic; that it was a managed standard, and that the currency was debased. Do you not give any weight to the fact that the exchange since the closing of the mints has been, if not steady, very much more steady than it was before?—You are speaking of the exchange?

12,735. Yes?—But I am speaking of the standard. I speak of the standard whatever it is, and the circulation of that standard money among the people. I am not speaking of the exchange.

12,736. Do you not think that, the fact that the exchange has been steady is an advantage to be weighed to some extent against the very severe strictures that you passed upon that policy?—I do not see that the improved exchange, which would naturally follow from good times and a good amount of exports from India, really touches that question at all.

12,737. You find it, then, that the improved exchange is from good trade, and not in any way due to the closing of the mints?—No, I would not say that—certainly not, because I say the closing of the mints, which effected a contraction of the currency, would naturally affect the exchange; but it becomes a fictitious exchange—practical and useful to the Government no doubt; practical and useful to those who have to bring funds from the other side to pay their engagements here.

12,738. Then may I take it in this way—this will give you an opportunity of summing up the matter. Looking at the matter, even in the light of the six years' experience gained since 1893, do you, or do you not, consider that, having regard to India as a whole, the evidence is that the legislation of 1893 has been a success?—Not a success, I should say. Perhaps I should put it in a different way—not established as a permanent success, even from a Treasury point of view.

12,739. (*Chairman.*) Do you approve of the proposals of the Indian Government to establish a gold standard?—Not at all.

12,740. Do you know what was their original proposal in 1893?—Yes.

12,741. Why do you disapprove of it?—The first reason is that it seems to me, speaking of India alone, for a population such as India contains, a silver standard and a silver currency are absolutely a necessity, and because a gold standard without a gold circulation seems to be an impossibility. I do not consider that such a thing anywhere can be said to exist.

12,742. I do not want you at the moment to complicate this with the question of currency. I want to deal with the standard. I was simply asking you whether you approved or disapproved of a gold standard?—I absolutely disapprove of it for India.

12,743. What is your reason for that?—As I have already said, a gold standard, to be a real gold standard, involves a gold circulation.

12,744. That is your reason; you have no other?—I have plenty more reasons.

12,745. Will you be good enough to give them to the Committee?—That is my reason as regards India. As regards England and commerce generally, anything that shall further diminish the stock of gold in the world is a very great misfortune.

12,746. That is, of course, a very important reason; but that is a separate and distinct reason with reference to the supply of gold in the world?—Supply and demand.

12,747. Your opinion being that it would cause a great drain on the gold resources of the world?—Yes, if it were successful.

12,748. We must assume that. A gold standard would cause a great drain on the gold supply of the world?—Yes.

12,749. Have you read Lord Rothschild's evidence?—Yes.

12,750. You do not agree with him?—Yes. He does not say that it would not cause a great drain on the gold resources of the world; what he said was that it could be provided.

12,751. He gave some very strong evidence as to the enormous quantity of gold which was being produced this year?—Yes, 60 millions.

12,752. Still, agreeing with him as to that enormous quantity, you would think that there would be difficulty?—It entirely depends upon what use has been made of that 60 millions.

12,753. Now, have you any other reason besides the deficiency of gold to meet the demand which a gold standard would create?—I think I have said quite as much as need be about that. The reasons that I have to give for it are reasons more connected with the currency; and you wish to keep that separate. I see no objection whatever to keeping them separate. I may add that it has never been actually explained what sort of gold standard it is that the Government of India wish to recommend. Certainly it is not the gold standard of England; certainly it is not the standard of France, which is not a gold standard, nor is it the standard of America, which, though by decree a gold standard, in fact is not. In fact, you come again to the question of currency and legal tender.

12,754. Do you not consider that America has a gold standard?—America has by decree. It is called a gold standard; but, if I can pay my debts to an unlimited extent in silver, it certainly is not a gold standard.

12,755. How about France?—I have heard a great many people in England say that France has a gold standard; but I never heard a Frenchman say so. I remember that M. Say, the French Minister of Finance, who was president of the Conference of 1876, of which I had the honour to be a member, said to us: "It has been sometimes thought that we are tending towards a gold standard; we are not doing anything of the kind; if we are tending to anything different from what we have now it is to the *double etalon*, and we expect that that will be reached so soon as the incubus of the German silver is removed from us." That was M. Say's opinion; of course, it is only opinion after all, but it is the opinion of a man in a position to form a good one. Again, the law of France, there is no question, makes no doubt about it whatever; the law of 1803, still in force, says that the standard of that country is the unit of five grammes of silver—called a *franc*.

12,756. You see no similarity between the proposals of the Government of India and the state of things in France?—None at all. There is supposed to be, but there is none.

12,757. What country would you say has a pure gold standard?—This one.

12,758. And no other?—Canada.

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12,759 I am coming to Canada in a minute. What is the country that you think has a gold standard except England?—I know no other country than Canada. I have not in my mind, at this moment, any other country, except England, that has a pure gold standard.

12,760 What construction do you place on the statement that has been made in the course of this inquiry, that between 80 and 90 per cent. of the trade of India is with countries with a gold standard?—I know the statement has been made, but it is certainly very far from the fact, and I will say in a very few words why the statement cannot be accepted. You say 80 or 90 per cent.; however, to be accurate, we will take it as 80 per cent. But the trade of India here spoken of is the export trade. In my view we must look, not only at the export trade, but at the trade of India generally, and the export trade may be about 5 per cent. of the whole trade of India. Therefore, so far from 80 per cent. being with countries using a gold standard, it is more nearly 5 per cent.

12,761. Five per cent. of what?—Of the whole trade of India.

12,762. I am now speaking from memory, but I do not think I am very far wrong if I say that the total trade is now pretty nearly Rs. 200,000,000, and, of that, Rs. 108,000,000 are exports, and about Rs. 90,000,000 imports?—Yes.

12,763 Then where is your 5 per cent.?—I am speaking of the trade of India, you are speaking of the foreign trade of India.

12,764. That is what I am asking you about; we will come to the internal trade afterwards. Of course, I mean the foreign trade when I am talking of trade with other countries?—Trade with other countries, yes.

12,765 You say that is so?—No; I say I dare say it is so; that the trade with other countries is 80 per cent.

12,766. You said that almost the only country in the world that has a pure gold standard is Great Britain. Then, it is said that between 80 and 90 per cent. of the trade of India, which is not all with Great Britain, is with gold using countries?—Yes.

12,767 I take it the test there is that they have to pay practically on gold values?—Who have?

12,768. India has?—Very likely, just as we, if we are dealing with Venezuela, have to pay on silver value. It is quite true that, when they deal in England, they have to pay whatever will pay England.

12,769. In gold?—In gold.

12,770. Calculated on a gold basis?—I do not quite know what "calculated on a gold basis" means. What you really mean must be to pay in gold.

12,771. Let us put it in this way. Suppose that India buys from Lancashire or buys from America a certain quantity of cotton goods, on what basis will the price be calculated—on the gold value of those goods or not?—What they buy they must pay for in the money of the country from which they buy.

12,772. Then we come back to the point we started from. Out of every 100l they must buy or sell nearly 90l according to its gold value?—It only means that they must pay the price that the foreign nation asks, that is all. But in India itself or in whatever country it may be that deals with England, they have not to consider the gold value so much as what the gold in which they have to pay is calculated in their own currency and their own produce. That is what they have to consider.

12,773. Now you say that no country can have a gold standard without a gold currency. Will you take the case of Canada?—Canada has a gold currency.

12,774. We are told not?—No. What you were told was that there is not a gold piece to be seen in Canada, which is quite another matter. A gold currency is a currency under which debts must be discharged in gold if demanded. A gold currency does not mean that you must have in circulation two pieces of gold rubbing against one another in your pocket to wear out their edges, it means that the

coins may be represented by notes, as they are in England, because you must remember the gold currency in England is a currency of metal, and of notes convertible into metal—of use for no other purpose than to save the wear and tear of the metal, except, of course, so far as regards fiduciary issues.

12,775. Have you read the evidence of Mr. Clouston, the manager of the Bank of Montreal?—I have.

12,776. At question 6778 you will see this: "At all events you are not ignorant as to the possibility of a country having a gold standard without a gold currency?—I think it is the only proper currency in the world, that is my impression. I would not say without a gold currency, because a certain amount is required or may be necessary to pay balances. Our gold is only useful to us to pay our foreign balances occasionally. In the meantime, until exchanges can be adjusted, we keep American gold against our foreign balances. There was a great outcry for us this year to mint the gold that is coming out from the Yukon in such large quantities, supposed to be ten millions of dollars, but, as I pointed out to the Government, the gold is really no use to us till it passes out of the country giving us credit balances in other countries to draw against. The gold minted would only remain in the vaults of the bank, so that it would be no possible good at all." Is not that an absence of a gold currency?—Certainly not in my view. It is a confusion of the two senses of the word currency. Mr. Clouston is perfectly right; he says there is no gold circulating in the material form of coin in Canada, just as regarding the internal trade of England you may almost say there is no gold circulating in this country, because it is represented by cheques and by bank notes, all of them involving immediate return in gold. Mr. Clouston is perfectly right. I have no doubt that there is no such thing in Canada. I remember exactly what he says, and I remember also what we had before us about the monetary law of Canada at the Paris Conference of 1878.

12,777. How do you differentiate this from India; why cannot India have the same system? I understand you to say that a gold standard is impossible without a gold currency. Then I understand you to say that a gold currency does not mean the actual pieces of gold; it means something circulating whether paper or silver or anything else which represents gold?—Convertible on demand into gold.

12,778 Very well. Now what is the objection to that in India?—Because, so far as I know at present, there has been no such proposal by the Indian Government that they are to take the enormous responsibility of converting into gold on demand all the rupees existing in solution, you may call it, in possession of the population—all the rupees in hoard and in circulation.

12,779 Then your objection really comes to this, that the risk would be too great?—The risk of convertibility would be absolutely too great, and in that I think I am supported by a great many people, probably by the Indian Government themselves, and certainly by a great many of those who have given evidence before this Committee. Sir Robert Giffen, I remember, argued this point very strongly, but at questions 10,212 to 10,216 he reduces the whole thing to what I should call a *reductio ad absurdum* or rather a *reductio ad impossibile*; because he shows what the risks would really be and what the total amount of risk is that the Government would have to run—I do not mean in money, but the total amount of risk the Government would have to undertake.

12,780 I think he wound up by saying that, if convertibility could be assured, he would not object to it?—Yes, I think that is so; but I would add to his objections the consideration that, if the British Government were really to guarantee either the convertibility of the rupee or the Indian gold debt, it would surely involve the continual interference of the

British Parliament with the executive administration of Indian affairs.

12,781. Now is there any other objection that you have except the risk? What do you say about the hoarding? Do you think there is a large amount of gold hoarded in India?—I have not the least doubt of it, but I only take that from what others tell me I am told, for instance, by Mr. Harrison, who is the only one, so far as I know, who has given a computation, not an opinion only, that there are 300 crores of uncoined silver in hoard.

12,782. At all events he is of opinion, and you are of opinion that there is a large amount of gold in hoard in India?—Gold?

12,783. Yes, I am talking of gold?—I was talking of convertibility, for which the Government itself needed to possess gold. I do not know anything about gold being hoarded, except that it has been computed by somebody or other that there are 300 millions sterling of it in hoard. As to this it may be well to bear in mind what was said by Sir David Barbour—there could not be a better judge—in his address to the Society of Arts, on the 25th of last April:—

“Some people said, if a gold standard were introduced, enormous quantities of gold would be brought out from hoards of private persons and used as a circulating medium. He wished to speak with consideration of his opponents, but, if anybody made a statement of that sort, in his opinion he was not merely incorrect, but a man whose opinion you had better avoid taking on anything in connection with the currency. If a silver standard were introduced into this country, would the people who had silver teapots and other articles of plate melt them down and throw them into the circulation? The thing was absurd. Of course, they did not know much about Indian ladies, who usually lived in the seclusion of the zenana, but he believed they had as much influence in families as the ladies in this country, which was saying a great deal, and, if an Indian went to his wife and told her that the Government had made gold a legal tender, that he proposed to melt down her gold bracelets, and put them into circulation, he did not think he would meet with a very favourable reception. What might be expected to happen and what would happen, when gold began to circulate as a portion of the Indian currency, would be that there would be a greater tendency to withdraw it and hoard it.”

12,784. The evidence before us as near as we can tell is that there is Rs. 120,000,000 now in circulation—the silver currency in India represents that?—In circulation, I agree.

12,785. And nobody knows what the amount is that is hoarded.—Quite so, but you are speaking of silver now.

12,786. I am talking of silver. With reference to the silver currency, the opinion of Mr. Harrison and other competent persons is that the amount in circulation is about Rs. 120,000,000; then there are also the hoards and the ornaments?—Yes, I should say so, generally.

12,787. Taking the experience of the past famine and various other tests which have been applied by different authorities, they seem to have arrived at the conclusion that the amount of hoarded rupees has been exaggerated?—I am quite incapable of pronouncing upon that at all, but let me say that the testimony of Mr. Harrison gives some basis, I think. He has taken an unknown quantity, x , for the amount that originally was at any definite time in India; then he takes the import of the silver and the export, and the melting down in ornaments, and he puts the figure at 300 crores. Sir Antony MacDonnell says there is three times as much in coined silver as there is in uncoined, that is, that three-fourths of the whole quantity is in rupees. It makes a very enormous sum if Mr. Harrison and Sir Antony are both right. I cannot pronounce upon that, and I believe nobody can, for the reasons that you have given.

12,788-9. Before we leave this question, I want to ask you one other question. What differentiates England and India with respect to the convertibility of their silver currency? We have a silver currency here which is not convertible?—We have certain notes printed upon silver for a twentieth part of a sovereign, which are not convertible, and which are not legal tender.

12,790. Not legal tender beyond 40s.?—Well, that is not legal tender practically. Nobody ever pays 40s. in silver that I know of.

12,791. And yet for all practical purposes a shilling is the twentieth part of a sovereign?—It serves the purpose well, nobody cares what it is worth.

12,792. And there is no responsibility on the Government in respect of that silver currency?—None at all. You mean to say there is no responsibility for conversion?

12,793. Yes?—None at all.

12,794. The Government controls the amount that is in circulation?—The Government, you may say—it is the Bank of England.

12,795. The Master of the Mint, who is the Chancellor of the Exchequer, controls it; the Master of the Mint looks to the Bank of England to say what should be put into circulation, and that is done?—Yes.

12,796. That is merely machinery?—That is merely machinery.

12,797. The ultimate authority which settles the amount of the silver currency of this country is the Government of the day?—Yes, in a manner, and to this extent: a Government of a past day has settled the silver currency, but no Government has any real influence on the amount issued.

12,798. The Government of the day acts through the machinery of the Bank of England—or is advised, if you like, by the Bank of England; but, at any rate, nobody has a right to take a bar of silver to the Bank of England and have it coined?—Just so, as to the public right; but I think I had better inform the Committee as to what the practice with regard to our token currency really is. Whatever may be the theory, the fact is that the orders for its coinage, or for treating it when “worn,” do not emanate from the Government, or from that member of it who is Master of the Mint. The Bank of England is the Administrator of the silver coinage, being guided solely by the demand, and having no need to ask permission of any one. If the needs of trade, shown by the applications of other bankers, require more silver than they have, the bank supplies them from existing stock in the banks; or, if there is none but garbled silver only, that is sent into the mint for recoinage and paid for by the mint authorities; or, if there is none at all, the bank sends a requisition to the Mint for new coin, the Mint buying the bar silver in the market, and the bank paying the face value of the coins supplied. Thus, the token coinage of England and Wales is in no sense a “managed” currency, as the Indian rupee coinage is since June 1893. It is really automatic, regulated by the wants of trade, but administered (as the gold coinage also is in practice) by the bank. As a matter of finance, the whole operation is for account of the Government, and the Exchequer makes the profit. Thus a large profit accrued to it in 1889, when Mr. Goschen caused the dockyard wages (when under 2½) to be paid in silver. But the business followed the usual course—the dock authorities applied to their bankers; the bankers applied to the Bank of England; the Bank of England (as new coin was wanted) applied to the Mint; and the Mint supplied the coin. So also, when there was a scarcity of silver coin in the provinces, caused by the reluctance of the country bankers to pay the cost of transit from the bank, the Government (in May 1889) agreed to bear the charge, and instructed the bank accordingly. There has been redundancy also—real redundancy, not the so-called redundancy of Indian dispatches—more silver being out than trade needed. When that was the case, as it could not be exported, it had to

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accumulate in the bank until, as above described, it could find its way out again. Thus in 1896-7, we held 2,000,000*l.*; and now, trade improving and using more, 1,600,000*l.* Let me correct two errors, one of which, at least, has been made before this Committee. There is no convertibility. We always do what we can to give gold coin for silver coin and silver coin for gold coin to applicants, but the public has no legal right to demand it, and the bank makes a charge of so much per 100*l.* for any large sum of silver paid in. It is altogether a mistake to say that our silver coins are saved from going to a discount by the issue being limited. Whereas, on the one hand, it is scarcely possible to issue a shilling more than the public at the moment needs, on the other hand, there is absolutely no limit to the issue so far as the public needs it. When it no longer needs it, and it becomes redundant by the falling off of trade, it is buried in the appropriate vault, as I have said before, and awaits resurrection. It is the limit of legal tender which is the safeguard, and obviously renders depreciation impossible.

12,799. Then, in England, we have a silver currency up to 40*s.*; and for all practical purposes of everyday life we have a gold standard?—And currency.

12,800. And a gold currency also. Now, would you just tell us where you draw the broad line of distinction between England and India with regard to that?—The silver currency of India is full legal tender, and practically the standard of the country. The English silver currency, which, as I say, are mere inconvertible notes, are not the standard of the country any more than the bank-note is the standard itself.

12,801. Then your point is the tender limit?—Yes, certainly unlimited legal tender makes it money; limited legal tender makes it a substitute for money.

12,802. Then the great bulk of the transactions in India—I think one-half of them—are in copper. I am talking of the internal trade?—Yes.

12,803. And there is a remaining very large proportion in silver?—Yes.

12,804. Except the foreign trade, there would be very few transactions in India of amounts requiring the use of gold?—Very few indeed, I should think.

12,805. Does that remove the difficulties from your mind as to a gold standard?—It seems to me to add to them.

12,806. Will you tell me how?—I fail to follow that. Because gold is not wanted and is not used, therefore, as I understand you to say, you think gold would be a good standard for India. I think quite the contrary.

12,807. You say that a gold currency is inseparable from a gold standard?—Certainly.

12,808. A gold currency would be wanted for a very small amount in India; at least I am putting that to you; I am not expressing my own opinion, I am putting that to you as a hypothesis?—I understand; but I should put the matter differently. In saying that a gold currency is inseparable from a gold standard, what I mean is that that which has not a gold currency is not a gold standard. That is quite a different proposition. I do not mean to say that when you have a gold standard—what you call a gold standard—that necessarily involves the use of gold in great quantities, but I say that it is not a gold standard, if a man can pay his debts in any quantity of silver. You might just as well call it a platinum standard, or anything else.

12,809. What standard is existing in India at this moment? You have not an unlimited coinage of silver?—I have given my explanation of that. There is no standard in India but a debased standard.

12,810. You think there is none?—It is debased. There is a currency which serves in a manner as the standard of India.

12,811. Now, let us come to the point as to the negotiations with the United States and France?—But first let me say that the real objection to the

nominal gold standard, or to any gold standard, is the effect on the people.

12,812. The people of India?—Partly, and on the people of England in other respects.

12,813. Will you say what you have to say upon those points?—There is the matter of the mode of carrying out the gold standard, which has also to be considered. I have spoken very strongly about what I call a debased standard—debased in a different way from the debasement of diminishing the number of grains. The proposal that rupees should be melted down seems to me to be contrary to all monetary principles. When the money of a country is redundant—I mean when it is really redundant—not redundant in the sense of the despatch of Sir James Westland, but really redundant—the remedy for that is the export of that money in course of trade when the time comes. All along specie may be exported; but the ultimate result resolves itself into an export of money in payment of the balance of trade. Now, what the Government propose to do, if money is as they think redundant, is to melt down the rupee, which is a very different thing from the exporting of rupees. When you export rupees, and the tide turns, the rupees come back again. When the rupee is melted, and you have no open mint to which you can take them, the currency is permanently contracted, with the view, no doubt, in this instance, as they say, to bring in gold instead. If the gold is inconvenient, if the gold is not as convenient as the other, that is an interference with the natural flow of money to and fro, which seems to me to be very objectionable. The silver circulation, for example, necessary for the removal of crops, is diminished; and that would seem to be a very bad thing for the people. It would cause great dissatisfaction, perhaps ultimately disaffection, and that would be a very bad thing in any case. Further, it depresses the gold value of silver. If you have a quantity of coin taken away from the world and melted down and thrown on the market, it depresses the gold value of silver, and increases the economic advantage of silver standard competitors with India. Then, suppose the Government should acquire gold by loan, which is the proposal of the Indian Government, or by melting down rupees and selling the bullion, they necessarily must keep that locked up in the Treasury, I imagine, except so far as they want it to fill the void made by the movement of the rupee, if it serves to fill that void. Then, if they do that, they have not got it in the Treasury to serve towards convertibility, if that should be considered necessary. Then, again, private capital can only be attracted by the prospect of profits. Under a gold system traders know, and have said before this Committee, I suppose, —certainly they have said it outside—that India would be handicapped economically, and private capital, therefore, would not be attracted; whereas, as population increases, it is to be hoped that trade would increase and would want more circulation. I know that Lord Rothschild, Sir John Lubbock, and Mr. Lindsay, and others have given evidence against the Indian Government plan, and, on the other hand, Sir James Westland gave some very good reasons against Mr. Lindsay's plan.

12,814. What plan would you recommend?—I am coming to my plan.

12,815. (Sir F. Mowatt.) I understand you to adopt Sir James Westland's criticism on the Lindsay scheme?—Yes, generally, and I should like to say this about the Lindsay scheme. As a quondam governor of the Bank of England I know how that would work. I do not quite understand Mr. Lindsay's scheme. I imagined that I did, but different witnesses have given different interpretations of it. Mr. Lindsay's words are "open a current account with the Bank of England." Now, to open a current account with the Bank of England would merely mean that the account of the Indian Council would be enhanced by five millions or whatever it might be, to which the Bank of England could make no objection whatever. But there would be no ear-marking—such a deposit

would stand in no different position from any other account that they now have with the bank, or any other account that I have or anybody else. They take their chance. But there is yet another suggestion, and that is that the Government of England should come to the rescue and should guarantee the convertibility, and Lord Farrer suggests that the Bank of England would be very willing to do that just as it really guarantees or provides for the bank note. To that I reply, Lord Farrer has never been a governor of the Bank of England or he would not suggest such a thing; it is absolutely impossible. Neither has he given real consideration to the matter of the Government taking such a risk. To guarantee that a certain commodity—for silver is a commodity in England—should be always taken in exchange for gold is a responsibility which I suspect the Government would not take. They would have in exchange for their gold only an accumulating mass of rupees, which they could not re-convert into gold so as to supply an immediate demand, nor at all, except by sending it to India, and awaiting a remittance of gold from the Indian Treasury—if it happened to be there. For what purpose would the silver serve? Neither the bank nor the guaranteeing Government can pay their debts with silver. Then again, if Lord Farrer is thinking of a deposit of gold bullion, of course the Bank of England would take a deposit of gold just the same as it would take a service of plate or anything else, and place it in its vaults, but that is exactly the same as if it were in Calcutta. It could by no possibility form part of our reserve.

12,816. (Chairman.) However, after all, we are a very long way off that?—Oh, yes.

12,817. If Parliament finally accepted any scheme the details could be easily adjusted?—Could be adjusted.

12,818. As I understand, you disapprove of the Government of India's proposals, especially on the ground of the mode in which they deal with what they call redundant currency?—Yes, on that and other grounds.

12,819. And you disapprove of Mr. Lindsay's proposals on the same ground as Sir James Westland does?—Chiefly. Partly that and partly because what you call the details—

12,820. The details would not work out?—So far are they from working out that they affect the principle.

12,821. Now will you proceed?—There is one point that has often been insisted upon and which you, Sir Henry, did in a manner insisted upon, with regard to the supposed analogy between France and India in respect of the silver currency. In France they have what some people call a token currency, but which is not a token currency, of course—an inferior currency, I should call it—it is not a token, because a franc cannot be a token of a franc which is what the real monetary unit is; but the great difference between them is that India is a debtor country, and France is a creditor country. France does not need a balance to export. India does need a balance to export. Let me put it in this way:—Is India a creditor or a debtor country, that is to say, does the money value of her export, of whatever kind, to the rest of the world, exceed or fall short of her imports? Suppose, for the sake of simplicity, that her relations were only with England; are the commodities which she sends us greater or less in annual money value than the commodities and services which we send or have rendered to her? It is wholly immaterial to inquire what the commodities are which we send or what the services (represented by home charges) were and are. We send her yarns and metals (silver and iron and gold) and other things. It matters not for the present question what she does with them. She may coin her silver or use it as money uncoined, or she may make it into bangles or bury it in the earth. The money value of all together is the only thing that touches our question. Now it is of secondary importance to inquire whether the operations are wholly

or only partly in trade operations. It is very useful to know the balance of trade, but it is the balance of indebtedness, as Mr. Goschen demonstrated long ago, with which we are here concerned, and that necessarily includes services and the debts incurred for them, as well as commodities. Thus, even though her export of commodities exceeded her imports by 10,000,000*l.* a year, yet India would be a debtor nation; for she owes and has to pay some 17,000,000*l.* for Government Home Charges, leaving her debtor for 7,000,000*l.* a year besides the interest and returns on private investment in India, which may be taken to be 7,000,000*l.* to 10,000,000*l.* per annum more. To show the actual surplus export of commodities I produce the following table:—

Year	Net Export of Commodities.	Average Rate of Council Bills	Sterling.
1873-74	Rs. 17,297,719	s. d. 1 10½	£ 16,000,000
1897-98	10,618,894	1 9-407	6,858,085
1896-97	19,738,091	1 9-461	11,839,848
1895-96	32,289,810	1 1½	18,000,000
1894-95	24,000,000	1 1	18,400,000
1893-94	15,000,000	1 2½	9,000,000
1892-93	30,000,000	1 3	18,750,000
1891-92	27,000,000	—	16,890,000
1890-91	6,500,000	1 6	6,375,000
1889-90	19,000,000	1 4½	13,000,000
1888-89	15,000,000	1 4½	10,250,000
			£131,362,888
		Average of 10 years	£13,136,288

Against the average for the same period if home expenditure (chargeable to revenue) of 15,684,082*l.*

In the above table I have not taken into account enfaced rupee paper, which, as enfaced to England or re-enfaced to India, forms an addition to exports from India and imports into India respectively. Incorporating with the above these exports and imports, as shown in the following table, the average balance in favour of India is increased by Rs. 42,14,150.

ENFACED RUPEE PAPER

Year.	Balance Re-enfaced to India = Imports into India.	Balance Enfaced to England = Exports from India.
1888-89	Rs. —	Rs. 74,80,000
1889-90	—	77,99,800
1890-91	—	5,23,72,500
1891-92	—	77,15,460
1892-98	1,57,19,800	—
1893-94	1,76,83,200	—
1894-95	53,95,750	—
1895-96	—	1,72,47,860
1896-97	1,28,40,900	—
1897-98	2,67,61,620	—
	7,84,01,270	9,26,15,430

12,822. Your point as to the supposed analogy between India and France is this: Suppose a system were introduced into India in some respects corresponding to the system which prevails in France, the difference between the two countries is that the one is a debtor country and the other is a creditor country?—Exactly. I should say generally that all managed schemes are bad. Anything that does not leave the currency of a country to work automatically on the standard metal of the country is unwholesome and ultimately bad for the country itself, whatever advantage it may give for the moment.

12,823. And, I suppose, in connection with that, you would share the opinion that has been expressed that the currency of a country should as far as possible

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be totally independent of the Government?—I can hardly say totally independent, when I know that we are acting under the law of 1844, and that no currency at all can be independent of the Government, because it must be the Government or the nation that has to choose at some time or other what the measure of value shall be, as, for example, in England the Government has said what the sovereign shall be, but the working of the currency should be independent.

12,824. That is the word I should have put in The working of the currency should be independent of the Government?—Exactly.

12,825. Of course, the Government must legislate?—Certainly.

12,826. But the working of the currency should not be controlled by the Government?—Just so. And I may say this: the Act of 1844 limited the powers of the Bank of England. Before that, the Bank could issue any amount of notes on anything they pleased; the Act limited that to a certain amount. No doubt the Government must legislate, but I should put it that the daily working of the currency ought to be independent of the Government.

12,827. The Act of 1844 provides that the Bank of England shall not issue paper money unless it has something against it?—Yes, with the exception prescribed.

12,828. Except as to the Government debt?—Partly that, and partly, as to the fiduciary issue, on securities.

12,829. Now, have you any other objection to the proposal of a gold standard for India?—It would increase the injustice inflicted upon the natives by the depreciation of their uncoined silver hoards through the closing of the mints in 1893. A great deal has been said upon this point, and by people whose opinions ought to be considered. Lord Northbrook, for instance, whose evidence was very interesting indeed, said he thought that practically there was no injustice at all. One reason which has been given for that opinion was that the natives did not know it. I thought that a very bad reason. I remember a member of the then Government saying to me, in 1893, "Oh, they will never find it out", and I said "You may depend upon it, some enemy of the British Raj will be certain to tell them about it." I told this story in 1897 to a member of the present Government, and his answer was, "They have found it out." But, even if they had not, it is to my mind no sufficient argument to say that an injustice has not been done because it has not been found out. Louis XIV. used to say that he was *super grammaticam*; but the Indian Government is not *super arithmetecam*. If a man could take out of his hoards 180 grains of silver and at his own pleasure get a rupee for it, whereas he has now to take 258 grains, there can be no question but that he has suffered an injustice. But it has been urged on the other side that prices have fallen; I think that point has been advanced by Lord Farrer. Now, suppose a depositor in the Savings Bank here were told, "Prices have fallen enormously in England, and therefore, instead of giving you the whole of your capital, we will give you 60 per cent. of it"; that would be an injustice, and none the less an injustice because it might be argued that the depositor would not feel it. It is that sort of injustice that is inflicted on the natives of India, and, once that is brought clearly before them, it is inevitable that it must produce dissatisfaction, perhaps something worse. I do not know anything about India, but I am told that this matter has come before the natives. One of the witnesses before this Committee, Mr. Barclay, I think it was, gave evidence as to that, and showed that the native press had taken the matter up.

12,830. You think it would be unjust to the natives of India as depreciating the value of their hoards?—Certainly.

12,831. And you do not attach any importance to the statement that they are ignorant in the matter, or that the action of the Government has really very much increased the value of the rupee since 1893?—

No. That is the only other thing I have to say on that matter. I do not see that the action of the Government has increased the value of the rupee. Prices have not altered very much in India. It has made a difference in the gold value of the rupee, but I do not see that that affects the common people in India, except in the most indirect and distant way, and a way which they can never understand or appreciate. Then, it is said that the native prices have been compensated for the loss on their silver by the non-depreciation of rupee paper; but to establish this, let us suppose that their hoarding in rupee paper was equal to their hoarding of silver; and then it must be shown—and it has not been shown—that the gain by the arrest of further depreciation of, we will say, Rs.100 in paper, was sufficient to make up for the loss on 18,000 grains (weight of Rs.100) of silver. Then another thing has been said. It has been proposed to raise loans here in England, and it has been urged that that would be a heavy strain on the Bank of England. I do not think anything of that at all. The Bank of England will find anything you happen to want, but, at whose cost? If there be any great drain on the Bank of England, it must necessarily be at the cost of the discount other people have to pay, and, perhaps, of a check to their power of obtaining accommodation. They suffer if the Bank does not.

12,832. How about the payment of taxes by the people of India; their taxes are paid in rupees, and the taxes are increased or decreased according to the gold value of the rupee?—According to the gold value of the rupee, so far as regards the amount that has to be remitted to England to pay debt.

12,833. A large number of witnesses say that it would be necessary, if the rupee went down to its bullion value, to increase the taxation of India, and that it would not be safe either politically or on other grounds to increase the taxation of India?—You are much better judges of that than I can possibly be.

12,834. But I should like to hear what you think of that argument?—I think it bases itself, to begin with, on a certainty which does not exist of the amount of the fall that there would be in the rupee. It takes no account of what would happen if the mints were opened—the good that would result, to be set against any evil that would come. And, as to the increase of taxation, you have, as I have already said, taxed the people without their knowing it, and you would have to tax them with their knowing it, where you could.

12,835. Have you read Sir Anthony MacDonnell's evidence?—Yes.

12,836. At Question 5781 he says this: "You think that, if the rate of exchange were lowered to the bullion value of the rupee, that would involve such discontent as would amount to a grave political danger?—I do not think it would be possible. You could not do it without increasing the army and the police, and taking compulsory measures." Do you agree with that?—I think that argument fails, inasmuch as Sir Antony treats as a matter of certainty the extent of the fall in the bullion value of the rupee.

12,837. I do not know what the Indian Government are going to do; we shall have their budget in a few days, but at all events, owing to the work of the system of 1893, which has kept up exchange to 1s. 4d., there will probably be so large a surplus that, if they thought it wise, it would be possible for the Government of India to make a considerable reduction in taxation?—It would be a good thing, but I remember that, when the rupee went down even to 1s. 1d., the Government still had a surplus.

12,838. You desire to say something with reference to the question that has been raised as to the amount of gold available?—The Committee have heard a great deal about the unalloyed supplies of gold. On this subject I would like to refer to a paper communicated to the Manchester Literary and Philosophical Society last year by Professor Suess, of Vienna, who is the greatest authority on the geological distribution of the precious metals. I have endeavoured

to condense the paper, but it is so absolutely full of matter germane to this enquiry, that I have thought it better to put it in *in extenso* as an Appendix.

12,839 Now will you tell us what you have to say as to the closing in 1897 of the negotiations with the Governments of the United States and France?—I regret very much that the negotiations of 1897 were summarily closed. I had a great deal to do with the *pourparlers* in the matter. Sir Michael Hicks-Beach asked the opinion of the Governors of the Bank and myself with two other ex-Governors. I thought that the negotiations should have been kept on foot. I do not say that the negotiations should have resulted in the immediate adoption of those measures, for two reasons. One was the French suggestion of a sort of Sherman Act for England, which I thought would be a very foolish and futile thing; that would have to be rejected. The other was that one could not fail to appreciate the enormous wrench which would take place if the ratio were suddenly moved up to its old position of $15\frac{1}{2}$ to 1. I had no doubt that that would be a very serious difficulty, though, when that difficulty was once got over, when the battle that it would cause was over, and the wounds cured, it would be in some measure as it was before 1873. I may mention here that a man who was one of our principal China merchants wrote to me and said: "I hope that whatever happens they will not take $15\frac{1}{2}$ to 1; it will be a most dreadful thing; it will subject us to all manner of losses on existing contracts"; and he gave me his reasons. I was going to answer this correspondent, and point out that it was not at all for me to say what the decision would be, when I had another letter from him, saying, "I confirm all I said before, but still I would like even the $15\frac{1}{2}$ to 1; I prefer to incur the loss for the sake of the settlement; the settlement would be a bad settlement, but still it would be a settlement." That was his view. Then, one of the ministers wrote to me and said, "We feel sure that no modifications of the proposals would be admitted, and therefore we have not re-opened the matter; we are certain it could not be done." I at that moment felt sure that the negotiations would not have been in vain; but the mischief had been accomplished, the edict had gone forth, and so it was settled. The proposal that has been made for renewing those negotiations has been approved by anticipation, and in general terms, by a despatch of the Indian Government, dated the 16th September, 1897. They say on page 13 of the correspondence:—

"It seems to us that the difficulty of making the arrangement effective will be immensely increased by the adoption of a ratio differing so widely from the present market ratio. Indeed, even if it could be maintained successfully, we should object to that ratio in the interests of India, and we recommend that your Lordship should, on behalf of India, decline to participate in, or do anything to encourage, the formation of a union based on that ratio."

"In any case, we are of opinion that the true interests of India demand that any measures for attaining stability in the rate of exchange between gold and silver should be based upon a rate not greatly differing from $16d$. the rupee."

"For these reasons therefore, in addition to those set forth in the earlier portion of this despatch, we recommend that the reply to the request of the Governments of France and the United States should be in the negative. We presume that a union based upon a ratio low enough to suit our interests would be unacceptable to France and the United States."

12,840 You think the decision arrived at in 1897 in reference to those proposals was an unwise one?—The refusal of the proposals in their then form was inevitable, but it is a misfortune that the negotiations were not continued; the negotiations ought to have been continued.

12,841. Have you any reason to think that there is any probability of those negotiations being reopened?—Yes. I want here to refer to the Report of the Gold and Silver Commission, which stated, unanimously in Part I, Sections 192 and 193, as follows:—

"Sec. 192.—These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes the full effect of which was previously kept in check. The question, therefore, forces itself upon us: Is there any other circumstance calculated to affect the relation of silver to gold which distinguishes the latter period from the earlier?"

"Now, undoubtedly the date which forms the dividing line between an epoch of approximate fixity in the relative value of gold and silver and one of marked instability, is the year when the Bimetallic system which had previously been in force in the Latin Union ceased to be in full operation; and we are irresistibly led to the conclusion that the operation of that system, established as it was in countries the population and commerce of which were considerable, exerted a material influence upon the relative value of the two metals.

"So long as that system was in force we think that, notwithstanding the changes in the production and the use of the precious metals, it kept the market price of silver approximately steady at the ratio fixed by law between them, namely, $15\frac{1}{2}$ to 1.

"Sec. 193.—Nor does it appear to us, *à priori*, unreasonable to suppose that the existence in the Latin Union of a Bimetallic system with a ratio of $15\frac{1}{2}$ to 1 fixed between the two metals, should have been capable of keeping the market price of silver steady at, approximately, that ratio.

"The view that it could only affect the market price to the extent to which there was a demand for it for currency purposes in the Latin Union, or to which it was actually taken to the mints of those countries, is, we think, fallacious.

"The fact that the owner of silver could, in the last resort, take it to those mints and have it converted into coin which would purchase commodities at the ratio of $15\frac{1}{2}$ of silver to one of gold, would, in our opinion, be likely to affect the price of silver in the market generally, whoever the purchaser, and for whatever country it was destined. It would enable the seller to stand out for a price approximating to the legal ratio, and would tend to keep the market steady at about that point."

And in Part II of the same Report (Sections 107 and 136), signed by Lord Farrer and five other members of the Committee:—

"Par. 107.—We think that in any conditions fairly to be contemplated in the future, so far as we can forecast them from the experience of the past, a stable ratio might be maintained if the nations we have alluded to were to accept and strictly adhere to Bimetallicism, at the suggested (that is the market) ratio. We think that if, in all these countries, gold and silver could be freely coined, and thus become exchangeable against commodities at a fixed ratio, the market value of silver, as measured by gold, would conform to that ratio, and not vary to any material extent.

"We need not enter upon a detailed explanation of our reasons for entertaining this view, since they will be gathered from what we have already stated when discussing the causes of the divergence in the relative value of the two metals, and will be seen to result, in our judgment, as well from *à priori* reasoning as from the experience of the last half century."

"Par. 136.—It is worthy of consideration whether foreign Governments might not be approached with a view to ascertain whether they would open their mints to a greater extent than at present to the coinage of silver, for a given term of years, on an undertaking from India that she would not close her mints during

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the same period. In order to assist such an arrangement, we think that part of the bullion in the Issue Department of the Bank of England might be held in silver, as permitted by the Bank Act of 1844.

"We are aware that a similar suggestion, made in 1881, was not accepted, but the possibility that India may follow the example of the Latin Union in closing her mints, may render the countries forming that combination more disposed to entertain the proposal."

What they say as to the effect of concurrent mintage of gold and silver has never been seriously contested, unless, indeed, an opposite view has been advanced before this Committee; you may have had some rebutting evidence

12,842. You, I think, hold that sufficient time has not yet elapsed to afford a satisfactory test of the success of the experiment begun in 1893?—I do not consider that the circumstances attending the experiment yet justify a definite conclusion as to its success, or justify the inauguration of a fresh experiment with a totally new system. The principal advantage of abstaining from a fresh experiment would be that time would thus be given for the British Government to ascertain by negotiations with the United States Government the possibility of arrangements being made under which the Indian mints could be re-opened to silver under circumstances which the Government of India have indicated as safe and satisfactory.

12,843. You appear rather to favour a fixed par of exchange of 1s. 4d. if it could be effected on your lines?—For the present stress; I mean, I think that is what is practicable.

12,844. That is about 22½ to 1?—It is 22 to 1. One of the chief reasons why I should prefer to have the matter settled now, is that I think there is really a possibility that the American Government some of these days—not the present Government, but the Government of some future day—may take the bit between their teeth and re-enact their old ratio, and I think taking 16 to 1 (whether it be 15½ or 16 is of no importance) would be a fearful thing for the moment. Of course, if they did that, they would do it irrespective of the interests of India or England or anything else; they would, as I have put it, be simply taking the bit between their teeth. For this reason I very much desire that the thing should be settled by negotiation in which we should have a voice. I think also that France, as well as the United States, should come in, but that is rather a matter for the consideration of the United States. The negotiation before was conducted with both nations, the United States taking the initiative. The negotiation might be opened up with them alone. I have reason to believe that the present United States Government would not do it without consultation, but I do think they would be disposed to adopt it.

12,845. To adopt the 22 to 1, do you mean?—Yes, I believe they would, and I will give you my reason presently for saying that. When Colonel Hay was here as ambassador, I had a good deal of conversation with him on the subject, and he was thoroughly acquainted with my view, namely, that although 22 to 1 did not really represent the relative value counting by stocks of gold and silver, inasmuch as the stock of silver would be very much smaller than that of gold at such a ratio as that, yet I thought it was good, having in view the object of the Indian Government to maintain a ratio of 1s. 4d., which would enable them to pay their way. I thought it was very desirable to meet that point, so I talked with Colonel Hay about it, and he seemed to be favourably disposed to my suggestions. But he said "I am an out-going ambassador, and of course I have no power." I pointed out that he would have considerable influence when he got back to America, and assumed office as Secretary of State, and I asked him to communicate with me. He waited for some time after having gone back, he waited, I think,

intentionally, till after the Congressional elections, and then he wrote me this letter:—

"Department of State, Washington,
November 25th, 1898.

My dear Lord Aldenharn—

I received in due time your first letter and the very full and satisfactory memorandum by which it was accompanied, and I have since received your kind letter of the 9th November, inquiring how far you will be justified in expressing the sentiments of this Government, in the evidence which you contemplate giving before the Parliamentary Committee.

I acknowledge myself much at fault in having so long delayed an answer to your inquiries, but I think you would pardon me if you knew how difficult it was to speak definitely upon such a matter. Our Cabinet, like your own, is considerably divided in opinion upon the question of practical bimetalism, and, while it is true that neither the President nor a majority of my colleagues have in the least changed or modified the views which they held last year, in regard to the great desirability of an international agreement on the subject, they all consider that it would not be expedient for the Government of the United States to re-open the subject at present, in view of the character of the answer which was given to the Bimetallic Commission by the British Ministry in October of last year. They would not be inclined now, any more than they were last year, to take any decisive steps without full consultation with some at least of the more important Governments on the Continent. The question of ratio is one which this Government is open to consider"—He writes this in the knowledge that I had told him that the Indian Government desired a gold value for the rupee of 1s. 4d., this would correspond to a ratio 22 to 1—"We have no cause to suppose that the French Government is not equally in a position to consider any reasonable suggestions respecting the parity between gold and silver, but in the present aspect of affairs it is not thought advisable for the Government of the United States to put forth, either officially or by any private suggestion, any definite propositions to the Government of England in regard to bimetalism. I am afraid this will not be entirely satisfactory to you, and I regret not being able to answer your kind enquiries more definitely. With the most agreeable recollections of my day at Aldenharn, and with many thanks for all your kindness,

I am, dear Lord Aldenharn

Faithfully yours,

JOHN HAY.

12,846. Is that a private letter?—I wrote to Colonel Hay as follows:—

Aldenharn House,

near Elstree, Herts,

February 3, 1899

Dear Colonel Hay—

I expect to migrate to London (St. Dunstan's, Regent's Park) on the 8th, and to be called before the Indian Currency Committee early in March, when I hope to lay before them the possibilities of joint action on the silver question.

In view of a suggestion in one of my former letters to you that I should not communicate the letter which you wrote to me on the 25th November last otherwise than privately to the Committee, I should not have proposed now that it should be given openly in my evidence, and consequently published in the Blue Book for the information of Parliament and the British public.

But, inasmuch as your said letter to me was not marked "Private," it occurs to me that you may not be at all averse to its being published; as you may probably think, as I do, that it is of very great importance to a happy solution of the question that our Government and people should know, as clearly as you tell me in that letter, that the United States cannot now take the initiative, after the adverse answer given to the Wolcott Mission, yet that the sentiments of the President and of the majority of the Cabinet remained unaltered as to the main object to be attained, and that

your Government would be prepared to discuss the question of ratio in the direction of adopting a lower relative value for silver, if proposals for such discussion should come from this side.

To this I think it very desirable that I should be enabled to speak clearly and openly, and not merely to the ears of the Committee, with a view of showing our people that the objects of commerce generally, and of the Indian Exchequer in particular, would be better promoted by an agreement with the United States than by any of the nostrums put before them.

Of course I shall be strictly guided by your wishes in the matter, but I am inclined to think that your not marking your letter "Private" showed that you wished me to use my own discretion, and be guided by circumstances, as to how and to what extent I should use your letter.

May I ask you to give as speedy an answer as you conveniently can; because I shall have to study my evidence beforehand, and may frame some part of it differently according as your wish may be for or against the use of your letter without restriction.

Believe me, always,

Sincerely yours,

(Signed) ALDENHAM.

In reply to that communication I received the following letter:—

"Department of State, Washington,
February 16th 1899.

"Dear Lord Aldenham—

"I HAVE just received your kind letter of the 3rd.
"My letter of the 25th of November was intended as a private communication, but I have no objection to your making any use of it which you may think expedient.

I am, with best wishes,

Faithfully Yours,

JOHN HAY."

The opinions that I have given here are very prevalent among all mercantile men. All Manchester people, monometallist, bimetalist, and whatever "ist" it may be, they have all taken that view. I had an opportunity yesterday of speaking to Mr J. Herbert Tritton, a banker of very great eminence. He said he would let me know what he thought about the matter, and he has written me a statement of what he does think. It is not long, and I think it is desirable that it should be in the possession of the Committee, because he is a man of very considerable experience in Lombard Street—which (as is sometimes said) is the City. This is what he says: "The question put to me to-day opens up very large issues, and a well considered answer is impossible in the time at my disposal. Writing as a convinced monometallist, the metal selected for the standard in any particular country being so far as the principle is concerned immaterial, I have looked upon the closing of the Indian mints as theoretically indefensible, and the more to be regretted (however great the cogency of the arguments in its favour at the time) that it destroyed the only pure monometallic system other than that of this country at a time when the maintenance of the principle was of the greatest importance, and this largely at the instance of the upholders of the monometallic cause in this country. I am aware of course that the step was taken partly from a sense of apprehension of possible evils connected with the exchange, partly as a transitional measure in view of a gold standard. I may be wrong, but I fail to see how a gold standard could be introduced or maintained in India at present by any means which are reasonably practicable. I much fear the present regulated and debased currency (bad as it is) being replaced by a worse system—viz. a bastard bimetalism. Rather than go from bad to worse in this way I would extend the experimental and transitional period, with due regard to the need from time to time of expansion in the volume of rupees in circulation. It may be that the international situation will undergo a change

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"ere long—the United States and France may find it necessary to their own interests to adopt a different ratio, even at the cost of calling in and reconing their silver dollars and 5-franc pieces. If their new ratio coincided with the rupee at 1s. 4d. the difficulties on all sides would be materially diminished. The United States and French proposals were, I thought, rightly rejected in October 1897, but if hereafter the only way to re-establish a monometallic standard in India, pure and simple, appeared to be that this country should make approaches to other countries concerning their monetary systems, equally bad and reprehensible at present, as I believe, from both the bimetallic and monometallic point of view, I should hesitate to criticise too closely the initial means which might be taken towards the adoption of systems more nearly approaching sound theory and practice than do those afflicting at present the peoples of the Latin Union, the United States and India."

12,847. Now, with reference to the par of exchange; do you or do you not think it desirable to have a stable par of exchange?—Absolutely necessary for commerce between gold and silver using countries.

12,848. Especially between India and Great Britain?—Between India and Great Britain, but important to India especially, really it concerns everything, but for the purposes of this Committee I should say especially to India.

12,849. Do you consider that the action of the Government in 1893, and the system which is now in force has secured a stable par of exchange?—No, certainly not.

12,850. Has it not kept exchange at 1s. 4d.?—It has not kept exchange at 1s. 4d.; it has arrived at 1s. 4d., which is a very different thing.

12,851. It seems to remain there pretty well now?—Yes; circumstances have been in its favour.

12,852. We have had both famine and prosperity; we have had the two extremes?—Yes, but your exports have been favorable as compared with your imports. Now the imports are very greatly increasing—they naturally would be—and it is the balance of export and import which will determine the question for you. I do not say that 1s. 4d. has not been reached.

12,853. Therefore, you do not think that the present system may continue?—If you mean the system of closed mints, I think it ought not to continue, except so far as to allow the Government to satisfy yourselves of the experiment before they bring in their undecided and undefined experiment of a gold standard. I say undefined, because nobody has as yet succeeded in defining it.

12,854. Do you consider that the proper policy to pursue now is to continue the experiment a little longer?—That is my opinion.

12,855. (Lord Balfour of Burleigh.) Do I understand that you endorse the views expressed by Mr. Tritton in the paper you have just read?—Yes, generally.

12,856. But he says he is a monometallist?—I do not care about that, because, monometallist and bimetalist, we are all agreed on this point.

12,857. (Chairman.) I take it that the opinion you have propounded to us this morning, you give not as a monometallist or a bimetalist, but as founded on financial grounds outside that controversy altogether?—Oh yes.

12,858. (Lord Balfour of Burleigh.) This gentleman differs from you in respect of the proposals of Franco and the United States being rightly rejected?—I said it was a great pity that they were so prematurely rejected without an attempt to bring about a modification.

12,859. Mr. Tritton says here "The United States and French proposals were, I thought, rightly rejected that year"?—That is what I also said. I said the 15th to I was no doubt attended with some risk, and that it was no wonder that even on that score it was not accepted, but that the proposal of the

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French Government that we should buy ten millions worth of silver made its acceptance absolutely impossible.

12,860. As I understand it, you condemned the Government of which I have the honour to be a member for closing the negotiations in 1897?—Yes.

12,861. But you are aware that the French Government made it a *sine quâ non* that, if there was to be any ratio established, it was to be 15½ to 1, and they would take nothing else?—That was, I believe, the case then. I have only the printed correspondence to judge by, but I take it from you that it was a *sine quâ non*.

12,862. If so, if the French Government put it to us that they would under no circumstances take any ratio but 15½ to 1, what honest course could the Government take except to close the negotiations?—We know now that a modification is possible, if it was not then.

12,863. We could only act on the information we had at the time. However, I only put this to you because, if you had been doubtful about it all, I would have quoted you passages to show that that was the case. I think we may assume that it was the case that at that time the French Government took up the position that they would not take part in establishing any ratio except 15½ to 1?—I think that is so, but the negotiation was initiated by the United States, who had not made that peremptory condition, and it was quite competent for the Government to say "we will negotiate with you." As a matter of fact, I knew at the time that the United States would have negotiated on the subject and you might have left them to settle matters with the French.

12,864. You of course may have known things that were not within the knowledge of Her Majesty's Government, but, assuming that it was the information before us that the French Government would deal with no ratio except 15½ to 1, I repeat my question—what other course could the Government as honest men take except to close the negotiations, and say that that was not permissible?—As you had determined that 15½ to 1 was inadmissible, of course you could do no other than say so; but I do not see that it followed that you must "close the negotiations." We must go back a little and remember that the Government of which you are a member had expressed no opinion at all at that time about the 15½ to 1 except a tentative opinion; on the contrary, the general tendency was to say as I think Mr. Balfour said in the House:—We will do this that and the other, we will open the Indian Mints, for instance, and we are willing to accept these negotiations or we will be leniently inclined to these negotiations. I think it was quite natural that the United States should think that the Government were so inclined. I believe it was not on the question of 15½ to 1 only that the negotiation was interrupted. That was an objection raised by India; but there was also the purchase of 10 millions of silver per annum, which, irrespective of India, would have made it impossible to accept the proposal as it stood.

12,865. You used an expression which I understood to condemn very specially the proposal of the Government of India to melt down a certain number of rupees. I understand (perhaps I was wrong, and if so you will correct me at once) that you thought there was an additional wrongdoing, an additional fault in the melting down of rupees?—Yes.

12,866. You said the natural thing would have been that, when it was necessary, rupees would have been exported?—Yes; not, of course, an exportation undertaken or managed by the Government.

12,867. I want you to explain what difference it would make to the people inside India who wanted rupees whether the rupees, assuming they were redundant, were exported or hoarded or melted down?—It would make the greatest difference in the world, because real redundancy—not redundancy such as is imagined by the Indian Government, but real redundancy—corrects itself. When you get a redundant money in

the country, I mean money that is more than is necessary for the actual working of the trade of the country, the result is found in a rise of prices in the country. The effect of a rise of prices in the country is that imports increase, because people send other goods from foreign countries in order to take advantage of the increased prices. When that has happened for a sufficient time the tide turns, that is to say for those imports; those imports have to be paid for, and the balance of trade turns the other way, and the money has to be sent back. Now, whether it is melted or whether it comes in the form of rupees matters not one iota if the mints are open and you can turn the silver into the coin of the country that is useful for the country.

12,868. I follow that, but I understood you to indicate that the mere fact that the rupees were melted and not exported would at the moment accentuate the difficulties of the people on account of increasing the stringency?—So it probably would, because the Indian Government, as it seems to me, start from a wholly wrong view of redundancy. Redundancy is discovered by the people themselves in the increase of prices; but the whole gist of Sir James Westland's despatch is that redundancy means impossibility to keep up exchange at 1s. 4d., which is not the point at all. That is redundancy from the point of the Finance Minister of India, namely, redundancy which prevents his rupee continuing at a value different from its real value.

12,869. The particular narrow point that I was on I will put in this way. The difference to your mind between melting and exporting rupees is simply the difficulty in replacing when the demand comes for them to be replaced?—It seems to me a most vicious action to withdraw, in that arbitrary manner, currency from the people—not the "difficulty" but the "impossibility of replacing." But it is not merely that: it is the arbitrary withdrawal by the Government, acting on their own superior authority, of the circulation of the country, judging the matter by their own standard and not by the standard of the needs of trade—to attempt, as the Government does, to force on the people on their own most imperfect judgment—on their own judgment, which they have no real power of forming—that the coinage of the country is redundant. As all authorities have written, and as historically has always been shown, that can only be properly determined by the course of trade. If it is done in the other way it is grandmotherly legislation—to use a phrase that very frequently suggests itself nowadays, and usually recoils upon the legislator.

12,870. (Sir F. Mowatt.) In order that I may exactly understand your Lordship's views, let me ask you this: I think you said that, pending the possibility of an international arrangement, you consider that the present experiment should not be disturbed?—I do not want a new experiment put on the top of it.

12,871. That would contemplate, would it not, that, pending such an international agreement, the existing means of keeping the rupee at the rate of 1s. 4d. should be continued—that exactly the same state of things as is going on now should be allowed to continue?—I think it is very bad, but still I think that, for the same class of reasons as I objected to the 15½ to 1 it would be objectionable to go straight back to the opening of the mints, unless you had some means of breaking the fall. I refer to such means as Sir John Lubbock has pointed out—the seignorage and import duty, each of which has its own defects and each of which has its own merits.

12,872. But I take it from you that, pending some international arrangements of, say, 22 to 1 or thereabouts, you consider it would be wise to maintain the existing state of things?—Almost necessarily; till the negotiation is concluded. If the Government does not negotiate, their only wise course would be to re-open the mints as speedily as may be, devising the best means they can for meeting or mitigating the dangers that might result.

12,873. (*Mr. Campbell.*) You said you would like France to come into the suggested international arrangement?—Certainly, and anybody else.

12,874. Have you any reason to believe that they would be open to entertain such a proposal?—I know that, whereas they were indisposed, there is now a turn of the tide in that respect, they are certainly more willing to entertain the contemplation of such a thing. As you will see from Colonel Hay's letter, he also takes that view.

12,875. But you do not consider their consent essential to an agreement of that kind?—I do not.

12,876. You think that America and India together would form a broad enough basis?—I should say America alone, the Indian Mints being opened to silver. I do not say America and India together, because it would involve putting India upon a bimetallic system, which I do not desire. What I mean is that the United States could do it alone, because France for eighty years almost alone maintained the ratio of 15½ to 1, without a check, and with not the slightest difference in the world, and one may say—though the aid was not very great—towards the end of the time (it was really nearly a hundred years) by the other nations; I cannot say when they began to take the same view or adopt the same ratio. I remember when Greece and Switzerland were on no such ratio. I say that, if France could maintain it for that time, the United States could maintain it quite as well now. The members of the Gold and Silver Commission expressly said that what would enable two or three or four nations to maintain that ratio depended on their population and commerce. Now, the population of France was then somewhere about 32 or 33 millions; the population of the United States is said to be some 75 millions. The population of the whole Latin Union was 75 millions. So that the United States have the same population that those other countries together had. And then we have to add that it is not population only, but commerce; indeed when you talk of commerce you must include population, because, if you have no population to produce exports and no population to consume imports, there can be no foreign commerce. Now, the commerce of the United States, internal and external, is very much superior to that of France when France was able to maintain the 15½ to 1. Therefore, I say I feel no doubt in my own mind that, as France maintained a much more difficult ratio, that of 15½ to 1, the United States would have no difficulty in maintaining 22 to 1. But for political reasons, and prudential reasons too, they say we must consult with other nations.

12,877. America would then be bimetallic, on a ratio of 22 to 1, while India's currency would be mono-metallic silver?—Yes, exactly as it was before.

12,878. And both countries would be bound to coin whatever silver was tendered to them for coinage?—Yes.

12,879. Taking silver at its present price, about 27*d.* or 28*d.* per ounce, to raise its value to 42*d.*, which is about the equivalent of 22 to 1, would be to add nearly fifty per cent. to its sterling value?—I suppose it would; I have not calculated it.

12,880. The world's production of silver in 1897 is returned at 183,000,000 ounces, worth at the present price about 21 millions sterling?—Yes.

12,881. Then the change in price from 27*d.* or 28*d.* to 42*d.* would at once raise its value from 21 millions to 31½ millions?—Yes.

12,882. Who would absorb this surplus?—It would be absorbed in commerce; the additional value, that is. You must remember this: all the silver that is produced is used. There are no stocks anywhere.

12,883. I mean, who would absorb this additional value?—Those people who needed the silver.

12,884. I do not know whether you are aware of the extent to which India took silver before the mints were closed as compared with the extent to which she takes silver now?—I have not got that at my fingers' ends.

12,885. The difference is small. She takes about 3 millions' sterling worth less now than she did before the mints were closed?—In sterling value?

12,886. Yes; so that if she were to go back to her old consumption India would only absorb about three millions of the surplus?—Yes, that is the difference; and she would take just what she did before, unless anything had happened or did happen to increase the trade of India.

12,887. Then as regards the other silver-using countries, what do you think would be the effect of a rise of 50 per cent. in the price of silver on the demand for these countries?—I do not think it makes any difference at all. The difference in the value, you may call it, of gold, makes no difference in the quantity of gold that comes to this country or is used. What would happen probably would be, I should say, a slight increase of prices, spread over so large an area it would be but a slight increase.

12,888. You mean in silver prices?—No, an increase in silver prices of commodities; but it could not be very great, because there has not been that great fall.

12,889. But would not a rise in the sterling price of silver to 42*d.* mean in silver-using countries a fall in silver prices?—In the gold price of silver, but not in the value of commodities, which is the real thing we have to consider.

12,890. If silver rose from 28*d.* to 42*d.*, would not the result be that prices of commodities in silver-using countries would fall?—It has not been the consequence that they have risen materially when silver fell, as measured in gold. I should say it had very little to do with it; because what does it signify to the owner of silver in the interior of India whether the price in cowries or the price in gold is different to what it was?

12,891. As regards the production of silver, what would be the effect on that of a rise in price of 50 per cent?—I think I may answer that pretty clearly. It would bring into use, or rather into production, all those (if any) mines producing recalcitrant ores which require a greater expense to bring into use than the old price would allow; but no man in the world leaves his silver lying idle in his mines when he can get ½*d.* an ounce profit on it. I believe those who are interested in silver or gold get from their mines all they can in all cases, till, and even after, it shows a loss, because they always say "next year things will be better, there will be better production."

12,892. But do you not think a rise of 50 per cent. in the value would stimulate the production?—It does with all perishable and consumable commodities, commodities that can be produced at will; but I do not think that is the case with the precious metals.

12,893. Have you formed any idea as to the extent to which, with the American mints open to silver, America might be called upon to take and coin silver?—I assume you are taking 22 to 1. I do not think she would be called upon to take any quantity. France was not flooded with silver (though her mint was over-worked), even in 1873, for she coined less in that year than in several previous years. All the silver that was produced almost came to Europe, except what the Americans kept back for their own purposes. Many people say, "Where is the demand—who will want any more silver?" Nobody, perhaps; admit that nobody wants any more silver; yet if you had a bar of silver sent to you, and you found that France, for example, would pay 15½ to 1—that France would give you 300 francs in account for your kilogramme of silver, you would never sell your kilogramme for less than that. Why should you? And the same, whatever the ratio.

12,894. During the time that the Sherman Act was in operation, and when silver was, latterly, at all events, if anything under 42*d.* an ounce, in order to keep silver falling still further, was it not the case that America had to take 54 million ounces annually?—Yes, she bought them at the London price, but it

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was in hopes not only to save silver from falling but to establish purity.

12,895. Do you not think that, if you put silver up to 42*d*, you might practically revert to the conditions which prevailed then, and that, in order to prevent silver falling below 42*d*., America might again have to take something like 54 million ounces annually?—I should think not, I do not see it at all. If America wanted more silver for her coinage or any other purpose, she would have it. If she did not want it, she would not have it. But, whenever the demand for silver arose, whether in China or India or elsewhere, for manufacturing purposes or any other purpose whatever, there the American ratio must necessarily place a minimum on the price in the market.

12,896. But is it so much a question of what America would want in regard to silver currency, as of what people might send her? She would be bound to take whatever is offered to her?—So was France.

12,897. Whatever silver America coined under that regulation would remain with her in currency?—It would remain with her unless and until there was any demand externally.

12,898. If there was a demand externally would it not be her gold which would go?—It would depend on what the price of silver was elsewhere.

12,899. But who would take her silver? The mints of Europe are shut, there is only India and China?—Well, *only* India and China! That is true. I do not think it is necessary to go very much farther into that. I hold that, if you can get a definite sum per ounce anywhere, you will not take less, any more than when you can get 3*l*. 17*s* 10½*d* for your ounce of gold you will anywhere take less.

12,900. Therefore, if, with the competition of the Council Bills, India would not pay 42*d*. per ounce for silver, the silver would be sent to the States?—The silver would follow where the price of silver leads. Then I was going to mention this. During the time from 1785 to 1876, France never was overburdened with silver. Owing to the difference of ratio there was a change between silver and gold, and another change back again; but she never got her prices of commodities raised (which is the only test) by too great abundance.

12,901. Would you admit that during the operation of the Sherman Act, there were any apprehensions of America losing her gold standard and going on to silver if the Sherman Act had been continued?—There were plenty of apprehensions; there were always people who said that she never had what I call a gold standard; but still, there was an apprehension that she might lose the gold she had, and she was losing some of it, no doubt. In France, in 1853, there were serious "apprehensions" that all the silver would go away, and M. Chevalier proposed accordingly that gold should be demonetised.

12,902. If a similar condition were to come again, and America had to take whatever silver was offered to her, and to absorb as much as under the Sherman Act, do you not think the result would be that gold would go to a premium in America?—I do not see why it should, unless it were necessary to pay American debts (which you will remember are greatly diminishing), in some metal or another; then, of course, she must send a metal that will be accepted by other countries, but it could not happen unless the balance of trade was, and continued, against her. This last year the balance in her favour was 120,000,000*l*.

12,903. Suppose that gold did go to a premium, that would only be another expression for depreciated silver?—You might call it so, but I do not think it would be accurate. It is all guided by prices of commodities, the whole thing. I do not care for depreciation of silver or for appreciation of gold in silver, excepting so far as it affects commodities generally. Appreciation of gold is a depreciation of commodities, of course, we know that, and depreciation of silver is an appreciation of commodities.

12,904. If gold were to appreciate and you did get a premium on gold in America, that would enable you to the extent of that premium to buy silver cheaper?—I doubt that; I am not quite sure of that. The premium would be a charge on the export of gold, and would have little or no effect on internal prices of silver. As to the supposed flooding of the United States with silver, the Committee must not forget that if any silver were sent thither at the ratio of 22 to 1, it would have, as money, 37·6 per cent. (the difference between 16 to 1 and 22 to 1) less purchasing power, as compared with gold, than it now has, and that this would be the case with all silver produced in that country which is so used.

Thus, we may estimate the production of 1898 on the known production of 1897	-	\$69,637,000
Imports in the fiscal year, 1898		30,929,451
		\$100,566,451
Less exports	-	55,751,597
		\$44,814,854

all of which is needed, and used, in the country.

Now, assuming the figures to be the same as then, this at a ratio of 22 to 1 would be reduced to \$27,984,469; and the need being the same, the balance \$16,850,385 would have to be provided by additional imports.

I do not know whence these are to come, unless (1) the imports into India fall off, or (2) the world's production increases.

(1.) Now is there any reason to expect that the Indian imports of silver will be less? I see the net imports in—

1896-7	were about	£3,400,000	(rupee average 1 <i>s</i> 2 <i>d</i> 454)
1897-8	"	5,200,000	(rupee average 1 <i>s</i> 3 <i>d</i> 395).
1865-6	"	18,000,000	(rupee average 23½ <i>d</i> .)

(2.) Will the world's production increase owing to a rise of price to 42*d*?

I see that the production in the United States has steadily increased from 24,518,000 fine ounces in 1875, when the average price was 56½*d*. to 53,860,000 fine ounces in 1897 when the average price was 27 9/16*d*.

This, of course, affords no proof that production will fall off with increased price; but it certainly affords no presumption that the production must materially increase. The miner will always get all that his mine will give him. If silver should abound, and prices should rise in the United States, and the exchanges should be permanently against the country (very doubtful premises) then their \$861,514,780 gold (about £170,000,000) might be gradually diminished, and assuming the impossible, that population and commerce remained absolutely stationary, and that 183,096,090 fine ounces (the production of the whole world in 1897) were poured annually in the United States, and that they had to export the whole of that sum in gold every year, and produce none at all at home (instead of \$57,000,000 as in 1897), then, and only then, in about 5½ years all the gold would go to Europe. The mere statement of the conditions shows the conclusion to be beyond the pale of possibility.

12,905 (*Mr Holland*.) You have mentioned your reasons for objecting in 1893 to the closing of the mints. Do you still hold the same views that you held in 1893?—Yes—that it was a very evil action; and, like many other evil actions, done with very good intent.

12,906. But I do not quite understand, from what you have said, whether you consider the experiment of 1893 to have been a failure or a success. In one part of your evidence I gathered that you considered that it had been a failure; in another you said that it was too early to pronounce judgment. You say you "do not consider that the circumstances attending the experiment yet justify a definite conclusion."

(Chairman) What you say is, that you disapproved of the plan altogether, you considered it a blunder, but, now that the blunder has been committed, you consider it would be unwise at present to enter upon another experiment?—Exactly.

12,907. (Mr. Holland) Do I understand rightly that you consider a gold standard to be impossible without a gold currency?—When there is not a gold currency, that is to say, when you are not obliged to pay your debts in gold, that is not a gold standard. That is what I meant.

12,908. Does your objection to a gold standard apply to all the forms of it that have been submitted to us by the different witnesses; do you object to every scheme that has been laid before us?—I have a general objection to every one; that is to say, I do not consider them a gold standard at all if they have not a gold circulation in the form of note or in the form of gold, one or the other, or both.

12,909. Do you consider that, in any scheme for a gold standard, convertibility both ways would be essential?—Yes, but that is only saying that it could not be had.

12,910. Are you aware that Lord Farrer sees no objection to the Government undertaking the responsibility?—I know, but he also says that the Bank of England must take the responsibility.

12,911. You contend that India is at present at a disadvantage in competition with silver using countries?—Yes.

12,912. You also contend, I think, that that disadvantage would be increased by the adoption of a gold standard. In what respect?—You should not make the money of a country diverge from its natural value, as has been done in India—a divergence which would be increased if India had a real gold standard. The economic dangers to India have been excellently set forth by Sir Edward Sassoon in a paper read before the Society, on which I need say no more, as I understand it will appear in the proceedings of this Committee.

12,913. When the negotiations of 1897 with the United States and France fell through, was not the door left open for other proposals, if those countries had been so minded?—I should have said that it was not, but I have heard some representations advanced that the door was not absolutely closed. But I think I have been informed by the highest authorities that it had been closed. It was not closed to other proposals; but unquestionably the American proposals were peremptorily rejected. They contained a condition *à me quâ non*, that the Indian mints should be opened to silver; and having regard to the following words in Senator Wolcott's speech in January last year, when reporting to the Senate on his mission:—

"Thus, Mr. President, speaking very briefly and very hastily, I have covered the other suggestions that were made, to the English Government when we were requested to indicate what contributions England could make. All other proposals, however, were of infinitely small importance compared with that respecting the re-opening of the mints of India to the unlimited coinage of silver and the repeal of the order permitting gold to be paid for Government dues and to be exchanged for Government rupees;" it is clear that there had been no insistence on his part on the old ratio. It still seems to me that it would have been desirable, in the interests of India and England, and of commerce generally, for our Government to answer, "We cannot consent to a ratio of 15½ to 1; but, if the United States are willing to modify that, and can agree with us as to the extent of the modification, the chief objection of the Indian Government would be removed." This opportunity again lies before our Government, and I must hope that this Committee will recommend them to seize it. It has indeed been suggested that the Indian Government apprehend that the United States might grow weary of any such treaty; but no one, of course, seriously believes that there is any fear of its

infraction by either party, or would fail to see how forcible would be the political reasons for maintaining such a treaty as I am considering.

12,914. (Mr. Le Marchant) Do you think, if India had a gold currency, the demand for gold would be in very large amounts?—I do not, unless it is for hoards. That is why I think you will never establish a gold currency.

12,915. In fact the difficulty arises rather from the absence of demand?—Greatly; that is to say, demand for its use as a circulating medium.

12,916. And, therefore, from there not being a sufficient proportion of gold in the circulation?—I remember what Mr. Joseph Harris said on that point in 1750. Speaking of England he said, "Silver is the standard of this country. Make what laws you please, and silver will still be the standard of this country." He was one of Lord Liverpool's chief witnesses. He said, "When I say it would be the standard of this country, I mean that it will be the basis of all ordinary internal operations of this country." There is also what he called "a standard of merchants," which is exactly equivalent to what Sir John Lubbock calls an exchange standard. In those days the people had gold and used it in that way; it was the standard of merchants. In the last century, when exchange served, gold came, and our merchants amassed it, and used it when they wanted it, and at that very time Harris said, "silver is our standard, but we must have gold also as money."

12,917. You are aware that in the past gold was current in India?—I know it was current in some parts of India—in Madras, I think—but I also know that it was discontinued.

12,918. Still there were evidences that it was popular locally?—Yes; I think that cuts both ways. It could not have prevailed in the ordinary transactions of the mass of the people.

12,919. One question with regard to the par of exchange; I gather you are not of opinion that a depreciating currency is of advantage to a country?—It is a temporary advantage to shippers—to exporters—but a very great disadvantage to the country. India has benefited by a low rate as compared to England. When India could sell her wheat, say, at 40c., and afterwards could get the same quantity of rupees selling her wheat at 35c., that was to the advantage of India; it was no profit to the country generally, but it enabled Indian exporters to undersell the unhappy English agriculturalist.

12,920. Do you regard that as a permanent advantage?—Not to the country at all; if I did, I should advocate a paper currency. There is a great difference between a currency depreciated by the action of nature, whether on the metallic measure or on the commodities measure, and a currency depreciated by the action of the State. To the former, nature herself brings an infallible remedy; to the latter, being such as the Indian Government has brought about, no remedy can be applied; the divergence between the face value of the coin and its intrinsic value continually tending to increase.

12,921. (Sir A. Dent.) You said that you absolutely disapproved of a gold standard for India, and one of the reasons you gave was that it so largely diminished the stock of gold in this country?—It would tend to do so if successful.

12,922. Will you give a reason why Lombard Street, which you say is the City, should object so much to a portion of the largely increased supply of gold going to India as it now goes to Russia, Austria, or Japan? Why should Lombard Street object to India having gold more than those countries?—Lombard Street must answer for itself, but still I take it that what they mean is that the demand at present for those countries that you spoke of has been sufficient to absorb the additional production that has taken place. Besides, it is no use for us to object to what Russia may do, and she apparently will go on

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doing it. You may say the same of Austria, only she locked up her gold.

12,923. Those supplies of gold will probably go on steadily increasing?—That is a matter that we do not know anything about. There will be no difficulty about getting the gold, but plenty of difficulty about the results of getting it.

12,924 (*Chairman*.) Is there anything more that you wish to say to us? I remember that you desired to amplify your answer to my question about a par of exchange?—A par of exchange, in my opinion, can only be attained by the course which I have suggested. It may be convenient to the Committee that, in conclusion, I should sum up the evidence which I have given.

My objections to the closing of the mints are that it has substituted a managed and artificial system, and a debased money—the system of money which prevailed in England in the days of the Plantagenets and the Tudors—for the automatic system and honest money which has prevailed in India from time immemorial, and which is the same in principle as that which has obtained here from 1686 to the present day.

No government can efficiently and beneficially regulate the volume of currency, which, in a well-ordered State, regulates itself according to the needs of trade.

The new departure of 1893 aims only at the improvement of Government finance, neglecting the interests of the people, whose hoards of uncoined silver are arbitrarily lessened in purchasing power, and whose trade is imperilled in competition with China and other silver-using countries.

It was but an experiment, the success of which, even from the point of view of its authors, is by no means assured; and it will be the more unwise to attempt to graft upon it a new and very doubtful experiment of a so-called gold standard.

A monetary standard, of whatever metal, is that by which a nation, as a whole, measures its transactions in buying and selling, and in that acceptance there can be no doubt what the standard of India is. Make what laws you please, it will remain silver.

But the "gold standard," as the phrase is used by the Indian Government, is only a suggestion that the exporter is to think of his rupees as a varying number of English pence, approaching as nearly as possible to sixteen, while in his dealings with China, the Straits, and Mexico, he still thinks of them as proportionate parts of a silver dollar.

As a medium of exchange and measure of value used by the Indian people, gold seems impossible, and to make the existing rupees a token coinage by limiting their legal tender, is to subject them to the same depreciation as is now suffered by the uncoined hoards.

The whole scheme, in my opinion, must be abortive, but if "successful," or so far as gold could be forced on the people, it would cause them dissatisfaction, and perhaps disaffection, and, to all gold-using countries, a strain on their gold reserves, checking such return of cheerfulness to trade as the cessation of a period of constant fall in prices has lately brought.

In deprecating the attempt to give a further extension to the monetary use of gold, I recall the words which Mr. Goschen said to me in Paris—at the International Monetary Conference of 1878—that for the good of commerce, gold and silver should be shared among the nations, those using gold who preferred gold, and those using silver whom silver suited best. And again, speaking in the House of Commons, April 16, 1890, he said:—

"I have contended, and I am prepared still to contend, that I should prefer the currency of the world to depend rather upon two metals than upon one. I am not now speaking individually of this country and the United Kingdom, but I should like to see silver pressed into service to do the work of the currency of the world, as well as gold, so that the

currency of the world did not depend on one metal, but upon two."

In advocating the policy of furthering the adoption by another State, or by other States, of a concurrent mintage of gold and silver legal tender money, I am fortified by the opinions of the members of the Royal Commission on Gold and Silver already referred to (No. 12,841), and also by the Despatch of the Government of India of the 21st June, 1892, signed by (amongst others) Lord Lansdowne, a member of our present Government, and by Sir David Barbour and Sir Charles Crosthwaite, members of this Committee; paragraph 8 being as follows:—

"It may, perhaps, be desirable to make known at some stage of the proceedings of the Brussels Conference our views regarding the introduction of a gold standard into India. But this question, as well as the question of the expediency of India negotiating directly with the United States of America, as suggested in our telegram of 19th May, may stand over till the Conference has assembled, and the representatives of India are in a position to report what the prospects are of a satisfactory solution being attained."

The telegram of May 19 referred to, is quoted in the Despatch as follows:—

"We desire to call your Lordship's attention to paragraph 133 of Part II. of the Final Report of the Gold and Silver Commission, and to suggest that, failing an International Agreement, it may be possible for India and the United States to come to a direct agreement as to coinage of silver. . . . We are of opinion that the time for a merely academic discussion of the problem is past, and urge that a determined effort be made to settle the question by the adoption of practical measures."

I am also fortified by Sir James Westland's Despatch of the 16th September, 1897, paragraphs 2, 4, and 8, which I have already quoted (No. 12,833)

No. 8 giving a reason for the rejection of the American proposals which, as I have shown, rests on no certain foundation.

The adoption by the United States of the ratio of 22 to 1, proposed in the plan here laid down—

Would at once end the controversy, and, by establishing the par of exchange, would enable the Government to open the mints to silver;

Would give the country automatic money;

Would give it a par of exchange with both silver and gold-using countries;

Would remove the economic disadvantages under which it labours in competition with other silver-using countries;

Would attract capital by the prospect of profitable employment, and so help towards the development of India;

Would save it from the perils of a "managed currency," and would save the Government of India from the risk of maintaining the exchange, and from the dangerous liabilities which they might incur in endeavouring to force a gold standard on the people;

Would save commerce from the dangers of an excessive strain on the gold stocks of the world,

Would give 300,000,000 of people a currency which they prefer,

Would restore their uncoined hoards to their pristine value, making them, as before, money at weight for weight—at once a measure of justice and an avoidance of possible political trouble.

These advantages are patent to many men eminent in commerce and finance. Lord Northbrook (among Statesmen), in his evidence before this Committee, claims as one of the recommendations of his plan, that it would in no way preclude such an arrangement as I have suggested being subsequently concluded.

The Commerce of Manchester is unanimous on the subject. Sir F. Forbes Adam writes me the following letter:—

" Mere Old Hall,
 " Knutsford, Cheshire,
 " 14th March, 1899.

" Dear Lord Aldenham,

" I AM obliged to you for letting me know that you are about to appear before Sir Henry Fowler's Committee, and that you intend to give evidence in support of the suggestion I made in July last, that it would be a satisfactory solution of the Indian Currency problem if an arrangement could be made that America should open her mints to gold and silver at the ratio that is the equivalent of a 1s. 4d. rupee, on condition that the Indian Government resumed the free coinage of silver. You say you intend to testify to the practicability of such an agreement if our Government took the matter up and went forward with it. This is very important. I have always felt that, if it could be brought about, it would be received with approval by the different currency camps in Lancashire, and by all shades of opinion. It would also suit the Government of India, and reconcile divergent views entertained by commercial and other authorities in Calcutta. But I was doubtful if America would listen. Should you be able to show the Committee that there is a reasonable hope of an arrangement being possible within a specified time, it must carry great weight with them

" Believe me to be,
 " Very truly yours,
 " (Signed) F. FORBES ADAM."

And the views of Mr. Barclay, whose opinions on the general monetary question are opposed to his, have been fully set before you. No one is more competent than they to express the views of Manchester, and no part of England is more interested in this question than Lancashire, of which Manchester is the commercial capital.

As to the City of London, for which I may venture to speak personally, all parties are desirous of seeing this long controversy settled. You have heard the

The witness withdrew.

Mr. HENRY DUNNING MACLEOD called and examined.

12,925. (Chairman.) You have studied and written on economic subjects, and especially currency, for the best part of half a century?—I have.

12,926. Have you had great banking experience?—Yes. It all arose out of my being director of a bank. In the beginning of 1854 I was in the directorate of a bank, and, from circumstances which I need not mention, I was then compelled to examine thoroughly and critically the current works on Economics. I at once perceived an extremely grave defect in them—that they gave wholly insufficient attention to the history and theory of the coinage, which is of supreme importance in the economics of any country. In my "Elements of Political Economy," published in 1857, I gave a sketch of the history of the coinage of England, and in this inquiry I came across the doctrine which I have designated as "*Gresham's Law*," and which is now accepted throughout the whole world, and which is of supreme importance in the subject before the Committee. Being then trained in mercantile law by one of the most able and accomplished lawyers of his day, Mr. Edward Bullen, and having all the operations of banking going on under my own eyes, I found that the writers of these works, who were only literary men, never had the faintest conception of the great juridical and scientific principles and organisation of the colossal system of credit, nor of the mechanism of banking in its various forms. Shortly, then, being well conversant with all the subjects which these writers dealt with, I saw that, though there were many good ideas in them, they were such a chaos of confusion and contradictions that they were of no use for practical business. I then determined to make it the main business of my life to reduce this chaos of contradictions into scientific order, and to raise economics to the rank of

opinions of Lord Rothschild and Sir John Lubbock, and know that they, as well as Mr. Herbert Tritton, who may be numbered among the chief representatives of finance and banking, have expressed approval of an agreement being made on some such basis

I may mention also that Mr. Stephen Ralli, whose omniscience as a merchant is known to you all, and whose combined export and import trade with India is by far the greatest, has personally told me that such a settlement, if it could be effected, would, in his opinion, be "the best solution," and he has authorised me to make this declaration upon his behalf to this Committee. He also says that, after making inquiries on the subject amongst his friends in the City engaged in the Indian trade, he finds that Mr. R. Williamson, of Messrs. Finlay and Co., Mr. Brown, of Messrs. Kilburn, Brown and Co., and others, share his opinion; indeed, he says he has "no doubt that such is the opinion of all experienced Indian merchants"

I have also been informed by other friends who are in a position to know, that this view is largely held amongst those engaged in tea planting and other productive industries in India and Ceylon.

To speak of economic authorities who are in favour of an international arrangement, I would mention only Professor Marshall, whom you have heard, Mr. Courtney who is to appear before you, and Professors Foxwell and Nicholson.

If this Committee should recommend the furtherance of the plan here proposed, and if, through their instrumentality, a par of exchange were secured for India's trade with gold and silver standard countries, and not for India's trade only, but also for England's, and indeed for the mutual trade of all gold standard and silver standard countries, it is impossible to exaggerate the benefit which would accrue to commerce.

Such a consummation would make those old-time monetary handmaidens of commerce—gold and silver—once more together do the money work of the world.

a great inductive science similar to the standard works on physical science.

12,927. You are also very familiar with Indian currency questions?—I have studied the question of Indian currency from the dawn of authentic history, up to the present day

12,928. Were you in favour of the closing of the Indian mints to silver in 1893?—I am of opinion that it was absolutely indispensable to close the mints to the free coinage of silver in 1893 to save the Government of India from bankruptcy. As a matter of fact, it ought to have been done in 1864. The lamentable action of both the Indian and Home Governments was the culmination of a long series of economic errors which have brought about the present disastrous state of Indian finance.

12,929. Have you any specific reason that you would wish to mention in addition to what you have already stated?—No, I think that is sufficient.

12,930. Now, what do you think about the proposition which has been so much pressed upon us to re-open the mints to the free coinage of silver?—I think it would be simple madness. I was going to give you my reasons for saying that the mints ought to have been closed in 1864.

12,931. We are not empowered to inquire into that matter. We are empowered to consider the question of the closing of the mints in 1893, and even that is rather a preliminary part of our inquiry. I understand you to say that you consider that that was a necessary step in 1893?—Absolutely indispensable.

12,932. And that it would be a very foolish thing to open them now?—Yes. From the observations I have already made, I am utterly and entirely opposed to reversing the policy of 1893 and re-opening the mints to the free coinage of silver. In

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my opinion such a course would be little short of madness. Such a course would inevitably lead to the bankruptcy of the Indian Government. I may set before you the losses which India has sustained by the unfortunate policy of keeping the mints open to the free coinage of silver from 1864, when they ought to have been closed, to 1893. The Indian Government acknowledges that every penny which the rupee falls necessitates taxation on the people to the amount of 1,000,000*l.*, to meet its charges payable in London. The fall of the rupee from 2*s.*, at which it was in 1864, to 1*s.* 4*d.*, which may be taken as its present rate, therefore necessitates taxation to the amount of 8,000,000*l.* a year for the above purpose. I have not gone very minutely into the calculation, but I think that I may say that the losses by exchange to the Government since 1864 have not been less than 100,000,000*l.* The Committee, however, can verify this estimate for themselves by applying to the India Office. Two-fifths of the revenue of India are paid in rupees under contracts for terms of years. By the fall of the rupee from 2*s.* to 1*s.* 4*d.* the Government has lost $\frac{1}{5}$ of $\frac{2}{5}$ ths of its revenue— $\frac{1}{5}$, or more than 13 per cent. of its revenue. These losses have had to be made up by laying tax after tax upon the people, till it is now acknowledged that India is taxed to the very limit of its endurance. Then all British officials have lost one-third of their incomes. It is true that in some cases a slight compensation has been made, but this compensation does not make up for their heavy losses. Numerous officials are now retiring because their pensions, which are paid in sterling, are more than the compensation allowed them in India. The fluctuations in the exchange give rise to speculations in the exchanges, and, as Copernicus said of the gains made by money dealers in collecting good coins out of degraded coin, the gains of the speculators in exchanges are the losses of everyone else. It is proved by witnesses that the difference between the standards has greatly hampered the trade between India and Australia. The difference of the standards between England and India has greatly impeded the investment of British capital in India, because the expected profits may all be swept away by the fluctuations of exchange. If the mints were re-opened to the free coinage of silver, it is estimated that the value of the rupee would at once go down to 10*d.*, which would mean additional taxation laid on the people to the amount of 6,000,000*l.*, besides the proportional aggravation of all the other losses I have detailed above. But I think that it is probable that the rupee would go much lower than 10*d.* Since the Gold and Silver Commission of 1887, the most productive silver mines in the world have been discovered. I am informed that at the most productive silver mines of Mexico and Australia silver can be produced at from 10*d.* to 11*d.* an ounce. Moreover, by more refined processes, the cost of producing silver is being constantly reduced. All the depreciated silver in the world might be dumped down on India. And I think that we might reasonably expect that the value of the rupee would go down to 6*d.*, and by no means improbably even lower than that, and that would at once spell bankruptcy and ruin to India. Some persons with a light heart suggest that these further losses might be met by additional taxation, but I do not think that such persons have well considered the effects of attempting to increase the burden of taxation to such an extent. Such persons, I think, are somewhat similar to M. Olivier, who entered on the Franco-Prussian War with a light heart. To attempt to increase the taxation of India by 10,000,000*l.* would, to my thinking, simply mean revolution. Moreover, Mr Lindsay, on this point a very competent witness, says that the fall of the rupee to 11*d.* would cause a great withdrawal of capital from India, still more if it fell to 6*d.*

12,933. (Sir F. Mowatt.) May I gather from that answer that the *status quo* should be continued?—No, I am against continuing the *status quo*. The primary object of this Committee being to devise a means for

bringing about a stable par of exchange, barring the usual fluctuations of commerce, between England and India, as the indispensable preliminary to rectifying the monetary system of India, I have shown that there is no possibility of attaining such a result, either by adopting bimetallism or by re-opening the mints to the free coinage of silver. There remain only two alternatives: (1) either to allow the present *status quo* to continue, or (2) to restore its ancient gold currency to India, but on an improved system. Now, the maintenance of the *status quo* is as incompatible with the object of the Committee as the two previous suggestions. The Secretary of State for India himself declared the present position—that is to say, the *status quo*—to be “intolerable,” and it is quite impossible to bring about a permanently stable exchange between England and India by maintaining the *status quo*. No doubt, during the last 18 months or so, the exchanges have kept pretty steady, a little above, or a little below, 1*s.* 4*d.* But that is a fortunate accident and cannot be depended on as a permanence. Since 1893 the rupee has been as low as 1*s.* 0 $\frac{3}{4}$ *d.*, and there is no reason why it should not be so again. On some occasions the rupee has been kept higher by manipulating the Council Bills, but that cannot be adopted as a permanent system, for obvious reasons. Therefore, the maintenance of the *status quo* must be equally ruled out with the other two suggestions as incompatible with the establishment of a stable par of exchange between England and India. Having carefully and assiduously studied for upwards of forty years the history of the coinage in many countries and the theory of coinage, I may state it as an incontrovertible fact, demonstrated by experience and by argument, that it is impossible to maintain a fixed par of exchange between countries which use different metals as their standard. It is absolutely impossible to establish a stable exchange between England and India, barring the usual fluctuations of commerce, except by adopting the same metal as the common standard of the two, which practically means declaring the sovereign the standard unit both in England and India, as was so earnestly demanded by the people of India in 1864.

12,934. That means that you advocate the effective establishment of a gold standard in India?—Most assuredly.

12,935. Do you contemplate that with or without a gold currency?—Most assuredly with a gold currency.

12,936. You consider that the history of the Indian currency, of which you have told us you have made a study, shows that a gold currency would be popular in India?—I do, most assuredly. The whole history of Indian currency shows it. In discussing the momentous question before the Committee it will be well to dispel two very prevalent misconceptions (1.) It is a very widespread opinion that from the earliest antiquity silver was the sole measure of value in India, to which the people from time immemorial have been habituated, and that it is not possible to change the inveterate habits of the people so as to induce them to welcome the change from silver to gold. (2.) That India is too poor a country to have a gold currency. Both these assumptions are entirely erroneous. In the very earliest ages India had only a gold currency; India produces much gold but no silver. But, from a very early period, Western nations imported vast quantities of silver into India, partly to purchase gold, because gold was cheaper there than anywhere else—the ratio of silver to gold in Persia was 1 to 13; in India it was 1 to 8—and also to purchase Indian products. India was in those days a very highly civilised country, while Western nations were still barbarous. Consequently India wanted no Western products, and would sell her own products for nothing but the precious metals. But the silver was only brought to Northern India, because the country of the Lower Indus was the great producer of gold. There was no silver money in

Southern India till 1818, when the East India Company forced the silver rupee upon the people for the first time against their will. Then, in 1835, the East India Company declared their silver rupee to be the only legal tender throughout India, while gold coins were allowed to circulate at their market value. On 1st January 1853 Lord Dalhousie demonetised the whole immense gold currency of India. So it is to be observed that it is only since 1st January 1853 that India has been a solely silver-using country, and not from time immemorial as is so often supposed. Then, to show that the natives greatly prefer gold, I have only to refer to the report of the powerful and unanimous movement throughout India to have their ancient gold currency restored to them, published as a Parliamentary Paper in February 1865. As this document is in your hands, I need not refer to it, and, no doubt, it will receive due weight from the Committee in coming to their decision. Lastly, I think it only necessary to cite the evidence of Mr. Lindsay, who, strange to say, is such a vehement opponent of granting to the people of India what they so ardently desire. Mr. Lindsay says that, if the people of India had the opportunity, they would at once restore an enormous circulation of gold coins. I fervently trust that the Government will gratify this desire as speedily as can be done. I think I have said quite sufficient to prove the case.

12,937. Will you give the Committee your views on Mr. Lindsay's scheme?—I have carefully and critically examined the lengthy evidence given by Mr. Lindsay before the Committee, partly on account of the prominent position held by Mr. Lindsay in the Bank of Bengal, and partly because his scheme has been received with a certain amount of favour in India itself. Mr. Lindsay gives a good many details of business, and on these I am in general agreement with him. Mr. Lindsay's object is to restore a gold standard to India, on that point I am in agreement with him. But his object is to restore a gold standard without a gold currency, and on that point I am utterly opposed to him. Mr. Lindsay admits (Q 3591-2), that, if such a scheme as I propose were carried out, it would result in an enormous circulation of gold currency in India, and that the natives would eagerly adopt it if they had the opportunity. Now, as I have submitted to you, the preference of the natives is for gold. The silver currency has been entirely forced on India by the violent action of the Government. Now, if Mr. Lindsay admits that if the natives had the chance they would enthusiastically adopt the gold currency, I ask, where is the sense of forcibly obstructing the wishes of the natives themselves? Mr. Lindsay wishes to throw every possible obstacle in the way of establishing a gold currency. I, on the contrary, wish to facilitate the wishes of the natives in every way that can be done, and to restore its ancient gold standard to India as speedily as possible. Moreover, suppose that the gold standard is restored, is it not obvious that the greater the quantity of gold circulating throughout the country, the safer and the more stable it will be? Mr. Lindsay has based his scheme on two supposed precedents. But I must be permitted to say that Mr. Lindsay has quite misconceived these two precedents, and that they have no bearing on the present questions; and I must explain them as briefly as possible.—1. *Ricardo's Scheme*. During the eighteenth century there were several monetary panics, and the Bank of England surmounted them with great skill. But after 1797, when the Banks of England and Ireland were directed by Act of Parliament to suspend cash payments, they flung away the rules by which they acknowledged themselves to be bound while they had to redeem their notes in gold. They both adopted a theory which they dug out of Adam Smith. They increased their issues of notes enormously. Their notes fell to a heavy discount, and consequently the foreign exchanges fell heavily, disorganising commerce. A Committee of the House of Commons in 1804 condemned the theory on which the Irish Bank was

acting in the severest language. This arrested the depreciation of the bank note for a short time. But in 1808-9, the Bank of England had again very greatly increased its issues of notes, and also the country banks had multiplied greatly. The paper discounted by the bank in 1795 was 2,946,500*l.*; in 1809, it rose to 15,475,700*l.*; and the country banks, which had been 270 in 1797, increased to 600 in 1808, and to 721 in 1810. At the same time, the paper price of gold rose from 4*l.* in 1805 to 4*l.* 11*s.* in 1809; and the exchange with Hamburg fell from 35*s.* 6*d.* in 1805 to 28*s.* 6*d.* in 1809. At the same time two prices prevailed in the country, a gold price of 21*s.*, and a paper price of 27*s.* In 1810, the Bullion Committee condemned the theory of the Bank of England exactly as severely as the Irish Committee had condemned the Bank of Ireland. The House of Commons threw out the resolution of the Bullion Committee and voted that bank notes and guineas were equal in public estimation, which was affirming that 21 was equal to 27. The bank being thus freed from all control, increased its issues more extravagantly than ever. In November the paper price of gold was 5*l.* 10*s.*, and country banks increased from 728 in 1811 to 940 in 1813, and their notes issued were estimated at 25,000,000*l.* This huge mass of inconvertible paper in circulation depreciated the value of the bank note to 14*s.* 2*d.* In the autumn of 1814 the country banks began to fail, and during 1815-16 400 country banks failed, and the amount of notes in circulation was little more than half what it was in 1814. The removal of this mass of paper caused the value of the bank note to rise to 3*l.* 18*s.* 6*d.* in October 1816, and the exchange with Hamburg rose to 38. The bank had, on several occasions, intimated to the Government their perfect ability and readiness to resume cash payments, but had always been prevented from doing so for political reasons. But in November 1816 they had accumulated so much treasure that they gave notice that they were ready to pay off all their notes dated before the 1st January 1812, and in April 1817 all their notes dated before 1st January 1816. In October 1817 their cash had increased to 11,914,000*l.*, and the bank then said they were ready to pay off all their notes dated before 1st January 1817. The new coinage was issued in 1817. Thus the bank resumed payments in cash entirely of their own accord, without any legal compulsion, and, if it had not been for certain circumstances, they would have finally resumed cash payments in full without exciting any remark. But in 1817 Prussia, Austria, and other states contracted large loans in order to replace their depreciated paper with specie, which were largely taken up in this country. In April 1817 the Exchange began to fall, and the paper price of gold to rise. A steady demand for gold set in on the bank, and, in pursuance of its notices, 6,756,000*l.* was drawn out of it in gold. The British Government reduced its rate of interest on Exchequer bills, and the higher rate offered by foreign governments increased the demand for gold for export. The bank also increased its advances to Government from 20,000,000*l.* to 23,000,000*l.*, and the Country Bank issues increased by two-thirds since 1816. It was clear that the bank would be very soon drained of its cash, and on the 6th April 1819 an Act was passed to prohibit the bank from paying any cash at all. The Bullion Committees of the Lords and Commons were appointed. Ricardo had gained a considerable reputation, and he developed his scheme to these committees, and it was adopted by them, and an Act was passed to give it effect. He had previously shadowed out a plan by which no gold should be paid out of the bank except in bars of 60 ounces. The Act, commonly called Peel's Act, enacted (1) That the Acts for restraining cash payments should finally cease on May 1st 1823; (2) That between 1st February and 1st October 1820 any persons who presented notes to the bank of not less value than 60 ounces of gold might have payment of them in bars of standard gold bullion at the rate of 4*l.* 1*s.* per ounce. Between 1st October 1820

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and 1st May 1821 the rate was to be 3l 19s. 6d. Between 1st May 1821 and 1st May 1823 the rate was to be 3l. 17s. 10½d. After that date payments were to be in gold coin. Numbers of persons, and apparently among them Mr Lindsay, suppose that the bank subsequently resumed cash payments under this Act, but such an idea is erroneous. The fact was that this Act was a complete dead letter, it never had any operation at all. In August 1819 the paper price of gold fell to 3l 17s. 10½d. The bank note was therefore at par. Consequently, nobody went to the bank to buy gold at 4l. 1s., especially in such inconvenient quantities, when it was to be had in the open market at 3l 17s. 10½d. Ricardo's scheme was therefore entirely inoperative, and a great nuisance for business. The bank then, in 1821, brought in a Bill of their own to enable them to resume cash payments. The Statute of 1821, c. 26, enacted that the bank might resume payments in cash on 1st May 1821. 2. *Scotch Banks.* The facts of the Scotch currency case, also cited by Mr. Lindsay, are simply these. The Bank of Scotland was founded in 1695 with a monopoly for 21 years, which expired in 1716, and it was not renewed. It had been extremely successful, and, as soon as its monopoly expired, many other banking companies started up, and among them its powerful rival the Royal Bank. All these banks were in a state of mutual hostility, and they sought to run each other. To guard against this, the Bank of Scotland introduced a clause into their notes making them payable on demand or at six months after sight, at the option of the directors. All the other banks adopted the same plan. The consequence was that the whole of the Scotch notes were practically inconvertible for six months. The Scotch exchange fell 4 per cent., and all the coin was exported. At last the two principal banks agreed to combine their influence to put an end to this nuisance. At their instance the Act 1765, c. 49, was passed suppressing all notes under 20s and prohibiting these being issued with the optional clause, and making all notes payable to bearer on demand. In consequence of this, silver at once returned into circulation, and since then the Scottish currency has never varied from par. It is impossible to see what support this case lends to Mr. Lindsay's scheme. Neither of these cases, therefore, lends the least support to Mr. Lindsay's scheme. Mr. Lindsay seems to think that Ricardo's scheme might be made permanent so as to establish a gold standard without a gold currency. But Ricardo's scheme did not prevent a gold coinage, for during the time it remained on the Statute Book the gold coinage of 1817 was in circulation throughout the country, and was nothing but a nuisance, and it was got rid of as quickly as possible. To suppose that such a measure should ever be adopted as a permanent system is to my mind a pure delusion. Mr. Turner, a director of the bank, said in a pamphlet, "With regard to the effect of Mr. Peel's Bill on the Bank of England, "I can state from having been in the direction during the last two years that it has been altogether a dead letter." It has neither accelerated nor retarded the return to cash payments." The only other part of Mr. Lindsay's evidence that I think necessary to refer to is that he has given a strong opinion that the whole silver currency should be convertible into gold at the will of the holder. I should like to be allowed to make some remarks on this point.

12,938. What have you to say on the convertibility of the rupee into gold?—I am greatly surprised that some persons have given it as their opinion that, in order to maintain a par with gold, it is necessary that the rupee should be convertible into gold at the will of the holder. If such an idea were to be adopted, it would simply mean that a gold currency could never be restored to India. Suppose that the Government had many and wealthy enemies, as it might easily have. Suppose that these wealthy enemies conspired to collect 50 crores of rupees—which they might easily do—and suddenly presented them at the Treasury and demanded gold for them. The Government would

simply be bankrupt, no Government would ever dare to restore a gold currency to India if it were called upon to face such a liability. Nor in any country in the world are gold and silver convertible into each other. In India itself the gold and silver coins were never convertible into each other. They circulated independently according to the estimation of the natives. In England, if persons accumulated 20 million shillings, they could not compel the Bank of England to give gold for them. Nor in France is the Bank of France bound to give gold for 25 million francs. So also in Germany, the United States, and every other country in the world. Paper currency is a promise to pay in coin, and consequently must always be redeemable in coin on demand, to be kept at par with coin. But in no country whatever are gold and silver convertible into each other. The way that shillings, francs, marks, &c. are kept on a par with gold is—(1) that they are strictly limited in quantity and cannot be increased in amount at the will of private persons, (2) then they are declared to be equivalent to gold as tender to a certain amount in payment of debts and taxes. That is all that is necessary to maintain subsidiary token coins at a par with the standard coin, as is evidenced in the cases of England, France, Germany, &c.

12,939. If there were a gold currency in India, do you contemplate that it would be in danger of disappearing into hoards?—It has been urged that the natives are so given to hoarding that, if a gold currency were restored to India, it would immediately disappear from circulation and be hoarded away. Such an idea, in my opinion, is purely imaginary. Persons who urge this seem to be oblivious that, with all the inveterate desire of the natives to hoard, there is an immense silver currency in India at the present time, estimated I believe at about 110,000,000l. They seem also to be oblivious that, though the natives from the earliest antiquity were given to hoarding, there was until the 1st January 1853 an immense gold currency in India—estimated at 120,000,000l. Though Lord Dalhousie's notification deprived this vast gold currency of its quality of legal tender, yet it was shown in the Parliamentary Paper of 1865 that sovereigns circulated to an immense extent throughout all India by the free consent of the natives, and were most popular among the natives, and that they had established a gold bar currency among themselves. Notwithstanding all the predictions of the natives for hoarding, a certain amount of money in circulation is indispensable for the business of life, and, as it was in the past, so will it be in the future. Let me put the case to yourselves. You receive perhaps 1,000l. as part of your income. You spend what you may want, and then you hoard away the rest—not in your own houses, but you pay it into your banking account. That is, you hoard it away at your bankers, and draw forth from time to time what you may require. But the natives of India do not trust their bankers. They are their own bankers and they draw forth from their hoards whatever they may want from time to time, just as you do here. There is no more danger from hoarding in India than from hoarding here. The danger, therefore, is purely fanciful.

12,940. What have you to say as to the rupee being a legal tender?—It will be seen in the Parliamentary Paper of 1865, which I have cited, that Mr. Parry of the Delhi Bank had, under instructions, taken the opinion of the leading merchants and bankers, and that they had no doubt of the success of the restoration of the gold currency to India, with the sovereign as the standard coin. One native banker, who had agencies in every large town in India, said that silver should only be legalised as payment for fractional parts of a sovereign. This, in my opinion, is far too extreme a measure to be taken at present, or at once. In my opinion, the silver rupee should be maintained as unlimited legal tender for a considerable time until India is sufficiently saturated with gold. When that is done, I think that silver should

be restricted as legal tender to an amount considerably exceeding the largest transactions of the poorer natives—say, 25*l*. Then, as the natives would perceive the great advantage of having gold coins instead of cumbersome silver coins, I think that the limit of silver as legal tender should from time to time be cautiously and gradually reduced till it reached a minimum. Sir Edgar Vincent said that silver was restricted in Egypt to 5*l*. as legal tender. I think that this limit—or perhaps, say, 10*l*.—might ultimately be reached in India. There is no doubt that, by the increase of industry in various forms which is now so rapidly progressing in every part of India, the natives will become richer, and Indians like all other people will prefer to have a sovereign rather than 15 rupees. However, all such steps must be taken cautiously and gradually by the Indian Government at its own discretion, and accordingly, as gold comes into general circulation, the Government should reduce the legal tender of silver until they reach the limit they think best suited for the country.

12,941. Assuming that a gold currency is introduced into India, at what rate do you consider the rupee should be taken?—As a matter of pure economics, the mints being closed to the free coinage of silver, the Government might fix the rating at anything they please. They might fix it at 10 rupees to the sovereign. But whether it would be expedient to go back to the rate of 1864 is quite another question. Mr. Hollingbery warned the Government in 1875 that they would find the restoration of the gold currency to be quite inevitable, and, the longer they delayed it, they would find greater difficulties, embarrassments, and expense in doing so. And Mr. Hollingbery's warning has been fully justified. When a government persists in a course of economic error, a certain number of persons make profits out of these errors, and it is only human nature that they should strenuously resist reform. This has been the case in India. During the continuous fall of the rupee since 1864 a large number of conflicting interests have grown up in India, and, though it is quite in accordance with economic theory that the sovereign should be rated at 10 rupees, it would practically be impossible to do so with regard to existing interests. I think that it is the duty of the Government to fix the rating of the sovereign to the rupee after due consideration of all the circumstances of the case. Still, a private inquirer like myself may offer a suggestion. I have therefore carefully studied the opinions of distinguished persons, and I find that there is a general consensus of opinion that the rupee should be rated at 1*s* 4*d*. or 15 rupees to the sovereign. In favour of this course it is to be observed that the exchanges have continued very closely at this rating. During the continuance of this exchange a vast number of contracts must have been created, and officials of high eminence have testified that such a rating would be in no way injurious to agriculture. Of course, the matter must be a compromise between conflicting interests, but from all the reading and reflection I have given to it it seems to me that the rating of the rupee at 1*s* 4*d*. or 15 to the sovereign, is the most expedient under the circumstances and would cause less disturbance of private interests than any other. It would also be an advantage that this rating is most in harmony with the monetary system of England, because under it the anna becomes the penny, and the sovereign would be 240 annas—which would greatly facilitate accounts between England and India.

12,942. Is it essential that this rating should be declared forthwith?—I consider that this rating should be adopted simultaneously with declaring the sovereign legal tender throughout India.

12,943. Do you consider that it is possible to find what has been described as a "natural rate" for the rupee as measured by sterling?—There is no fixed "natural rate" between gold and silver or between any two quantities whatever. The "natural rate" between gold and silver is simply the market rate for

the time being, under the general law of supply and demand. It has been shown by a series of the most illustrious economists for 500 years, and confirmed by the experience of the Indian Government in 1806, that this is the fatal and invincible objection to bimetalism. It is absolutely impossible to control the fluctuating market value of gold and silver, and coins being nothing but pieces of bullion with a stamp on them, which in no way affects their value, the coins must follow the value of the bullion of which they are made. And, consequently, it is impossible to preserve a fixed value between the coins, when it is impossible to control the fluctuations in the value of the metals they are made of.

12,944. What practical steps should you propose in order to establish now a gold currency in India?—Having thus, I venture to hope, cleared away all objections to the restoration of a gold currency to India, I will now submit to you the steps I should suggest to carry such a thing into effect.

12,945. (*Mr. Le Marchant*.) Do you mean a gold currency, or a gold standard?—You cannot have one without the other; I cannot imagine their being separate.

12,946. (*Sir F. Mowatt*.) Then we may read your answer, "Gold standard and gold currency"?—Yes, I cannot imagine a gold standard without a gold currency. Then the steps I would suggest are:—(1.) That the sovereign should be at once declared unlimited legal tender throughout India at the rate of 15 rupees to the sovereign. (2.) That, in terms of the Coinage Act of 1870, c. 10, the Indian mints should be declared to be branches of the Royal Mint in London, as the Australian mints are. (3.) That the Indian mints should be at once authorised to coin sovereigns and half-sovereigns of exactly the same weight and fineness as British sovereigns and half-sovereigns.

12,947. (*Sir A. Dent*.) That would be a branch of the Home Mint?—A branch of the Royal Mint, just as the Australian mints are branches of our Mint here. That the Indian sovereigns and half-sovereigns should have free circulation, and be unlimited legal tender throughout the Empire. (4.) That the Indian mints should be furnished with the necessary machinery to carry this resolve into effect as speedily as can be done. (5.) That every person who brings gold to the mints should be entitled to have it coined into sovereigns and half-sovereigns, as he may prefer, free of any cost or charge, at the mint price of 3*l*. 17*s*. 10*d*. per ounce. (6.) That the Government should keep the coinage of silver entirely in its own hands. The Government can then extend or restrict the coinage of silver, as it may deem necessary and expedient for the wants of the people. (7.) That silver rupees should, for the present, remain unlimited legal tender until the Government deems it expedient to restrict silver as legal tender. (8.) That, so long as silver remains unlimited legal tender, the India Council Bills should be payable in gold or silver, at the legal fixed rating, at the option of the Government. (9.) That, so long as silver remains unlimited legal tender, all mercantile bills and other obligations should be payable in gold or silver at the legal rating at the option of the obligor. (10.) That, in case the Government should deem it expedient to restrict the amount of silver as legal tender, all the obligations above mentioned, Council bills, mercantile bills, and other obligations, should only be payable at the option of the obligor to the amount in silver declared to be legal tender. Then, as to the means of procuring a supply of gold. As a means of procuring the necessary supply of gold, I suggest—(1.) That, after a fixed time, giving ample time to importers to make preparation, all customs duties in India should be paid in gold, or the equivalent of gold, such as cheques payable in gold. (2.) Considerable and increasing quantities of gold are now produced from Indian mines. These mines have only been opened within a comparatively recent time, but several of them are already very prosperous. The

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mining companies send all their gold to London to be sold for what it will fetch, thus incurring losses from freight, insurance, and loss of interest. If the Indian mints were opened to the free coinage of gold, the companies would naturally send their gold to be coined at the Indian mints and so save freight, insurance, and loss of interest, and greatly tend to increase the circulation of gold in India. Some of these mines have quadrupled their output since 1892. I have been informed that there are known to be extensive gold-bearing tracts that have not yet been touched; and new companies are frequently being formed. (3.) I cannot say whether sovereigns are held at the present day by the natives in such large amounts as was proved in 1864. But it is certain that there is now a very considerable amount of sovereigns in India. During the last year it is stated that 100,000 sovereigns were sent to the mint at Calcutta, and 40,000 to the mint of Bombay. If the sovereigns were declared unlimited legal tender, it can scarcely be doubted but that considerable quantities of sovereigns would come out of their hiding places and be restored to circulation. (4.) For thousands of years until the 1st January 1853 India possessed an immense gold currency. At the latter date it consisted of a great variety of native gold coins and the Company's gold rupees. Up till the 1st January 1853 all this gold currency was received at the public treasuries and in payment of taxes at its market value in silver rupees. There must be beyond all doubt a very considerable amount of this gold currency estimated at 120,000,000*l.* still in existence. I suggest that all this gold currency should at once be restored to circulation at its exact equivalent value in sovereigns. I suggest that the Indian Government should publish a tariff stating the exact value of each of these gold coins in relation to the sovereign, and that they should all be received at the public treasuries and in payment of taxes and private debts at their Government valuation. I suggest that all sums received at the public treasuries and in payment of taxes should at once be sent to the mints to be coined into sovereigns and half sovereigns. By this means these gold coins would gradually disappear from circulation and be replaced by sovereigns and half sovereigns, and it would be a great convenience to the Indian community to have a uniform coinage instead of a vast multiplicity of native coins of different weights and fineness. Besides the actual coins it is known that immense amounts of gold are hoarded away or worn as personal ornaments by the natives. Persons of high authority estimate it at not less than 300,000,000*l.* But all such estimates are purely conjectural. All that can be said for certain is that it is something enormous. It is a notorious fact that for thousands of years the precious metals have been pouring into India. Besides the accumulations of former years, it is an official fact that since 1835 to the present time the net imports of gold into India exceed 160,000,000*l.* Lord Rothschild said in his evidence that in the course of a few years he had imported 5,000,000*l.* of gold into India in the form of bars which the native bankers hold as reserves. The practice alluded to in the Parliamentary Paper, that the natives established a gold currency among themselves of bars stamped by the Bombay banks, still continues in full vigour at the present day. The wealthy bankers of Calcutta, Bombay, and Madras hold large reserves in bars of gold and silver bullion. I think that the Government might greatly encourage the natives to bring their hoarded gold and personal ornaments to the mints to be coined, by offering them a slight advantage for doing so. I cannot doubt that, if the natives could have their hoarded gold coined into sovereigns and half sovereigns, especially on receiving a small reward, they would greatly prefer them to their equivalent in rupees, and thus a great gold currency would be restored to India as of old, and in this opinion Mr Lindsay thoroughly concurs.

12,948. (Sir F. Mowatt.) That means that gold would come out of hoards?—Yes.

12,949. And would take its place as currency?—Yes.

12,950. It would replace an equivalent amount of rupees?—Yes.

12,951. Would those rupees go into the hoards instead of gold?—Yes.

12,952. You do not contemplate an increase in the general body of currency?—No. I should leave that to the operation of natural circumstances. Mr Lindsay thoroughly concurs in the opinion that, if the natives had a chance of doing it, they would do it.

12,953. I was asking you whether you contemplated that the result would be to increase the total currency of India, or simply to substitute the sovereigns that come out of hoards for the rupees that went into the hoards?—It would be a very gradual operation.

12,954. (Sir A. Dent.) All that would happen in the first instance would be this: a man first of all would turn his gold bars into sovereigns?—Yes.

12,955. When he has got the sovereigns he would be *in statu quo*; or he has got sovereigns instead of gold bars?—That is all.

12,956. (Sir F. Mowatt.) But I understand that, having got these sovereigns, they would not in your view remain in hoard, but would come out and go into the currency?—Yes. If you read the evidence, you will see that it is overwhelming to that effect. The poorest natives of India are obliged to put up with silver because they cannot do anything else, but the evidence is overwhelming that the natives who can afford it prefer gold to silver, and very naturally so; everybody else does. I suggest that the Indian Government should enter into negotiations with the native Princes, and endeavour to persuade them to adopt the sovereign as their standard unit. I am persuaded they would soon be brought to perceive its advantages. It would unify the monetary system of India and greatly facilitate commerce between the native States and the British Dominions. I am pleased to observe that three native States have already come under this arrangement, and I am persuaded that, if its advantages were prominently brought before them, many other States would gradually follow. I observe in a telegram from Melbourne of February 1st that within a short time upwards of a million in gold had been sent from Melbourne to India. If the sovereign were declared legal tender in India, there would undoubtedly be a large flow of Australian gold into India.

12,957. Then, generally, how do you sum up the advantages of these proposals?—In my opinion, the proposals I suggest would have these advantages: (1.) A permanently stable exchange being established between England and India, and the exchanges being always favourable to India, except perhaps in a few isolated cases, the Government would always make a profit on its bills instead of a loss. (2.) The restoration of a gold currency would put an end to fluctuations in the exchange, and, therefore, to speculations in the exchanges. (3.) It has been urged, and not without reason, that the closing of the mints to the free coinage of silver has been a hardship to the natives, as they are not now able to convert their hoarded silver and personal ornaments into rupees in case of necessity. It is, however, an undoubted fact that the natives prefer to have the greater part of their hoardings and personal ornaments in gold rather than in silver, when they are able to do so, and the increasing premium on gold, as compared with silver, has greatly promoted the hoarding of gold. If the mints were opened to the free coinage of gold, the alleged hardship of closing them to silver would be entirely obviated. (4.) They would leave the present rupee currency absolutely untouched. (5.) They would supply a mass of gold many times exceeding the quantity required to restore the ardently desired gold currency from the gold already existing in India itself, without the necessity of seeking an ounce from any foreign market. (6.) They would

tend greatly to increase the commerce between India and all other departments of the Empire, especially Australia, and also other gold-using countries. (7.) They will retrieve, as far as can be done, the lamentable error of Lord Dalhousie in demonetising the immense gold currency of India, and the lamentable error of the Indian and Home Governments in 1864 in failing to close the mints to the free coinage of silver, and so re-establishing the gold currency in that year at the fixed rate of 10 rupees to the sovereign—which have been the causes of the monetary troubles which have so long afflicted the country. (8.) They would establish a solid and permanent monetary system in India for ever, on exactly the same lines as the British system, which is now universally recognised as the most perfect system ever devised by the ingenuity of man, and which has now been adopted by an increasing number of civilised Governments. (9.) When this system is once fairly established, it will be possible to improve the banking and paper currency system of India, which is now in a very crude and undeveloped state, and which greatly needs reform to meet the growing industrial and commercial wants of India. (10.) They would greatly tend to consolidate the Empire, by adopting the same standard unit throughout its extent.

12,958. If the favourable conditions which have maintained a 1s. 4d. exchange should cease, temporarily or otherwise, would not the existing stock of rupees tend to be in excess of the volume required for the fixed rating of 1s. 4d.?—Not after the gold currency has once been established and the exchange settled in gold. The state of the exchange depends exclusively on the state of the coin, or other medium in which they are settled, and is in no way affected by the depreciation or bad state of any other coins or media used for internal circulation. Several striking instances of this may be given. (1.) During the great re-coinage in 1693 the Bank of England stopped payment. The only medium of settling the exchanges was bank notes. The bank notes fell to a very heavy discount—25 per cent. The exchange with Holland accordingly fell 25 per cent. But in July 1696 the new silver coin came out, and the exchanges which were paid in it immediately rose to par, while for 15 months after that the bank note was at a discount of as much as 24 per cent., and was not brought to par till October 1697. Thus the heavy discount of the bank note had no effect on the exchanges when the good silver coin was brought into circulation. (2.) In 1717 Parliament enacted that guineas should be legal tender for 21s., when Sir Isaac Newton had shown that they were only worth 20s. 8d. Guineas were thus overvalued by 4d. That over-rating of the guinea caused the whole of the good silver to disappear. Gold being the cheaper metal, it was settled among merchants that all bills of exchange should be paid in gold. Although the legal standard was silver, merchants, by custom, made the exchanges payable in gold. Thus it was the Bimetallic Law of 1717 which made gold become the practical standard in England. Thus the Bimetallic Law of 1717 produced monometallism in England as it has done in every instance in history. (3.) The present silver coinages of England, France, and Germany are not worth their legal rating by more than 50 per cent., and yet this depreciated subsidiary currency has no effect whatever on the exchanges, because they are settled in gold.

12,959. Then, under those circumstances, there is no need, I think, to ask you the further question—whether you would make any steps to meet any such future possibility, because you have practically answered that in the negative in your answer to the last question?—I say it is possible that the dangers set forth here might occur—I do not say they will, but it is possible they might occur during the transition from silver to gold. Therefore, my obvious answer is, accelerate the transition from silver to gold as fast as ever you can. After you have settled it, as I say,

nothing that touches the rupee can affect the exchanges, which are always settled in gold.

12,960. (*Mr. Le Marchant.*) You were saying, if I understood you rightly, that convertibility was not necessary to maintain the par between rupees and sovereigns. Are you assuming a favourable condition of foreign trade? Supposing the balance of payments were against India, would not the tendency be for a premium on gold to come into existence?—But if the exchanges are settled in gold, the rupees would not come into the case at all—just as here the English exchanges are settled in gold, and the value of a shilling, which is not really worth more than about 5d., does not affect the exchanges.

12,961. Would not that depend upon the proportion between the amount of rupees and the gold in circulation?—I do not think so.

12,962. You would regard the exchange between England and India as being stated in terms of gold?—Purely in terms of gold. In no country in the world is silver convertible into gold at the will of the holder. In France the exchanges are always at par, because all the French exchanges are in gold, and the enormous five franc currency that there is in France does not affect the exchange a bit.

12,963. Practically, in France it is always possible to get gold at the Bank of France?—By paying a premium.

12,964. In certain cases only?—I am not sure, but I think it is absolutely at the will of the Bank of France whether it pays drafts upon it in gold or silver.

12,965. It is certainly at their discretion, but, as a matter of practice, it is possible to get gold?—Yes, but they always exact a premium for it. That, however, does not affect the exchange.

12,966. But the exchange on Paris did vary in very close correspondence with the premium on gold recently?—I daresay you have gone into that more than I have. When a coin goes to a premium it disappears from the general circulation.

12,967. There would necessarily be a tendency, would there not, for gold to leave India at times for remittance purposes?—Those are the cross operations of banking.

12,968. You proposed to offer a bonus upon gold paid in by natives of India, giving them some advantage?—Yes, my fixed idea is this, that—not too suddenly—you should facilitate the restoration of the gold currency. I think, if you gave a small premium, say, perhaps, 2 or 3 per cent., you would have natives bringing their ornaments, their vases, and so forth, out to be coined.

12,969. Would you, at the same time, be giving a different rate at the Mint? Take the rate at the Mint as being, for argument's sake, 15 rupees to the sovereign; would you propose a different rate for gold brought to the Treasuries?—I think it would induce people to bring out gold which they otherwise would not do, but it is just an idea thrown out.

12,970. You speak of accelerating the transition from silver to gold. A good deal would depend on the rapidity with which that could be effected, would it not?—Yes. I would not borrow 50 millions, as has been talked of here; I would let the operation of natural causes act in India itself. I would send this out by telegraph to-morrow, simply to declare the rupee legal tender at 1s. 4d.—nothing else for the present—just to bring it out into circulation, which would be gradual.

12,971. You would contemplate an interval of possibly some years?—No, I do not contemplate an interval of years.

12,972. Can you say anything as to the time in which those measures would effectively establish the gold standard?—That would depend greatly on the energy with which the Government took up the question. All I say is that it would have to be a gradual thing.

12,973. Can you give any notion of the period at which the transition might be completed?—I cannot

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conceive that, if the Government are really in earnest and put their hearts into it, and especially get the banks to assist them—if it was the settled policy of the Government, I am sure the great Indian banks would come into it—I do not see why it should not all be done in two years. Then, I do not propose to limit the legal tender of the rupee at present. I would leave it perfectly untouched, and simply gradually introduce a gold currency in addition to that.

12,974. You suggested making Customs duties payable in gold. Would importers have any greater facilities for getting gold than the Government themselves?—Importers must pay their dues, and it is quite easy for them to avoid silver. That is one of the ways I should take to restore a gold standard. In Russia all the import duties are payable in gold.

12,975. But the importer would have to buy it in the market?—But he would have to buy silver. It does not matter to him whether he buys silver or gold.

*12,976. Unless there were a difference of price?—Suppose the price of the sovereign is fixed at 15 rupees, is it not the same thing to him whether he gets gold or silver?

12,977. If he can buy it at the same price; but that might not be the case at first?—I want nothing violent. I want a certain end in view, and to pursue it gradually. You might give them a little time to arrange matters. It is done here; so it is in Russia. I do not know how it is in France. In Russia, certainly, it is done.

12,978. With regard to a tariff of the existing gold coins in India, would you base that entirely on the weight of fine gold in the coins, taking it in exact proportion to the fine weight of the sovereign?—Quite so. That is the way that all coins are measured, by the quantity of fine metal in them.

12,979. I think in your work on bimetalism you made some suggestion about giving a market rate for gold coins if brought in?—No, that was the old custom when the Indian Government finally abandoned bimetalism as hopeless in 1835, quite ignoring

their Minute of 1806, which utterly condemned bimetalism. They said that silver rupees should be the sole legal tender throughout India, but that all the ancient gold coins should be received at the public treasuries at their market value in silver.

12,980. But I thought at one time you proposed adopting the same measure again as an inducement to the holders of gold to bring it in?—No, I do not think so, because I want everything to be brought into connection with the gold standard—with the sovereign.

12,981. At a fixed rate?—At the rate of pure metal. Formerly gold coins were received at their market value in silver. Now I want them received at their strict relation to the sovereign. This would make the currency of a uniform value.

12,982. (*Str A Dent*) I did not quite understand what you said about mercantile bills being payable in gold or silver at the option of the obligor. Will you explain that a little more fully?—Suppose I have your bill for 100*l.*, suppose I demand gold; it may be very inconvenient to you; or I might demand silver and you might not have it. Now, it is the same to me whether you pay me in gold or silver—whether you pay me in two sovereigns or forty shillings; either would be perfectly good for me; whereas it might be inconvenient to you to compel you to pay one or the other.

12,983. But, if I owed you 100,000*l.*, it would be very kind of you to let me pay the 100,000*l.* or its equivalent in shillings?—Exceedingly so.

12,984. I do not know how that would work. I might turn that to my advantage surely?—The rupees at 1*s* 4*d* are the legal equivalent, just as shillings are here. What does it matter whether you pay two sovereigns or forty shillings?

12,985. Because I can always get rid of forty shillings, but I cannot always get rid of 400,000 shillings?—But the same principle applies. It would be very inconvenient if a lot of people could press the Government for a particular metal. I would give the Government the option to pay which it liked, they should have their option entirely.

The witness withdrew.

Adjourned.

THIRTY-THIRD DAY.

Friday, 17th March, 1899.

PRESENT :

THE RIGHT HON. SIR HENRY H FOWLER, G.C.S.I., M.P., IN THE CHAIR.

SIR FRANCIS MOWATT, K.C.B.

SIR DAVID BARBOUR, K.C.S.I.

SIR CHARLES CROTHWAITE, K.C.S.I.

SIR ALFRED DENT, K.C.M.G.

MR. ROBERT CAMPBELL

MR. W. H. HOLLAND, M.P.

MR. F. C. LE MARCHANT.

MR. ROBERT CHALMERS, *Secretary*.

The Right Hon. LEONARD H. COURTNEY, M.P., called and examined.

12,986. (*Chairman*.) You wish to call attention to the questions that were submitted to the Herschell Committee?—Yes. I think, so far as I understand the scope of your inquiry, it is essential that you should first examine, as doubtless you have, what the Herschell Committee was called upon to do and what it did. It is upon the results of the action consequent on the report of that committee that you now stand, and from that standpoint you have to face the future.

It appears to me necessary that you should realise the past, and, although probably I shall say nothing but what you have already had before you, I think it better to begin by saying that. The situation at the time when the Herschell Committee was appointed may be shortly said to be this. That all classes interested in trade and commerce in India were very much embarrassed by the divergence—the uncertain and, as it proved, the growing divergence—between silver and

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gold. The instability of ratio baffled all calculation; people did not know when they entered into a transaction what would be the result when the transaction came to be completed. But, in addition to that, the real motive cause of the appointment of the committee was the great embarrassment to the Finance department of the Indian Government. The fall in the value of the rupee in relation to the pound sterling produced great and repeated deficits in the Indian finances, and the Finance Minister did not see his way to any mode of filling that deficit by the imposition of taxes. And, moreover, there was a danger that that deficit might be increased, so that any step taken to cure it for a particular time might be insufficient in the course of a year or two. Moreover, at the time of the appointment of the committee there was an imminent danger, which was, in fact, soon after realised, of a change of action on the part of the American Government and Congress, which would lessen the consumption and coinage of silver within the United States, and so probably increase the divergence between silver and gold, making India almost the only open ground for the reception of the silver that was being mined. This very much alarmed the Indian Government. It was urged on the Indian Government that the only way of settling this difficulty once and for all was to close the Indian mints; and the Indian Secretary consulted Lord Herschell and his colleagues as to whether it would be justifiable to reject that proposal.

12,987. I think I ought to ask you this question now, because Sir David Barbour, who was then the Indian Minister, as one of our body. The proposals of the Indian Government were not only to stop the coinage of silver in the Indian mints, but they also proposed the introduction of a gold standard, and that step was preliminary to the introduction of a gold standard?—You have the words before you. I do not think the terms of the reference to the Herschell Committee included that. It was only with reference to that possibility.

12,988. No, it was a little more than that. I will read you the words:—"I enclose for your Lordship's perusal a copy of the correspondence which has recently passed between the Secretary of State for India in Council and the Government of India, in which, as you will observe, that Government submits proposals for stopping the free coinage of silver in India, with a view to the introduction of a gold standard." So that it was not simply an enquiry as to the closing of the mints?—That was within the view, no doubt, of the Indian Government, but the actual question which we were called upon to decide was whether the Home Government would be justified in rejecting that proposal; if we could not advise a rejection, could we offer any suggestions as to what would accompany the closing of the mints? I think the first part of our answer was restricted to the reply that we could not advise the Indian Secretary to reject the proposal of the Indian Government, and we went on to say that, if the mints were closed, we thought it should be accompanied by a declaration on the part of the Indian Government that they would be prepared to receive gold, and to give out rupees in exchange for gold, at the several treasuries and elsewhere that they might appoint, at the rate of 15 rupees to the sovereign.

12,989. We had better just get upon our notes the exact terms of the recommendation. The exact recommendation of the Committee, which was signed by every member of the Committee except Lord Herschell (who, of course, did not sign it because he was a member of the Government who would have to consider the report, although he concurred in it), is this:—"It remains for us to state the conclusions at which we have arrived. While conscious of the gravity of the suggestion, we cannot, in view of the serious evils with which the Government of India may at any time be confronted, if matters are left as they are, advise your Lordship to overrule the proposals for the closing of the mints and the adoption of a gold standard, which that Government, with

" their responsibility and deep interest in the success of the measures suggested, have submitted to you. " But we consider that the following modifications of these proposals are advisable. The closing of the mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by Government for the coinage of rupees in exchange for gold, at a ratio to be then fixed, say 1s. 4d per rupee, and that at the Government treasuries gold will be received in satisfaction of public dues at the same ratio." Those are the words?—Yes.

12,990. You consider that that was what you all agreed upon?—We all agreed upon that.

12,991. There was a difference of opinion about the 1s. 4d. was there not?—I think Mr Currie had some notion as to the fixity of 1s. 4d or as to the permanency of it rather.

12,992. And Lord Farrer and Sir Reginald Welby could not join in the recommendation contained in the Report without at the same time recommending that the Government of India should, in view of the ultimate adoption of the whole of their plan, be prepared to secure the convertibility of their token silver currency and should with that object accumulate a sufficient reserve of gold?—Yes, those two members did join in that. I do not remember now whether I saw their recommendation; perhaps I did.

12,993. You did not sign it at all events?—Oh no, I dissented from it entirely then, and have done ever since.

12,994. What has been the result of that policy?—In my view the result has entirely justified the action then taken. It has secured the ends that we had in view. It has established practically by degrees—by a slow process, but it could not be done at once—what I think may be trusted as a stationary ratio between the rupee and the sovereign, and that stationary ratio is 1s. 4d. In consequence of the other steps that we recommended at the time, that has operated in the way of removing, except under extraordinary circumstances, the perennial deficit and the danger of the deficit coming on the Indian Finance Minister without any warning from causes over which he has no control whatever. He has now, like every other Finance minister, to face the possibility of deficits, but they will not arise in my view from any depreciation of the rupee in the near future.

12,995. You regard that figure of 1s. 4d. as practically stationary?—I regard that figure as practically stationary.

12,996. Will you tell us what you think are the reasons why it has risen to that figure?—I contemplated from the first that there would be a gradual rise to that figure and that we should see in India experiences analogous to what we were called upon to watch in other countries in the course of our investigations. For example, the rise in the value of the paper currency in the United States after the great war. It took some time to rise, but it rose practically from no contraction, as far as I remember—very little contraction—of the mass of currency, but, the amount being fixed in substance, the growth of transactions of the United States, which is, of course, very much more rapid and of much greater elasticity than the transactions in India could possibly be, had risen to the level requiring, you may say, the quantity of currency which was found in circulation, and that currency obtained in that way a par relation to the gold it represented.

12,997. It would be a legitimate contraction of the currency you mean?—It would not be an absolute contraction in itself. Relatively it would be a contraction, because the amount of the currency would diminish in proportion to the growth of the transactions which it had to carry.

12,998. But how would that affect this possibility? Taking your own words you say, "No addition has been made to the amount in circulation, and with wear and tear on one side and increasing transactions

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" on the other we have arrived at the 1s. 4d." Now assuming the wear and tear to go on, and the transactions to go on increasing, would there not then be a danger?—No. I consider that the action that we adopted would result in the introduction of supplementary gold currency, which would not get into common circulation, any more than 50*l.* notes are in common circulation in England, or even 5*l.* notes; they are not the circulation of the poor, but the gold would come into India and would form part, although comparatively a dormant part, of the actual currency of India as much as the rupees which are in circulation; and in my view the currency would go on receiving automatic accretions as the course of trade required.

12,999. (Sir F. Mowatt.) Your answer contemplates that the gold should be currency as well as standard?—I think that will follow from the usual habits and modes of living of men.

13,000. I mean, you are contemplating its passing into the coinage?—It is not at all necessary that the coins should be coined in India, although that might be advantageous. It is quite sufficient if a man in India with a sovereign in his pocket knows that he can get 15 rupees for it. When that gets to be present in the Indian mercantile mind, then the gold will come side by side with rupees.

13,001. (Chairman.) Any increase in the currency would be obtained by the issue of 15 rupees to the sovereign?—Quite so. Just as any actual increase of our silver coinage at home is obtained by getting a profit from the mint, so the rupees, to the profit of the Indian Government, could be coined when wanted, and, if the merchants want it, it will come.

13,002. The rupee would not go above 1*s.* 4*d.* as long as its intrinsic value is below that sum?—As long as its intrinsic value is below that sum it could not go above 1*s.* 4*d.*, and, as long as the Indian Government are ready to issue rupees in exchange for sovereigns at the rate of 15 rupees to the sovereign, that fixes the limit—the upper limit.

13,003. Do you think that, having regard to the value of 1*s.* 4*d.* being fixed in the way you have pointed out, we may look to the permanency of trade movements to keep it at that value?—I think we may. The thing that was borne in upon us by our investigations on the Herschell Committee was the extraordinary way in which trade movements and banking expansion did cause a level to be sustained for which apparently there was no adequate basis. That was not only the case in the United States, but it is the case in France. But what I would suggest to the Committee that they should consider here is the fact that our own silver coinage at home, although it is only legal tender to the extent of 2*l.*, is *de facto* perfectly good for paying all debts to any amount. I am open to be instructed in the matter, but within my experience I never heard of any banker objecting to receive from his customer in the way of business any amount of silver that that customer brought to him, and, if he receives silver indiscriminately and honours the cheques which are drawn against that silver, it is only a case of carrying the silver to the bank and drawing a cheque, and the banker will say, "how will you have it?" Then you take what you get in exchange for that cheque and pay your creditor, so that, although the creditor may absolutely refuse to take from you more than 2*l.* in silver, you always, without any limit so far as I know, use your silver through that one intermediary in the payment of any debt whatever.

13,004. Practically the silver in this country is convertible?—Just so.

13,005. It is not an inconvertible token coinage?—Just so, and the circumstance that it is not a legal tender beyond 2*l.* has nothing to do with that convertibility, that convertibility is quite independent of that. It depends on the fact that the Government does not issue it beyond what is wanted.

13,006. That is what keeps it within its proper bounds?—Yes.

13,007. (Sir F. Mowatt.) I understand that considerably larger sums than 2*l.* in silver are continually brought to the banks?—Oh, yes, certainly. Consider what kind of account an institution like the Crystal Palace would keep with its bank. My earliest practical years were spent in a country bank. There we received from our trade customers what they had received over the counter, a large proportion of which was silver. Silver, notes, or gold, it is all one; it goes in without any discrimination to your credit.

13,008. (Chairman.) My House of Commons experience, which is much shorter than yours, has been this, that where the Chancellor of the Exchequer has been exposed to pressure with reference to the coinage, has been in regard to the deficiency of silver?—Just so. I may mention a fact which is of some little interest. My earliest practical years were spent in a bank in Cornwall. We received silver from our customers, but the silver was always accumulating on our hands and we were continually obliged to send away for gold. The silver was a thing that we rather wanted to get rid of. Of course, in other parts of the country, bankers would have just the contrary experience. I believe in our case it was due in large measure to the fact that silver was wanted in that neighbourhood for the purpose of payment of miners' wages, whilst the commercial travellers and others who came down into that part of the country and supplied things, took away with them the gold with which they were paid, but did not take away the silver.

13,009. There is always a great demand in a manufacturing district every week or every fortnight for silver to pay wages?—Just so. Perhaps I may give another illustration which struck myself and some other members of our Committee very much in the course of our investigations. I refer to the experience of the Austrian Government. The currency of Austria was silver, but Austrian finances being in great straits, over and over again they had issued paper, and declared paper to be inconvertible, and the inconvertible paper fell below par in silver. Then, subsequently to 1873, silver became depreciated, and depreciated so that the silver was depreciated in reference to the paper, which before had been depreciated in reference to silver. The stationary paper of the Austrian Archduchy absolutely obtained a premium over the silver that it represented; and it never seems to have occurred to the Austrian Government that they could make a profit by bringing back their paper and putting out silver so as to maintain that par. But actually we had it well established that the inconvertible paper of Austria was at a premium in respect to the silver that it represented, that inconvertible paper for many years past not being subject to any increase.

13,010. Is it not so now in the case of Russia?—It may be. That illustrates the proposition I am laying down, that an apparently arbitrary quantity of coinage in circulation can be maintained, under circumstances where one would have thought it impossible of realisation, at what has been called an arbitrary value.

13,011. That would lead you, I suppose, to the conclusion that the Indian currency is becoming more and more automatic under the present system?—I think it is.

13,012. There is, of course, a possibility that the rupee might fall?—It is impossible to say that it could not fall; it might fall under particular stress for a short time; it may certainly be said that it could not rise, and it may fall; it is impossible to deny that; but the experience of the countries to which I have referred induces me to believe that it could only fall temporarily, and that the fall would speedily be recovered. Our own past experiences would suggest that, if there happened to be an absolute scarcity of leading crops—want of exports for the whole 12 months—that might involve a temporary depreciation of the rupee in consequence of the necessity of finding something to pay outside debtors;

but I think that difficulty, if it does occur, could be met, and I really do not think it is a serious practical difficulty. It is a theoretical one rather than a practical one.

13,013. In this connexion would you say anything with reference to the French currency? As I understand, in France silver is legal tender to any amount?—Silver is legal tender to any amount.

13,014. And yet France assumes to have a gold standard?—That is so. The exchange between France and England is stationary. Of course it does fluctuate a little from day to day, but it is practically stationary, although silver is legal tender to any amount, and it is so because at present the coinage of silver is stopped, and it does not exceed what the trade of France will carry. Silver is to any extent legal tender in the United States.

13,015. There they have a gold standard?—There they have a gold standard.

13,016. Although Lord Aldenham yesterday told us that they had not?—Many of those controversies turn rather on the way in which you express facts, but as a matter of fact we, I suppose, may boast or confess that we have got a gold standard here, and I should say broadly that any country which maintained a permanent exchange with us had a gold standard too.

13,017. While we are upon this point we should like to have your view as to whether there is any difference, and, if so, what, as between the condition of India and France with reference to the possibility of a gold standard?—I do not know that there is any very great difference. The French Mint is open to gold.

13,018. And not to silver?—Not to silver, and that is practically the situation to which we have come in India. There may not be Indian mints open to gold, but, inasmuch as gold coined in England is receivable in India at a fixed relation to the rupee, it is the same thing. It is only the abolition of a little intervening space to realise an exact reproduction of the same state of things, and nothing turns upon that little intervening space.

13,019. Suppose we advance a step further. Leave silver in India unlimited tender, but also make gold a tender in India, and also make the sovereign by law equivalent to fifteen rupees; what would be the difference then?—I do not think there would be any, I should say substantially it would be a reproduction.

13,020. Is there any country which you can refer to, besides Austria and the United States and France; take the case of Russia, for instance?—I am not sufficiently acquainted with the exact situation in Russia now.

13,021. What do you say the Indian Government ought to do?—I should say, for the present at all events, and probably for a long time to come, they should do nothing, except to make it clear that they are going to maintain their present policy until some circumstances might happen, which later on I shall refer to; but at present I should say, do nothing at all.

13,022. Would you open the mints to the coinage of gold?—Yes. I consider that, although many regard it as an important fact, to be an unimportant fact. It may strike the imagination and bring it home to the people, but, if the Indian treasuries are open to the reception of gold, that is enough, it involves the other things. It is a mere matter of machinery, and I think it is probably very desirable as a matter of machinery that they should be open to gold.

13,023. I do not know whether you remember the proposition submitted to Sir Charles Wood for the reception of gold coinage in India?—That was with a view to displacing the then silver standard.

13,024. But there was a very strong opinion then on the part of the mercantile community in India that a gold currency would be popular, a great many representative bodies in India desired it?—Opinions, if I may say so with respect, appear to be generated pretty easily in India.

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13,025. (Sir F. Mowatt.) When you say the Indian Government should express their determination to maintain their present policy, you include the gold standard as well as the closing of the mints?—We should come to that presently, but I do regard the gold standard as established.

13,026. (Chairman.) For all practical purposes of internal trade in India—for the man in the street, and the man in the village, or the village shop, a gold coinage would be absolutely useless?—Oh yes.

13,027. A great portion of the transactions are carried on in copper?—Yes, annas and pice; but, as I said before, the 5*l.* note is not known to the agricultural labourer here.

13,028. Now, if the 1*s.* 4*d.* is represented, as it has been to us again and again, as an arbitrary amount, what is your answer to that?—I should say that that was selected at the time the Herschell Committee deliberated—it was probably produced by those who had it in their mind—*ss* involving the least change consistently with satisfying what was desired, namely, the filling up of the deficit.

13,029. And avoiding additional taxation?—Avoiding additional taxation. It was a means of screwing up the rupee to a higher value, in order to get more money, as well as establishing that uniformity of exchange which was established.

13,030. Your opinion, I see, agrees with the opinion that has been expressed to us by commercial authorities, that the commercial relations between India and England have adjusted themselves now to the 1*s.* 4*d.*?—Yes, and will continue to adjust themselves. I think also I may say with respect to that question of the difficulties that may arise in remittances home from time to time, that those will be adjusted also by merchants and bankers without any call for interference on the part of the State. Our own history in the past has shown how merchants and bankers can effectuate, and have effectuated, exchanges and remittances from this country to other countries, whilst our own coinage and currency were in a deplorable condition, far below the security and stability now established in India.

13,031. You put it that a gold standard has been reached because the rupee has become equivalent to a certain proportion of the ounce of gold?—Yes. I say that the rupee now in India has practically become equivalent to the fifteenth part of a fraction which is represented by 20,000 divided by 77,875 of an ounce of gold.

13,032. Then, on the whole position of Indian finance at this moment, you would not take any further step?—No. If I were in the position of an Indian Finance Minister, I should hold my hand.

13,033. There have been several schemes put before us: Mr. Lindsay's scheme, Mr. Raphael's scheme, and the proposals, of course, of the Government of India. Have you considered those?—Yes, they are all illustrations, to my mind, of what I should call superfluous energy.

13,034. You do not believe in what is called the exchange standard?—I do not know that I understand what those words mean, but I do not believe in the necessity, or prudence, of the Indian Government undertaking to give gold in exchange for rupees; and all these schemes, as far as I understand them, are means to the result that not only shall the Indian Government be prepared to give rupees in exchange for gold, but that it shall be under an obligation to give gold in exchange for rupees.

13,035. That you do not approve of?—I do not approve of that. It is accepting an obligation which is entirely unnecessary. I cannot prefigure how much it would involve. It certainly involves some risks, which might be rather serious risks, of being on an inclined plane—you could not get back or prevent yourself from slipping lower and lower; and it does not promise any advantage which is worth the running of that risk. If I were an Indian Finance Minister, I would no more undertake to give gold in exchange for rupees than I would undertake, as

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Chancellor of the Exchequer in this country, to give sovereigns in exchange for silver. Someone has said that that is an incomplete feature of our own currency system. I do not know that we have suffered from that incompleteness. We exist under it without any complaint.

13,036. I suppose the great danger would be that gold would be obtained for rupees for the purpose of hoarding. So far as commerce is concerned, as you have already said, that would adjust itself?—Yes.

13,037. The danger would be a drain of gold which would be taken out of circulation and accumulated in India?—Yes, there is that risk—a serious risk—but the great risk I feel is in the Government undertaking a supposed duty which they are not called upon to do, which is not wanted, and which might lead them into very serious financial embarrassment.

13,038. And that, if their policy was to proceed by degrees towards the gold standard, and even to an enlarged gold currency, that would be a premature step?—Yes. I think time would bring it about, and in the history of nations, a year, or even 20 years, is not a very considerable time.

13,039. Then I need hardly ask you this perhaps—you are not in favour of opening the mints now to silver?—If I were an Indian Finance Minister, I should not venture to look at it.

13,040. If you were a merchant, would you look at it?—No, I do not think so—that is under the present situation—by itself, as an independent act of an Indian Finance Minister.

13,041. It has been said that India must have the means of remitting home and elsewhere. What is your answer to that?—My answer is, looking back as I do upon our own experience, that Indian merchants and bankers will always find the means of sending home and elsewhere—that it will be established practically automatically.

13,042. Their remittances being really made in commodities?—They will be in commodities in the ordinary way. India has not been a sender home of bullion; in fact, the movement has always been the other way.

13,043. Last year we have had the experience of a famine, and this year we have had the experience of a bountiful harvest, and practically the result seems to be the same so far as regards steadiness of exchange?—Yes.

13,044. A great failure of crops might cause a temporary banking pressure?—I admit that.

13,045. But only in currency?—I think so.

13,046. Now what do you say as to the future?—So far I have spoken from the point of view of an Indian Finance Minister, whose first care is to balance his accounts, and also who has a desire incidentally to establish a stable ratio between the rupee and the sovereign. Both of them have been secured, but, of course, those benefits have been secured at a certain price. In the interval, as is necessarily the case in the transition from one condition to another, there is a good deal of friction and some suffering involved, but those have been overcome, and I do not think we need consider now that they involve any great further danger. But the action has been done, as I said before, by screwing up the rupee to a higher ratio in relation to the £. If there were any possibility, however remote, of the same stability of relation being established by bringing down the £ instead of screwing up the rupee, that is a contingency or possibility that an Indian Finance Minister ought never to lose sight of. The cheaper the £, the better for India, and the less the weight of the gold debt upon India; and it is most desirable in the interests of India itself that that should not by any possibility be neglected. If we carry our minds back to the time before 1873, at that time silver was freely coined in India; gold was freely coined in England; but there was practically perfect stability of exchange between England and India. If there was any possibility of reproducing that situation, I believe we should all confess that that would be better than the

present state of things. If, by any chance, the rupee could be again one-tenth of a £, Indian finances would be better, the burden of taxation would be lighter, and the burden on Indian trade would be less than it is, provided that is done in such a way as not to go on screwing up the rupee again and again to the £, but by possibly, as it might happen under certain circumstances, bringing down the £ into relation to the rupee.

13,047. Do you mean by that a rise in the bullion value of the rupee?—A rise in the bullion value of the rupee. The change that has happened since 1873 was not due to any action of the Indian Government; it was not due to any action of the English Government; it was due to the action of other Governments. If the other Governments saw their way, or could be induced to see their way, or could be helped to see their way, to retrace the action which they took, we should get reproduced a situation very much better than the present, and the Indian Finance Minister ought never to shut his eyes to the possibility of that being done.

13,048. Would you go a step further and say that the Indian Finance Minister ought to see whether he could in any way accelerate that?—He should keep his eyes open and, if there is any opportunity given to him, he should seize upon it. Of course it may be said that the solution of which I am speaking is quite futile—that it is a matter of the past—but, if you look back upon the past and see what forces have been raised and have not yet entirely passed away, and if you look forward to the future, I should be slow to say that anything was out of the question in respect of gold and silver. We know that the shutting of the Indian mints was ultimately precipitated—you may say ultimately determined upon—under the shadow of the possibility of American action in refusing to coin silver. Now it will be quite possible that American action might cause a reopening of the mints.

13,049. In America do you mean?—No, in India. American action might facilitate or might occasion the reopening of the mints in India and an Indian Minister ought to view the possibility of American action. I will not say he could do anything at once, but he might express himself in a way which would perhaps tend to bring about American action which would be beneficial to himself, to his finances, and to India.

13,050. In the result, what you have just been saying would come to this, would it not, that, while you would not endanger the present equilibrium, you would keep your eyes open to see whether anything might occur which might alter the conditions?—There might arise circumstances under which it would be impossible to maintain the present situation. If the intrinsic value of silver rose so that the value of the rupee got above the 15th part of that fraction of an ounce of gold, the Indian Government could no longer offer to give rupees in exchange for gold; it would be bound at once to stop that. If the value of silver rose so that the value of the rupee came to be above 1s. 4d., the Indian Government must at once stop giving rupees in exchange for gold, otherwise it would have gold poured in upon it and silver going out. Therefore, in view of that, the Indian Finance Minister would be quite justified and perfectly safe in saying, if anything is done which should bring the rupee up to 1s. 4d., "The situation is changed and I must take some action", and he might say, "If you bring up the rupee to 1s. 4d. I must stop the issue of gold and I shall be prepared to re-open the mints to silver as long as it is above 1s. 4d., upon the understanding that they are shut the moment there are any signs of its going below 1s. 4d."

13,051. But you would not deal with that at present; you would not say that now?—I should keep that rather in the back of my mind, as it were. To an American Minister who came to see me, and that the coinage of silver might be renewed in America, if India showed any possibility of sustaining that action, I should say, "Well, if you make silver freely coinable

in America, which must produce at once a very great change in the relative value of silver to gold, and, if that change were such as to bring up the metal in the rupee to 1s. 4d., then we shall be prepared to sustain it by opening our mints in the same way."

13,052. The policy, in your opinion, should be to prevent the rupee going below 1s. 4d., but of course we cannot control the future, which might take it above 1s. 4d. ?—Quite so, and, if it went in that way above 1s. 4d., it would really be a benefit to India—a distinct benefit to India, which ought never to be lost sight of.

13,053. (Sir F. Mowatt.) The alternative to opening the mints at that point, when the rupee reached or passed 1s. 4d., would be to alter the rate at which you would issue rupees?—Yes; you might say 1s. 6d., and so go on going up.

13,054 (Sir D. Barbour.) You referred to the rise which takes place in the value of the currency or the standard coin when the quantity is limited. It takes place, you have explained, by the growth of the country in which the coin is current?—And the wear and tear of the coin too.

13,055. By the gradual diminution of the quantity of coinage, and the general growth of the country?—Yes.

13,056. You also referred to the fall which may take place in the value of the coinage if the exports fall off very much. I suppose you would admit that a rise might take place in the value of the coin if the exports largely increased owing to good harvests, or anything of that sort. For instance, I believe it to be the case that the value of the paper currency in Argentina has risen when the exports were large?—Yes, that is possible, but that possible rise in India is checked in appearance, at all events, by the fact of the obligation to give rupees in exchange for gold.

13,057. It practically cannot rise above 1s. 4d.?—Practically it cannot rise above 1s. 4d., although the amount of gold—really what lies at the bottom of it all is that the amount of gold represented by that particular fraction in relation to commodities, changes its value. But as between silver and gold, as long as that obligation exists to give rupees in exchange for gold at that rate, the rupee cannot, in relation to gold, rise.

13,058. When the American currency was so much depreciated at the time of the Civil War, the productive power of the country had very much fallen off owing to that war?—Yes, that is so.

13,059. And that may have been one of the causes that added to the depreciation of the currency at that time?—I do not think so.

13,060. It is a possible cause?—Yes. I do not think it did, but it is a possible cause.

13,061. Theoretically it is possible?—Yes.

13,062. And of course the removal of that cause, when the Civil War was over, would be an influence that would tend to raise the value of the currency again?—There was immense elasticity. As I have said, the natural elasticity of production in the United States is very much greater than could be the case in India, and there was a great revival of elasticity immediately after the war; but the equalisation of the paper currency after a time became gradual—continuous, but gradual; it did not go up in leaps and bounds.

13,063. Would you make gold a legal tender in India at once?—I think that is only a question of words. In my view gold is a legal tender.

13,064. Practically it is a legal tender at this moment?—Yes, I have no objection to say so.

13,065. The Government, as you are doubtless aware, will receive it in payment of Government dues?—Yes.

13,066. And the Government will give silver rupees for sovereigns?—Yes.

13,067. Or for gold?—Yes.

13,068. So that, if you owed a man 15 rupees and you offered him a sovereign, he would feel satisfied

that he could go to the nearest treasury and get rupees?—Yes.

13,069. It would be the same thing as giving him a cheque which would certainly be cashed?—Yes.

13,070. Therefore for practical purposes gold is a legal tender at this moment in India?—Just so.

13,071. And the only further influence that making it a legal tender could have, would be a possible sentimental influence?—Yes, the public mind gets affected by descriptions—words.

13,072. The Government of India at present receive gold and give out rupees, and I believe the amount of gold that has been received in that way is over 1½ millions. Do you think it would be the best plan to go on receiving gold in that way and accumulating it, or would you say at once, "We will give gold as long as we have it in the treasury to anybody who brings silver rupees?" It is a question of policy whether it would be better to go on accumulating gold, or whether it would be better at once to say, "We will let the gold go out just as we allow it to come in?"—No, I should not as yet allow it to go out. I should go on accumulating.

13,073. You would for the present go on accumulating?—Yes. I should get the greatest possible stability in the value of the rupee before I look to giving it out.

13,074. Have you formed any opinion as to what amount of gold you would require to be paid in before you began to give it out?—I do not think I have any view on that point which is worth anything. I do not think it is very much that is wanted. The experience of the Dutch East Indies struck me as very remarkable in that way—how very little gold there is in Java.

13,075. But in Java silver coins are current, which may be sent to Holland, where they are legal tender?—Yes.

13,076. And convertible into gold?—Well there is scarcely a legal obligation, I think, in Holland to do that.

13,077. But practically?—Practically it is exchangeable just as, practically, silver is exchangeable for gold here, but you look upon Java and Holland as one. It is the same currency, and even taking them together the quantity of gold is not very considerable. In Java itself the quantity of gold is very inconsiderable; I think it is under 400,000*l*. if I remember right.

13,078. Do you happen to remember exactly why the rate of 1s. 4d. was adopted by the Herschell Committee? I will tell you why I ask the question; you seem to think it was adopted because it was the minimum rate which would give the Government of India what it wanted. My recollection is rather this, that the Herschell Committee thought that, when the coinage of silver was stopped, the rupee might rise suddenly to a great height and cause inconvenience to merchants and others, and therefore they proposed 1s. 4d. as a provisional limit to any possible rise of the rupee?—That was partly in our mind, no doubt, that was a branch of the general statement—that we wanted as little dislocation as possible; and that also was part of the consideration, as well as providing what was wanted by the Finance Minister.

13,079. You will probably recollect that the original proposal of the Government of India was to close the mints to silver, not to fix any rate at that time, but to take power to declare at some subsequent period a rate not exceeding 1s. 6d.?—Yes.

13,080. And that was altered in that respect by the Herschell Committee?—Yes. We also thought it not desirable to give the Indian Government too great freedom of action in such a matter. We thought it was essential that the popular mind should be struck with permanence, and that therefore we had better adopt a basis which would probably endure.

13,081. You say you would as soon think of giving gold for silver in India as you would think of giving sovereigns in exchange for silver here, if you were Chancellor of the Exchequer. But it would be a

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very much more serious liability in India, would it not?—It would, no doubt.

13,082. In this country the quantity of silver is limited and known, and it is not more than sufficient for the requirements of the country?—Just so.

13,083. Then you say that fixity of exchange has been secured by sewing up the rupee. Of course you recognise that the old rate was 2s. and that, in adopting 1s. 4d., the increased value of gold has been recognised to a large extent?—Yes.

13,084. (*Mr. Le Marchant.*) You were referring to France. Did you say that you regarded the value of the 5-franc piece as being maintained only by limitation?—Yes, practically that is so.

13,085. As a matter of fact, the Bank of France has a very large reserve of gold?—And a very large quantity of silver too.

13,086. Do you think that, if the gold in the Bank of France were replaced by an equal nominal value of silver, so that the total volume of currency remained the same, and, therefore, the limitation the same, the value of the 5-franc piece would be equally maintained?—Some alteration might be made, but of course the limitation to which I referred was the limitation of the quantity of silver. There is no legal limitation of the quantity of gold. There is at any moment a certain amount of gold in hand, but the gold may be freely bought and freely coined, therefore there is no legal limitation of the quantity of gold.

13,087. But the total amount of currency will affect the value of any part of the currency, will it not, taking gold and silver together?—That is so, yes.

13,088. Would you consider that the maintenance of the exchange value of the rupee in India would be affected by the amount of gold that might come into circulation?—Automatically, you mean?

13,089. Yes?—Oh, no.

13,090. You do not think that would bear upon it?—No, because I think the gold that would come in now automatically would only come in as the quantity of trade transactions required such an addition. Therefore the mass of the currency would be regulated by the necessities of trade, which now in my judgment work automatically.

13,091. Is not an outflow of currency necessary for any automatic system—for instance, at the time of the year when it might be in less immediate demand?—To be perfectly automatic, of course, there ought to be a free outflow as well as a free inflow.

13,092. Would not the outflow be largely assisted by the presence of an appreciable proportion of gold in India that could flow out?—I do not think, myself, that there is any great outflow from India, certainly not towards this country; there may be further East an outflow. And you may say that such outflow as there is would be facilitated by an increase in the quantity of gold in India.

13,093. So far as such gold afforded a practical convertibility, it would be an assistance in maintaining exchange rates?—Yes. I think by-and-bye, if we waited, we should find such a quantity of gold in India that the bankers themselves would be able to give gold, or at all events give exchange drafts, without any difficulty from any outflow.

13,094. But you would leave that to time?—I would.

13,095. (*Mr. Holland.*) Do you attach any importance to the contention of some witnesses we have had before us that India is greatly disadvantaged in her competition with silver-using countries by the present system?—No. I am not very much impressed with that. No doubt there are times of transition during which a country where the *entrepreneurs* of industry can pay their wages in depreciated currency enjoy an advantage in their commerce; and it may be said that India has suffered that particular disadvantage; but I regard that as rather a transitory advantage, so far as it is an advantage at all.

13,096. You contemplate, as at any rate a possibility, that, if the United States were to open their mints, it

might be worth while to reconsider the question of reopening the Indian mints?—I suspect that not only would it be worth while, but it would have to be done.

13,097. Would you go so far as to suggest that the United States might be encouraged to take a step of that kind? We have had witnesses before us who have suggested that the United States should be encouraged to take that step?—I rather foreshadowed the form of encouragement which I should offer. I would take my stand on my position as a Finance Minister who has known the inconvenience of rupees falling to low level, and I would not willingly run the risk of renewing that experience; but, certainly, realising, as I do, that if the United States took action it would have an effect on the Indian currency, and that quite conceivably it might bring the value of the silver in the rupee above 1s. 4d., I would readily declare that in that event I should be prepared to support the United States Government by action in India.

13,098. You would not put it the other way about, and reopen the Indian mints on the chance of the United States following?—I do not think an Indian Minister could afford to do that.

13,099. I understand that you differ from some of the witnesses we have had before us who favour the undertaking of the responsibility of convertibility by the Government. You are against the Government undertaking that responsibility?—Yes, I am.

13,100. If the rate of exchange were to fall owing to unfavourable conditions, would you adopt any artificial means to bolster up the rate, or would you rely solely on trade influences?—One cannot prophesy as to the future, especially in India; you may be forced by popular excitement to do things which your own judgment does not approve, but I should be disposed to rely on the self-adjusting action of trade.

13,101. (*Mr. Campbell.*) With regard to convertibility, although you say you would not undertake the responsibility of such a step, would you go so far as to say that, even if you had a sufficient quantity of sovereigns in the Treasury, you would refuse to exchange them at the rate of 15 rupees to the sovereign?—Oh, no; if I had a sufficient quantity of sovereigns I might easily do it. It is a thing that I should regard as a matter of convenience to myself.

13,102. It would be optional on your part?—I would not bind myself to do it.

13,103. Then the position would be very much the same as it is in France?—Yes.

13,104. Then suppose the exchange, owing to an adverse trade balance, were to fall below 1s. 4d. and the Treasury held a considerable amount of sovereigns, would you propose that these should be utilised to liquidate the home charges, in preference to the Secretary of State selling his Council bills below the 1s. 4d.?—Well, I should be indisposed to give any opinion as to what I would do under the circumstances, until they arose. I should like to know how long a period had passed before the crisis, and the amount I had in hand, and what the immediate prospects were of a recovery, and so on. I should look upon my position as a banker, and consider whether the movement was one likely to lead to a greater dislocation, or one that you might safely take as relieving a short emergent crisis.

13,105. (*Sir F. Mowatt.*) But you would regard the operation as legitimate if it suited the Government at the time?—Yes.

13,106. (*Mr. Campbell.*) In paragraph 135 of the Herschell Committee's Report, it is stated that, "It is impossible, in view of these considerations, not to come to the conclusion that to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall." Now, when that Report was written, the value of the rupee was 1s. 2½d. Can you explain why, looking to that declaration, a rate of 1s. 4d. was adopted, which was 8 or 9 per cent. above the rate ruling at the time?—

We did not adopt any limit as a thing to be at once established. We adopted a limit beyond which we thought it imprudent that the rupee should be artificially sprung up.

13,107. And 1s. 4d. was that limit?—Exactly.

13,108. I suppose it was recognised that in all probability the closing of the mints, especially if followed by the repeal of the Sherman Act, would lead to a great fall in the price of silver?—Yes.

13,109. And that would accentuate the difference between the intrinsic silver value of the rupee, and its artificial value?—Yes.

13,110. Now, we know what has occurred—that there is a fall in the value of silver to the equivalent of 10d or 11d. per rupee. Looking to that, do you still think that 1s. 4d. was a suitable rate to have adopted?—Oh yes. I do not think the subsequent fall in the value of silver at all affects the question.

13,111. Then do you admit that there might be disadvantages in pushing the artificial value of the rupee too high above its intrinsic value?—Oh yes, there certainly are. The question is whether it is too high.

13,112. The difference between 11d. and 1s. 4d., you think, is not too high?—But the artificial value of the rupee has not been pushed from 11d. to 1s. 4d. The value of the rupee when the pushing began, was above 11d. We have not changed the situation in India in degree from 11d. to 1s. 4d., but from 1s. 2½d., or something like that, to 1s. 4d.

13,113. With the Indian mints closed to silver, and no fresh currency obtainable, except from gold at the Government ratio, would you admit that the monopoly rupee must, in course of time, rise to any ratio the Government choose to fix?—The Government might go on, undoubtedly. It might alter the 1s. 4d. to 1s. 6d. or 1s. 8d., or even 2s., if they resolutely refused to give out rupees in exchange for gold, and the rupees shrank in quantity; it might take some time, but they might do it.

13,114. Would you consider that the fact of exchange having risen in response to this in the course of four or five years, is itself a proof that the 1s. 6d. or 1s. 8d., or whatever it might be, is a proper limit?—No. I do not see how it bears on the question whether it would be a proper limit. I do not think I understand that question.

13,115. Exchange has risen to 1s. 4d. in the course of five years, and I understand you to say that that

proves to your mind that 1s. 4d. was justified?—Well, I think it may be said to be so.

13,116. Then I put it to you, suppose the Government had adopted 1s. 8d., and in the course of two years hence the rate had risen to 1s. 8d., would that have been equally a proof that 1s. 8d. was justified?—No, I do not think it would. You have to take into consideration the change which you are introducing between the classes in India, and the change which you are introducing in respect of the public debt in India, and generally in respect of the economic situation in India; and you would not be justified in trying, by reducing the quantity of rupees and giving an artificial value to rupees, to screw it up to 1s. 8d. or 2s.

13,117. Do you believe the raising of the rupee above its intrinsic value is a tax upon production?—The raising of the rupee above its intrinsic value is a tax not merely upon production; in its process it may have been a tax on production, it is an additional tax on the agriculturists and the rent payers.

13,118. The producing classes?—So far as they are the producing classes, yes. It increases the burden of rent, undoubtedly.

13,119. (Sir D. Barbour.) You talk about the rupee being pushed up from 1s. 2½d. to 1s. 4d. You are, no doubt, aware that, a short time before the mints were closed, it had been 1s. 4d.?—Yes.

13,120. And even higher?—Yes.

13,121. So that it was only retracing a portion of the fall that had taken place in the preceding years?—Yes. I am afraid I should have to add, in order to make that complete, that, judging by the outside circumstances, I do not think it would have risen again from 1s. 2½d. to 1s. 4d., if it had not been for what we did.

13,122. (Chairman.) It has been suggested to the Committee by Lord Northbrook that, should there be a surplus in India on the current financial year, that surplus should be used as a nucleus for a gold reserve. What are your views on this matter?—I cannot say that I have considered this proposal, but it is apparent at once that it proceeds from a point of view which I have rejected. I look to the currency being automatically regulated and reserves accumulated in the ordinary course of banking business. I should therefore discourage the intervention of Government by such an appropriation of the anticipated surplus, which I should prefer to see dealt with on ordinary lines of policy.

*Rt. Hon.
L. B.
Courtney,
M.P.*

17 March 1899

The witness withdrew.

Adjourned.

INDIAN CURRENCY COMMITTEE, 1898.

R-1747

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TO THE

EVIDENCE

TAKEN BEFORE



THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

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(6) " money-market See "Stringency in India since closing of Mints"

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(N) Rise from 1894-5 to 1897-8, (O'Connor) 959-91

(O) Since closing of mints, affected by external causes, (Mackay) 153-5, 239, 246, 249-34, (O'Connor) 851-1, 854, 911-1025, (Arthur) 1883-5, (Finlay) 2573-636, 2796-813, 2836-46, 2869, (Balli) 5957-60; (Adam) 7928-9; (Northbrook) 8458-64.

(P) Since closing of the mints, has fluctuated, (Giffen) 10,082-9.

(Q) Under gold standard —

(1) Limit of 1s. 6d. recommended by Government of India in 1892, (Mackay) 34-7, 562-5; (Finlay) 2547-8.

(2) No permanent rate has been chosen, (Mackay) 567-70, (Arthur) 1948-57; (Finlay) 2534-63; (Coe) 5058-9, (Vincent) 5541; (Probyn) 7033-7, (Giffen) 10,153-5.

(3) Rate that should be adopted, (Mackay) 138, (Arthur) 1797-803, 2238-41, 2252-74, (Finlay) 3038-60, 3130-79, (Lindsay) 3405-21, 3719-27, 3812-9, 3923-4, 4062, 4269-70; (Coe) 5118; (Vincent) 5509-10, 5539-40, 5692-3; (Balli) 6363-7, (Raphael) 6466, 6484-5, 6526-8, 6600; (Montagu) 6635; (Probyn) 6866-71, 6880-98, 7093, 7033-8, (Rothechild) 7614, (Coke) 8017-9, 8150-61; (Cameron) 8192, 8226-8, 8262-9; (Northbrook) 8437, 8457-66, 8509-17, 8543; (Graham) 9262-3; (Cruckshank) 9387-1, 9422-5, (Rustomjee) 9729, 9738, 9746-50; (Giffen) 10,276-7, (MacKenzie) 10,563-71, 10,574; (Coe) 11,287, (Marshall) 11,787, (Duncan) 11,830-7, 11,928-30, 12,006-7, (Farrer) 12,192, 12,289-31, 12,300, 12,314-27; (Dunoon) 12,537-9, 12,588, (MacLeod) 12,941-3.

Excise duties, possibility of increase, (O'Connor) 1432-5; (Northbrook) 8415; (MacKenzie) 10,428, (Dutt) 10,558.

EXPENDITURE OF INDIA.

Distribution of charges between Indian and

Imperial Governments, (Giffen) 10,062, 10,187-91.

Possibility of reduction, (MacKenzie) 10,448-58, 10,607-9, (Dutt) 10,710-3, 10,744-6, 10,769-70, 10,983-11,004.

Export duties, (Balli) 6010-1, 6129-35; (Steel) 7213; (Northbrook) 8413; (Graham) 9051, 9118-9; (Cruckshank) 9399; (Coe) 11,243-54, 11,260.

EXPORTS FROM INDIA.

Effect on trade of closing of mints, (Mackay) 183, 189; (Coke) 8005-6, (Northbrook) 8396.

" divergence between exchange value and intrinsic value of rupee. See "Exchange"

" maintenance of rupee at 1s. 4d. See "Exchange"

" rise or fall in exchange See "Exchange"

Increase from 1873 to 1893, (Raphael) 6440.

Relation of trade to sale of Council Bills, (O'Connor) 1070-7, 1221-5, 1263, 1292, 1301, 1329-31, (Coe) 5089; (Adam) 7885-6, 7906-10, 7938-45.

Statistics (O'Connor) 958-69, 1468-72, 12,043, 12,047-8, 12,101-14.

See also "Cotton," "Jute," "Rice," "Tea," "Wheat."

Failure of native firms since 1893, (MacDonnell) 5759-64, 5893-5, 5892-9.

Famine fund, remittances to India, (O'Connor) 1025.

Famine in India in 1896 and 1897, effect on exchange, money-market, and trade, (Mackay) 190-205, 212, 241, 371, 619-20, 773, 796; (O'Connor) 835, 989, 1251, 1358-9, (Arthur) 1884, 2049-53, (Finlay) 2694-7, 2848-56; (Lindsay) 3297, 3302; (MacDonnell) 5752, 5901-3; (Northbrook) 8396, 8519.

Farrukhabad rupee, coinage of, (O'Connor) 1395-401, (Lindsay) 3865-8, 3909-12, (Rustomjee) 9819-22.

Financial position of India, (O'Connor) 1479, (Finlay) 3247-51; (Giffen) 10,080-2, 10,167-72, 10,174-7, 10,183-91, 10,335-7, 10,343. See also "Exchange value of the rupee," "Poverty of India, alleged," and "Taxation."

Fluctuations of exchange See "Capital," "Exchange value of the rupee," "Effect of instability," and "Stability"

Food-crops, production of, in India, (MacKenzie) 10,490, 10,556, 10,581-3, 10,622-3.

Food grains, price of, in India See "Prices"

Foreign countries, return of rupees from, (Mackay) 109, (Finlay) 2768-81.

France, Bank of, (Arthur) 1790; (Raphael) 6438, 6449-51.

" monetary condition of, (Finlay) 2944-8; (Raphael) 6435-8, 6447-51, (Montagu) 6657-62;

(*Rothschild*) 8525-8; (*Giffen*) 10,310; (*Lubbock*) 11,110-4, 11,173; (*Seymour*) 11,412-5, 11,418-23; (*Aldenham*) 12,755-6, 12,821; (*Macleod*) 12,962-6; (*Courtney*) 13,013-4, 13,017-9, 13,084-7.

Freights from India, (*Mackay*) 147-8; (*Arthur*) 2298-7. Germany, adoption of gold standard, (*Giffen*) 10,179-52. Glasgow Chamber of Commerce, views on Indian currency question, (*Galloway*) 9873-7; (*Duncan*) 11,912-3.

„ manufacturers and exporters trading with India, views on currency question, (*Galloway*) 9945-7; (*Barclay*) 11,601-4.

Gold, appreciation of, (*Arthur*) 1746, 1848-9, 1931-6; (*Lindsay*) 3594-6; (*Probyn*) 6967-8.

„ circulation of, in United Kingdom (*Giffen*) 10,095-8.

„ coinage of, in India. See "Coinage of gold in India." „ currency, amount that would be used in India, (*Giffen*) 10,091, 10,103-8, 10,302-4; (*Mackenzie*) 10,485; (*Lubbock*) 11,137; (*Farrer*) 12,279; (*Aldenham*) 12,802-6, 12,914-6.

„ desirability and suitability of, for India, (*Mackay*) 705; (*Arthur*) 1765, 1775, 2155, 2298-300; (*Lindsay*) 4070-3, 4084; (*Vincent*) 5472-4, 5476-7, 5484-6, 5492; (*Bali*) 5986; (*Raphael*) 6453, 6472; (*Montagu*) 6651-2, 6683-5, 6729-30; (*Probyn*) 6649-51, 6917-27.

„ (*Rothschild*) 7621, 7625-3; (*Adam*) 7893; (*Coke*) 8025-6; (*Northbrook*) 8422-3, 8425, 8428-9, 8447, 8539, 8541, 8545; (*Graham*) 9334 (note); (*Cruckshank*) 9391; (*Bustomjee*) 9730, 9737-8; (*Giffen*) 10,091-2, 10,099-100, 10,118, 10,195-203; (*Mackenzie*) 10,484; (*Lubbock*) 11,032-3, 11,035, 11,040-1, 11,100-6, 11,119; (*Bois*) 11,287; (*Barclay*) 11,536, 11,624-5, 11,719; (*Farrer*) 12,223, 12,228, 12,230-1, 12,302-3; (*Darwin*) 12,560-4, 12,577-9, 12,695, 12,720-1; (*Aldenham*) 12,917-8, 12,924; (*Macleod*) 12,936, 12,939, 12,956; (*Courtney*) 12,998-13,000.

„ Hoarding of. See "Hoarding."

„ Imports and exports of, (*O'Connor*) 904-9, 1060, 1164-5, 1180-7, 1228-40, 1273-8, 1473-5, 1596-8; (*Lindsay*) 3634-6, 4187-8; (*Vincent*) 5484, 5521, 5524-6, 5529-31; (*Bali*) 5979; (*Rothschild*) 7614, 7616, 7618, 7641, 7667-8; (*Adam*) 7968-7; (*Coke*) 8041; (*Northbrook*) 8452; (*Graham*) 9110-1; (*Giffen*) 10,240-2, 10,287-9, 10,360-3.

„ in the Indian market, (*O'Connor*) 1209-12, 1310-3; (*Lindsay*) 3646.

„ price of, (*Arthur*) 2269-71; (*Finlay*) 3055-8; (*Vincent*) 5522; (*Bali*) 6356-8; (*Coke*) 8160; (*Cameron*) 8184, 8370.

„ Mines, Indian, (*O'Connor*) 906-7, 1187; (*Macleod*) 12,947.

„ cost of production at, (*Probyn*) 7055; (*Acworth*) 7494-40, 7495-5, 7487-92.

„ notes. See "Notes."

„ Ornaments. See "Ornaments."

„ Production of, and demand for, (*Mackay*) 520; (*Vincent*) 5507; (*Montagu*) 6644, 6683-4; (*Probyn*) 6964-5; (*Rothschild*) 7614-5, 7686; (*Giffen*) 10,116-7, 10,311-3; (*Aldenham*) 12,747-52, 12,838.

„ reserves held by Government of India, method of dealing with, (*Darwin*) 12,551-5, 12,565-6, 12,625-31, 12,664-7; (*Courtney*) 13,073-4, 13,101-5.

„ standard, attempts of various countries to establish, (*Giffen*) 10,109-12, 10,332-4, 10,339, 10,343; (*Barclay*) 11,885.

GOLD STANDARD FOR INDIA.

Convertibility of rupee. See "Convertibility."

Dependent on balance of trade, (*Rothschild*) 7614, 7704.

Desirability of, (*Mackay*) 718; (*Arthur*) 1701; (*Bali*) 5985-8, 6118, 6310; (*Raphael*) 6454, (*Acworth*) 7444, 7550-5, 7586-93. (*Adam*) 7908; (*Coke*) 8024; (*Cameron*) 8191; (*Northbrook*) 8396, 8419-21, 8447; (*Chestham*) 8937-43; (*Graham*) 9201, 9269-78; (*Cruckshank*) 9385-6; (*Bustomjee*) 9728; (*Giffen*) 10,091, 10,249-59, 10,345; (*Bali*) 10,832-5; (*Farrer*) 12,170-7; (*Darwin*) 12,535; (*Aldenham*) 12,741-2.

Effect on Indian money market, (*Rothschild*) 7731; (*Graham*) 9275-6; (*Cruckshank*) 9495.

„ London money market, (*Giffen*) 10,314-5; (*Aldenham*) 12,745, 12,921-3.

„ price, (*Arthur*) 17, 47; (*Finlay*) 3195-8; (*Lubbock*) 11,214.

„ rupee debt of Government of India. (*Northbrook*) 8441.

„ supply of capital to India, (*Arthur*) 1748; (*Finlay*) 3235; (*Rothschild*) 772.

„ supply of currency, (*Arthur*) 1745-6

a Y 4073.

GOLD STANDARD FOR INDIA—cont.

"Lindsay Scheme." See "Lindsay (Mr A. M.)" Method of acquiring gold, (*Mackay*) 670-80, 797; (*Vincent*) 5484; (*Bali*) 6360-7; (*Raphael*) 6454, 6473-9; (*Montagu*) 6639-40, 6643-6, 6666, 6722-8, 6732-41; (*Probyn*) 6662, 7026-31, (*Rothschild*) 7614, 7623, 7684, 7700-3, (*Northbrook*) 8430, 8502-11, 8520, 8552-3; (*Graham*) 9278-90; (*Cruckshank*) 9650, (*Galloway*) 9971-5, (*Giffen*) 10,263-81; (*Bois*) 11,287, 11,317-8; (*Barclay*) 11,619-23; (*Farrer*) 12,254, (*Macleod*) 12,947; (*Courtney*) 13,123.

Proposals of Government of India in 1864, (*Giffen*) 10,173.

10,025-9, 10,045-8, " 1879, (*Giffen*) 10,095-8.

" 1898 —

(1) Gold as legal tender, (*Finlay*) 3095; (*Coke*) 8030. See also "Gold currency."

(2) Melting down of rupees and sale of bullion, (*Mackay*) 681-2; (*Arthur*) 1888-94, 2229-32, (*Finlay*) 2643-5, 2651-8, 2660-3, 2731-48, 2925-8, 2976-7, 3061-94; (*Coz*) 4985-8; (*Bali*) 6064, 6118-9; (*Raphael*) 6447, 6452, (*Montagu*) 6875-7; (*Probyn*) 6994; (*Steel*) 7105, 7322; (*Rothschild*) 7614, 7687; (*Adam*) 7766; (*Coke*) 8027, 8052-6; (*Cameron*) 8209-10; (*Bustomjee*) 9725, (*Lubbock*) 11,097, (*Barclay*) 11,700, (*Farrer*) 12,200, (*Darwin*) 12,672-3; (*Aldenham*) 12,813, 12,865-9.

(3) Raising of gold loan and transmission of gold to India, (*Finlay*) 2645, 2648-50, 2659, 3095, 3104-20; (*Probyn*) 6928-34, 6993; (*Rothschild*) 7634; (*Giffen*) 10,271-5; (*Lubbock*) 11,097.

(4) Rate of *ls. Ad.* the rupee, (*Finlay*) 3038-60, 3180-79; (*Giffen*) 10,126; (*Lubbock*) 11,055, 11,062, 11,216-8. See also

"Exchange value of the rupee under Gold Standard," and "Gold Standard for India value to be assigned to the rupee."

Recommended by Herschell Committee, (*Mackay*) 33.

Schemes for establishing a gold standard in India. See "Bois (Mr. H.)," "Darwin (Major L.)," "Lindsay (Mr. A. M.)," "Macleod (Mr. H. D.)," "Probyn (Mr. L. C.)," "Raphael (Mr. H. L.)."

Value to be assigned to the rupee, (*Mackay*) 34-7; (*Arthur*) 1797-803, 2234-40, 2252-74; (*Finlay*) 3088-60, 3130-79; (*Lindsay*) 3405-21, 3718-28, 3812-9, 3923-4, 4062, 4269-70; (*Coz*) 5118, (*Vincent*) 5509-10, 5540-2, 5692-3, 5710; (*Bali*) 6353-7; (*Raphael*) 6466, 6484-5, 6528-8, 6600, (*Montagu*) 6685; (*Probyn*) 6866-71, 6880-98, 7000, 7033-7; (*Rothschild*) 7614; (*Coke*) 8017-9, 8150-61; (*Cameron*) 8192, 8226-8, 8262-9, (*Northbrook*) 8437, 8457-66, 8509-17, 8543; (*Graham*) 9262-8; (*Cruckshank*) 9387-91; (*Bustomjee*) 9729, 9738, 9746-50; (*Giffen*) 10,276-7, 10,317-9; (*Lubbock*) 11,216-8; (*Bois*) 11,281, 11,287, (*Marshall*) 11,787, (*Duncan*) 11,860-7, 11,928-30, 12,006-7; (*Farrer*) 12,192, 12,289-91, 12,309, 12,314-27; (*Darwin*) 12,537-9, 12,588; (*Macleod*) 12,941-3.

See also "Bank of England Notes" and "Notes."

Gold Standard without gold currency, advantages and disadvantages of, (*Lindsay*) *passim*; (*Probyn*) 6849, 6879; (*Rothschild*) 7614, 7621, 7625-8; (*Northbrook*) 8422-3.

Gold, supply of, and demand for. See "Gold, production of," above.

„ transmission of, to India under existing currency arrangements, (*Arthur*) 1732-4, 2267-71; (*Finlay*) 2641-2, 3202-3; (*Vincent*) 5475; (*Coke*) 8011-3, 8159-61; (*Cameron*) 8221-4, 8366-71; (*Graham*) 9315-9; (*Farrer*) 12,292-3; (*Darwin*) 12,615-6.

„ use of, in India, as banking reserve, (*Vincent*) 5538-73; (*Rothschild*) 7670-9.

Government balances in India, management of, (*Mackay*) 312, 373-80, 395-9, 403-5; (*Lindsay*) 3310-20, 3511-27, 3617-22, 3639-45; (*Vincent*) 5478-53, 5532-8, 5564-7, 5627, 5662-73, 5715; (*Montagu*) 6711-4; (*Rothschild*) 7652-3; (*Cameron*) 8214-22, 8316-32, 8362-5; (*Northbrook*) 8400-1, 8549-50; (*Graham*) 9130-2; (*Bustomjee*) 9727.

- Government of India, how affected by rise or fall in exchange, (*Mackay*) 734-7; (*Arthur*) 1806-7; (*Finlay*) 2515-25, 2933-4; (*Lindsay*) 3919-20; 4149-51, (*Waterfield*) 4396-418, (*Raphael*) 6442-3; (*Steel*) 7251-3, (*O'Connor*) 12,077-96.
- Government securities in India, price of, (*Cheetham*) 8777, (*Rustomjee*) 9775-8, 9863-5.
- Harvest of 1898, (*Mackay*) 621.
- Herschell Committee, (*Mackay*) 28-33, 37, 562-6, (*Courtney*) 12,986-93, 13,028-9, 13,078-80, 13,105-9.
- Hoarding in Egypt, (*Vincent*) 5390-1.
- HOARDING IN INDIA.
- (1) Gold, (*Mackay*) 706, (*O'Connor*) 1204, 1206-8, 1210, 1363-6, 1597; (*Lindsay*) 3581-2, 4070, 4080-3, 4157-60; (*Vincent*) 5474, (*Raphael*) 6491-3, 6570, (*Montagu*) 6653-4; (*Probyn*) 6849-51, 6917-27, 6952-7, (*Rothschild*) 7619, 7666, (*Cheetham*) 8944-56; (*Aldenham*) 12,782-3, (*Macleod*) 12,939, 12,947.
- (2) Rupees, (*Mackay*) 746-7; (*Harrison*) 2427, 2434-7, 2449-55, (*Finlay*) 2785-8, (*Lindsay*) 3608-10; (*MacDonnell*) 5769, 5783, 5885, (*Probyn*) 6990, (*Northbrook*) 8336, (*Cheetham*) 8809-10; (*Rustomjee*) 9752; (*Giffen*) 10,205-11, 10,216-24, 10,308; (*MacKenzie*) 10,393, 10,598-97, (*Dutt*) 10,693, 10,878-81; (*Aldenham*) 12,787.
- (3) Uncoined Silver and Ornaments (*Mackay*) 551-4, (*O'Connor*) 912, (*MacDonnell*) 5763, 5783-4; (*Northbrook*) 8396, (*MacKenzie*) 10,394, (*Dutt*) 10,692, 10,694, 10,856-8, 10,878-81, (*Barclay*) 11,580-6, 11,659, (*Aldenham*) 12,781.
- Hoarding in Turkey, (*Vincent*) 5463-5, 5474, (*Galloway*) 9921.
- Hoards, return of rupees from, (*O'Connor*) 1354; (*Harrison*) 2451-5, 2468-70, (*Finlay*) 2527, 2782-4; (*MacDonnell*) 5886-8, (*Rustomjee*) 9804-7.
- Holland, currency of, (*Lindsay*) 3603.
- Home charges of the Government of India, (*Waterfield*) 4360-93, (*O'Connor*) 12,078-89.
- Identity between standard of value and circulating medium, advantages of, (*Giffen*) 10,091-108; (*Lubbock*) 11,100, 11,172.
- Illicit coinage in England, (*Seymour*) 11,430-5, 11,463-8, 11,487-9, 11,505-12, 11,517-8.
- " " " " India. —
- (1) Of Government rupees, alleged increase in (*Mackay*) 259-62; (*O'Connor*) 919-22, 1398-402; (*Lindsay*) 3864-8, (*Ralli*) 6065-72, 6377-86, (*Cole*) 8146-8, (*Northbrook*) 8441-6, (*Cheetham*) 8957-8; (*Cruckshank*) 9421; (*Rustomjee*) 9795-7, 9811, 9819-22; (*Galloway*) 10,008-14, (*MacKenzie*) 10,492-3, 10,614-8, (*Dutt*) 10,817; (*Barclay*) 11,688-98, (*O'Connor*) 12,018-21.
- (2) of rupees of Native States, (*Lindsay*) 3865, 4077, 4181-6, 4188.
- Imperial Government, suggested assistance in establishing gold standard in India, (*Northbrook*) 8442-3, (*Rustomjee*) 9731, 9738, 9751; (*Farrer*) 12,237-8, 12,250-6 See also "Convertibility of the rupee, proposed guarantee of British Government"
- Import duties, (*O'Connor*) 1438-46, (*Arthur*) 1809-10; (*Finlay*) 2596, 2910-2; (*Ralli*) 6004-5, 6008-9, 6125-8, 6312-20; (*Steel*) 7211-2, (*Rothschild*) 7728; (*Northbrook*) 8411-2; (*Graham*) 9050, 9114-7, 9282-3, (*Cruckshank*) 9397-8; (*Giffen*) 10,075-9, 10,354-6; (*MacKenzie*) 10,434-6, (*Duncan*) 11,880, 11,908-11, 11,933-5.
- " " " " influence of, on maintenance of gold standard, (*Steel*) 7299-801; (*Marshall*) 11,828
- " " " " suggestion that they should be payable in gold, (*Montagu*) 6722; (*Northbrook*) 8430, (*Macleod*) 12,947, 12,974-7.
- Imports into India, effect on trade of rise or fall in exchange See "Balance of Trade" and "Exchange value of the rupee."
- " " " " Gold. See "Gold"
- " " " " Manchester goods, (*O'Connor*) 1413-7; (*Ralli*) 6127, (*Adam*) 7807; (*Graham*) 9133-5
- " " " " Prices of. See "Prices"
- " " " " Silver. See "Silver"
- " " " " Statistics, (*O'Connor*) 978-69, 12,043
- Income tax. See "Assessed Taxes."
- Indebtedness of Indian cultivators, (*O'Connor*) 900, (*Dutt*) 6285-8, (*Steel*) 7329, 7348, (*Ralli*) 10,674, 10,678, 10,680-9, 10,691
- Indigo trade, condition of, (*Cruckshank*) 9360-6, 9415-7, 9562-8, 9652-71, (*MacKenzie*) 10,562-4
- " " " " effect on, of high exchange, (*Cruckshank*) 9362-6, 9418-20.
- Industrial securities in India, effect on, of closing of mints, (*Cheetham*) 8772-8, 8860-7.
- Instability of exchange See "EXCHANGE VALUE OF THE RUPEE. Effect of Instability"
- Interest, rate of, causes affecting, (*Marshall*) 11,765-7.
- Internal trade of India, (*Mackay*) 351-5, 392, 400-2; (*O'Connor*) 1368-9, 1381, 1518-57; (*Arthur*) 2108-13, (*Ralli*) 6336-7; (*Steel*) 7340
- INTERNATIONAL AGREEMENT FOR COINAGE OF SILVER:
- (1) Effects of, (*Barclay*) 11,598, 11,636, 11,705, 11,715-6; (*Aldenham*) 12,841, 12,879-904, 12,924; (*Courtney*) 13,046-8
- (2) Possibility of, (*Adam*) 7979-80; (*Northbrook*) 8449, 8492; (*Graham*) 9229-30, 9248-51, (*Barclay*) 11,598, 11,646-56, 11,699; (*Farrer*) 12,162; (*Macdonald*) 12,492; (*Aldenham*) 12,841, 12,844-6, 12,874-904; (*Courtney*) 13,048-51, 13,096-8.
- (3) Ratio that should be adopted, (*Barclay*) 11,711-5, 11,734, 11,749-50; (*Aldenham*) 12,843-4
- See also "American envoys, currency proposals of"
- Investment of capital in India, effect on rate of exchange, (*Finlay*) 2874-84, 2888-95.
- Irrigation works, revenue from, (*Mackay*) 247, (*Steel*) 7207-8, 7214-5.
- Italy, monetary condition of, (*Giffen*) 10,080-2, 10,279-81.
- JAPAN
- Currency, (*O'Connor*) 1030, (*Arthur*) 1649-57, 1706-7; (*Chraste*) 4801; (*Ralli*) 5974-8, 6310, (*Montagu*) 6651-5; (*Steel*) 7314, (*deWortell*) 7418; (*Cameron*) 8229, 8236-47, 8383-5
- Establishment of cotton mills, (*O'Connor*) 1150-4; (*Macdonald*) 12,357-60.
- Exports of cotton to, (*O'Connor*) 875, 1152-4, (*Cheetham*) 8916-8.
- Foreign trade of, (*Cameron*) 8229-35, 8274-5
- Trade with India, (*O'Connor*) 891, 864, 872-3; 12,073-5.
- Wages, (*O'Connor*) 1161.
- Java, currency of, (*Courtney*) 13,074-7.
- Jute, effect on Scotch industry of a tax on exports from India, (*Galloway*) 9937-9.
- " " " " trade of fall in exchange value of rupee, (*Galloway*) 9885-7, 9948-55, 10,015-19.
- " " " " fixing exchange, (*Cor*) 5036-9.
- " " " " monetary stringency, (*Cruckshank*) 9429, 9605-7.
- " " " " Export of, (*Mackay*) 315, (*Cor*) 5019-31, 5066-72; (*Steel*) 7341-3.
- " " " " Mills, (*Mackay*) 313; (*Arthur*) 1708-10, 5073-4.
- Kashmir, coinage in. See "Mints of Native States"
- Lancashire, trade with India, (*Barclay*) 11,677-8.
- LAND REVENUE.
- Amount (*O'Connor*) 1418-3, 1564-6; (*MacDonnell*) 5858
- Effect of rise or fall in exchange on amount of, (*Dutt*) 10,643, 10,650, 10,662-7, 10,691, 10,993-11, 11,019-26.
- Possibility of increase, (*O'Connor*) 1418-9, (*MacDonnell*) 5860, 5889-90, 5912; (*Steel*) 7068-9, 7180-2, 7202-4, 7206, 7256-70; (*Adam*) 7990-2; (*Northbrook*) 8410, 8551, (*MacKenzie*) 10,417-22; (*Lubbock*) 11,078-80, 11,149-50
- Suggestion that it should have been fixed in gold, (*Raphael*) 6426-32, 6510, 6553.
- System of assessment, (*MacDonnell*) 5736-43, 5800-21, 5904-14, (*Northbrook*) 8381-4, (*MacKenzie*) 10,598-602, (*Dutt*) 10,886-903
- Legal tender of rupees See "Rupee Currency"
- LINDSAY (Mr A M). SCHEME FOR FIXING EXCHANGE BETWEEN RUPEES AND GOLD. —
- Based on Ricardo's proposals in 1819, (*Lindsay*) 3350-9, 3680-2 3736-44, (*Macleod*) 12,937.
- Gold standard offices to be established in India and England, for issue of sterling drafts payable in England in exchange for rupees, and of rupee drafts in exchange for sterling, (*Lindsay*) 3339-8, 3731-5, 4035-41. (*Vincent*) 5303-6; (*Adam*) 7782, 7836-9, (*Cole*) 8034; (*Northbrook*) 8425; (*Graham*) 9384 (note); (*Cruckshank*) 9367, 9647-9; (*Giffen*) 10,127; (*Lubbock*) 11,099; (*Farrer*) 12,224-6, (*Darwin*) 12,503, (*Aldenham*) 12,815
- " " " " reserve, amount of, (*Lindsay*) 3382, 3399-403, 3435-41, 3446-57, 3533-72, 3934, 4010-31, 4131, 4143-51; (*Vincent*) 5491, 5543-9, (*Steel*) 7167-8, 7174-8.
- " " " " location in London, (*Lindsay*) 3813, 4001, 4032, 4056-7, 4216-7, (*Montagu*) 6671-3, (*Probyn*) 6991-2; (*Rothschild*) 7026-7; (*Farrer*) 12,245-5; (*Aldenham*) 12,813.

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APPENDIX.

MEMORIALS, MEMORANDA, AND MISCELLANEOUS PAPERS.

Papers relating to INDIA.

A—*Letters from Indian Chambers of Commerce, Commercial Associations, &c.*

No. 1.

LETTER from the MADRAS CHAMBER OF COMMERCE.

The Chamber of Commerce,
Madras, 19th May 1898.

SIR, I HAVE the honour to state that the Madras Chamber of Commerce has taken into earnest consideration the Government of India's Notification Accounts and Finance, No. 2048 A., dated 4th May 1898, published in a *Gazette of India Extraordinary* of the same date, containing papers on the subject of the establishment of a gold standard in India, and setting forth the Government of India's proposals with regard to the same. The Chamber considers it to be its duty to lose no time in laying before the Indian Currency Committee its strong disapproval of these proposals and its reasons for this disapproval. The Chamber is astonished to find that in the face of what has occurred during the last two years, and especially during the last six months—namely, the extreme stringency of the money market, and the universal outcry and demand for the adoption of measures to relieve this stringency—the Government of India should now put forward proposals involving the immediate withdrawal of ten crores of rupees from the currency, of which six crores are to come from the outside public. The Chamber cannot understand how Government has failed to see that to carry out such a scheme would in all probability cause a most serious financial crisis and widespread ruin.

2 The Chamber observes that Government chooses to assume *ab initio* that the currency at present is unduly redundant; but this hypothesis the Chamber cannot accept. It would remark, however, that one advantage of the Lindsay scheme, which Government has rejected, is, that it would leave to natural causes to show whether this is or is not the case. If it is, then under the scheme rupees would flow in gradually, probably and automatically, to buy gold at the Government minimum of 1s. 3½d., and when they reached a certain amount they might, if necessary, be legitimately melted and sold for gold to replace the gold reserve. The Chamber's belief, however, is that there is no redundancy of currency, and that as soon as confidence in the efficacy of the Lindsay scheme was established, which the Chamber believes would not take long, gold would flow in which could be used not to attempt the Sisyphean task of establishing and maintaining a gold coinage, but to buy silver for coinage to replenish what would have been found to be the unduly contracted currency.

3. It seems to the Chamber that the dominant note throughout the whole of the Government Despatch of the 3rd March is that the volume of the currency must be made to be consistent with a 1s. 4d. rupee, and that if it is not consistent with this it is redundant and must be contracted. But the Chamber ventures to think that a sounder argument is the volume of the currency must be consistent with the requirements of trade and the prosperity of the country, and to endeavour to secure a 1s. 4d. rupee at the expense of those would be an unwise and fatal policy.

4. It has already been proved that by the artificial contraction of the currency exchange can be temporarily forced up to the 1s. 4d. level; but so far this has worked not good but evil, for no one believes—or will believe until a minimum is established—in the stability of exchange, and consequently capital has flowed from, instead of to, the country ever since the maximum rate was reached. If the Government proposals were adopted no doubt for a time exchange would be kept at 1s. 4d. by the undue contraction of the currency which they involve and the extreme stringency of money which would prevail; but no confidence would be created. Rather the reverse, as public opinion would not tolerate permanently the evils flowing from a contracted currency.

5. The following figures will show the large withdrawals of capital from India which have necessitated

the high bank rates ruling during the past two years. The figures are taken from the last published statements of the Presidency Banks in March 1896 and March 1898, which may be taken as the height of the busy season:—

—	Government Deposits.	Other Deposits.	Advances	Cash
1896	407,00,000	1,135,00,000	1,268,00,000	542,00,000
1898	368,00,000	886,00,000	1,106,00,000	387,00,000
Decrease	39,00,000	249,00,000	162,00,000	155,00,000

These figures speak for themselves; and when it is considered that at the end of March 1898, the ordinary surplus balances of the Government in their Reserve Treasuries in Calcutta, Madras and Bombay, apart from the balances with the Presidency Banks, amounted to over three crores, it is evident that these balances which are taken by the Government from their revenue collections are kept locked up to increase stringency and thereby force up exchange.

6. The Government objects to the Lindsay scheme on account of its possible expense. The Chamber is confident that to establish permanently a gold coinage on the lines of Government's scheme would cost far more than the 20,000,000L. that Government contemplates, and that to carry out the Lindsay scheme 20,000,000L. would be more than sufficient. Moreover the Chamber believes that a large majority of authorities in India consider that a gold coinage is unsuitable to this country, apart from the probably enormous expense of establishing it.

7. Another objection to the Government scheme is that to throw at once a huge quantity of silver on the market would further reduce the price of that metal, thereby seriously injuring both producers in their competition with silver standard countries and the great mass of holders of silver in India.

8. In conclusion, the Chamber would again advocate the adoption of the Lindsay scheme or some modification of it for the reasons already stated in its letter to the Government of India, which is quoted on page 9 of the *Gazette Extraordinary* of the 4th May, and would respectfully press on the Currency Committee the urgent necessity for the prompt adoption of measures to relieve the present tension in India, which is universally felt to have become intolerable.

9. I have the honour to confirm the following telegram despatched by the Chamber to the Committee on the 17th instant:—

“Madras Chamber of Commerce strongly protests against adoption Government India Currency proposals involving violent contraction currency which disastrous to trade necessities and prosperity country. Approves Lindsay scheme or modification. Letter follows.”

I have the honour to be,

Sir,

Your most obedient servant,

(Signed) GEORGE G. ARBUTHNOT,

Chairman.
To the Secretary,
Indian Currency Committee,
India Office, London.

No. 2.

LETTER from the BENGAL CHAMBER OF COMMERCE.

Bengal Chamber of Commerce,
Royal Exchange Building, Calcutta,

16th June 1898

SIR, I AM directed by the Committee of the Bengal Chamber of Commerce to address you with reference to the proposals of the Government of India for the establishment of a gold standard in India, as set forth in Despatch No. 70 of 3rd March 1898, from the Government of India, Finance and Commerce Department, to Her Majesty's Secretary of State for India,

published with accompanying papers in the *Gazette of India Extraordinary*, dated Simla, 4th May 1893.

2. In view of the paramount importance of the establishment of a sound currency system in India in the interests of trade and commerce, and of the country generally, the Committee lost no time in placing the proposals of the Government of India before their members for their consideration. So far as the Committee have been able to ascertain the opinions of members, they are almost entirely opposed to the introduction of the scheme which has been submitted to the Secretary of State by the Government of India. Although a considerable number of the members of the Chamber are not prepared, for various reasons to express their opinions on currency matters, the Committee feel they are justified in taking those they have received as fairly representing the views of the majority of members with regard to the Government proposals. The Committee now direct me to refer more particularly to those points in the scheme which appear to members to be open to grave objection.

3. Before, however, proceeding to do this, I am instructed by the Committee to draw attention to certain statements made by the Government of India in their communications to the Secretary of State which, they think, are calculated to convey an erroneous impression with regard to the attitude taken by this Chamber. The first of these is contained in paragraph 26 of the Despatch already alluded to, in which the Government of India write as follows, in respect of letters addressed to them by the Bengal, Bombay, and Madras Chambers of Commerce:—"We think, therefore, that we may expect their support in the measures we propose, though neither the Bengal Chamber nor the Bombay Chamber has declared in favour of any particular scheme to secure the object, and the Madras Chamber has supported, with some modifications, the proposals of Mr. Lindsay to which we allude below."

As a matter of fact the Bengal Chamber of Commerce has always carefully refrained from either proposing, or supporting, any particular scheme for solving the currency difficulty. This attitude has been taken up by the Chamber in consequence of the great diversity of opinion among its members. At the same time, although members are divided as to the best course to be pursued to set the currency of the country on a sound basis, they are, so far as their views are known, practically unanimous in condemning the proposals now put forward. In this connexion I am also instructed by the Committee to refer to a statement, in paragraph 2 of Despatch No. 92 of 24th March 1893, from the Government of India, Finance and Commerce Department, to the Secretary of State for India, in which the Chamber is again committed to an opinion on mistaken grounds, an address delivered by the Hon. Mr. Allan Arthur, the then President of this Chamber, at the annual general meeting of members held on the 28th February last, being quoted as an expression of opinion on the part of the Chamber. It is understood, under the rules of the Chamber, that the remarks of the President, in his annual address, shall not be taken as necessarily representing the views of the Chamber.

4. The principal basis of the proposals made by the Government of India for the establishment of a gold standard, appears to be indicated in paragraph 9 of the Despatch of 3rd March in which it is laid down that one of the main reasons of the failure to accumulate that reserve of gold which is a necessary preliminary to the establishment of a gold standard is that "our rupee circulation had, before the closing of the Mint, been increased to such an extent that it fully, and more than fully, supplied all the demands of trade, and allowed no room for any further addition in the form of gold." The Government of India consider that "the remedy for this state of things is to remove from circulation as money, so much of the increases which were made to the circulating medium immediately before 1893 as we may find to be redundant," and they propose to do this as indicated in paragraph 11 of the Despatch, by melting down existing rupees, having first provided a reserve of gold for the double purpose of taking the place of silver, and to establish confidence in the issue of their measures. The proposals, stated briefly, are to melt down annually, until such time as the object sought for shall be attained, 10 crores of rupees of coined silver, placing the same upon the market for sale, and to reduce by this amount the actual rupee circulation of the country, an operation which Government do not

regard as likely to have any important permanent effect on the silver market adding, "even if we were under any obligation to give weight to such consideration." This proposal is viewed with alarm and mistrust by members of this Chamber. It is felt that the currency is already sufficiently contracted, and that further contraction with the continued scarcity of loanable capital, cannot fail to raise the rates of interest—already abnormally high—in India. The high rates of interest which have ruled for prolonged periods in each of the last two years, have proved not only a serious inconvenience, but a hindrance to trade, more especially internal trade, and if such conditions continue, and become intensified, there is every reason to fear that commercial disaster may ensue.

5. The opinion of the Government of India that the annual sale of six crores worth of silver will not have any important permanent effect on the silver market, has been received with surprise in mercantile circles. The general opinion appears to be that such an operation would be almost certain to lower the price of silver, including the silver in the hands of the natives of the country. This further depreciation of silver, while the nominal value of the rupee remains at *16d.*, must increase the divergence between the exchange value and the metallic value of the rupee, and, in the opinion of producers generally, it would seriously affect the trade of India with silver countries direct, and with gold countries in competition with silver currency countries.

6. After a careful perusal of the Government scheme, the Committee cannot trace in it any guarantee for the future convertibility of the rupee, notwithstanding that the main object of the Government policy is, presumably, to secure fixity of exchange. Under these circumstances it is felt very strongly that the proposals of the Government will fail to inspire that confidence in the future of exchange, which is absolutely necessary should exist, if the evils resulting from the proposed forced contraction of currency, which have been already alluded to, are to be minimised by the introduction of fresh capital into the country. The Committee while fully recognising that the attainment of fixity of exchange is an object of primary importance in the interests of the Government finance, and of foreign trade, are of opinion that it is equally necessary that the supply of currency should be automatically responsive to the current requirements of trade.

7. The Committee note that the proposals of the Government of India include not only the introduction of a gold standard, but also the establishment of a gold currency, although in paragraph 30 of the Despatch of 3rd March, it is stated that the actual issue of gold coins by Government is not contemplated, either for Treasury purposes, or in payment of currency notes, until the measures taken actually result in the establishment of the value of the rupees at *16d.*, and the use of sovereigns to some extent, however small, as a permanent part of the circulation. In the opinion of many members of this Chamber a gold currency is entirely unsuited to the requirements of this country, and from the terms of the Despatch the Government of India themselves appear to regard it in the light of an uncertain experiment surrounded with difficulties which are not likely to be solved for a considerable time.

8. In conclusion the general opinion of the mercantile community of Calcutta, so far as the Committee have been able to ascertain it, is that the cost of the measures proposed by the Government of India would be much greater than is estimated, that the period of transition would be indefinitely prolonged, and that the result would, for many years to come, diminish rather than strengthen, confidence in the minds of English capitalists and investors.

I have, &c

W. PARSONS,
Secretary
To Robert Chalmers, Esq.,
Secretary to the Indian Currency
Committee, London.

No. 3.

LETTER FROM THE BOMBAY CHAMBER OF COMMERCE.

17th June 1893
SIR, I HAVE the honour, by direction, to wait upon you with a copy of a letter addressed by the Committee of the Bombay Chamber of Commerce, to the Government of Bombay, on the subject of the Indian Currency,

which I have to request you to lay before the Indian Currency Committee.

I have, &c.

JOHN MARSHALL,
Secretary.

Robert Chalmers, Esq.

Enclosure to No. 3.

Chamber of Commerce,

Bombay, 6th June 1898.

SIR,
UNDER date of 2nd March 1898 I had the honour to lay before you, for the information of the Government of India, the views which this Chamber entertained respecting the unsatisfactory position of the currency and the critical state of financial pressure throughout the country, and advocating as the most desirable means of ascertaining and deciding upon sound remedial measures the appointment of a Committee of Inquiry on the lines of the Herschell Committee of 1893.

2. Since then the Government of India's despatch to Her Majesty's Secretary of State for India, dated 3rd March 1898, has been made public, and to consider the proposals therein submitted a Committee has been appointed, which (although the terms of reference, especially as to the possibility of a return to the silver standard, are less explicit than this Chamber would have desired) nevertheless practically meets its suggestion.

3. On the proposals embodied in that despatch the views expressed in anticipation in my letter of 2nd March render detailed criticism unnecessary, but lest it might be assumed that the arguments adduced by the Government of India in support of their proposals had in any way affected or modified those views, I am directed to state that, far from supporting, as the Government of India anticipated, the measures for securing stability of exchange proposed in their despatch, or believing that the adoption of those measures would have the effect of overcoming the distrust on the part of the public in the future of the rupee, this Chamber is diametrically opposed to the views expressed in the despatch and to the principle on which the Government of India's proposals are based, namely, forced contraction of the currency.

4. The Chamber cannot but view with the gravest apprehension a proposal to melt down the existing currency until it becomes "even at the most inactive time of trade" inadequate for the ordinary requirements of the country in the expectation that gold will thereby be forced into circulation.

5. The Herschell Committee in recommending that rupees should be given in exchange for gold at a fixed ratio based upon this measure as "leaving the volume of rupee currency dependent on the wants of the people of India," but the experience since gained, especially during the last five months, has shown that this provision for the expansion of the currency has been practically inoperative in spite of the great strain the money market has undergone, the reason being, the Chamber submits, that as the ratio at which gold is exchangeable for rupees fixes the maximum gold value of the rupee and no guarantee is given of its minimum value, gold will never be tendered until all other possible means of finance have been exhausted. The conclusion which this Chamber draws is that gold can only, if at all, be introduced into circulation under conditions of the money market which are ruinous to both foreign and internal commerce, and can only be retained in circulation so long as those conditions are maintained.

6. The Government of India rely upon the exigencies of an expanding trade to force gold into circulation by refusing the country a sufficiency of the currency to which it is accustomed, but although trade under favourable circumstances may be expected to expand, there is nothing more necessary for its development than a free and natural supply of currency regulated automatically by its varying requirements, and it seems to the Chamber quite as likely that a contraction of trade will follow a contraction of the rupee currency as that the necessities of trade will compel the adoption of a currency to which the country is unaccustomed and which, in the opinion of this Chamber, is unsuited to its requirements.

I have, &c.

JOHN MARSHALL,
Secretary.

The Secretary to Government, Financial
Department, Bombay.

No. 4.

LETTER from the KARACHI CHAMBER OF COMMERCE.

The Chamber of Commerce,

Karachi, June 29, 1898.

SIR,

I HAVE the honor to state that the proposals for the establishment of a gold standard in India, set forth in the Government of India's despatch to the Right Honorable the Secretary of State for India, No. 70, of the 3rd March 1898, have received the earnest consideration of the Karachi Chamber of Commerce.

2. In the despatch above referred to, the Government of India anticipate with some confidence that the measures proposed will meet with the approval of the Commercial Community. Lest silence should be taken as an indication of assent, I am directed to inform you that, so far from approving of the proposals now put forward, this Chamber regards them with the most serious misgivings. Not only does the suggestion to arbitrarily melt down twenty-four crores of rupees appear to be diametrically opposed to all sound monetary precedent, and fraught with the gravest danger to commerce, but it is not apparent to the Chamber, considering the amount of gold available for permanent export to the East, how the deficiency is to be filled, or whence the new gold is to be obtained, for the establishment of the proposed standard. The City of London has already given expression to its disinclination to support any loans for such purposes, and without a free importation of gold, and a large reserve of the metal in this country, the possibility of the Government of India maintaining a gold standard appears open to serious question.

3. Further, it is not at all clear that an alteration in India's monetary standard is urgently called for. This Chamber, whilst recognising the inconveniences to commerce consequent upon fluctuations in the gold-value of the rupee, is unable to discover that the trade of India has been retarded thereby. It is therefore difficult to believe that the condition of India is such as to justify the means proposed by the Government of India for the introduction of a gold standard, however desirable and feasible such a standard might be under more favourable circumstances.

4. In conclusion the opinion of this Chamber is that the proposals of the Government of India tend to still further destroy confidence in the minds of capitalists and investors, an opinion which is shared by the whole Mercantile Community of India, as evidenced by the memorials recently published on the subject, by the Chambers of Commerce of Bengal, Bombay, and Madras.

I have, &c.

(Signed) T. R. McLELLAN,
Robert Chalmers, Esq. Chairman.

No. 5.

LETTER from the BOMBAY NATIVE SHARES, STOCKS and EXCHANGE BROKERS' ASSOCIATION.

To the Right Honourable SIR HENRY FOWLER,
Chairman of the Indian Currency Committee.

THE Despatch No. 70, dated the 3rd March 1898, of the Government of India to Her Majesty's Secretary of State for India carries such wide-reaching consequences to the industries and trade of this country, that I am directed by the Committee of the Bombay Native Shares, Stocks and Exchange Brokers' Association to address the following observations thereon to the Currency Committee appointed by the House of Commons at the instance of the Secretary of State for India.

2. All parties in this country are agreed, including the Chambers of Commerce and the Government of India, that the transition period of the lumping standard is intolerable, and should be soon put an end to, either by the adoption of the gold standard or reverting back to the silver standard. Yet the Government of India in their despatch propose to protract the agony in an intensified form for a further period of two, three, or four years, as an experiment, without the promise of a finality, which should be the sole object of any further legislation.

3. My Committee, with the utmost deference, and after due consideration, submit that the Government of India in their despatch under observation have made large assumptions, and have ascribed effect to causes

not altogether the right ones. The Government of India in para. 9 of their despatch state: "Our total rupee currency is estimated to be at present somewhere about 120 crores, to which we have to add 10 crores of fiduciary circulation of currency notes. This amount may, therefore, be said to have been ascertained by experience to be *much more* than is consistent with a maintenance of a rate of sixteen pence in the season of inactive trade, and to be a *little more* than is consistent with that rate at the time of active trade." Dominated by such an idea the Government of India has proposed to melt down about 20 crores rupees in two or three years, or more if necessary, to reduce the great redundancy of rupee currency. This has set the people conjecturing as to what should constitute a monetary stringency according to the notions of the Government of India; for from November 1896 to July 1897 the Presidency Banks' rate ruled from 8 to 12 per cent, and again from December 1897 up to date has ruled from 10 to 13 per cent. Even these rates were more or less nominal, for more often than not the Presidency Banks have absolutely refused to make advances at all, even on Government paper and gold, at any rate of interest. Natives who had in recent years taken more kindly to investment in Government paper as a safe and liquid security, on which they could confidently rely for accommodation in times of pressure and difficulty, have found it during the last two years a broken reed. The result is that that security has declined 15 per cent. during the last 20 months. That no accommodation could be had during these periods of stringency on real property or other sound security goes without saying.

4. The assumption by the Government of India that by the combined effect of great stringency of money and curtailment of currency they will not only be able to maintain the rupee at 16d., but will induce a flow of gold into this country to pass as currency during the melting period, and *after*, arises from a serious mistake, it not ignorance of the causes that govern exchange between the gold countries and India, tied down as she is at present with the *humping* standard. The exchange between a group of gold countries is determined by the rate of interest and the cost of freight, insurance and commission of remitting gold from one country to the other. The exchange between the gold and silver countries is determined by the price of silver in the market. But the exchange between gold countries and India with a *humping* standard is determined by exports and imports alone. Whether the exchange should rule high or low, near to or further from 16d., depends on the amount of the excess of the exports over the imports. In order to keep exchange somewhere in the neighbourhood of the legal maximum, 16d., India should export produce and raw and manufactured goods more than she imports them by the sums equal to (1) Secretary of State's drawing, (2) about 10 crores for payment of gold and silver for arts and ornaments; and (3) about five to six crores of private remittances. But as these adjustments could not be made *month by month* and day by day, the rate of exchange will generally be at its maximum between January and June, when the exports vastly preponderate over the imports; and it will be at its minimum between July and December, when the imports preponderate, tempered by the state of the rains throughout the country and an anticipation of the character of the busy season in respect to the other markets of the world. Stringency of money has absolutely nothing whatever to do in the determination of exchange with India. Stringency could only be relieved by the import of foreign capital, and who will venture to remit capital to this country without the assurance of its return without loss? Given the condition of a great stringency of money, the curtailment of currency by melting down to half, and a 20 to 30 per cent bank rate of interest, and yet if the excess of the export over the import of produce is not more than say 15 crores, which are sufficient to pay only for the import of precious metals and private remittances, but which leave no margin to pay the Secretary of State's drafts, then India must either borrow in sterling to pay her foreign indebtedness amounting to 17 or 18 millions sterling, or the exchange must drop to the silver point. There may be years when the exports of goods are equal to the imports of goods, or even less, as it sometimes happens with the United States of America, and the borrowing to pay our indebtedness may in such years be even found too large for India.

5. When the Government of India attribute the rise of exchange to its present level and state the principle in *para. 2* of their despatch, "that the contraction in

"the volume of our silver currency, with reference to the demands of trade, has the direct effect of raising its exchangeable value in relation to gold," they either labour under a serious mistake or ignore the facts patent to all. The causes of the rise of exchange to its present level are the large borrowings in England by the suspension of Council Bills, and a large railway programme since the closing of the mints, and thereby increasing for the time the balance of trade in India's favour. The fall of exchange to silver point was arrested during the years 1893-94 by the suspension of Council Bills, and by large sterling borrowings in England. The rise of exchange during the years 1896-98 is owing to the further suspension of Council Bills owing to famine and war, which made necessary further large sterling borrowings. The borrowing since the closing of the mints must have been over 25 millions sterling. If the rate of exchange is maintained for the last six months in the neighbourhood of 16d. it is owing to the earlier borrowings, and the vast preponderance of the export over the import owing to the most bountiful harvests in India, and the world wanting all our surplus produce at high prices.

6. The stringency of money has not helped exchange. The causes of the present stringency are (1) large withdrawal of floating foreign capital at the maximum rate of exchange; (2) the lock-up of rupees received for revenue in Government treasuries. Both these causes would have weakened exchange, were it not for the present great preponderance of the excess of the exports over the imports. The first by buying for remittance; and the second by clogging and hampering the free flow of produce for export to the sea-board which makes the sales of Exchange Bills. The exchange has therefore remained strong, not because of the great stringency, but in spite of it. From middle of June, when Government treasuries are being emptied by disbursements, and vast sums sent up-country for the payment of produce return to Presidency towns for the purchase of precious metals, piece-goods, machinery and tools from foreign countries, thereby making the imports larger than the exports, the exchange will decline. It will not be because of the redundancy, but because of the trade-wheel turning the other way. Last month, when the Finance Minister refused to lend to the Bank of Bombay on Government Paper to finance the internal trade of the country for the reason that the Secretary of State was prepared to sell all that was asked, he lost sight of the fact that foreign trade and inland trade are distinct and apart. The middleman who wants money to bring the produce from the interior to the sea-board to sell to the exporters, has no gold reserve in London to buy Secretary of State's drafts, but he has Government securities, property and produce, which the artificial policy of the Government made unborrowable and unsaleable.

7. The proposal of the Government of India to melt rupees and sell as silver, will keep exchange steady in the neighbourhood of 16d. only during the period the process lasts. But that will not be owing to the curtailment of currency, but to the prohibition of the import of foreign silver by the Government underselling all-comers and thereby increasing the balance of trade in India's favour. The Government of India seem to see the force of this duly in the *para. 15* of their despatch, which runs: "We may observe that our proposed selling of silver in addition to its direct effect on the rate of exchange would also have a not unimportant indirect effect, inasmuch as the operation would meet the demand for silver in India, and thus increase for the time the balance of trade that has to be discharged by Council Bill remittances." If the word "*direct*" were substituted for the word "*indirect*" it would exactly meet the contention. But at the end of three years, or rather at the end of the period of process of melting, as the Government do not promise nor intend to give a sovereign for every 15 rupees, the fluctuations in exchange will be restored to the same state as before the declaration of war against the so-called redundant currency. The time the Government experiment lasts will be utilised not to bring fresh capital into this country, but to convert as much as possible foreign capital employed in this country into gold or to put it on a gold basis. Banking and investing capital is very timid, and trusts only to the certainty that it should not suffer in bulk when returning; and that certainty could only be had by the Government of India undertaking an unlimited liability like the Government of the United States of America.

8. The sale of the metal melted from every 10 crores of rupees would not bring to the treasury the six crores of rupees the Government of India estimate. India

claim that from the market of the world as a large and every-day buyer of silver, must bring the price of that metal down to 20 pence or even lower. But the loss of a few crores more or less, to use the phrase of the Despatch No. 70, "is a subordinate matter," compared to the revolution our trade with China would undergo by a further fall in exchange of 20 or 25 per cent. The further diminution that our already dwindling opium revenue will suffer, although it may be a source of satisfaction to the purists, yet it will be a grim reality to our ryots. The largest excess of export over import which enables us to pay our foreign debt is derived from our trade with China and the East. Government should foster it and not kill it. Why lop off the branch that gives us the greatest support?

9. As the whole scheme of the Government of India is based on wrong hypotheses, the accumulation by borrowing 20 millions sterling in gold in the treasury of the Government will only entail heavy charges in interest without bringing us any nearer to a gold standard. This gold is to be kept intact and apart, for the Government say "it is not our intention to part with any of the gold until" a gold circulation is established by capital flowing into this country in blind faith in the scheme of the Government of India. Capital could have no faith in a scheme in which the authors of the scheme have none.

10. In the opinion of my Committee a gold standard could only be established in this country either by the Government of India accumulating large reserves of gold, and by undertaking an unlimited liability to exchange gold for rupees, or by the Government of the United Kingdom undertaking a liability to allow rupees to circulate in England at 16 pence. But as neither is immediately practicable, the scheme associated with the name of Mr A. M. Lindsay and attached to the Despatch No. 70 offers a present solution. It involves no great accumulation of gold, and what it requires will be required tentatively and in dribbles. Under the scheme, as the gold is not to be sent out to this country, it will raise no alarm or distrust of the banking classes in England. But this scheme also involves the Government of India in an unlimited liability which, according to Sir James Westland, they are not prepared to pay.

11. The proposal of the Government of India in their Despatch No. 70 is not a scheme, but an experiment; and we want no farther experiments in currency. The traders of this country since 1873 have accustomed themselves to suit their business to the great fluctuations of exchange; and until a final scheme is evolved, they would rather prefer to work under the limping standard, tempered by the Government of India allowing the use in the busy season of the surplus funds accumulated in the treasuries by the collection of revenues. The gaze of the Government of India does not soar beyond the 16d. rate of exchange. But exchange is not the country. The experiment of the Government of India is bound to fail, for the hypotheses and reasons on which it is based are wrong; but whether it succeeds or whether it fails, the period during which the experiment lasts, will be one of great tribulation to this country, and will spell ruin to all existing industries. The promotion and carrying out of all enterprises will remain in suspense, the credit of the Government Paper will sink to the lowest depth, and no trade could be carried on profitably under the chasm created by melting down 200 millions of rupees.

Your obedient Servant,

S. B. BROACHA,

Chairman of the Bombay Native Shares, Stocks and Exchange Brokers' Association.

Bombay, May 28, 1898.

No. 6.

LETTER FROM BENGAL COTTON SPINNERS.

To the Right Honourable SIR HENRY FOWLER, M.P.,
President of the Indian Currency Commission.

SIR, Calcutta, 31st May 1898.
We, the undersigned, represent 60 per cent. of the cotton spinning industry of Bengal.
In the hope that the early expression of the views of every section of the Indian mercantile community

may be of value to your Commission we to-day telegraphed as follows:—

Undersigned representing principal cotton mills Bengal consider proposed currency measures fatal to their trade emphatically protest Kettlewell Yale Kilburn.

We do not attempt in this letter to explain how and why we have arrived at the opinion thus briefly expressed, but are ready to give our reasons if called upon to do so.

Neither do we touch on the vast issues of the effect of the past and proposed action of the Indian Government in respect to currency on the prosperity of India generally.

We record our opinion as to the effect of this policy only on our own industry, which is the manufacture of cotton into yarn and the sale of the same to dealers in this country and to importers in China.

We, however, beg that your opinion may be regarded as the result of many years' thought and experience.

We believe that the trade which we in part represent was seriously injured when Government in 1893 destroyed the old and simple basis of value and contract and substituted the uncertain and complicated one since in use.

We believe that the measures now proposed by Government will cause further and incalculable injury to our trade both locally and with China.

From our point of view we consider that the wisest and safest course may be found in the admission by the Indian Government of failure of the present system, and in the adoption of measures by which, with as little dislocation of trade as possible, India may once more attain the safety of a free silver basis of value.

We have the honour to be,

Sir,

Your obedient Servants,
For the Bengal Mills Company, Limited,
ANDREW YULE & Co.,
Managing Agents.

For the Bowreah Cotton Mills Company, Limited,
and for the New Bing Mill Company, Limited,
KETTLEWELL, BULLEN & Co.
For the Dunlar Mills, Limited,
KILBURN & Co.,
Secretaries.

No 7.

LETTER FROM KOLAR GOLD FIELD MINING BOARD.

Oorayam, South India,

9th June 1898.

SIR,
I am directed by my Board to address you on the subject of the currency proposals now before your Committee, and to express to you its sense of the great burden laid upon the mining industry by the efforts of the Indian Government to maintain the rupee at its present fictitious value.

The gold mining industry, which I have the honour through my Board to represent, although it may be said to be still in its infancy in this country, has an embarked capital of two and a half millions sterling; and while it is evident that any measure tending by the creation of false standards to limit the purchasing power of gold must prove a serious discouragement to the industries dependent on the production of that metal, or on its employment in the form of capital, my Board goes further, and with the utmost deference submits that any such measure must therefore ultimately prove detrimental to the welfare of the country and to the development of its resources.

In order to prove that the burden of which we complain is not altogether an imaginary one, I may state that the money remitted annually to meet the expenditure of the mines represented by my Board is the sterling equivalent of, in round numbers, ten millions of rupees. Taking the intrinsic value of the rupee at 10d., this should amount to 416,666*l.*, whereas the amount actually required to meet this remittance at the present artificial rate of 1*l.* 4*d.* per rupee is 606,666*l.*, or an excess of 250,000*l.* It will thus be seen that an industry which should receive the fostering care of all good government is being laid under contribution to the extent of a quarter of a million sterling per annum—or a first charge of 10 per cent. on its nominal capital.—

the support of a policy which is directly opposed to its own interests.

Although large employers of labour, my Board does not lay claim to represent any community, or to voice the sentiments of any section of the native public. It is, however, of opinion, that cheap capital and a natural exchange are the chief requirements of the people, and must eventually tend to the prosperity of the country.

I have the honour to be,

Sir,
Your obedient Servant,
ARTHUR LLEWELLYN,
Chairman,
Kolar Gold Field Mining Board.

To the Right Hon. Sir Henry Fowler,
Chairman,
Indian Currency Committee.

No. 8.

REPRESENTATIONS from the ASSAM BRANCH, of the
INDIAN TEA ASSOCIATION.

Simla, the 4th August 1898.

My Lord.

With reference to our Financial Despatch No 70, dated the 3rd March 1898, we have the honour to forward copy of a letter from the Chairman of the Assam Branch of the Indian Tea Association, dated the 20th June 1898, protesting against the adoption of a Gold Standard in India, and suggesting the re-opening of our mints to the free coinage of silver.

2. There is a remark in the letter that the amount of spurious rupees in circulation in Assam will require the serious attention of Government. With reference to this we have to observe that we have not heard of any unusual amount of spurious coin circulating in Assam which requires serious notice. We may mention that the amount of counterfeit rupees cut and broken at treasuries in all India and in Assam during 1896 and 1897 were as follows:—

	1896.	1897.
All India - - - -	11,481	15,843
Assam - - - -	162	209

It will be seen that there has been an increase in the number for the whole of India, but that the amount of the increase contributed by Assam is trivial.

The attention of the Chief Commissioner has, however, been called to the statement.

We have, &c.,

(Signed) ELGIN
" C. E. NAIRNE.
" J. WESTLAND.
" M. D. CHALMERS.
" E. H. H. COLLEN.
" A. C. TREVOR.
" C. M. RIVAZ.

To

The Right Honourable
LORD GEORGE FRANCIS HAMILTON,
Her Majesty's Secretary of State for India.

Amgoorie, P.O.,
Assam, June 20th, 1898

Sir,

With reference to Despatch No. 70, dated Calcutta, the 3rd March 1898, from the Government of India to Her Majesty's Secretary of State for India, I have the honour to lay before you the views of Tea Planters representing the Assam Valley.

1. We cannot help viewing with the greatest alarm the recommendation of the Government of India, that under the present contracted state of our currency, a sum of 10 crores of rupees or even more, should be annually abstracted from active circulation and melted down as a reserve to be held against note issue.

Clause 12 of the Despatch states "that it will be seen " this proposal is no new thing, but one which has from " the first been advocated by the Government of India." We respectfully submit that the closing of the mints has already accomplished its object, as far as the Government of India is concerned, by placing its Revenue on a satisfactory footing, but this has been done at the cost of commerce and export trade. We cannot therefore see any reason for now introducing a method of still further increasing the present stringency of the money market, however necessary it might have been considered in 1893.

It has been very rightly stated that injury to trade cannot be allowed as an argument in favour of any measure, until the facts upon which it is based are produced. I trust therefore that the following summary of facts, brief though it is, may be accepted as a proof of the existing depressed state of trade generally, and especially of the Tea industry.

The Calcutta Tea market is regulated entirely by the London market, *i.e.*, if prices fall in London, there is an equivalent fall in Calcutta.

With exchange at 1s 2d., 1 lb of tea sold at 8 annas in Calcutta is equivalent to 88s pence in London, that is taking freight, agency, and warehouse charges into account, but with exchange at 1s 4d., the equivalent of 88s pence in England is only 7 annas in Calcutta, and so it is that for every penny rise in exchange we, the producers, incur a dead loss of $\frac{1}{4}$ anna per lb., or a little over six per cent. If there was a corresponding rise with exchange in the price of tea in London our position would be stronger, but unfortunately the opposite is the case; there has been for years a gradual fall in the value of tea, and this, coupled with the high bank rate, causes us no little anxiety as to the future of tea.

Charges connected with the manufacture of tea have been reduced to the lowest limit, and the margin left for a profit with exchange at 1s 4d is simply nil, except under particularly favourable circumstances in the matter of locality and labour.

Taking therefore the yield of Indian tea at 150,000,000 lbs the loss to growers on every twopenny rise in exchange would be over 7,000,000 rupees. The actual amount of loss as shown by the rise in exchange on 150,000,000 lbs. of tea would be a little over 9,000,000 rupees, but I have deducted 22½ per cent. for home charges in the case of tea sold in London (the balance of 77½ per cent. being remitted to India to cover cost in production) and I have also deducted 22½ per cent for home charges from the realisation of teas sold in Calcutta.

The market value of last year's crop of tea represented about 8 crores of rupees and for the last eight years the average yearly increase in yield has been about 7,000,000 lbs., the additional capital required to meet such increase may be safely estimated at 4,000,000 rupees annually.

We fail to see that any successful attempt has yet been made to ascertain the amount of additional capital required to meet the increased demands for commercial industries in India and the increase of the population.

Anyone who takes a broad view of Indian Trade, as it is at present, must admit that it is restricted by the insufficient supply of silver, everything points in this direction. The high rate of discount demanded by banks, brought on no doubt in a great measure by the enhanced value of the rupee, is a serious drawback to commercial progress. We in Assam, who in past years had no difficulty whatever in securing our monthly cash requirements from the Marwaras, at a discount of 8 annas per cent., cannot now secure the amount required at even 12 annas and 1 rupee per cent., and we have to import rupees from Calcutta at great risk and heavy cost.

The amounts of spurious rupees in circulation in Assam will require the serious attention of Government, and we cannot help thinking that the recent discovery at Lahore of illicit coinage is only one instance of the enormous extent this profitable conversion of bullion into rupees is taken advantage of owing to the fictitious value of our coinage.

We would also point out, with exchange at 1s 4d., the great disadvantages we should have to deal with in competing with China and other countries where silver is taken at its intrinsic value.

Looking at trade generally, I may mention that in the report of the foreign trade of Calcutta for 1897, the

total trade returns with the United Kingdom show a falling off of 8 per cent imports and exports, being rupees 411,745,761 in 1897-98, against 450,257,267 for the previous year.

There being such a number of conflicting interests at stake, we are cautious in making any suggestion as to a method to be adopted to bring about a successful issue to the much-versed question of Indian currency, we may justly claim that our share in promoting one of the greatest industries in India has been a prominent one, and we would protest in the strongest terms against any artificial means being countenanced by the Government of India to further bolster up exchange; as such a course merely results in the extinction of the margin of profit to the Indian producer.

We, the Assam Branch of the Indian Tea Association, cordially support the resolutions come to by the General Committee of the Indian Tea Association, viz. —

1. That a gold standard is not needed in India, even if it be practicable to establish it.
2. That the cost of establishing it (with or without a gold currency) is prohibitive and that an undue proportion of such cost will fall upon tea growers.
3. That in the opinion of this Branch, the Indian Currency Commission should be directed to enquire into the question of how to re-open the mints to the free coinage of silver, with the least inconvenience to the trade of this country.

I have, &c.,
J. BUCKINGHAM,
*Chairman, Assam Branch, Indian
 Tea Association.*

To
 THE SECRETARY, GOVERNMENT OF INDIA,
 Finance and Commerce Department, Calcutta.

No 9.

THE HUMBLE PETITION of the MEMBERS of the BEHAR
 INDIGO PLANTERS' ASSOCIATION at present residing
 in the United Kingdom,

HUMBLY SHEWETH—

That your Petitioners, being of opinion that the proposals of the Government of India as set out in its Minute of the 3rd March 1898, will be found on trial to work detrimentally to the interests of your Petitioners, and of the general Indian community, your Petitioners would humbly pray that they be modified in such manner and to such extent as to allay the alarm now generally felt at the prospect of their adoption.

1. That any currency scheme which will affect the interests of the whole Indian community should be definite and concrete in its conception and automatic in its action; and any scheme in support of which the Government requires to write, "We always have it in our power to carry the operation even further by withdrawing a still larger quantity of silver and replacing it in gold coin; and we recognise that circumstances may arise in which such a measure may be forced upon us" (para 21 of Minute), cannot be such a one that recommends itself to your Petitioners.

2. That under the operation of the Currency Act of 1893 (added to other causes) the circulation of coin in India has become too restricted, and sufficient coin is not forthcoming to meet the requirements of the community.

3. That, under any scheme to be adopted to remedy the evils that at present admittedly exist, it is essential to the well-being of the community that it be supplied with sufficient coin to enable it to transact its trade and other business without unnecessary risk, and that the current coin to be used shall be such as it will accept and have confidence in.

4. That the curtailment of the currency by the destruction of existing coin will result in the serious enhancement of the existing rates of interest throughout the country; and, as a great portion of the trade of the country is carried on on credit or borrowed capital, will create alarm and entail serious loss, if not disastrous consequences, to all concerned.

5. That the declared intentions of the Government of India to depreciate the exchange value of the rupee will entail a heavy loss on all export producers, equal to from 6 per cent. to 7 per cent. for very penny it may be so appreciated.

6. That it is incumbent upon the Government to take such measures as will ensure a constant supply of standard coin, and to take such measures as may be necessary to maintain such coinage in a fair state of repair.

7. That the rupee coinage is the only coinage and standard of value adapted to the requirements of the major portion of the Indian community, and that will be accepted by it as money for many years to come. Your Petitioners would therefore humbly beg that the Indian Government be directed to recommence the coinage of the rupee in the Indian Mints, to meet the annual requirements of an expanding trade and a growing population.

8. That the coin to be so minted be minted on account of, and at the discretion of, the Government; and the profit likely to accrue from such mintage go in reduction of taxation.

9. That the figures relating to the currency of the country, as stated in the Minute, are admittedly only conjectured; your Petitioners would therefore submit that more definite and reliable information as to the amount of money in circulation and existing in the country be secured before the proposed measures receive the force of law.

10. That its proposed system will necessitate undue supervision or management, and any system that will necessitate constant supervision and management on the part of the Government must prejudicially affect the interests of some portion of the community, and create distrust of the Government motives and measures.

11. That the proposed measures of the Indian Government will not secure its ostensible object, viz., the creation of a stable rate of exchange between India and Europe, and the proposed destruction of coin will end in distrust of the action of Government, loss to the community in general, and waste of public funds.

12. That to secure a stable rate of exchange, under any scheme that may be devised, it is essential to such scheme that the Government place a limit on its ever-increasing demands on the international exchange market, and thus the Government has omitted to do. A market in which bills to the extent of 10 millions sterling may be annually negotiated at 1s. 4d per rupee may not be in a position to absorb such bills at such rate to the extent of 15 to 20 millions per annum.

13. That your Petitioners wholly disapprove of the Government proposal to create a gold standard of value without a gold currency, and of its proposed methods of appreciating the exchange value of the rupee.

14. That, while viewing with distrust all attempts to create an international gold standard of value without at the same time creating an international currency, your Petitioners would view with pleasure and confidence the introduction of any measures to create an international coinage.

15. That your Petitioners are of opinion that a stable rate of exchange between India and Europe can only be secured by a limit being put to the annual demands of the Indian Government on the exchange market, and by the adoption of the English sovereign and Indian rupee as the coins of the realm, by the sovereign being declared legal tender in India to a limited amount, and at a declared and equitable value in rupees, and by rupees being declared legal tender in England to the same extent or limit as silver is at present under the law of England.

16. Your Petitioners would, for the above reasons, humbly pray that the Indian Government proposals to destroy existing coin and further restrict the currency of the country be not proceeded with, and that any measures it may be deemed necessary to take to secure a stable rate of exchange may be such as to act automatically, and not wholly subjected to the influences or varying necessities of the Government.

Dated 23rd October 1898.

W. B. HUDSON.
 J. M. GIBSON

For selves and Members of
 Indigo Defence Association.

F. A. Shaw, Harlington Manor,
 Toddington, Bedfordshire,
 Honorary Secretary

4th November 1898.

To the Right Honourable
 Sir Henry H. Fowler, G.C.S.I., M.P.,
 Chairman of the Committee on Indian Currency.

B—Official Documents.

No. 10.

MEMORANDUM by Sir HENRY WATERFIELD, K.C.S.I., C.B.,
Financial Secretary to the India Office, relating to
the SYSTEM of effecting REMITTANCES from INDIA.

The revenue of the Government of India is almost entirely received in India, in rupees, the sterling receipts in England not forming more than about $\frac{1}{10}$ th of the total. But a large part of the expenditure, now amounting (including exchange) to about one-fourth of the whole, has to be defrayed in England in sterling, and it is necessary that the Government of India should make remittances to England to meet these expenses.

The sum which has to be added to the sterling payments, in order to express the number of tens of rupees which it costs to liquidate them, is called the charge for exchange.

Besides the expenditure charged on the revenue, there are other disbursements in England, such as the purchase of stores for public works of which the cost of construction is charged to capital, remittance transactions effected in this country in return for receipts in India, discharge of loans, &c, all of which, when not defrayed by borrowing in England, must be provided for by remittances from India.

The manner in which such remittances could be defrayed with the greatest advantage engaged the attention of the Court of Directors as long ago as 1813, when they explained to the Government of India that this might be effected either by advances to the public service, which would be repaid by the British Government in England, or by remittances through private merchants, who would pay money in England in return for bills on the Indian Government, or would receive advances in India from the Government, to be employed in the purchase of goods consigned to the United Kingdom; if these methods failed to give sufficient remittances, bullion might occasionally be consigned to the Court of Directors.

Writing again in 1829, the Court stated that, owing to the peace, the method of remitting through the British Government had ceased to be of much importance. Bills of exchange continued to be drawn on the Governments in India and the agents at Canton, but these had been found to give a less profitable rate of exchange than the recent bullion remittances; but, on principle, they were opposed to the abstraction of the precious metals from India. They seem, however, at that time to have thought advances on the hypothecation of goods the preferable course, though, if all other modes of remittances failed, it was inevitable that bullion should be sent.

At that time the amount required was upwards of 3,000,000*l* a year; but it was estimated at about 2*½* millions in 1832, when a Select Committee of the House of Commons examined the question of the probable effect on such remittances which would be caused by discontinuing the union of the trade and the Government in India. The action taken by the Court was to revise the conditions on which advances repayable in England should in India be secured on consignments of merchandise.

The system under which money was at that time raised in London by bills on India, was by a notice that cash would be received at the Company's treasury, in exchange for bills for not less than 100*l*, payable at 60 days' sight, and drawn upon the Governments in India, at the rate of exchange notified from time to time. The rates varied from 1*s* 8*d* to 2*s* 2*d*, between 1833 and 1837, the lowest rates being in 1833-34, 1845, and 1848, and the highest in 1855 and 1857.

Much objection was taken by the East India Association and Chambers of Commerce, both in the United Kingdom and in India, to the system of making advances on consignments of produce, as introducing a vicious system of credit, and interfering with the ordinary course of trade, and in 1843 the Government of India publicly notified that they had recommended to the Court the discontinuance of the system. The East India Company, however, declined to accept the proposal, and the practice was continued for several years.

During the 13 years from 1834-35 to 1846-47, the remittances amounted to 26,755,192*l*, obtained by bills on India, and 12,791,670*l*, through advances on hypothecation of merchandise. The subject was investigated by a Select Committee of the House of Commons in 1848, and the representatives of the East India Company said that, owing to the difficulty of selling bills, it had recently been necessary to resort to a remittance of

bullion, and it was considered inexpedient to effect the remittances by any one mode, to the exclusion of all others. It was found necessary to effect remittances of silver bullion which realised 918,224*l*, in 1848-49, and 322,365*l*, in 1849-50.

Although the East India Company never formally resigned the right of obtaining supplies by advances on hypothecation, they tacitly abandoned the practice after 1850-51, as a new method of meeting their requirements presented itself. This was through the receipt of capital deposited in the home treasury by the companies, which about this time began to be formed for the construction of railways in India by means of funds supplied from the local treasuries. In 1854-55 a remittance of 412,022*l*. in gold was sent to England, and in the following year 7,202*l*.

On the outbreak of the Mutiny in 1857, it became necessary to raise the rate of exchange for bills on India to a prohibitory rate; in 1857-58 only 628,499*l* was so obtained, and during the next three years only 31,392*l*, while assistance had to be given to the Government of India by forwarding silver bullion* to them. In the five years from 1857-58 to 1861-62 the Home Debt was increased by nearly 30,000,000*l*, and a net sum of about 20,000,000*l* was received from the railway companies.

Towards the close of 1861 it was found practicable to resume the course of obtaining remittances from India; and the Government of India were asked whether they considered that this could most advantageously be effected by bills being drawn on them, by their purchasing bills in Calcutta, or by the adoption of both methods. They at first remitted 120,000*l*. by purchasing bills on London in favour of the Secretary of State; but, finding themselves unable to depend on a continued succession of such remittances, they requested that the further sum required might be obtained by means of bills on the Government of India. Instead, however, of announcing the readiness at any time to sell bills at a certain rate of exchange, it was decided to offer them on a particular day for a specified amount to the highest bidders.

Accordingly, on the 22nd of January 1862, an advertisement was issued announcing that tenders would be received at the Bank of England, on the 1st of February, of March, and of April, for bills of exchange, payable on demand, on the three Governments in India, for not more than 40 lakhs (Rs. 40,00,000) in each month. In order to obviate the necessity of shipping bullion from Calcutta to Madras or Bombay, it was stated that not more than 10 lakhs would be drawn on either of those places. Power was reserved to issue bills for less than the full amount offered, and to carry the difference to the next month. Tenders were to be for not less than Rs. 10,000, and a fairing per rupee to be the smallest fraction tendered. No bill would be issued for less than Rs. 5,000. If the tender were accepted, payment was to be made within a fortnight.

Various modifications of the terms have been since made. In March 1862, the fraction accepted was reduced to $\frac{1}{4}$ th of a penny per rupee; in January 1875, to $\frac{1}{8}$ th, and in November 1882, dealings at $\frac{1}{16}$ th of a penny were permitted. In November 1862 the sales were effected twice a month, and in August 1876 they began to be made on every Wednesday, payment being required on or before the following Tuesday. In October 1878 the right to carry forward unallotted amounts was abandoned.

In 1864 it was found unnecessary to prescribe a limit of the amount to be drawn on Madras, but, owing to the demands on the Bombay treasury caused by the Abyssinian Expedition, drawings on that Presidency were suspended from September 1867 to May 1870, and, in consequence of the war on the treasuries through the war, drought, and other causes, from December 1868 to May 1869 no bills on India were issued.

Early in 1876 the rates of exchange at which tenders for bills were made were so low that for three fortnights none were accepted, but it was not found possible to persevere in that course, and on the 22nd of March 1876 permission was given to tender either for bills or for amounts payable immediately in India on telegraphic advice. In August 1876 it was announced that, besides the amount advertised for the fortnightly drawing, tenders would be received immediately for a limited amount at a minimum rate of 1*s* 8*d*. per rupee.

In 1877 drawings were again suspended for three months, owing to the famine in India; and, on their

* 8,166,222*l*, in the five years from 1857-58 to 1861-62.

resumption, bills only were granted. Telegraphic transfers were not resumed till early in 1882. In January 1880 the limit of allotment on Bombay was discontinued.

When the system of drawing bills on India was resumed in 1862, there was, owing to the American War, a great demand for cotton from India, and consequently for bills on that country. Down to November 1864, the rate of exchange realised varied from 2s. 0½d. to 1s. 11½d., but, when that demand fell off, lower rates had to be accepted, and bills were sold at 1s. 10½d. in May 1865, and 1s. 10d. in July 1866; the last time that 2s. per rupee was realised was in April 1867. From November 1867 to July 1873 the rates varied between 1s. 11½d. and 1s. 10½d.

About that time the requirements of the Home Treasury began to increase very materially owing to the progress of the Indian railways. In 1872-73 the withdrawals of capital by the companies for the first time exceeded their deposits; and the purchase in this country of stores for the construction of State railways added to the amount of sterling money required, while the fall in exchange yet further increased the amount of rupees needed for remittance. The average amount of bills drawn in the eight years from 1863-64 to 1869-70 was Rs 6,33,71,000.

In 1870-71 the amount was	-	Rs. 9,00,85,000
" 1871-72	"	" 10,70,00,000
" 1872-73	"	" 14,70,25,000

The restrictions on silver coinage by Germany and the Latin Union in 1871 to 1874, and the enormous production of the metal in the United States from 1874 onwards, depreciated silver very greatly, and the effect on the price of bills on India was soon apparent. After falling to 1s. 9½d. in December 1873, exchange suddenly rose in the following month to 1s. 11½d. and 1s. 11¼d., owing to the rate of discount at Calcutta being from 9½ to 10½ per cent., but in August 1874 it fell to 1s. 9½d. It varied between 1s. 10½d. and 1s. 9d. till February 1876, when the fall became much more rapid, and on the 5th of July 1876 telegraphic transfers were sold as low as 1s. 6½d. Then a reaction set in, and exchange rose to 1s. 10½d. for bills in December of that year. From May 1877 to April 1878, the rate was very steady at about 1s. 8½d.; but it then began to fall, reaching 1s. 6½d. in January 1879, from which it rose again to 1s. 8½d. in June. There was then a period of fair steadiness, the rate varying between 1s. 8½d. and 1s. 7½d. from June 1879 to December 1882.

In June 1881 the plan was adopted of announcing, two hours before the tenders for bills were opened, the minimum rate at which they would be accepted.

In March 1882 it was decided to sell bills, in addition to those allotted by public tender on Wednesday, at ¼th of a penny above the minimum rate of the public allotment, and telegraphic transfers at ¼th above that rate, but in the following November these differences were reduced to ½d. and ¼d. respectively, and it was announced that tenders for telegraphic transfers might be made at ¼d. above the minimum for bills.

In the autumn of 1883 an endeavour was made to support exchange, by refusing to accept tenders unless made at the minimum price at which the Secretary of State in Council considered it proper to sell bills; but, after persevering for about three months, it was found necessary to give way, and accept the highest tenders.

The question whether any other mode of effecting the remittances can be usefully adopted has been frequently considered. On a failure of the demand for bills in 1886, the Secretary of State directed the resumption of the plan of making advances on hypothecation of goods, and also gave orders to send gold, and, if necessary, silver, to England. In 1865-66 gold had been remitted, realising 159,858l.; and in 1866-67 a further amount of 211,634l. was obtained by the consignment of gold, and 660,668l. from silver. But, on the demand for bills reviving, such remittances were checked, and no action was taken in regard to the hypothecation of merchandise. The question of establishing an agency in China was about the same time considered, but it was deemed better to sell the bills on India, leaving the private remitters to China to make their own arrangements.

Mr. Scrocombe, when examined by the Select Committee on East India Finance in 1881, regarding the mode of obtaining remittances, said that the practice of drawing bills on India had been found to be the best, they were so drawn "upon the principle that the Government ought not to speculate at all upon the exchanges, but to have some regular system, so as not to

"interfere with the ordinary operations of Commerce, in order that the mercantile community and the public generally may carry on their affairs with a knowledge of the operations of the Government." If the exchange fell so low as to make a bullion remittance more profitable, the subject of such a remittance was duly considered.

The question of making advances on hypothecation was again considered in 1876, but it was not thought desirable to adopt it. Nor could the Government of India suggest any better plan than that of selling the bills to bankers and others, who would perform the operation far better than would Government officers. Whatever the agency employed, the remittance must be effected by exports from India for the requirements of the Home Treasury, in excess of those needed for the settlement of the rest of the account between India and the external world, so that measures for increasing the exports would doubtless have a favourable effect on the remittances.

In 1877 it was considered whether advantage would be gained by the Government purchasing in Calcutta the drafts of the exchange banks on their London bankers at six months' sight; and in 1878 bills were bought in Calcutta to the extent of about a million and a half. But it was felt to be impracticable to carry into effect at the same time the two methods, while there were risks attendant on the purchase of the bills in India; and, therefore, it could only be viewed as a strictly temporary expedient.

In 1879 gold was purchased in India which realised in London an return of 486,947l. In the same year it was considered whether the Customs duties should be taken in gold, and whether the sales of opium should be effected on the basis of payments in London; but objection was felt to any such disturbance of the trade as might result from the proposed measures.

In March 1882 three members of the Finance Committee of the Council of India had a meeting in the room of the Governor of the Bank of England, with representatives of the eight exchange banks, and invited them to make any suggestions as to the mode of selling bills in the ensuing year. As the result of the conference, it was decided to continue the practice of announcing the minimum price for acceptance, and to post the amount sold up to that date, and to receive applications intermediately during the week for bills or transfers, at a rate not less than ¼th or ½th of a penny respectively above the published minimum.

At the end of 1882-83 the practice was once more considered, and the advertisement of the 28th of March 1883 issued, under which the bills and telegraphic transfers have been sold ever since, with very slight modification. Tenders are received each Wednesday at the Bank of England, and opened in the presence of representatives of the Council of India. The amount for which tenders will be received is announced beforehand, but not any minimum rate. Power is reserved to accept tenders for a smaller amount. Bills are granted for not less than Rs. 10,000, and ¼d. is the smallest fraction to be tendered. If tenders are equal in rate, and the amount available insufficient for all, a pro rata allotment is made. Applications for additional bills are received up to the following Tuesday, if the whole amount offered has been disposed of by public tender on the Wednesday, the additional bills will only be given at rates in excess of the minimum accepted. Applications may also be made for telegraphic transfers, which will in no case be granted for less than one lakh of rupees, both on Wednesdays, in addition to the advertised amount of bills, and on intermediate days.

In practice, it is usual to divide the advertised amount rateably between the tenders for bills and those for telegraphic transfers at a higher rate, the difference made between the two varying according to the circumstances of the time.

No. 11.

Letter from the Government of India forwarding Minute by Sir James Westland, respecting Government Balances, &c.

MR LORD, Simla, the 20th October 1898.

We have the honour to forward for your Lordship's information a minute drawn up by the Honourable Sir James Westland on certain points referred to in the evidence given before the Committee of Enquiry into the Indian Currency. The minute is not meant to be a discussion of any matters under

reference to the Committee, but is merely directed to the elucidation of certain facts which do not appear to have been fully brought out in the evidence.

2 We request that, if your Lordship has no objection, the minute may be laid before the Committee.

We have the honour to be,

My Lord,

Your Lordship's most obedient,

humble Servants,

(Signed) ELGIN,
O E NAIRNE
J. WESTLAND.
" M. D. CHALMERS.
" E H. E. COLLEN.
" A. C. TREVOR.
" C M. RIVAZ.

To the Right Honourable
LORD GEORGE FRANCIS HAMILTON,
Her Majesty's Secretary of State for India.

Minute by the Honourable SIR JAMES WESTLAND,
K C S I.

INDIAN CURRENCY COMMITTEE

1 Having read the evidence given before the Committee of Enquiry into the Indian Currency, I desire to submit some observations with reference to it. I have, of course, no intention of entering into any arguments on the subject of the inquiry; that would be out of place; and my object is to elucidate some questions of fact referred to by witnesses, which, perhaps, the very familiarity of the subject to us in our daily administration prevented our bringing into sufficient relief. I allude especially to the position which the Government occupies in India as the holder of which it may be called the banking reserve of the country,—a fact perpetually present to our minds and largely guiding us in our operations, both with reference to the maintenance of our own balances and to the drawings of Council Bills, but which is not, I think, sufficiently realised by some of the gentlemen who have given evidence before the Committee.

2. The great difference between the position in this respect of the Treasury in England and that in India may be seen from the following figures. I show first those relating to England. (The figures are taken from the "Economist," and though they do not precisely correspond as to date, they are good enough for the present purpose) —

In Thousands of £.	Exchequer Balance in the Bank of England.	Cash Balance in the Bank of England.
End of December 1897	3,785	19,886
" January 1898	5,991	22,774
" February 1898	11,907	28,608
" March 1898	9,918(a)	21,662
" April 1898	5,286	22,720
" May 1898	7,280	26,046
" June 1898	4,800(a)	27,071

It will be seen from these figures that the Exchequer could at any time, if necessary arise, realize or spend the whole of the balance at its credit without causing the Bank of England to feel any but a temporary difficulty,—a difficulty which possibly might not be great enough to cause any steps of sufficient magnitude to affect, or even to come to the knowledge of, the public.

3 Now, take the figures for India. I have had them made up in the annexed tables A. and B. for each week of the quarter January to March 1898. It has to be remembered that according to the contract with the Presidency Banks the head "Public Deposits" in their weekly return is practically synonymous with balance at credit of Treasury; the balances of the High Courts and their officers, of railway companies, and some others which form a not inconsiderable aggregate of public money, lie outside these amounts, and are reckoned in

(a) I cannot find the actuals; this figure is taken by deducting from the total Exchequer Balance one million, assumed to be the balance of the Bank of Ireland.

India as private accounts The average of the 13 weekly returns is,—

(Thousands of Rx)	Balance at Credit of Government	Cash Balance of the Bank
Head Offices—		
Bank of Bengal	739	791
Bank of Bombay	527	636
Head Offices and Branches—		
Bank of Bengal	1,576	2,019
Bank of Madras	505	911
Bank of Bombay	873	953

It will be seen that a demand by Government for the use of its balances would leave the banks with an utterly insufficient amount of cash for their requirements—would in short deplete both the financial centres and the principal towns in the interior of nearly the whole of their banking balances.

4. In comparing England with India in this respect there are two features in the comparison which greatly aggravate the position as regards India. First, the balance in the Bank of England, large as it is, is after all only a portion of the available cash in London. The number of banks in London is legion, and even though the bulk of their available balances may be represented by a deposit account with the Bank of England, yet a large amount on the whole remains in their own possession; and the diminution of the balance in the Bank of England by the whole amount it holds at the credit of the Exchequer would be a small tax upon the whole banking balance of the place. In India this is not the case, the cash balance of the Presidency Banks is a much more important factor in Calcutta or Bombay, for the Exchange Banks hold a comparatively small balance in their own coffers, and even that is, I believe, sometimes an advance from the Presidency Bank. Secondly, the nexus between the Bank of England and the general available cash of the country is infinitely closer than that which exists in the case of the Indian Presidency Banks. The withdrawal of, say, five millions of Exchequer balance from the Bank of England for the purpose of meeting Government payments due throughout the country might deplete the available cash of the Bank of England for a week or two, but the amount would speedily flow back again through a thousand different channels, and the cash position of the bank would be as strong as ever. In India, on the other hand, payments of the kind do not flow back till after a considerable time, and partly do not come back at all. A war on the frontier, a famine in a province, or heavy expenditure upon railways will absorb large amounts of cash, part of which dribbles back slowly, and part of which for practical purposes never comes back at all.

5. These considerations introduce great difficulty into the management of the Government balances in India. It is not merely that we are obliged to have close regard to the demands that are coming upon us in respect of the payments due on Government account during the next few months, but that we are obliged to have regard to future commercial demand also. Just as the Directors of the Bank of England or of the Bank of Bengal, when they feel a strong commercial demand, would be false to their trust if they were merely to say "we have so many millions, or so many lakhs, in our treasure chest, and there is, therefore, no use of our interfering with the demand, let us go on giving out money as long as we possess any", so the Government in India is bound to carefully guard its balances against depletion brought about either by the payments which it has in due course to meet, or by too sudden withdrawal and disposal through the channels of commercial demand. The above-imagined policy on the part of the bank directors would inevitably bring about a crisis in a very short time, and carelessness of management of the same kind—a concession to immediate commercial demand, without having any regard to the future—would bring a crisis on the money market in India, much more severe and much more rapid by reason of the smallness, the almost non-existence, of any margin to fall back upon.

6. This position of responsibility is forced upon the Government in this country, not of its own will, but because it is accepted by the banking and the mercantile

community as the monetary system of India. The whole commerce of the country is made to depend upon the Government balances; and the whole responsibility for the maintenance of an available cash reserve in India being thrown upon the Government, it is taken for granted that if there is a monetary stringency, it is due to the deliberate action of the Government. When bank directors, to meet the occasion I have been describing, put up the rate of discount, they are said to do what is wise and proper, both in their own interest and in those of the commercial public; when the Government, being in India in a similar position, takes similar measures, it is considered to be deliberately causing an undue stringency of the money market.

7. I cannot help noticing that it is almost assumed in the evidence given before the Committees that the Government of India, in their manipulation of Government balances and of Council Bills, systematically pursue this policy of creating for their own purposes a stringency of the kind described. I have more than once had occasion to give this theory explicit denial. Some important papers on the subject were published in the "Gazette of India" of February 23rd, 1889 (page 115, &c.), which were intended to show, and in my humble opinion did show, that our one endeavour in managing our balances was to make things as smooth for the money market as it was possible for them to be, consistently with a system under which the banks kept very little available money of their own. But explanations of the kind are readily forgotten in a place like India where everyone has his own business to attend to, and cares little to read and bear in mind official documents like those to which I refer. I may mention that within this last week I see it stated in the financial article of a widely circulated journal that "Government has been busy reducing its balances with the Bank of Bengal and the Bank of Bombay." I have not inquired into the facts, but I have no doubt that the real explanation is exactly what I gave in paragraphs 22 and 23 on page 124 of the above quotation, from the "Gazette," viz.—that the so-called artificial reduction of Government balances at the banks is nothing more or less than the issue of the amount to the public in the form of Council Bills.

8. I may mention as regards the Government balances at the Presidency Banks that for the express purpose of preventing any manipulation of them either in the direction of stringency or of the opposite, we work them upon a purely mechanical system. A maximum and a minimum limit are fixed, both very much in excess of the minimum stipulated in the contract with the banks, and the rule is laid down that when the balance is above the maximum, the responsible account officer withdraws a certain amount into the reserve treasury; when it falls to or below the minimum he passes money into it from the reserve treasury. This rule is departed from only (1) when we are raising a loan, and, in order to let it fall easily on the market, allow the Presidency Banks to retain a nominally excessive Treasury balance (I call it nominal because the transaction is the result of a credit to Government on the bank's books by debit to advances on Government accounts, and the bank for the moment does not really possess any funds available in cash against it), (2) when our general balance is so severely depleted that for the time we cannot spare funds from the distinct treasuries to maintain the usual standard of cash balance in the Presidency towns. There is, therefore, so far as the bank balance is concerned, no manipulation for the purpose of creating stringency of or affecting the rate of exchange.

9. I come now to the question of Council Bills. It seems almost a truism to say so, yet it seems necessary to call it to mind, that the amount of Council Bills that can be issued by the Secretary of State is strictly limited. I say this because it seems to me that the accusation of causing stringency is founded in some cases on the mere fact that the Secretary of State has not issued bills for the whole amount required for the payment of the balance of trade. The amount which it is possible to draw in a year may, for ordinary times, be reckoned thus:

	Rx
Surplus of revenue in India over expenditure in India, including expenditure on capital account	23,000,000
Money raised by loan in India for capital expenditure	3,000,000
Total available	26,000,000

These figures vary of course from year to year, but it must be clear that whatever the figures are, they limit the amount for which the Secretary of State may draw.

10. Now, as pointed out at length in the papers of 1889 which I have already quoted, the minimum balance with which we can carry on the business of the Government in India is about eight crores. This eight crores includes the balances at our credit in the Presidency Banks and their branches. Our balances went down to that figure and below it in the end of the year 1896 and again in the end of 1897, that is to say, in both of these years the Secretary of State drew even more than was consistent with safety; he could not have drawn more for the simple reason that we had no funds wherewith to pay. So anxious were we to supply the money market with a full amount of Council Bills that in December 1896 we took special legislative measures to add to our cash balances two crores of rupees out of currency reserve, and thus enabled the Secretary of State to enhance his drawings by that amount. And again in January 1898 we passed a special law to enable the Secretary of State, if necessary, to draw Council Bills against our currency reserve. In the present year, 1898, our Council Bill programme was again based on the calculation that we should place at the Secretary of State's disposal, for drawings, everything we could spare subject to the condition of our having eight crores in our cash balances at the minimum period. (The exact figure—I have the estimates before me as I write—was 857 lakhs.) Our prospects as regards balances have been much improved by better revenue, and we communicated the fact to the Secretary of State in July and again in September for the express purpose of enabling him to enhance his drawings up to the limit of our capacity to meet them; and he enhanced them accordingly. Surely what I have stated affords the most ample evidence that our policy throughout is the very opposite of seeking to raise exchange by causing stringency. We have consistently done our best to place at the disposal of the market every surplus rupee we can spare.

11. The truth is that in India, where it is too much the habit to look to Government for everything, it seems not unnatural to expect the Government to finance not only the administration of the country, but its trade and commerce also. Accordingly, when commerce finds a deficiency of available funds, the cause of the deficiency is sought for not in the scarcity of banking capital, but in some action of the Government, which is expected, with resources that are often barely sufficient to meet the financial requirements of its own administration, to supply also all that is wanted for the movements of two hundred crores of imports and exports.

12. One difficulty which is alluded to in some parts of the evidence is that our revenue does not come in equally during the year. This is of course a necessity in a country where so much of the revenue is land revenue, and has to be collected at the time when the revenue payers can most easily afford to pay it—viz., the time of harvesting and disposing of their crops.

I find the following is a rough estimate of the distribution, through the year, of the 26 crores which as above mentioned, became available for drawings. I take the three crores of debt as received half in July and half in August.

	In thousands of Rx.
April	600
May	1,900
June	3,000
July	2,500
August	1,300
September	—
October	300
November	700
December	2,500
January	3,500
February	3,100
March	4,600
Total	26,000

13. Now, if the Secretary of State could distribute his drawings after the above fashion (or rather take the figures a month later so as to allow the excesses of revenue to be brought down to the Presidency towns to meet his bills) the result would no doubt be that our

excess cash balances (that is, the surplus over what we require for treasuries that are not in charge of banks), would be wholly, or nearly so, at the disposal of commerce. But I must point out that this is more a theoretical possibility than a real one. As I have already explained, there are no funds for Government to fall back upon, if it surrenders to commercial uses its own cash balances and then suddenly finds that it must alter its programme of revenue and expenditure. There have been two crises of that kind within the last two years. The first was in October 1896 when the rains failed and prospects of famine suddenly made their appearance in India. We realised that the first and necessary step was to make large remissions of revenue at once, this came upon us just as our balances were descending to their minimum, and there was no remedy but to call upon the Secretary of State immediately to suspend his drawings, which were being as usual so regulated as to leave no margin in December. The second was in the outbreak of frontier warfare in August and September 1897, when again we were obliged to stop the Secretary of State's drawings in order that we might have money to expend on the necessary military operations.

14. It is not possible for us therefore, dependent as we are upon our own resources, to carry on the administration with our balance continually hovering about eight crores. We can afford the risk of letting it run down to eight crores in November and December when we know we shall be amply in funds again when the revenue comes in in January. But if we had to keep to one figure all the year round, we would not be safe under a minimum of 11 crores (that is to say, a consular margin, against possible sudden claims, of three crores). Thus the proper way of describing the policy under which we might place our margin of money at the disposal of commerce would be "Reckon Rs. 11,000,000 as your minimum current balance, but inasmuch as you can stand the risk of letting it run down, for a month or two, but not longer, to Rs. 8,000,000, give commerce the advantage for that month or two of the Rs. 3,000,000 you can thus spare."

15. This is really not very far different from what we actually do, at all events, the argument shows that the money we withhold from possible utilisation by commerce is only the excess which we hold over Rs. 11,000,000* and that it is not possible, from a practical point of view for us to accept as a rule of working: "Eight crores is your necessary minimum," and all that you hold in excess of that should be "regarded as available for commercial use." In short, eight crores is not a working minimum; it is a point of danger which we can tolerate if it is to last only for a month or two, but which might at any time land us in disaster, if we tried to work with it for a longer period.

16. The distribution of Council Bills over the twelve months remains entirely in the hands of the Secretary of State, we, in India, give him from time to time our recommendations, and especially advice as to the amount we can make available for his drawings, but as the primary object of the Council Bills is to place him in funds for the expenditure which he has to undertake, we leave it to him to consider when drawings may be eased off for want of commercial demand, or increased to meet commercial demand. At the same time we are quite aware that the policy of the Secretary of State in the matter is the same as our own, that is, to draw during the twelve months as much as we can meet. The considerations I have set out will show that the utmost the Secretary of State could do, if he were to neglect in regulating his drawings every consideration but that of momentary commercial convenience, would be that he might occasionally be a crore or two ahead of his drawings as he regulates them on the present system, at the risk of having to pull up after a month or two in order to allow our resources to come up to his demands upon them. I pronounce no opinion as to whether it is convenient for commerce to have a crore a week placed at its disposal in February to April, and then have it cut down to 12 or 15 lakhs a week in May. Of course nothing that the Secretary of State can do will increase the total of his drawings over the twelve months.

17. Having thus placed in the hands of the Secretary of State the regulation of the drawings of Council

* For example, I find that from October 1896 to December 1897 there were only two months in which the cash balance was over Rs. 13,500,000.

Bills, we naturally consider ourselves precluded from interfering with his operations by advancing money, even on interest, to the Presidency or other banks in India. Occasionally, but very rarely, short loans of the kind are made by us, but it is only for the relief of temporary difficulties. The last occasion on which a proposal of the kind was made to us is referred to in the evidence (Question 8362). In April last the Bank of Bombay, whose rate at the time was 13 per cent., asked us to advance 25 lakhs to it, for a short time, at 6 per cent. This we either formally declined, or were on the point of declining, when the proposal was altered into one to borrow from us at bank rate. Within three or four days, however, the stringency of money was relieved, the bank rate gave way, and we thought the necessity for any extraordinary measure had ceased.

18. Following this general, and as I have been trying to explain false impression as to our policy in the management of Government Balances and Council Bills, I observe that the proposals of the Government of India made in the despatch of March 3rd have been described as a policy of forcing gold into the country by means of an artificial stringency in the money market. I do not enter upon any argument as to whether that will be their effect—that is a question of opinion on which it is for the Committee to pronounce, but that such is their deliberate intention I may be allowed to deny. The stringency unfortunately is there. I enter upon no argument as to whether it is due to the closing of the mints, or to the withdrawal of capital from India, which began long before the Mints were closed, or whether it is caused partly by the one and partly by the other. But I think I have made it clear that, granting the situation brought about by the currency policy of 1893, the stringency has occurred, not by reason of any action taken by Government, but in spite of all the efforts made by Government to prevent it. The policy we set out in our despatch of 3rd March was a policy which had for its object not to increase it, but to relieve it, and I may represent the argument in this way: "The stringency will not be relieved until capital is sent out to India. Holders of capital are afraid to send it out as long as the currency is on a silver basis, and is in such an amount that a turn of the scale, whether by cessation of activity in trade or in any other way, will send down the rate of exchange. Let us get over this transition stage, let us get to a state of things where, instead of the circulation being composed of 120 crores of silver, it is composed of, say, 105 crores of silver and 15 crores of gold (that is, 10 million pounds). Capitalists will now see that the money in circulation in the country must be reduced from 120 crores (that is 105 in silver and 15 in gold) to 105 crores before exchange falls below 16 pence, and this state of things will give them confidence enough to send out their money to thus relieve the stringency."—This is what is set out in paragraph 22 of the despatch. The argument may be right or wrong, on that point I in this place urge nothing; but the intention I think is sufficiently clear, and it was not an intention to operate through artificial stringency.

19. This explanation will also account for the position given in our proposals to the melting of rupees. While the rupees are still in existence (as they were after the stoppage of drawings in 1893-94) the confidence we hoped to create could not exist. The capitalist would argue: "These rupees, though now withdrawn, may at any time come back into circulation, and I cannot accept it as certain that the rupee circulation will not exceed 105 crores; while therefore this possibility lasts, I hold my hand."

20. One more explanation on this subject and I have done. The Government never had it in their minds to withdraw rupees from the active circulation by any new operation of withdrawal or recall. Under the monetary system of India which I have explained, rupees are every year withdrawn from circulation in the payment of revenue, especially in the months of January to March, and they are returned to it again through the operation of Council drawings. In such a monetary system, the restriction of Council Bills and the withdrawal of silver coin are synonymous terms; the Government can get possession of silver coin for the purpose of melting down, only by the Secretary of State drawing a smaller amount of Council Bills than he otherwise would draw. Our notion was that in this way the reduction of rupee circulation would commence to be brought into effect, that the Secretary of State

would refuse to draw under some rate settled from time to time, but at least advancing towards 16 pence, and that the amount be thus withheld would be by us permanently withdrawn from circulation, and melted down so as not to be in any way further available in the form of silver currency. How far this operation would have to be carried before exchange was for the time fixed at 16 pence would be matter of experience (paragraph 16 of despatch). We would have to carry it not only far enough to raise the exchange value to 16 pence for the time, but still further with the aid of our currency reserve (paragraph 20) so as to have a margin to fall back upon, namely, to ensure that the reduction of silver currency would be enough to maintain the 16 pence value, even if trade were to become more inactive than at the beginning. Meantime we hoped that with this declared policy before us commerce would find, in the prospect of the rise of the rupee towards 16 pence and its fixation at that point, sufficient encouragement to send out gold coin for its own needs, just as before 1893 it used to send out silver to the mints when the supply of Council Bills fell short of its requirements.

21. Again, I repeat, it will be understood that I am not here engaged in defending the plan; I am merely explaining the proposals with reference to certain portions of the evidence laid before the Committee. Things have advanced even since the proposals were laid before the Secretary of State; the rupee has maintained itself very near to 16 pence even during the inactive period of the year; and the redundancy of the circulation with reference to that value—that is, the amount which the Government of India proposed to withdraw from any possible return into circulation—appears now to be less than it appeared in March last.

22. I desire to add some remarks with reference to the allegations about illicit coinage which appear in some portions of the evidence given. We have been making continual inquiries regarding this; but we have not been able to discover that illicit coinage is in any respect more rife than it was before the rupee rose so much above its bullion value. Illicit coinage still goes on in India as everywhere else, but obviously the only kind of illicit coinage that can arise in

connexion with the closure of the mints is illicit coinage of standard silver; and discoveries of coinage of base metal have nothing to do with the present subject. What we have ascertained is that the public have had their attention drawn to the subject, and that they are apt, much more than they were before, to suspect rupees which turn out upon examination to be perfectly good. We have arranged for more systematic inquiry, and all I can say at present is that little evidence exists of any greater frequency than formerly of illicit coinage.

23. The coinage of Farrukhabad rupees, alluded to by more than one of the witnesses, has nothing to do with the question of illicit coinage of Government rupees. These are rupees of an ancient currency which bear inscriptions in Persian characters only. I do not believe that a single such rupee is anywhere used as coin in British India, and it is certain that not even the most simple individual could ever mistake one for a Government rupee. They are largely used as ornaments, and have been largely manufactured for that purpose. They also could no doubt be easily introduced into circulation as money in Native States, where the currency is often in such a condition that almost any bit of silver, bearing a Persian inscription or a part of one, passes from hand to hand rather in barter than as money. The officials of the Gwalior State the other day gave me a list of 16 different kinds of coin of this description which so passed, at various values, in the State of Gwalior alone.

24. We recently determined that this kind of manufacture was dangerous, both because it might interfere with the current coin of Native States, and still more because it might familiarise the people with the notion that coinage was an admissible form of private industry, and we altered the law so as to make it what the law probably always intended it to be, a criminal offence. The recent case was the first in which the change of the law was brought home to the people engaged in this trade; but it obviously indicates no danger of illicit coinage as regards Government rupees.

J. WESTLAND.

1st October 1898.

A.

STATEMENT showing the AMOUNT OF PUBLIC DEPOSITS and CASH BALANCES at the HEAD OFFICES of the THREE PRESIDENT BANKS during the first 13 Weeks of the Year 1898.
[In thousands of Rupees.]

Weeks.	Public Deposits.				Cash Balances.		
	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total.	Bank of Bengal.	Bank of Madras.	Bank of Bombay.
1st week	92,94	19,03	66,78	1,78,75	68,10		55,99
2nd "	1,01,12	24,12	50,39	1,75,63	1,01,12		91,16
3rd "	82,91	25,88	53,45	1,61,54	77,46		91,05
4th "	62,00	28,58	51,84	1,42,43	92,99		76,00
5th "	54,39	26,01	48,67	1,29,07	69,41		46,84
6th "	69,59	22,73	49,68	1,42,13	66,31		58,50
7th "	68,87	22,02	52,71	1,43,60	69,79		36,95
8th "	74,18	22,09	42,49	1,38,76	80,77		56,78
9th "	80,83	19,04	44,38	1,44,25	77,77		33,96
10th "	76,17	26,16	51,33	1,53,66	86,30		63,99
11th "	57,62	25,40	55,44	1,38,46	77,50		69,19
12th "	74,35	26,88	66,46	1,67,69	83,79		79,41
13th "	67,15	18,33	51,73	1,37,20	77,63		67,39
Weekly average for the 13 Weeks	73,95	23,56	52,73	1,50,24	79,15	—	63,62

Papers relating to India.

B.

STATEMENT showing the AMOUNT of PUBLIC DEPOSITS and CASH BALANCES at the THREE PRESIDENCY BANKS and their BRANCHES during the first 13 Weeks of the Year 1872
[In thousands of Rupees.]

Weeks.	Public Deposits.				Cash Balances			
	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total	Bank of Bengal.	Bank of Madras.	Bank of Bombay.	Total
1st week	1,70,93	28,69	82,74	2,82,36	2,37,17	86,87	85,94	4,09,98
2nd "	1,69,31	36,88	65,90	2,72,09	2,43,39	90,12	1,13,07	4,46,58
3rd "	1,48,43	39,91	71,48	2,59,82	2,10,44	93,58	1,18,53	4,22,55
4th "	1,36,13	57,12	79,86	2,72,61	2,17,92	1,08,56	1,16,35	4,42,83
5th "	1,54,45	55,48	73,17	2,83,10	2,16,80	1,02,28	82,60	4,01,68
6th "	1,61,12	49,86	79,87	2,90,85	2,35,42	92,00	87,82	4,05,24
7th "	1,36,68	43,11	75,85	2,55,64	1,71,67	80,79	67,47	3,19,93
8th "	1,49,85	53,55	77,98	2,81,38	1,76,91	98,06	91,42	3,66,39
9th "	1,70,20	50,40	73,10	2,93,70	1,82,80	88,69	68,48	3,40,97
10th "	1,73,42	56,64	88,16	3,18,22	2,05,88	98,12	1,07,06	4,11,06
11th "	1,38,93	61,15	1,04,48	3,04,56	1,71,11	96,08	1,06,94	3,74,43
12th "	1,65,80	66,37	1,37,68	3,69,85	1,83,54	1,01,86	1,04,42	3,89,82
13th "	1,78,68	57,82	1,24,89	3,56,39	1,81,20	1,04,56	88,91	3,74,67
Weekly average for the 13 weeks	1,57,61	50,53	87,85	2,95,49	2,01,89	95,12	95,34	3,92,35

No. 22.

Note of 15th May 1872 by SIR RICHARD TEMPLE, G.C.S.I., handed in by the EARL OF NORTHBROOK (see Q No 8447).

I desire to lay before the Government of India three notes by Mr G. Dickson, Secretary to Bank of Bengal, on the subject of the gold currency, which he was good enough to draw up at my request, also notes by Mr R. B. Chapman, the Financial Secretary, and Mr H. D. Sandeman, Officiating Comptroller General, and Mr E. Gay, Deputy Comptroller General, on the same subject.

2. I have long believed that a gold currency is wanted in India; that its introduction ought to be an object for gradual, if not immediate, attainment; and that the British Government ought to adopt measures from time to time towards that end. I do not say the introduction of a gold coinage, for we have that already in India. We have gold pieces representing fifteen, ten, and five rupees respectively; and believed to represent the relative value of gold and silver. That this relative value has by these gold pieces been preserved with as much accuracy as possible under the circumstances was affirmed by the report of the Indian Currency Commissioners in 1867. But, despite their intrinsic merits, these coins are not and cannot be available as currency, because they are not legal tender. I conceive that we should, so far as we fairly can, permit inducements to arise for the importation of gold into India, and for its retention in considerable quantities in the country, that whenever such quantity might be found adequate, we should take the first opportunity to declare the gold coins legal tender to unlimited amount; that the gold pieces should continue to bear the fixed relation to the rupee; that for a time it might be necessary to permit the rupee to remain legal tender to an unlimited amount, which would involve temporarily the difficulty of double standard, that the transition period of double standard should be as short as possible, silver being reduced to a token coinage, and being legal tender up to a small amount only, and that gold should be ultimately the one legal standard.

3. Remembering that many steps must be taken before any such consummation could be arrived at, I should have preferred, just now, to confine myself to such practical measures as could be adopted at present. But, among the many doubts which surround the subject, I see, or imagine that I see, one doubt which affects the very root of the matter. It seems to be doubted whether a gold currency is needed at all for India, or whether it constitutes a requirement of that pressing or important character which would justify any alteration in so delicate an affair as the currency.

4. I do not at all share such doubt. On the contrary, I share the conviction expressed by my predecessors Mr S. Laing and Sir C. Trevelyan and Mr Massey, to the effect that a gold currency is among the urgent wants of India. With the exception of Mr. Wilson, every Financial Member of the Government of India has advocated this view. In 1866 similar views were advocated by a special Commission in India appointed to examine the whole subject, and have been maintained at one time or other by every chamber of commerce in India. But in the event of such doubt as above described being seriously entertained, I will attempt to briefly recapitulate the reasons why a gold currency is desirable in India. And my excuse for making the attempt must be this. If people shall strongly entertain an *a priori* conviction that a gold currency is really wanted, then they will find that the supposed difficulties in the way of its introduction are not at all insuperable. If, on the other hand, they have no such conviction, then the difficulties, which more or less beset every question of currency, become magnified to undue proportions.

5. It can hardly be necessary to recall to mind the superiority of gold over silver, or the reasons why in all countries the estimation of gold is about fifteen times greater than that of silver. A well-known writer on bullion has summarised the advantages of gold thus—

“Gold is the noblest of all metals—the *king of the metals*, as the alchemists of old used to call it. It holds this exalted rank by virtue of its precious physical and chemical properties, among which may be mentioned, more especially, its indestructibility; its signal power of resisting oxidising influences; its *fusibility*, its permanent ductility and malleability; its beautiful colour and splendid lustre.”—*Seyd—Bullion and Foreign Exchanges.*”

6. It is this superior estimation which, causing gold to be so much more relatively portable than any other precious metal, gives it a practical efficiency in commercial transactions, of which inherent quality nothing save artificial restraints, from systems of currency, can deprive it.

7. The most advanced nations, England, France, Italy, America, Germany, Holland, possess a gold currency. Most of them have at various times adopted measures to change the currency of silver to gold. Some of them have even put forth efforts and undergone sacrifices for this object.

8. It is generally acknowledged by the best authorities that the money which is to be the medium of exchange and the measure of value in large transactions, or in all save small transactions, should be gold, as being the metal most suited for such purposes from its greatly superior estimation. Silver is suited only for trans-

actions too small for the use of gold; just as copper is suited only for transactions too small for the use of silver.

9 In the first place Adam Smith explains that—
 “In the progress of industry commercial nations have found it convenient to coin several different metals into money; gold for larger payments, silver for purchases of moderate value, and copper or some other coarse metal for those of still smaller consideration.”

10 Michel Chevalier gives a similar explanation—
 “We know that for many centuries copper constituted the money of Rome. Afterwards, society having become richer, copper money was no longer sufficient, with the increase of wealth, payments became too cumbersome, and a more valuable metal than copper was found better adapted for the bulk of transactions; it was thus that silver money came into use. This was soon after followed at Rome, and for the same reason, by a gold currency. The history of the currency in the monarchies which were reared upon the ruins of the Roman Empire reveals the same process.” The same authority goes on to say of gold and silver—“a division of their employment seems to be indicated; for silver the smaller, for gold the larger payments.”

11 M’ulloch, speaking of gold and silver, says that “the former would be sure to be preferred as money to the latter in all but petty transactions.”

“The use of gold as money is accompanied by so many advantages that it would maintain its place even though it were somewhat underrated as compared with silver. Inasmuch, however, as gold has so many natural grounds of preference on its side, the true plan is to make it the only standard.”

12 Tooke, after rejecting *seriatim* the arguments for a change from a gold to a silver standard, says that “in other respects it would be the substitution of the less convenient for the most convenient description of currency.”

13 Chambers writes in his chapter on money—“A substance has been employed as the chief circulating medium over the civilized world. Its own nature has made it the standard currency, though it is relieved and aided by other kinds of currency. This substance is gold, which by common consent people at the utmost extremities of the civilized world have used as their standard currency.”

14 One of the main reasons for the preference of gold over silver is forcibly expressed by another writer (Dunning Macleod): “The greater the intrinsic value of the metal, the better is it qualified to perform the functions of a currency.” * * * “The more rare and valuable the metal, the more portable and convenient would it be, so that a man might carry about with him, as it were, a concentrated essence of power of commanding services.” As John Stuart Mill observes:—

“There is an obvious convenience in making use of the more costly metal for larger payments, and the cheaper one for smaller; and the only question relates to the mode in which this can best be done.”

15 Even some of those authorities, for example, Ricardo and James Wilson, who prefer silver as the sole standard, make important admissions in favour of gold. Ricardo states that—“In favour of gold it may be said that its greater value under a smaller bulk eminently qualifies it for the standard in an opulent country.”

James Wilson says—“No one will be inclined to deny that, if we had to begin a system of currency *de novo*, the most convenient of all the various systems now in practice would be found to be that used in England, where gold is the standard, and silver tokens of limited tender the subordinate coins.”

16 Now, these considerations of political economy are just as applicable to India as to any other civilized country. It will hardly be denied that India is a civilized country. Although civilization in a politico-economic sense is not so diffused in India as in Europe; though the mass of the people are less civilized than the corresponding classes of an European people, still India has a fair proportion of civilization, has a large field for the exercise of political economy; all which, though inconsiderable relative to the vastness of the country, is considerable absolutely. Though on the whole a poor country, certainly, still India is in parts rich enough, has within particular limits great

wealth, has extensive transactions, has in some respects much to do with money on a great scale.

17. It is no sufficient answer to this to say that the mass of the people never see anything better than copper money; that it is only certain classes that see even silver, and that but a comparatively limited number would see a gold currency if it existed. For the limited number who would see gold represent the most important classes of the country, just those classes whose skill, enterprise, and intelligence go far to make the fortune of the nation. If the sections of the people who would use gold were summed up, they would be found to represent a great and growing interest. And if they really require a gold currency, that would be a strong reason for introducing it.

18. Again, if it be supposed that such currency were not so urgently wanted for the interior of the country generally, still the question would remain as to whether it is wanted for the larger transactions of the inland trade and especially for the foreign trade. It is not so easy to gauge the extent of the inland or inter-portal trade. But we know the extent of the foreign trade exactly, and we can see what a mighty interest that represents.

19. But the number of persons in all India who would use a gold currency is not so limited as seems to be supposed. It may be mentally measured in this way. With our five-rupee gold piece legal tender, everyone who had to pay five rupees or more in metallic currency (unless he paid in currency notes) would pay in gold. Everyone who kept or hoarded five rupees and upwards in treasure would use gold. Let us compute by our own notions (we cannot ascertain exactly) what the number must be of payments of five rupees and upwards in all India within any year. Surely it must be very great. Quite great enough to justify the consideration of measures for introducing a gold currency.

20. Or let us suppose that, following the example of the five-franc gold coinage, or forming the easily conceivable notion of a five-shilling gold piece, we were to have gold coins of lesser denomination than five rupees (for which the authority of M’ulloch might be cited)—say, for example, that we were to have 2½-rupee gold pieces. Then every payment of metallic currency of 2½ rupees and upwards would be made in gold, if there were a gold currency.

21. How very great, then, must the number be of such payments in a year.

22. But in these, as in other matters, there is such a thing as national prejudice. It is conceivable that such a population as the Indian might have some national prejudice against gold. But have they, in fact, any such prejudice against gold pieces? No, they have not. Quite the contrary; their prejudices, if they have any, is entirely in favour of gold. The imperial dynasties which preceded us in India had a gold currency. Some comparatively ancient gold coins have still a limited circulation, and enjoy the highest repute. It is remarkable that the gold coins which issue from the British Mints in India mostly find their way to Native States. It may be said, in general terms, that on our accession to power in India we found a gold currency existing conjointly with the silver currency. And it was reserved for us to accord silver the dominant and exclusive position which it now holds in the currency. My own belief is, that few nations have in their own minds a higher appreciation of gold than the Natives of India.

23. It was in 1835 that silver was made the sole legal tender in India. Gold, however, ceasing to be a legal tender, was still receivable at the Treasuries in payment of Government dues. Even this was stopped in 1853. The prohibition was withdrawn in 1869, since which time the gold pieces have been and are receivable at the Treasury as before.

24. This measure, however sound in principle, has not proved efficacious. Indeed the state of the exchanges prevailing since that time, has not been such as to cause the importation of gold bullion. And indeed nothing can bring about a permanent influx of gold, while gold pieces are not legal tender.

25. Upon this point M’ulloch writes thus—
 “Silver has become in India, in fact as well as in law, the sole legal tender * * * there are at the same time various circumstances which make it much to be regretted that an attempt should have been made to exclude gold from the currency of India; * * * had gold been allowed to circulate as coin, it would have been extensively employed in making large payments, and it would also have been extensively hoarded. * * * It would be good policy to reintroduce a gold currency.”

26 M'ulloch further makes a remark which I shall cite in this place. After explaining that gold would, if it had a fair chance, circulate in India as well as silver, he goes on to say—"In that case the increased demand for gold * * * would, by lessening the demand for silver, have checked any tendency it may have had to rise." Sir William Mansfield (now Lord Sandhurst) elaborated this same point in 1864. He estimated that the exclusion of gold from the currency caused a rise of 5 per cent. in the price of silver, and held that this led to injustice towards the landholding classes of India, who pay land revenue fixed for long periods or in perpetuity.

27. Whether we go to the full length of these conclusions or not, still we can hardly doubt that to virtually oblige the people of India (as we indeed do oblige them by our present system) to use only one precious metal for currency, when they might have had two precious metals, is to enhance the price of that one precious metal, silver, and thereby to put them to considerable expense unnecessarily. They must have the silver for currency use, and they must purchase it with their produce. If the price be enhanced, say, by even a small percentage, then let the significance of that be considered. The amount of silver in circulation cannot, of course, be stated, but it must evidently be very great; supposed to be at least 100 millions sterling in value, sometimes even estimated at 150 millions. The amount, whatever it may be, has been purchased by the people of India. Then, even a small percentage on either sum would give an extra expense of several millions, to which the people have been unnecessarily put. Such an estimate is not precise indeed, but it may serve to give some idea of the possible loss occasioned to India.

28. Again, to use gold instead of silver coins is to effect a great saving in minting charges and in wear and tear, or, per contra, to oblige the people to use silver coins when they might use gold is to put them to the expense of about fifteen times as much minting and wear and tear of coinage as might otherwise have been necessary. This cost may be relatively small, from 1 to 2 per cent. on value of coins; still let us remember the amount of silver coined in India since 1835, about 197 millions, and we shall see that even a small percentage on this vast sum would be an appreciable amount. It follows that this amount might have been to a large extent saved to the country had there been a gold currency. Sir W. Mansfield summarises the advantages of gold as—

"1st, superior portability;"
 "2nd, decrease of wastage;"
 "3rd, economy in mintage;"
 and he describes these as "elements of cheapness which have a marked effect in asserting the superiority of gold."

29. It is often said, in effect, that the certainty of silver always being largely employed as currency in a comparatively poor country like India is a reason why a gold currency is not wanted. But I contend, on the contrary, that this very circumstance is one of the reasons why a gold currency is wanted, because it tends to steady the price of that silver which is one of the necessities of the national life.

30. On the whole, it seems clear that, while in all other branches and departments of administration we endeavour to give to India the best of everything, so far as we can, yet in respect of metallic currency we deliberately withhold from her the first-rate article and afford her a second-rate one.

31. The foregoing considerations apply to India in common with other countries where there may be commerce and accumulated wealth. But there are special reasons in India why a silver currency without any gold currency must be inconvenient. In other words, there are, in addition to the general reasons, special reasons why India ought to have a gold currency.

32. The continent of Europe, and especially the United Kingdom, obtain both gold and silver from about the same distance in the case of each metal. Those countries have commercial relations with gold and silver-producing regions. Gold comes direct from America, so does silver.

33. With India the case is different. She has but slight commercial relations with America. And consequently she has to obtain silver through the medium of England. This is to some extent a disadvantage, and must involve various charges, direct and indirect. She has also to obtain the silver, in which her currency solely consists, from an immense distance.

34. On the other hand, she could obtain gold from Australia direct, without employing any other country as a medium, and from a much shorter distance. Thus it would appear that from its situation Australia, with its gold-producing regions, is the natural source of supply of the precious metal to India. It is the present system of the metallic currency that prevents India from availing herself of the great natural advantage offered by Australia in this respect, and forces her to obtain her specie under comparatively disadvantageous circumstances.

35. As Colonel Smith, the Mint Master, has well expressed it—

"The advantages of introducing gold into the currency of our vast dependency need not be here insisted upon. They may be inferred from the unanimous wish of the inhabitants for a less cumbersome means of exchange, from the benefit to be derived by the whole civilized world from India's taking her share of the increased produce of the gold mines, and from the anomalous spectacle exhibited for many years past, of ships freighted with gold traversing half the globe in one direction, crossing ships conveying an equal value of silver in the opposite direction, for the adjustment of balances of trade capable of settlement without either voyage, and with a saving of expense of a quarter of a million sterling annually."

36. Sir William Mansfield (now Lord Sandhurst) put the case thus—

"There can be no good reason to compel the precious metals to make the journey from Australia round by London to India, instead of coming direct to the latter country. Yet that is what to a certain extent necessarily takes place, and which throws heavy charges on the metal ordained as a legal tender, viz., silver. The gold of Australia must go to London to be exchanged for silver, which is then sent out to India, after being bought at an artificially high price in Europe and the United States. The European markets are the middlemen, who obtain their profits on the silver sent to India to restore the balance of trade."

37. Sir Charles Trevelyan ably set forth the same point thus—

"England has a southern as well as an eastern empire, and the great staple of that southern empire is gold. Owing to the exclusion of gold from the Indian currency, the trade with Australia is chiefly carried on in this way. The gold of Australia is sent to England, where it is employed in buying silver, and the silver is sent to India burdened with the charges of the double voyage, and with the additional interest accrued during the long period occupied by it. The cotton and other exports of India are charged with the extra expense arising from this circuitous mode of payment. Even a worse result is, that the trade cannot be carried on in a regular manner. The gold remains in the Bank of England until the Indian demand sets in, and then it is suddenly withdrawn to sweep the continent of silver for transmission to India."

38. The fact that the trade between India and Australia is not great, and is not likely to grow essentially, would not, of course, constitute a difficulty. It is true that if India received a large amount of gold from Australia she would not be able to send her produce to Australia in return. But the balance in favour of Australia would be settled and adjusted in the trade between India and England and England and Australia. India has extensive claims upon England for produce exported thither. She would transfer to Australia a portion of those claims, and thus pay for the gold.

39. The adjustments which take place in China will afford an illustration. China owes India yearly a large sum for opium. She does not wholly pay this debt by produce or treasure. She pays in part by transferring to India her claims upon England for Chinese produce exported thither.

40. But, further, there is one marked peculiarity in the situation of India—which is perhaps almost unique in the world—in that she has annually to remit to England money to the sum of many millions. The liability is as serious as it is inevitable, and the cost of so vast a remittance amounts to nearly half a million pounds annually, and sometimes more.

41. While the Indian currency is in silver only, the principal means of remittance must be silver. Under these circumstances, India will never possess gold in adequate quantities. The balance due to her on trade

will be paid in silver; in the main, she must take that metal and none other. And she will possess no other precious metal wherewith to pay whatever there is to be paid by her in specie. She will have, then, only her silver and her produce wherewith to discharge her obligations.

42. But as England has a gold currency, the payments must be made in that metal, so far as they have to be made in money at all. And as India has to pay in gold, she must obtain gold either by means of her silver or her produce. This is the real basis of the transaction, though in practice India does not generally make her payments in specie. She receives gold in England from purchasers of bills called Council drafts, and pays to the holders of these drafts silver from the Indian Treasuries. But the payments are settled and adjusted in gold, and the difference chargeable to her on this adjustment comes to the same thing as if she had purchased with silver, or produce, the gold wherewith to make payment.

43. This arrangement appears to be inconvenient to India in various ways.

44. In the first place, she obtains her silver through England. The cost of effecting this is considerable. Then she has virtually to bear the charge of exchanging silver in her own limits for gold in England, and the cost of that, again, is considerable. It would be more economical, and more convenient, if she herself possessed the gold in which the payments had to be made. If her currency were to be gold, then she would always possess quantities of the very metal in which her obligations have to be discharged and her account adjusted.

45. If the currency of England had been silver, then the argument would be somewhat altered. At present India has a sort of double difficulty. Firstly, she has to make this great payment annually, in itself a difficulty. Then she has the additional difficulty of purchasing the metal in which the payment is calculated. This additional burden is caused by the present state of the currency. And this must aggravate the charges to which India is subject.

46. Again, under the existing status, the relative value of silver to gold is the regulator in all respects of the cost of these transactions to India. The value of silver is, of course, liable to fluctuations. For the value of gold in England being determined by law, and that of silver being not so determined, these fluctuations as regards silver are appreciably great, and are sometimes embarrassing by reason of the trouble and expense which they cause. Within India the value of silver is indeed determined by law, but that fact is of no use nor validity in respect to the exchange with England. Now, this difficulty would be mitigated, perhaps almost removed, if India had also a gold currency, with the same status as that of England, that is, with the value determined by law.

47. Mr. Goschen, in his work on Foreign Exchanges, writes:—

“Considering the case between silver and gold. When a bill on Hamburg payable in silver is bought in London for a certain price, payable in sovereigns, what will determine the value? * * * Gold is simply merchandise in such countries as have a silver currency, and silver is merchandise in such countries as have a gold standard; and according to the price of the merchandise at a given moment, so will the exchanges fluctuate. When a bill on Hamburg is to be sold in London, all the previous elements of value will have to be taken into consideration; the rate of interest in the two countries, the state of credit, relative indebtedness, and so forth, but the value of silver in England will enter largely into consideration, or, in the opposite case, the value of gold in Hamburg.”

Now, it seems to me that, *mutatis nominibus*, the same story might be told of the exchange between England and her Indian dependencies, and that the process inevitably places India at a disadvantage.

48. Thus I contend that there should be one standard only of value for the two countries; in other words, that the standard for India should be the same as that for England; that India is specially entitled to this advantage because she is more conveniently situated as respects the gold-producing regions than the silver-producing regions, and because gold is the currency of the country to which India has to make such great payments; and that a gold currency would not only cause a saving to India in the procuring of so important an article as specie, but would also lessen the difficulties arising from the pecuniary obligations of India towards England.

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49. There is one more point to be noticed, which is this: it is observed by the Financial Secretary, Mr. R. B. Chapman, that when, upon the establishment of a gold standard, silver came to be demonetised, and the intrinsic value of the rupee to be diminished, the effect on the native mind would be bad. Mr. Chapman's words are: “It follows that we shall have to substitute for the use of the masses of our population a token silver currency for the present full value currency. Are we at all certain what the effect of this will be upon the ignorant population, or how a silver token currency will work alongside of a full value Native State silver currency?”

50. It is quite true that the natives will always look to the intrinsic as well as to the nominal value of the rupee. Though the new rupee, with a less intrinsic value of, say, 6 per cent, may pass in currency for the same value as the old rupee, still the natives will not estimate it so highly as the old rupee, because they use rupees for melting and for hoarding as well as for currency. All this may be admitted to the full. But what then? I fail to perceive what evil would follow. It is said that the natives would prefer the rupees of Native States, in which the proportion of alloy might be less than in the demonetised British rupee. It might not be of much consequence if this were to be the case. But it by no means follows that any such consequence would arise. If natives closely estimate the grains of fine silver in the rupee, they will weigh accurately the British rupee against the Native rupee. And the British rupee will be valued at its weight in fine silver, at least. Besides this, it would have the advantage of being legal tender in British territory for small amounts, which the Native rupee would not. And this advantage must secure the preference to the British over the Native rupee, as silver to silver.

51. It might be said, of course, that the British rupee would cease to possess the estimation it now possesses, and this portion of our currency would decline in reputation. Very true, no doubt. But, on the other hand, we should have given the country a gold currency the coins of which would rise rapidly to the highest repute, and to a degree of estimation to which even our silver has never yet risen. I believe that no coins that ever were coined in this country would be so popular as the gold legal tender coinage of the British Government. In other words, while we deprive the people of the old silver standard, we give them in return a superior gold standard. And thus the last state of the currency would be far better than the first.

52.* Further, it is sometimes urged, as a reason against introducing a gold currency, that there is

* SILVER COINAGE.		£
From 1801 to 1834-35	-	63,631,833
From 1835-36 to 1870-71	-	196,776,414
		<hr/> 260,408,247
GOLD COINAGE.		
From 1801 to 1834-35	-	11,060,148
From 1835-36 to 1870-71	-	2,061,972
		<hr/> 13,122,120
TOTAL GOLD AND SILVER COINAGE.		
From 1801 to 1834-35	-	74,691,981
From 1835-36 to 1870-71	-	198,838,386
		<hr/> 273,530,367
IMPORTS, GOLD.		
From 1801 to 1834-35	-	9,455,635
From 1835-36 to 1870-71	-	95,630,569
		<hr/> 104,486,204
EXPORTS, GOLD.		
From 1801 to 1834-35	-	2,032,442
From 1835-36 to 1870-71	-	3,015,542
		<hr/> 5,047,984
NET IMPORTS -	-	<hr/> <hr/> 99,437,420

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never likely to be a sufficient quantity of gold available to justify its being declared legal tender. The quantity of specie required for circulation in India was estimated, 15 years since, at 150 millions sterling, or rather, that it was the supposed value of the silver coins in circulation. Within this century the net importation of gold has exceeded 99 millions, but only a small portion of it has been coined. Having regard to the long period that coin lasts, the coinage may now be estimated at more than 150 millions sterling, and the amount of gold bullion and specie in India is within this amount. These several quantities may not indeed be precisely known. But it is quite true that the amount of gold available or obtainable in India under present circumstances is very small, as compared with silver, and is not as yet nearly enough for what the requirements of the country would be after gold being declared legal tender. But though I admit all this to the full as fact, I do not at all admit it as a reason for refraining to declare gold to be legal tender. For, manifestly, the gold, having been once declared to be legal tender, would become one of the needs of the national existence. Gold would be an article which the country must purchase, and with its large surplus of exported produce over imported goods, and with an ample balance of trade in its favour, the country would have no difficulty in purchasing gold, which metal it could, as has been seen already, obtain direct from Australia on reasonable, perhaps even on favourable terms. If, then, the need of gold for currency in India were to be anticipated, its influx into the country would be a matter of a few months, perhaps only of a few weeks, and the want would hardly have begun to be felt before it was supplied.

Before concluding, I would add that experience does not shake my belief that the relative value of gold and silver is represented according to scientific theory and principle by the present gold coinage of India, that is, 120 grains gold piece to 10 rupees, that the present rate offered by the Government of India in 1869 for the English and Australian sovereign, 10½ rupees (ten rupees and four annas), coincides as nearly as possible with that standard, and that the conclusions arrived at by the Currency Commission in 1867 are sound. It is true that very few sovereigns have been received in the Treasuries since 1869, but this circumstance is attributable, not to any defect in the rating (10½ rupees to the sovereign), but to the state of the exchanges, which have precluded the importation of gold bullion, silver being sole legal tender. How can gold compete with silver in India, while the latter has a value fixed by law and the former has not? I understand that, as a matter of fact, gold can still be laid down in India at something less than 10½ rupees for the sovereign, and that so far the 10½ rupees rate must yield a profit on the importation. If that be so, then this rate would still seem to be the right one. And the non-arrival of gold must apparently be due to artificial causes, which amount to this, that gold is at a disadvantage as compared to silver, which is favoured by law. If this be so, then the fact that gold sovereigns command in the market at most times a higher price than 10½ rupees and the 120-grain gold piece a higher price than 10 rupees, must be owing to adventitious causes, and to the circumstance that the supply of these coins being very limited, there is a sort of fancy demand for them which is no criterion of what their value would be under a different status.

I still hold to the opinion that if it were determined to have a gold currency, we should mainly employ our Indian gold coins for that purpose. I would not object to make the sovereign a legal tender for 10 rupees and 4 annas. But the sovereign being worth 10 rupees and a fraction over, there might be some slight trouble of calculation in changing it for silver, and this would be a drawback in respect of the use of the sovereign as currency in India. And if this objection were urged, I would not press for the sovereign being declared legal tender. But we should continue, under any circumstances, to receive the sovereign in our Treasuries at the present rating.

I believe that a repugnance is felt by some to the present determination of the question of a gold currency in India because of the prospect of some universal coin being adopted internationally. But the prospect seems practically to be almost *disappearing*. At all events the Report of the English Commission on International Coinage, presided over by Lord Halifax, seems to be quite adverse to any change in the value of the English sovereign.

I have not dealt with the objection which has been sometimes urged to a gold currency, to the effect that the National Debt, and the paper currency, are calculated in rupees. For the objection has been disposed of more than once in the papers relating to gold. The sum seems to me to be this—we promised to pay in rupees, and we should pay in gold determined by law to be equivalent to rupees.

I have hardly in this paper undertaken to treat of all the points connected with this important subject, still less to discuss all the collateral matters which might suggest themselves for discussion. But the subject in all its bearings has been dealt with in the Report of the Indian Currency Commission of 1867, in the volume of printed papers relating to gold currency in India, in the file of correspondence relating to the revised notification of 1869-70, and in the additional papers now submitted. I am unwilling to add more than I can help to the mass of writing which already exists.

In conclusion, I would ask early and favourable consideration to the proposals of Mr. Dickson, which I will give in his own words—

“ I.—To authorise the receipt of English and Australian sovereigns into all the Government Treasuries of India, without restriction, and whether tendered in payment of Government dues or in exchange for silver.

“ II.—In conformity with the provisions of the Currency Act, to authorise the issue of currency notes in exchange for gold bullion tendered at the mint for coinage into Indian gold sovereigns at the rate of 10 rupees for 120 grains of gold of standard fineness, less seigniorage.”

I believe that these recommendations are safe and practical. They are the first steps towards a gold currency. If they succeeded, their usefulness would be too plain to require description. If they did not succeed, still no harm would be done. If in consequence we were to have any quantity of gold on our hands which could not be conveniently disposed of in India, we could use it for the remittances to England without loss, and perhaps even with profit.

But if, after the adoption of such measures, gold bullion should not be imported, if sovereigns should not be received at the Treasuries; if doubt still existed as to whether the relative value of gold and silver is correctly determined by our present rating and coinage; then I hope that the matter may not be allowed to drop. If the present rating of 10½ rupees, and the present weight of 120 grains, are not proper (as hitherto we have affirmed that they are), then what rate and what weight are proper? Nobody supposes that we have offered too much silver for the gold; then, if this offer be not the proper one, is it really too little? Ought we to offer more? These are questions which, as I submit, the Government of India ought to be able to determine. These are questions which have been determined by every civilized nation that has adopted a gold currency. No doubt it is a difficult and important problem, but it cannot be insoluble, and it ought to be solved. If the enquiries which have been made, and the data which are available, be not sufficient, then another Commission might be appointed, so that the matter could be brought to an issue one way or the other, and that all the facts and considerations could be brought up to date.

15th May 1872.

B. TEMPLE

No. 13.

ACT No. II of 1898.

Passed by the Governor General of India in Council.
(Received the assent of the Governor General on the 21st January 1898.)

An Act to provide for the issue of currency notes on the security of gold received in England.

WHEREAS it is expedient to provide for the issue of currency notes on the security of gold received in England, it is hereby enacted as follows—

1—(1.) This Act may be called the Indian Paper Currency Act, 1898.

(2.) It shall come into force at once, and

(3.) It shall remain in force for six months from its commencement, and no longer.

Short title & commencement & duration

Addition of
new section
after section
13 Act XX
of 1892.
Issue of
notes
reminat gold
received in
England.

2. After section 13 of the Indian Paper Currency Act, 1882, the following section shall be added, namely:—

“ 13a. The Governor General in Council may, from time to time, by an order notified in the ‘Gazette of India,’ direct that currency notes shall be issued at such offices of issue as are named in the order to an amount equal to the value of gold held by the Secretary of State for India at the rate, and subject to the conditions, fixed by that order.

“ Provided that—

“(1) The power conferred by this section shall not be exercised unless the Secretary of State for India shall consent to hold in gold coin or gold bullion what he shall determine to be equivalent in value to the notes so issued, as a reserve to secure the payment of such notes, until he shall transmit the same, or what he shall determine to be equivalent to the same, in gold coin or gold bullion to India, or until the Government of India shall appropriate and set apart in India, as a part of the currency reserve under section 13, an amount of coin of the Government of India equal in value to such notes;

“(2) Gold coin or gold bullion so remitted shall be deemed to be received, within the meaning of section 19, when it is received in India by the Governor General in Council; and

“(3) Gold coin or gold bullion so retained shall, until its arrival in India, be distinguished from other gold coin or gold bullion in the abstract account published under section 27.”

C—*Letters and Memoranda containing suggestions as to the method of establishing a Gold Standard in India.*

No 14.

LETTER FROM MR. CLAREMONT DANIELL.

Sir,

I TAKE advantage of the intimation with which you have favoured me, that an expression of my views as to the source from which the gold for a gold currency in India could be drawn would be acceptable to the Currency Committee, to state as follows—

I am of opinion that the proper quarter to turn to for procuring gold for legal tender currency purposes in India is the country itself. A standard money, the supply of which depends on the wealth of the people and their inclination to provide it, is the safest test of the value of commodities, because the supply on these terms grows with the growth of commerce, and expands and contracts automatically with variations in the value and the mass of the goods under exchange in the trade of the country. As a circulating medium such a currency will always be more adequate to the work it has to perform than one of an artificial character, which depends on the management and control of an administrative department for its efficiency. In India, two economic conditions for a regular supply of gold as money are present. A vast treasure of gold available, or at least in part available, for the purpose; and a foreign trade, of which the balance for long periods of time is in favour of that country. The first provides the material immediately required for the coinage of gold money, and the second—from the power with which it invests India as the creditor country to compel payment of foreign obligations due to her in gold—secures a supply of gold from foreign parts to supplement that already existing in the country.

The latter point I need not dwell upon, for, I presume, that it is not open to question. The former is that upon which doubt has been thrown. Quite recently one of the members of your Committee, Sir David Barbour, whose opinion carries—and deservedly carries—great weight, gave it as his decided opinion that the expectation that the people of India would bring out their hoarded gold and put it into circulation as money, would prove quite delusive.

As I believe that the key to the solution of the currency problem in India is to be found in a change of the standard, and in the ability of the commercial classes in that country to supply all the gold they may require for money without drawing an ounce from the western world, except in the ordinary reciprocity of

trade, I beg to submit the following circumstances to the consideration of your Committee.

My estimate of the gold treasure* existing in India, and the way in which I have arrived at it are known to the Committee. It is sufficiently large to provide ten times the gold required for currency purposes. It has been said that the gold required for this object could only be procured by melting down the gold ornaments of the persons of Indian ladies of rank. Whatever portion of this stock of gold may be held in India in the form of jewellery, a much larger portion is held in bars, gold leaf, gold dust, and gold coins of Indian and foreign countries, ancient and modern. The possession of gold in this form is the basis of the credit of many mercantile houses. I take it that there are few traders, among whom it is a universal practice to issue bills of exchange, who do not hold a stock of gold small or great. Were this capable of being coined and used as money, it would serve its present purpose as well as it does now in the form of bullion, and it would obtain the advantage of being open to use as money besides. It is asserted that these stores of gold once coined would go back again into their hiding places, upon the following argument: “A native banker would say, ‘I can get 1,000l. sterling for so many rupees at the present time, and as the exchange may go to 1s. 3d., and the 1,000l. be worth more rupees, I will take that 1,000l. and keep it in a box and let the rupees circulate.’”

This purchase of the gold with silver would be a transaction of a very common class, and the trader being a man of business—and it is such persons only whose operations need be considered—would, on the hypothesis, purchase silver when it became *ld.* cheaper and make his profit, and put his 1,000l. into circulation again. It would be in his box or in a bank or perhaps invested in some easily-negotiable security until the turn in the silver market came. The gold would not be hoarded in the sense of being excluded from actual or potential circulation. Mercantile men when they deal in the exchange expect to realise their profits from a series of transactions, and are not content with buying single bags of gold coins and locking them up for the rest of their lives. Furthermore, dealings of this kind in bullion form a very small part of the whole commerce of the country, for which the use of gold as money would prove in every way beneficial. No doubt gold would be bought to be put away as a provision for old age or against evil times, just as it is in European countries, notably in France, where silver coin is largely hoarded, but in India no more than in that country would this practice interfere with or restrict the use of gold money in trade. The only case which occurs to me in which a trader who might be expected to possess gold and does not, is that of the man who, finding that gold is of no use as money, has long since parted with his stock of gold and substituted silver for it; but this is the class of man who would immediately take advantage of a gold legal tender currency to use gold money in every kind of business in which he could do so with more profit than by using silver.

I have shown that the effect of a demand for coin is to bring out hoarded money.† Thus in the eight years following 1850, 51 millions of rupees, principally, if not entirely hoarded coins of obsolete currencies, were brought to the mint, to be re-coined with the Queen’s head, and I think I have shown that the expansion of trade, and its consequent calls upon the hoarded stores of silver in India, has reduced the hoards of that metal to comparatively insignificant proportions. The same cause, which in the present state of affairs would become from the recent and impending reductions of British minted rupees in India more cogent than ever, may be relied upon to make it more profitable to circulate than to hoard gold money, if it were once made legal tender.

The true basis of a national currency is the wealth of the people, of which stores of gold and silver form one constituent. If a fair field is opened to the use of gold money, it will be forthcoming in such quantities as can be profitably employed in commerce. This is true of the store of silver out of which from the commencement of our rule up to 1893, a large part of the sum of 2,800 millions of rupees had been brought into actual or potential circulation. I believe that estimate of the silver currency of India, as it stood in 1890, is not over the mark, although I understand that one

* “Industrial Competition of Asia,” p. 244-249

† “Industrial Competition of Asia,” p. 254, 255, and pp. 315-320.

* “Journal of the Society of Arts,” May 1896, page 579.

accepted by Government puts it a lower figure. The same is true of the store of gold out of which the standard money of Great Britain is coined. Both kinds of money are supplied by the free volition of the mercantile classes, acting under the motive of self interest, and with what reason it can be asserted that directly gold is used as money in India, this class of people would run counter to the habits of centuries and to their own obvious interests, and that their proceedings would contradict the universal experience of mankind in this connexion; remains to be stated by those who profess that belief. I venture to say that there is not a scrap of evidence producible in favour of the theory that under our Government in India, the hoarding of gold, which is the result of a sense of insecurity and the uncertainty of trade ventures, would interfere with an adequate supply of gold metal to the mints for conversion into money, by the free contributions of those who desired to use it for profit; and on the other hand, the evidence to the contrary, of which the following is a brief and partial summary, puts such a theory out of court.

That the people of India have used gold money from time immemorial is an historical fact beyond dispute, it is only in British India, and since the demonetising of gold by the East India Company in 1835, that its use has fallen into abeyance. In 1866, Sir William Mansfield, Sir H. Sumner Mame, and Sir William Grey, were appointed by Government to inquire into this subject, and they reported that gold coins of various descriptions were sought for in the Provinces for trading purposes by merchants and bankers, and that the demand for a gold currency was general, almost unanimous. They further ascertained that in Bengal and in Madras bar gold was in circulation in about one district out of every three, while in Bombay gold circulated in the same form in four districts out of every five, and that the hoarding of gold was universal.

Sir Charles Trevelyan, who had a large experience of India, has recorded his opinion that the natives of India have never acquiesced in the exclusion of gold from the currency.

In 1813, the Madras Mint Committee reported that gold had from time immemorial been considered the standard of value by which the pay of the troops and the collection of revenue had been valued; and that in the southern districts of Madras, the introducer of the rupee would overthrow the whole system of native accounts.

Sir John and General Richard Strachey, in their book on "the Finances of India," say that there is no real evidence that the people prefer silver to gold by reason of the small amount of their transactions; that towards the end of the last century, gold coins circulated freely with silver in most parts of Bengal, and about half the revenue was paid in gold; and that during three quarters of a century the impediment to the circulation of gold money has arisen from its not having been legal tender or from its improper valuation in silver.

In 1827, when the new rupee was introduced into Bombay, Mr Bruce, a member of the Mint Committee, urged that a restoration of the gold currency would facilitate mercantile speculations and promote the convenience of the public generally, and would be the means of conferring a great public benefit.

A great deal more can be added to evidence and argument of this kind, referring to the effects of gold money on steadying the exchanges, on supplying a void, which in the future must certainly often occur, in the requirements of the people for coined money when rupees fail, and on securing for those using gold money the command of the markets; but I will not extend this letter, and I would refer your Committee to those parts of my book already cited, in which the subject is discussed at great length.*

The present seems to me to be an opportunity of utilising to the great benefit of the trade of India, the gold which is stored up in that country. The occasion may not recur for a long while or until some measure with that object is forced upon the Government by the pressure of still greater complications than those which the Committee is now considering; and I, therefore, address you in the hope of counteracting views on the ability and inclination of the people of India to provide their own material for their own gold money, which however widely they may prevail, are, I am satisfied, erroneous in fact, and mischievous in their practical application. On the general question of a gold currency, and the proper means of establishing it and

keeping it in circulation, I cannot enter on this occasion without being carried far beyond the scope of this letter.

I have, &c,
CLARMONT DANIELL.

The Secretary to the
Currency Committee, India Office,
June 25th 1898

No 15.

Memorandum by Mr F ATKINSON, F.S.S., on the method of establishing a GOLD STANDARD for INDIA.

So far as the Government is concerned the main object of a Gold Standard for India is to obtain fixity of exchange for the rupee in its relation to the sovereign within defined limits, in order to diminish, as far as possible, the loss on India's gold obligations to England, while a minor benefit desired is to encourage capital to enter the country for permanent investment, and thus assist its development. So far as the merchants of India are concerned, the same object is also aimed at, but accompanying fixity of exchange, and of greater importance, the conditions must be such as to draw loanable capital into the country to enable trade to be profitably carried on. So far as the people of the country are concerned, fixity of exchange is desirable to inspire confidence in the Government currency amongst the ignorant masses, but this fixity must be carried out in such a way as to cause the minimum of loss to the millions who have wealth in coined and uncoined money.

The Government of India made proposals for a gold currency somewhat on the lines of the system in force in France. These proposals involve the remittance of large sums of gold sovereigns to India, and have therefore been condemned by London bankers, without whose aid it would be practically impossible to carry out any such scheme. The proposals do not contain conditions of convertibility, and on the other hand they contain conditions of further contraction of the currency, which entail a further curtailment of loanable capital and dear money, and consequently the proposals have also been universally condemned by the merchants of India.

The only other scheme that has so far received any attention is the one advocated by Mr Lindsay; the scheme previously offered by the author of this paper being a modification of that scheme.

The objections raised to this scheme by the Government of India, and by the public in England and in India appear to be—

- (1) That it places the *onus* of unlimited liability on the Government
- (2) That such unlimited liability must necessarily cause a failure of the scheme, as the gold reserve in England would disappear every time it was replenished.
- (3) That it is failing in its automatic conditions inasmuch as the Government will be required to melt down or coin rupees at their own will and pleasure.
- (4) That England will be drained of gold, by its remittance to India, the sovereign being drawn from the reserve by sterling drafts on London drawn in India.

The replies to these objections are:—

- (1) That without unlimited convertibility of the rupee no confidence can be established, and consequently no loanable capital will enter the country.
- (2) That the working of the ordinary economic laws on the balance of trade and prices will bring about the necessary adjustment, and exports and imports will sooner or later be regulated without infringing on the gold reserve.
- (3) That the scheme is practically automatic, as the condition of the currency will clearly show when it is necessary for Government to take action.
- (4) That there is no reason to suppose that sovereigns would be imported to any greater extent than at present.

Whether the dangers feared actually exist or not is immaterial, the fact remains that London bankers and economists have decided that they do, and without the aid of Lombard Street, no gold standard could succeed in India. The purpose aimed at therefore in the scheme now offered is to counteract the possibility of any such dangers.

* "The Industrial Competition of Asia," pp 219 to 279, &c

(1) and (2). *Unlimited Convertibility.*

There is no doubt that no scheme can be successful in India, without unlimited convertibility at fixed rates within certain narrow limits. Without such a condition no capital will enter the country and without capital a fixed rupee, high or low, is useless to trade. In every country with a successful gold standard, unlimited convertibility is practically a condition, and this is made possible by the power of the country to draw gold into it when wanted, and preventing its export when it cannot be spared. In France, for example, if the gold Reserve falls low, the bank rate is raised, and gold is accordingly drawn into the country, and this rate continues high as long as additional gold is required. It may happen, however, that a more favourable rate is obtainable elsewhere, and the capitalist who sent gold to France may wish to withdraw it to send elsewhere. But it may also happen that France cannot spare it, and she therefore places a premium on its export. This has the effect of keeping the gold in the country, but the knowledge that this may be done does not prevent the gold being sent to the country when the rates are favourable.

There appears to be no reason why a similar principle should not be applied to India, and thus reduce all risk of unlimited convertibility to a minimum.

The suggestion under Mr. Lindsay's scheme is that the rupee is to be convertible into gold for unlimited amounts at rates varying from 15½*d*. to 16½*d*. to the rupee, the idea being that this margin of 2 per cent., is a sufficient check on unlimited convertibility by raising the price as the demand increases, whereas on the other hand a wider margin would cause the bank rate in India, whenever money was wanted, to rise to an inordinate height, and thus seriously hamper trade. The example of foreign countries shows, however, that, if the credit of a country is good, and convertibility at a fixed rate is ordinarily obtainable, though an increase on that rate is liable before reconversion under certain circumstances, money can be obtained up to the full limit required. If therefore instead of granting convertibility of the rupee at marginal rates, the rate is fixed, and when a run on gold in the Indian Reserve is made, a premium is charged for it, the demand for gold from the Reserve would at once cease, whilst at the same time the credit of the country would ensure the enforcement of the premium on rare occasions only, and would not therefore interfere with the flow of loanable capital into India. If for example the rate of convertibility of the rupee was fixed at 16*d*. and a run was made on the gold in the gold Reserve in England, following the example of foreign countries, a premium of one or more per cent., according to circumstances, would ordinarily at once stop the demand in India for Sterling drafts. On the same analogy if gold was wanted to replenish the Reserve, a premium on the gold by offering a larger number of rupees for silver bills on India would also prove effective. If on the other hand the gold Reserve in London rose higher than necessary, an adjustment could at once be made by the reduction of one or more per cent. in the number of rupees offered.

(3). *Automatic Conditions.*

A currency can ordinarily only be absolutely automatic if free coinage of the metal which constitutes the standard exists. A gold currency in India is impracticable, and it would therefore be useless to open the Mints to gold, but there seems no objection to open the Mints to free coinage of silver, after its value had been raised to the ratio it is required to bear with the standard of the country. For example if an import duty was levied on silver, raising its value to 16*d*. to the rupee, there would be no objection to opening the Mint under specified conditions, except that even with its enhanced value, the coinage might become excessive and expand the currency and cause prices to rise, and thus affect the balance of trade adversely. But, on the analogy of foreign countries again, this could be remedied by temporarily raising the rate at which silver is received, and it would cease to become profitable to import it for coinage purposes, and the necessary adjustments would follow in ordinary course, the rate eventually falling to the authorised rate.

If the Mints were re-opened to free coinage under the conditions to be named hereafter, without any other accompanying measures, the rupee would ordinarily continue to gravitate round the point fixed (16*d*. to the rupee), but there would be no finality in such a measure, and consequently no confidence, and

both permanent and loanable capital would remain nearly as scarce as at present. The re-opening of the Mints, as suggested, would serve as a prop to the scheme of convertibility by strengthening the position of the rupee at its fixed price of 16*d*., but the main object gained would be that the supply of currency would be automatic, precisely as if the Mints were open to the free coinage of a gold sovereign worth 16*d*.

(4) *Remittances of Gold from England to India.*

The remedy for this is simple. No gold is required in India, and if imported, it is imported as a luxury only, and no objections could therefore be raised to an import duty being levied on it. A duty of 10 per cent. would be an effectual remedy, and probably 5 per cent. would be sufficient.

The proposals now offered are accordingly as follows.—

DETAILS OF THE SCHEME.

1. A duty of 10 per cent. (or 5 per cent.) to be levied on the import of gold into India.

2. A duty to be levied on the import of silver into India, so as to make the price of silver bullion equal to the price of silver in the rupee. The duty so fixed to be announced on the Monday of each week.

[The great divergence between the price of silver and its nominal value as a rupee causes bullion to take the place of hoarded rupees, resulting in an expansion of the currency, and in a heavy import of the metal, which provides a serious and hurtful competition with Council Bills, and materially aids in causing an adverse balance of trade. In the three famine years 1873-74, 1876-77, 1877-78, an aggregate of Rs. 3,403,384 in value of Silver was tendered to the mint for coinage in excess of the net import of the metal, indicating the melting down of ornaments. In 1897, the greatest famine year of all, there was a net import of silver to the value of Rs. 7,853,870 which could not be coined, indicating on the precedent of former famine years, that the bulk of the metal took the place of hoarded rupees, inflating the currency, and interfering with the natural balance of trade. The duty will also have the effect of raising the value of silver now in the hands of the natives, and thus preventing, to some extent, the loss caused by the raising of the former value of the rupee in its relation to silver.]

3. The Indian Mints to be re-opened to the free coinage of silver under the following conditions:—

(a.) If silver, which has paid import duty, is transferred direct from the vessel to the Mint authorities, no seigniorage will be charged.

(b.) If silver already in the country is tendered for coinage, a seigniorage will be charged equal to the price paid if the silver was newly imported.

4. A Government loan of 15,000,000*l*. to be obtained in London and lodged in the Bank of England on account of India. When the gold standard is effectually established, 10,000,000*l*. of this Reserve to be invested in Consols.

5. The system of payment of India's gold debt by the sale of Council Bills to the highest bidder to be abolished and in lieu thereof, silver bills on India to be obtainable for any amount and at any time at the Bank of England at the fixed price of 15 rupees for every sovereign in even hundreds tendered, subject to a minimum tender of 10,000*l*., and Gold Bills on London to be obtainable at the Presidency Banks in India for any amount and at any time at the fixed price of 16*d*. for every rupee in even thousands tendered, subject to a minimum tender of Rs. 100,000. The gold thus received or drawn in London to be added to, or taken from, as the case may be, the Gold Reserve held in the Bank of England, and the Rupees received or drawn in India to be added to, or taken from, as the case may be, the Government cash balances in the Presidency Banks.

The Home charges to be paid by the Government of India on the requisition of the Secretary of State from time to time according to requirements, by the purchase of gold bills on London at the rate fixed, the equivalent in rupees being retained in the cash balance in India. [A separate fund in India to meet silver bills appears unnecessary]. The money thus realized in London to be transferred to the India Office cash balance for disbursement as required.

6. When the balance of trade goes against India, and a run is made on the Gold Reserve in London, and

premium of one or more per cent. to be charged on sterling drafts so long as the run continues

[This would be equivalent to France levying a premium on the export of gold under similar circumstances]

7 If the gold reserve falls below a fixed minimum, silver drafts on India to be temporarily offered at a premium in rupees of one or more per cent. Under certain circumstances, dependent on the state of the reserve, and the run on it, this condition to be put in force in conjunction with No. 6, and to continue till the gold reserve had become sufficiently replenished

8. If the gold reserve rises above a fixed maximum, silver drafts on India to be offered at a reduction in rupees of one or more per cent.

9 If an adverse balance of trade is due to an inflation of the currency, an additional premium of one or more per cent. to be charged on the *coinage of Silver*. This charge to continue till the necessary adjustments are complete

Calcutta,
June 15th 1898.

No. 16.

LETTER from Mr. J. G. WARDROP, advocating Payment of IMPORT DUTIES in Gold

Acland House,
Colombo, 23rd May, 1898

SIR, I HAVE always taken a deep interest in the efforts of the Indian Government to place the currency of that country on a sound footing, believing that, if their efforts to establish a stable currency at the rate of 15 Rs. to the £1 sterling were successful, it would create that confidence which is required to ensure a steady flow of capital into the country, with its consequent development, and the improvement of the condition of its vast population

The foregoing is my excuse for laying before your Commission, the following proposals for bringing the present policy to a permanent and successful issue

1. I would propose that all duties leviable on imports into India be paid to the Government in gold calculated at 15 Rs. to £1.

2 To facilitate the payment of such duties, I would propose that these be made payable either in sovereigns or in special gold notes, the latter to be issued by the Government against deposits of gold, made either in London or at the Government Treasuries in India.

3 The gold notes, issued as above by the Government of India, in India, to be exchangeable, at the place of issue, either for gold or rupees at 15 Rs to £1, at the option of holders. Gold notes issued by the Government of India in London to be exchangeable for gold only at London, or silver in India. (This latter proviso is necessary to prevent the notes being used as a means of simply transmitting gold from London to India.)

4. It is obvious that collecting these customs duties in gold would have the effect, in time, of gradually replacing the present Government silver reserves by gold at 15 Rs to the £1, and of releasing a large amount in silver, and thereby permanently increasing the currency of the country, which is one of the objects aimed at, and that on a gold basis

5 At a time like the present when currency is scarce in the country, the notes above referred to would be available for mercantile transactions, and if, at any time, exchange rose to 1s 4d per rupee, it is probable they would be to some extent exchanged for silver at the Treasuries, which would still further go to strengthen the Government gold reserve.

6 Seeing that the present policy has been one largely favourable to importers, who have benefited to a very great extent by the recent rise in the sterling value of the rupee, they would have no reason to complain of their having to pay import duties in gold at 15 Rs. to the £1

7. As the accumulation of gold by the Government, proceeding on the above lines, would be very gradual, it would not have any disturbing effect on the money markets of the world

8 The fact of the Government holding a steadily increasing quantity of gold as against its rupee currency would have the effect of giving that currency a stability it does not now possess

9 The use of the gold notes, as proposed, would gradually accustom the mercantile classes to the use of gold in their transactions and pave the way at some

future time for the issue of a gold coin, equal in value to our British sovereign; the silver rupee being ultimately relegated to the same position in the currency of India, as that now occupied by the franc in the currency of France

10 The collection of custom duties in gold, while the currency of the country is in a different form, is nothing new. In the case of the United States of America, during and long after the Civil War, the custom duties were so collected, and it was found no great hardship to the mercantile community, as I can testify from my own experience in New York.

I am, &c.,

JOHN G. WARDROP.

The Right Honourable
Sir Henry Fowler, M.P.
Chairman of the Indian Currency Commission

No 17.

PROPOSALS of Mr. H. P. GYLES.

29, Bread Street, Queen Victoria Street,
London, E C

To Right Hon. Sir H. H. Fowler M.P.

SIR, 28th May 1898

The enclosed paper would, I think, solve the question of rupee currency if adopted by Government without a gold coinage in India or upsetting small native transactions in silver; of course the mints to be closed against coinage of silver except for Government demand.

The exports and imports of India about balance themselves. It is Council Drafts, Pensions, Railway Dividends that cause the balance of indebtedness

This amount after all is small compared with the vast size and now steadily improving position of India

I certainly think it is worth the while of the Governments of England and India to run some risks to give India a fixed exchange, so that English capital can be sent out and brought home again at a certain fixed exchange like 1s 4d. You must please recollect that it is the uncertainty of exchange that has kept English capitalists out of India.

Stockbrokers are against rupee investments. Once give a fixed Government exchange and money could be sent out and brought home this time 10 years without loss

Light railways are wanted in India, give a fixed exchange and English capitalists would make them

You see I provide for drawing any large sum in gold from Bank of England by providing that rupee Government currency notes must first be purchased in India with Government silver rupees before they can be cashed for gold in London, the risk of a large operation in this way is so small that it is worth running.

Capital to any large amount coming back from India would have 14 or 15 days' notice, while the notes were coming home by post.

I am,
Your obedient Servant,
H P. GYLES

Enclosure to above letter

I. In India.

Gold Standard without a Gold Currency

1 Make silver rupees legal tender up to Rs 500
2 Government currency rupee notes legal tender to any amount

3. When gold is required in India, offer a small premium. Thus, say, English price is 3l 17s 6d offer 4l. There is plenty of gold in India if you are prepared to buy at a price, same as any other article Government can well afford a premium, seeing the profit on rupees coined at 9½d and sold at 1s. 4d

4 By closing the mints the Government have a practical monopoly of rupees the same as the Russian Government have in the rouble

5 Issue rupee notes or silver rupees in any quantity to customers in exchange for sovereigns at a fixed rate, Rs 15 = £1

6 Exchange sovereigns for rupees and currency notes at fixed rate, Rs 15 = £1. When money is dear in India at shipping seasons there would be a premium on rupee currency notes purchased in England for remittance

II. In England.

At Bank of England.

Issue currency rupee notes on Bombay, Calcutta, and Madras in rupees, payable on demand to any amount asked for, in exchange for gold, Rs. 15 = 1l.

Again, cash rupee currency notes sent home from India for gold at fixed exchange, Rs. 15 = 1l.

No 18.

MEMORANDUM by Mr W P. SIMONDS

The literature on the Indian currency problem is sufficiently voluminous, and this memorandum will be confined to an enumeration of the measures which seem necessary for giving stability to the exchange value of the rupee, leaving argument for a future occasion. The proposals are intermediate to those put forward by the Government of India and those associated with the name of Mr. Lansday. The objects aimed at are to avoid the costly expedients of a preliminary reserve of gold or a gold currency, and to protect the Government from liability of an inconvenient amount.

The plan now in force of issuing rupees in exchange for gold deposited either in London or in India is good as far as it goes, but it has the obvious defect that the depositor can have no confidence regarding the rate at which he will be able to get his money back. Measures are required which will supply this confidence.

The main proposal is that the currency notes now in circulation should be replaced by notes payable either in rupees in India on demand, or in gold in London six months after encasement by the Secretary of State's representative. The notes might be of the denominations of Rs. 15, 30, 75, 150, 1,500, 15,000, and of the following form—

" Government of India.

" I promise to pay on demand, after encasement in India, the sum of Fifteen Rupees.

(Dated) (Signed)

For the Government of India.

" I promise to pay six months after encasement in London the sum of One Pound.

(Dated) (Signed)

For the Secretary of State for India.

" This note will be encased in London after it has been encased in India."

It is proposed that notes in this form should be issued both in England and in India—to an unlimited extent for gold deposited in London or in India, and in India in exchange for the existing currency notes up to a limit of about four lakhs of rupees in any one day. Later on, the notes might be issued in exchange for rupees at the discretion of the Government.

A minimum rate, say 1s. 3½d., should be fixed for the sale of the Secretary of State's Council Bills, in order that rupees may accumulate in the Indian treasuries if the currency is so redundant as to depress exchange. The rupees should be stored for future use or as security for notes.

A fixed and substantial duty should be placed on silver imported into India. Eight annas per oz. is suggested. Should the price of silver rise to 42½d. the oz. (Indian Standard), in which case it is presumed the Indian mints would be re-opened, the duty would be removed.

The Post Office rate for money orders should be fixed at 15 rupees to the sovereign. The inland rate of commission might be charged on orders from England to India. On orders from India to England the commission might be 8 annas the sovereign or 2 annas for five shillings. The issue of money orders is restricted by rules, which would require some modification.

It is believed that the ordinary borrowing powers of the Secretary of State would be sufficient to meet the temporary liabilities entailed by the above measures before gold began to be deposited freely.

The gold deposited in London would partly be retained as a reserve and partly be utilised in meeting the Secretary of State's liabilities, and eventually in reducing the Indian gold debt. The gold deposited in India should be employed in purchasing silver as security for notes, and for coinage when required.

The scheme proposed has great simplicity, and it is believed that it would be effective in commanding confidence, which is all that is needed to keep the rupee steady between 1s. 3½d. and 1s. 4½d., and give India the blessings of British capital. The fear is that the present deliberations may result either in nothing effective being done, or in some sweeping and drastic reform being attempted, which might have unforeseen results.

W P. SIMONDS (I.C.S.),

Postmaster-General,

East India United Service Club, Bombay.
St. James' Square,
27th July 1898.

No 19.

MEMORANDUM by COMMANDER HASTINGS BERKELEY, R.N., on the INTRODUCTION of a GOLD STANDARD into INDIA.

I assume that the Government of India, though desirous of introducing a gold standard in India, does not wish to disestablish the rupee as a full legal tender coin. If this assumption is correct, it becomes obvious, since that government also desires a fixed par of exchange between the pound sterling and the rupee at the rate of 16 pence to the rupee, that the settlement of the matter involves the introduction into India of a double standard of value, viz. the pound sterling and the rupee at a fixed rate of 1 to 15.

I assume, next, what the Indian Government also assumes, that the closing of the mints in 1893 has effected a relative contraction of the currency and has caused a rise in the exchange; further, that if the mints are kept closed the exchange will continue to rise until the limit of 16 pence (or a fraction over) is reached, when the India Government being prepared to accept the pound sterling in exchange for 15 rupees, the rise will be arrested.

Instead of criticising in detail the proposals of the India Government, I will briefly state the method I advocate, when, as I think, the comparative inefficiency of those proposals will become evident.

The method is very simple. It consists in,—

- (a) Keeping the Indian mints closed to silver
- (b) Enacting that the pound sterling or 15 rupees shall, at the debtor's option, be equivalent and legal tender to any amount in the discharge of debt.
- (c) Repealing the Act by which the India Government undertakes to give 15 rupees for every pound sterling tendered.*

I submit that these measures would effect precisely what the Government of India has in view, and what, I believe, its own proposals will not effect, namely, the establishment of a steady par of exchange through the mediation of a marginal gold currency.

It is not difficult to conjecture without making any dogmatic or risky assumption, how these measures would work in practical application. Admitting that the currency continues to contract, whether the process be hastened or not, there will be reached a point—"gold point"—when it will be cheaper to remit gold to India than to buy bills for remittance. But "gold point" being something over 16 pence, it follows, unless the pound sterling be made legal tender for 15 rupees, that it (the pound sterling) will then be rated, in the Indian market, at something under 15 rupees. Now if the India Government is under obligation to give 15 rupees in exchange for the sovereign we can hardly escape the conclusion that, under these conditions, the remitted gold will go to the India Treasury in exchange for rupees. In other words, the expansion of the currency necessary to arrest the rise in exchange will take place in rupees instead of in gold. Hence as we move from the season of active to that of slack business in the India Trade and the exchange begins to droop, there will exist no automatic check to the fall which will continue until we move again from the slack to the active season. Capital will tend to be withdrawn from India as the exchange nears its fixed upper level, and will only be reintroduced when capital is suppose that it has about reached its unfixed and uncertain lower level, a condition of things which would probably be accompanied by recurring periods of stress similar

* This of course would not affect the obligation of the Government as a creditor, nor its position as a debtor, under (b).

to that which the money market in India is now suffering from. But if the measures which I advocate were adopted, the pound sterling being legal tender for 15 rupees and the India Government being under no obligation to exchange pounds for rupees or rupees for pounds, the gold remitted to India would be forced into circulation; that is, the expansion of the currency would take place in gold. Under these conditions any subsequent tendency for the exchange to fall would be checked by the establishment in India of a "gold point" approximately as much below 16 pence as the gold point in England is above 16 pence.

From the moment, then, when the exchange first rises to "gold point" and gold is actually shipped to India in payment of debt, we should have the inception of a gold marginal currency; and it is clear that this marginal currency, like a tide advancing by wave and reflux wave, would increase so long as the Indian mints were kept closed to the coinage of silver. When the process, in the opinion of the India Government, had gone far enough to provide a margin proof against exceptional disturbances of trade, it could easily be arrested by a restricted coinage of rupees on a principle not essentially dissimilar to that which guides French monetary policy in the coinage of five-franc pieces.

It is perhaps superfluous to point out that the method here advocated could be worked in conjunction with the measures which the India Government proposes for expediting the contraction of the currency, but it would be then unnecessary to raise a sterling loan of greater amount than that needed to replace the loss to the Indian Treasury on the melting down of rupees.

No. 20.

PROPOSALS OF MR. SLATER, late of the Union Bank, London, for establishing a GOLD STANDARD IN INDIA.

Waverley, Swanage, Dorset,
12th December, 1898.

SIR,

A visit paid by me to India, some twelve months since, drew my attention particularly, as a business man, to the subject of the local exchange, and the condition of the currency in the country, which, if not caused, had certainly been largely affected, by the heavy fall in the value of silver in the markets of the world. Into the origin of this serious depreciation, it does not import now to enquire, suffice it to allude to the fact that the intrinsic market value of the coins in circulation in India has decreased since 1860-70, by one-third. As the volume of the circulation in 1886 was estimated by Mr. F. C. Harrison at 115 crores, this implies a loss to the community of 38 crores, or more than 25,000,000*l.* The extent of this shrinkage is in itself sufficient reason for the appointment of the Indian Currency Committee to deliberate upon the proposals made, in several quarters, for the establishment of such practicable and practical remedies as may be best adapted to combat the existing evils.

In face of the difficulties prevailing, I ventured to enter into the discussion of the subject through the columns of the *Bombay Journal* and the *Times of India*, referring to the suggestions of the Government of India, of Mr. A. M. Lindsay, and of Mr. Probyn. Whilst acknowledging the desire of all of them to attain, if possible, that much-to-be-wished-for end, a fixity of exchange, I attempted to show that the redundancy of the rupee, to which they attributed much of the deplorable condition of affairs, was not to be remedied by the crude expedient of throwing the coins into the melting-pot, and of selling the bullion thereby obtained to the extent, if need be, of 20,000,000*l.*, replacing such silver coins according to Mr. Lindsay's plan by a reserve to be held in London of gold.

The carrying out of this suggestion would certainly have had the effect of reducing the number of coins current, but would in all probability have had the mischievous consequence of still further reducing the market value of silver, and thus of intensifying the evil. The Government, it is true, proposed to replace the silver thus abstracted by gold coins of equal value, permitting coins of both metals to be legal tender to an unlimited extent, and establishing a ratio under which gold and silver rupees should be interchangeable by a Government establishment. This, however, would not have satisfied the foreigner, who declines to receive

payment of his demands in a currency which, as a whole, would not be greatly appreciated by this shifting about of coins, for he would have had no guarantee of receiving payment in gold.

The subsequent course of the money market in the large commercial centres, where accommodation was not to be had under, even if at, 18 to 20 per cent. at the end of 1897, showed that a redundancy of rupees was practically no longer existing.

Both the Government of India and Mr. Lindsay suggest that a reserve of gold should be held to aid the early establishment of a gold standard and a stable exchange. The former would have this in India, the latter in London, neither one nor the other, however, being ardent advocates of a circulation amongst the community in India of a gold currency. These proposals being both before the Committee, I need do no more than allude to the above points, in order that they may be contrasted with my own suggestion, merely adding that by all economical principles it is unwise, and, indeed, impossible, to attempt to establish a binary standard. Experience shows that all such efforts eventually end in the disappearance from circulation of the metal of greatest *pro rata* market value, which is absorbed by the holders of the metal of least market value.

I therefore suggested in the last of my letters above referred to, addressed to the *Times of India* on 24th June last, that the currency of India after an early date to be fixed (I named the 1st July 1899), shall be based solely upon gold.

I further proposed that the Indian mints should strike and issue gold coins weighing respectively 123.2744 grains, and 61.6372 grains troy, of $\frac{3}{4}$ th fineness, which shall be available as legal tender in payment of all sums, after the rate of 15 rupees for the larger coins, and of seven rupees, eight annas for the smaller ones. If found more convenient for the purpose of circulation, coins of, say, 10 rupees containing 82.18298 grains, and of 20 rupees containing 164.36596 grains, of the same standard, might be issued. These coins would be the equivalents in British money:—

$7\frac{1}{4}$ rupees of 10 <i>s.</i>	
10 " " 1 <i>3s</i> 4 <i>d.</i>	
15 " " 1 <i>l.</i>	
20 " " 1 <i>l.</i> 6 <i>s.</i> 8 <i>d.</i>	

I also proposed that British sovereigns and half-sovereigns should be legal tender for payments in India, after the rate of fifteen rupees, and seven rupees eight annas respectively.

The fact that the standard of fineness both of British and of Indian gold coins would be identical implies, of course, that like weights of either coinage would have an equal value, which would be a commercial advantage.

As in the case of the gold coinage of the United Kingdom, I suggest that a similar remedy should be allowed, say—

In the case of the 7 <i>½</i> rupee piece of 0.15000 grains.	
" " 10 " " 0.17500 "	
" " 15 " " 0.26000 "	
" " 20 " " 0.25000 "	

within which limits they shall be legal tender in all payments.

With the view of providing bullion to carry out the preceding suggestions, authority should be taken by the Indian Government to raise from time to time, by instalments of 5,000,000*l.*, a total of 20,000,000*l.* in the London market, by short loans or Treasury bills, for the purchase of gold as required for coinage. Seeing that the finished coins will only be issued for value received, this involves merely loss of interest during the brief period the funds received remain under control of the Government.

In India where the currency at present may be described as exclusively silver, and where that metal, even after the introduction of a gold coinage, will still form the preponderating proportion of the coins in use, I estimate that the above fund of 20,000,000*l.* will prove amply sufficient to furnish a supply of gold coins adequate to the requirements of the country. If, however, in consequence of the gathering importance and extension of the trade of the country, this is found to be insufficient, no great hardship or difficulty would be felt in increasing it.

The coinage of gold at the London Mint during the past few years has varied annually between 2,000,000*l.* and 4,000,000*l.* in round figures, and, leaving out the exceptional year 1892, has averaged under 3,000,000*l.* If necessary, the London Mint might be called upon to

assist in the production of the Indian coins without any great inconvenience to that institution.

Objections have been raised to the introduction of a gold currency, that coins in that metal are at variance with the habits and idiosyncrasies of the population and not fitted for them. This, however, is a statement not based on facts. We know that a gold currency was in vogue in India prior to 1806, and the Court of Directors of the East India Company, on 25th April of that year, addressed a despatch to the Governments of Bengal and Madras, in the third paragraph of which they pointed to the loss and inconvenience sustained from the circulation of so many denominations of gold and silver coins of different values in different districts. It appears further from their report that in the several provinces, Sicoa, Arcot, Bareilly, Benares, Sonant, Lucknow, and Bombay rupees (each of which, it may be remarked, contained a different quantity of fine silver) circulated side by side with gold star pagodas and quarter gold rupees, the latter coin approximating to, but not identical in value with, the former.

The directors recognised the fact that, even though the proportion of interchangeable value of gold and silver coins might be fixed by law on the justest principles, yet inevitable fluctuations in the market value of the metals would lead to the absorption of the more valuable metal, and would create continual difficulties, so that the establishment of such a principle of a bimetallic standard would, of itself, tend to perpetuate the loss and inconvenience.

The Directors also stated, in paragraph 26 of their despatch, "the pay of the troops is frequently issued in pagodas," so that we may, in the present day, safely dismiss the idea that a gold currency would lead to dissatisfaction, either amongst our forces or the inhabitants of India generally. That so many coins, with such complex relative values, were simultaneously in circulation is certainly evidence that a simple system of gold and silver coins (the latter being recognised as mere tokens of the former) would not, at the end of the century, be regarded as objectionable.

Whilst the Directors agreed with the Earl of Liverpool that the money or coin, which is to be the principal measure of property, ought to be of one metal only, their undoubted opinion was that such coin should be of silver, but they were by no means desirous of checking the circulation of gold upon a principle fitted for general use.

Another objection to the use of gold currency is referred to in the *Pioneer* newspaper of 6th January, 1893, describing Mr. A. M. Lumsday's scheme. That gentleman, they say, thinks handy gold coins, of full metallic value, will be much in request in India (amongst other demands mentioned by him) for hoarding, for which purpose they would be preferred to silver coins. Objectionable, in some respects, as hoarding may be, a smaller number of the members of the community would be incommoded by the exercise of this habit with gold rather than with silver coins. One fruitful cause of hoarding throughout India is the necessity, which parents hold to be indispensable, of providing funds sufficient to defray the expenses entailed by the marriage of their daughters, which I have heard estimated, even in the case of people in a very humble sphere of life, as at seldom less than 50*l.* and upwards, which has to be gathered together, rupee by rupee, from the scanty earnings of the parents. Most of these coins will again be set free and in circulation when the happy event comes off. Ornaments will no longer be made of rupees melted down, as hitherto has been so frequently the case, but of silver bullion, probably imported.

The precious metals are at bottom mere commodities, and this principle is not annihilated by the impression of a die upon the face of a coin, which acts as a guarantee of the quality of the material, and in that sense enhances the property inherent in the metal, which at all times and under all circumstances represents the command of so much labour.

To discourage hoarding, as well as to prevent loss from abrasion attendant upon passing coins from hand to hand, I suggest that the Government should be authorised to receive gold coins from the public, issuing in lieu thereof either their notes repayable in coin on demand, or Exchequer bills to bearer or order, at short dates, carrying a small amount of interest payable half-yearly. To intercept the small hoardings, I would suggest the establishment of Post Office Savings Banks similar to those obtaining in this country.

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Another objection, that the withdrawal of so much gold from the London market as would be required to carry into effect the establishment of a gold currency in India, is in these times, when the production of the precious metal is so largely increasing by rapid strides, not worthy of consideration.

The difficulty of maintaining a sufficient gold reserve would not be thrown upon the Government, but would be combated automatically. As a rule, the principle which applies to the individual, applies also to the community. This principle of self-interest acts as a stimulus to industry, serving to elevate separate members of the community and trade centres generally, urging them to increased production, and consequently increased exports, thereby enlarging in favour of India the balance of trade, which is sure eventually to be paid by foreign countries in gold. In the case of silver-using countries, such as China, &c., this may involve a longer process, but all such countries eventually will, from the force of circumstances, and in the natural course of things, be compelled to adapt themselves to the recognition of gold as the common measure of value throughout the whole commercial world. The knowledge that the falling tendency of silver is not likely to be arrested permanently cannot fail, in the long run, to remove this objection which, as it is, applies now only to the minimum percentage of Indian trade.

A fixity of the rate of exchange within a small margin, to which a gold standard cannot fail to contribute, will, so soon as a demand arises, attract foreign capital to the money markets of India, whether for short periods or for permanent investments, if a sufficient return in the shape of interest (which always runs higher in India than in Europe) and adequate security be offered, without which contributions, either in the shape of gold or silver, cannot be looked for. This fixity of exchange I anticipate, for the above reasons, will lead to the cessation of the excessive periodical demand for capital and accommodation in India, and tend to equalise rates throughout the year, although the movement of crops will not prevent a seasonable as well as a rational rise in the value of money in the market, and a natural effect upon the rate of exchange, although this last will not be accompanied by wild fluctuations, such as have been witnessed since the fall in silver.

The introduction into India of a system of coinage based solely upon gold, of necessity reduces the rupee to the position of a mere token. I would, therefore, further suggest that to give effect to this fact it should be decreed by the Legislature that silver rupees should not be available as legal tender for payments in excess of:—

1,000 rupees after December 31st, 1900.	
800 " " " " " 1901.	
600 " " " " " 1902.	
400 " " " " " 1903.	
200 " " " " " 1904.	

By the above plan, which is thrown out as a suggestion, and is necessarily open to modification, the current silver coinage will be let down by easy grades into the position it is intended it shall occupy in the future.

I further suggest that all coinage, whether of gold, silver, bronze, or other metal, shall be made by or under the control of the Indian Mint authorities only.

The closing of the mints in 1893 I consider to have been a wise measure, and cannot but wonder that it was not earlier adopted. The principle of allowing all the world to bring in silver bullion to the mint, purchased in the open market, and that a depreciated one, at a price far below the nominal value of the coin into which they demanded that it should be manufactured, was, I conceive, mischievous in the extreme. No wonder that a redundancy of rupees was complained of, when the Indian mints were made the dumping ground of all the silver that speculators could buy and sell again under conditions so favourable to themselves.

However, as in England, I would allow outsiders to bring gold, but not silver or other inferior metals, into the Mint, in quantities not below a minimum of weight and fineness to be fixed, to be converted into current coins, subject to certain charges for seignorage. The coinage of silver or other metals I would confine strictly to the Government, when it became evident that the community required a further issue of subordinate coins. As the bullion would be purchased in the open market by the Government, a considerable profit would be derived therefrom, the benefit of which would accrue eventually to the public.

From the preceding statement of my views on the subject of Indian Currency, it will be seen that I do not

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propose to the Committee to recommend a measure which shall be either unjust or prejudicial to the present holder of silver rupees, each of which intrinsically is worth no more than two-thirds of its face value, and I leave in circulation the well-known and (in India) universally received coin with a fixity of value it has really ceased to maintain under existing circumstances. I do not propose to reduce the amount of coin in circulation; on the contrary, by the introduction of gold I actually increase it, but with this safeguard, that the money market is not likely in consequence thereof to be flooded with additional capital, in view of my suggestion to limit the power of the silver rupee as legal tender, thus leaving for the ordinary transactions of life practically the whole of the coin now in circulation.

Exception has been taken in some commercial quarters to the apparent determination of the Government to fix the value of the sovereign at 15 rupees, or 16 pence per rupee, and it has been suggested that the latter coin should be valued at no more than 1s 2d, or 12½ per cent below the Government proposal. I must confess that I look upon the proposal of the Government as the more reasonable of the two. It is not 40 many years ago that exchange was much higher, and the rupee then approximated in value to 2s.; but notwithstanding this serious decline in the value of the coin, wages have risen very little, if at all, throughout the country. This, of course, means that the purchasing value of the rupee, so far as concerns all imported articles consumed by the peasant, has declined, even at 1s 4d., by upwards of 30 per cent., amounting, consequently, to a serious fall in wages. The rupee prices of articles of native production do not appear to have risen during this period, but the adoption of a 1s 2d rupee would vastly add to the cost of all imported articles of husbandry, such as machinery, &c, the tendency of which would be to reduce agricultural wages, or, at any rate, to prevent their rising. On the other hand, the exporting merchant, supposing sterling prices did not fall in consequence of the reduction of the cost of production (a supposition which the known facts might materially modify) would reap all the benefits at the cost of the producer. This naturally would greatly prejudice the interests of the producer, upon whom the burden of the loss would fall. Taking all things into consideration I maintain that the interests of the humbler members of the community, who can scarcely help themselves, should be preferred to those of the more intelligent commercial classes, who are well able to take care of themselves, and, as a rule, do so. Besides this, the suggested reduction of the value of the rupee would seriously affect the position of the Government, and involve the necessity for further taxation, which in most quarters would be regarded as not only deplorable but also as possibly dangerous to sound administration.

From the foregoing it will be seen that I consider it, under the prevailing circumstances, absolutely imperative to do away, as speedily as may be possible, with the existing silver standard in India, and to introduce a gold standard on some such lines as I have indicated.

I have, &c
R SLATER.

Robert Chalmers, Esq.,
Secretary to the Indian
Currency Committee.

No. 21.

MEMORANDUM by Mr. WILLIAM WARRAND CARLILE

The method of dealing with the Indian Currency problem which I beg to submit for the consideration of the Indian Currency Committee, is briefly the following—That the Committee should make it their first business to arrive at a conclusion as to what may now be regarded as being the probable natural exchange value of the rupee, for the ensuing year, under existing conditions; and that point having been decided, if they should consider the advisableness of recommending that a ratio should be fixed by statute, at or very close to that figure, in which both the sovereign and the rupee should be made unlimited legal tender in India, in all transactions, and that the mints should be opened to the free coinage of gold.

In support of the above recommendation I beg to submit the following:—

- (1) It was the natural and obvious course that, in the first instance, suggested itself to Lord Lansdowne's Government in 1892. Sir David Barbour's proposal then was first to stop the free coinage of silver, next, after an interval had been allowed to elapse sufficient to enable the Government to ascertain what effect the stoppage of the free coinage of silver had had upon the value of the rupee, to open the mints to the free coinage of gold, and to make gold legal tender in India, fixing the ratio between the sovereign and the rupee approximately in accordance with the value to which the latter had settled down. The conception of the true policy to be pursued was, in short, to let the public fix the ratio in the first instance, and then to stereotype this ratio by making it the official one by statute. It will be remembered further that this policy received the very emphatic endorsement of the late Mr. Bertram Currie, in a memorandum appended to the report of the Herschell Committee*. In that memorandum, he expressed his disagreement with the recommendation of his colleagues to the effect that an announcement should be made forthwith that rupees would be given by the Government in return for gold at the rate of 15 to the sovereign, and recommended instead that, in the meantime, the mints should simply be closed without any such announcement, and that after an interval had elapsed sufficient to guide the Government in deciding as to what had become the natural value of the rupee under the new conditions, the ratio should be definitely fixed, and the mints should be opened to the free coinage of gold.
- (2) This fixing of a maximum value for the rupee in 1893, while its minimum value was left unfixed, has been the source of much subsequent trouble and confusion of thought. Among others of its mischievous effects, it has had that of creating an impression that, in some sense, a statutory ratio between gold and the rupee exists already, and of thus obscuring to the public mind the necessity of fixing one before the silver currency can be expected to circulate at par with gold in the country. The present Indian Government, for instance, appear to anticipate that a state of things will come about of itself in which the sovereign will "become a recognised coin of the empire" and in which gold and silver will circulate side by side, the one as standard money and the other as subsidiary, and they make accordingly no proposal to fix by statute the ratio between the two. Now it is possible to point to a long list of countries in which the gold and silver coins circulate together at par just as if they were different sub-divisions of the same substance, and in which also one can lay his finger on the statute which fixes the ratio at which each shall be legal tender, but I think it is not possible to point to a single instance of a country in which gold and silver thus circulate at par without any statute or ordinance fixing the ratio.
- (3) It will then perhaps be admitted without difficulty that, before the Indian Government's ideal can be realised, gold must be made legal tender in India, and it will further perhaps be admitted that gold cannot be made legal tender, while the rupee is legal tender also, without fixing the ratio between the two. The recommendation therefore at the head of this paper recommends only the doing of that at once which must plainly be done sooner or later. My contention, however, further, is that if the step recommended were taken, no other step need be taken; that the simple fixing of the ratio say at 1s. 4d., and the opening of the mints to the free coinage of gold, while keeping them closed to silver, would itself be sufficient to maintain the value of the rupee definitely at that figure.
- (4) As to the mode in which such a legal tender act would operate in bringing about and maintaining the parity between the rupee and gold, it is, perhaps easier to follow if we suppose that, in the first instance, an order was issued, making the pound sterling, instead of the rupee, the standard of all computations in connection with Government business in India, all payments in rupees being converted, at the market rate into payments in pounds sterling, and, henceforward, all taxes being

* Appendix to Minutes, Herschell Committee, p. 148, sec. 6.

collected in terms of pounds sterling, rupees being accepted in lieu of gold at the rate of, say, 15 to the sovereign. The total rupee circulation is estimated at about 120 crores, and the revenue may be put at about 100 crores. The fact therefore of the revenue being collected in rupees, but in terms of pounds sterling, would be equivalent to the redemption annually in gold of five-sixths of the rupee circulation. A practically unlimited market would thus be provided for the rupees at a fixed gold price. The holders of them, knowing that such a market was always open, would soon cease to have any fear of their fluctuating, and would keep them by them in the slack season for use in the busy season, precisely as if they were fractional gold pieces. This fact in itself would obviate any danger of redundancy. It was, as Professor Laughlin remarks, this virtual redeemability in gold, by its receipt in payment of taxes at a fixed ratio to gold, that, in America, maintained the silver and the certificates based on it, which are not directly redeemable in gold, at par with United States notes which are. It seems certain indeed that a value for the rupee could thus, without difficulty, be maintained, even considerably above its present market value. On all grounds, however, both of justice and of expediency, the present market value should be as closely as possible adhered to.

(5) If, farther, the ratio were fixed, it would henceforth be impossible for any one to obtain rupees from the Government at a price below that fixed on. There could be no such thing then as selling Council bills, that is, orders for rupees, at anything under 1s 4d per rupee (supposing 1s 4d to be chosen) as all bills on India would be sterling bills, though, of course, a pound sterling in India might mean either a sovereign or 15 rupees at the option of the acceptor.

(6.) It need hardly be said that if it should be thought important to avoid a change of nomenclature from rupees to pounds sterling, that change could be avoided while carrying out the above recommendation (Section 4) in all essential points. The Indian sovereign might always be described as a 15-rupee piece (R.v. perhaps) or by some equivalent designation less awkward.

(7) In many of the discussions on the subject of the Indian Currency it seems to be assumed that the parity of the rupee with gold cannot be ensured without direct convertibility between the two being guaranteed. The experience, however, of a great number of countries which possess standard and subsidiary coinages not directly convertible into each other, yet circulating together perfectly at par, is against that conclusion. An instance which, it seems to me, has not received the attention that it deserves is to be found in the case of England itself in the 18th century. During a great part of that century the worn and light shillings which were not intrinsically worth more than the thirtieth or fortieth part of a guinea circulated steadily along with it at the fixed ratio to it of twenty-one to one. The fact that they did so is one calculated to bring the power of an Act or ordinance fixing the ratio between the standard and subsidiary money in making that ratio effective into a very strong light indeed. The facts were briefly as follows.—At the end of the 17th century silver was the undoubted standard in England in every sense. The guinea went up and down in value like any other commodity, and the foreign exchanges varied in accordance with the condition of the silver romage. When we turn, however, to the middle of the 18th century—when next information with regard to monetary conditions is available—we find that the very state of things which exists at the present day had already come into existence. Gold we then find to be the standard, and silver merely subsidiary money. The state of the silver coinage had not then, we find, the smallest effect on the foreign exchanges. The exchanges, on the contrary, were ruled exclusively by the state of the gold coin, together with the balance of trade. So long as the guineas were of full weight, the mint price of gold ruled at 3l. 17s. 10½d., as at present. The fluctuation in the value of gold coins was already a thing of the remote past. How did this all come about? The only thing that happened between the end of the 17th century and the middle of the 18th century

which was calculated, in any way, to alter the situation, was the fixing of the value of the guinea in silver, in 1717. The rate fixed on virtually closed the mints to silver, as, thenceforward, to the close of the century, it paid no one to bring silver to the mints to be coined; the mints were thus left open to gold only. At the same time, it made the silver, to all intents, redeemable in gold, by its availability for the payment of taxes at a fixed ratio to gold. The measure was intended to fix the value of gold in silver, but ended instead by fixing the value of the silver coin in gold. The silver was already unlimited legal tender, and was thus available for the payment of taxes, as the rupee is in India now. That alone, of course, did nothing to fix its value. As soon, however, as gold was made unlimited legal tender at a fixed ratio to it, the whole situation seems to have been at once altered. Thenceforward the silver coins seem never to have shown the smallest tendency to vary in value, however light and worn they became. We have, then, here an instance in which the silver, though unlimited legal tender (as it was till 1774) was made to circulate at a fixed parity with gold, by the mere efficacy of the ordinance fixing the ratio, together with the virtual closure of the mints to silver, and without anyone having so much as dreamt of accumulating either a gold reserve to redeem the silver, or a silver reserve to redeem the gold.

(8) The misgivings which the Indian Government express with regard to the clauses of Mr. Lindsay's scheme, which propose that the Government should guarantee the convertibility of the rupee to all and sundry at a fixed rate, seem to me not to be without just ground. Suppose that, after the announcement had been made that the Government would accept all rupees at 1s. 3½d., and would give gold for them, a rumour got wind—it might be without the smallest foundation—that the scheme was breaking down and was about to be abandoned, that the mints would be re-opened to silver, and that a fall of 30 per cent in the value of the rupee might any day be anticipated, it is quite conceivable that there might be an ugly rush for gold while it was still to be got at a fixed price. We must take into account the fact that we have a vast, ignorant population to deal with, exceptionally liable to unreasoning panic, that there are great interests hostile to the fixing of the rupee, and that immense fortunes are to be made by finding the weak point in any scheme that could be proposed, if it has one, and by wrecking it. The Dutch Government, of course, take an entirely opposite stand to that suggested by Mr. Lindsay. To the question "Can persons holding silver coin require the Government or any national bank to give them gold for it," the clear answer is "No they cannot," and I think the answer will have to be the same in India. It is quite certain that, in spite of their taking this stand, the Dutch Government, and many other governments similarly situated, have been able to maintain their appreciated silver at par with gold. Surely the first matter for inquiry in the Indian case is whether by the adoption of the same course it is not possible to attain the same end, before thinking of adopting a course so much more hazardous as that of guaranteeing universal direct convertibility would be. A legal tender act fixing the ratio is not, it need hardly be said, for a moment to be confounded with a guarantee of direct convertibility. Such an act, on the contrary, gives in express terms to all tenderers, the Government included, the option of paying in whichever medium they please.

(9) An inquiry which I have not seen set before the Committee in express terms, and yet which is, I think, one fertile in important results, is the inquiry:—"What, at the present moment, is the standard of India?" It plainly is now not silver. A high authority recently tells us that it is "exchange." That, however, is a doctrine that can assist us little. The standard of value in a country must, at any rate, be a concrete substance, and cannot conceivably be an abstraction. I have endeavoured in my paper on the Indian Mints to show that the standard of India is already gold—arriving, on that point, at the same conclusion as Mr. W. Douglas, author of the "Indian Currency"—and I think, indeed, that the same view is unconsciously and implicitly taken by every one

who speaks of the "depreciation" of silver in India. Depreciation can only be depreciation in comparison with some standard in the background, and that standard can, in this case, be nothing but gold. If, however, the standard of India is already gold, the official recognition of gold as the standard by the opening of the mints to its free coinage, and by fixing by statute a ratio between it and the subsidiary silver, cannot certainly make the outside gold obligations of the country any harder to meet than they are under the present state of things. Now this much is certain, that India, somehow or other, meets her foreign gold obligations, at the present moment, without a gold reserve; and the question arises, would a gold reserve be any more necessary, under the new conditions, that is to say after the mints had been opened to the free coinage of gold, and gold had been made legal tender at a fixed ratio to the rupee, than it is at present. There is of course a theory that a fall in exchange forces a favourable trade balance by increasing exports and diminishing imports, but, setting aside that theory which receives no support from statistics, which is contrary to all sound principle—involving indeed, as it would, the conclusion that any nation in financial difficulties has only to depreciate its currency to find an easy escape from them—there seems to be no reason for asserting that the accumulation of a gold reserve is a necessary preliminary to what is called the adoption of the gold standard in India, that is to say, to the fixing of the ratio and the opening of the mints to the free coinage of gold.

(10) When a country possesses, as India does at present, a currency that cannot be exported, or at any rate, that, as a matter of fact, never is exported, and when it possesses no gold reserve, there is plainly only one way in which its outside gold obligations can be met, that is by the trade balance in its favour. But suppose circumstances to arise which would tend to make the trade balance unfavourable—say a great diminution of exports owing to a famine—how then can they be met? Plainly the true answer is, that a country so situated can never let the trade balance become unfavourable to it. If circumstances are such that the meeting of her obligations directly would make the trade balance unfavourable, she must, as long as she has credit, borrow, in one shape or another, and thus keep it favourable. In the case of a country which had a gold currency and no gold reserve, it would be obvious enough that the only way in which its Government could meet outside obligations in gold which would not, in ordinary circumstances, be covered by the trade balance in its favour, would be either by increasing the taxation or by borrowing. In the case of India, however, with her appreciated silver currency, it seems generally to be assumed that there is a third method open of meeting outside obligations. She can sell her Council bills, it is said, cheaper than she would sell them otherwise, and can thus raise a larger sum than she could otherwise, to meet these obligations. It is true of course that she can do this, but it is also plain that doing so is only another form of borrowing. If more bills are sold than the public want for immediate requirements, they can only be sold to people who buy them on speculation, and who intend to hold them, in the meantime, till they can dispose of them to advantage, and such sale, in such circumstances, is plainly equivalent to drawing on the future—to obtaining money in advance. It is, on the face of it, indeed, absurd to imagine that the fact of having a token currency gives a country an advantage, as regards meeting its obligations, over countries with a gold currency. If a gold currency country would, in given circumstances, have to meet its obligations abroad, either by borrowing or by increasing its taxation, it is quite certain that a token-currency country, in the same circumstances, will not be able to meet them in any other manner.

(11.) In 1893, the maximum value of the rupee having been fixed by an edict at 1s. 4d., an attempt was made to fix the minimum for a time, at 1s. 3½d., by refusing to sell Council bills under that price. The amount of Council bills required to meet current obligations could not be sold, and direct borrowing had to be resorted to. This borrowing was the subject of much hostile criticism at the time, and it was accordingly decided to end it, and

instead to sell Council bills below 1s. 3½d., indeed at whatever price could be got for them. The result has been a loss of revenue amounting in all to about 5,000,000 to India, since 1893, as compared with the revenue that would have been obtained if the price of Council bills had been kept up. The question is, how much would it have cost India, in the shape of interest on borrowed money, to have maintained the price of Council bills? Probably only some small fraction of 5,000,000. The mistake made by those who urged the sale of Council bills at any price lay in their failing to recognise that such a sale was merely borrowing in another form, and that a ruinously expensive one.

(12) The fixing of both maximum and minimum for the rupee in 1893, amounted, of course, to an attempt to completely fix the ratio. Why then did it not succeed? The mistake lay in this, that while the maximum was fixed by an edict, the minimum was only fixed as a measure of policy, and the decision fixing it was known, from the first, to be liable to be changed at any moment, and was, as a matter of fact, changed within about six months from the date of its adoption. In such circumstances, no one, from the first, could have any confidence in the maintenance of the value of the rupee; no one, therefore, could safely keep rupees by him for future use; and, thus, everyone being driven to force them on the market, they could not fail to become redundant. The case would be altogether different, if both the maximum and the minimum had been fixed at once by a step that would be practically irrefragable, that is, by the passing of a statute opening the mints to the free coinage of gold and fixing a ratio at which both the sovereign and the rupee should be legal tender in all transactions.

(13) While it is the case that India, after the opening of the mints to gold and the fixing of a ratio between gold and the rupee, would, even without a gold reserve, be in quite as good a position to meet her outside gold obligations as she is at present, it by no means follows that it would not be desirable to place her in a better position than her present one. The fixing of the ratio, however, instead of being looked upon as something that should only follow on the accumulation of a gold reserve, should be looked on as the first step towards making the accumulation and use of a gold reserve possible. A gold reserve, such as that suggested in the memorandum from the Indian Government, which is not in any circumstances to be parted with, is plainly not a gold reserve, in the ordinary sense, at all. A gold reserve is, indeed, I think, something that can only be made available after the gold standard has been brought into full working order.

(14) If the Dutch system were imitated by making gold legal tender at a fixed ratio to the rupee, it might eventually, if not immediately, be further imitated by following the practice of the Bank of the Netherlands in being prepared always to give gold to meet a *bona fide* demand for it for export, the *bona fides* of this demand being evidenced by the fact of the exchange being against the country. The operation of the scheme would then be very similar to that of Mr. Lindsay's scheme, without however, incurring the risk of an internal drain, which his altogether fails to obviate. With regard to that scheme it is worthy of note that while it proposes in form to guarantee universal convertibility for the rupee, it absolutely relies for its success on the anticipation that there will be no internal demand for its conversion. Mr. Lindsay, himself, describes his scheme as one that will secure "full and free convertibility for the rupee for foreign payment purposes," instead of (like the Government of India's scheme) "partial convertibility for foreign payments combined with "partial convertibility for local payments and for "hoarders." He expects, thus, it will be seen, to level up the rupee by meeting the demand for gold for export only. If doubt should remain in the mind of any members of the Committee as to whether the simple fixing of the ratio would be effective in maintaining the value of the rupee, it might still be worth their while to consider whether, with this proviso added, that gold should always be furnished to meet an export demand, the plan would work satisfactorily. As the real exchange is ordinarily in India's favour, the amount

of reserve required to ensure the ability always to furnish gold in such circumstances could not be large.

- (15.) It seems to me, in the highest degree, improbable that the fixing of the ratio at *ls. 4d.* now would lead to an accumulation of rupees in the treasuries as, under very different conditions, in 1893. Still it would, no doubt, serve the important purpose of procuring, from the start, public confidence in the ultimate success of the scheme, if the Government were to arm themselves with power to melt and sell rupees in such an event. The Dutch, in like circumstances, armed themselves with similar powers, but never had occasion to use them.
- (16.) If a gold, or partial gold, currency is the desired eventual goal, the plan proposed is clearly the only road to it.

No. 22.

MEMORANDUM by Mr. E. KLEINMANN, Administrator of the *Crédit Lyonnais*.

Rapid and Decisive Success of the Monetary Reform notwithstanding numerous obstacles and strenuous opposition on the part of Speculators in Indian Exchange and Silver.

The opponents of the monetary reform repeatedly maintained that the scheme had completely broken down. Those who have only a superficial knowledge of monetary matters imagine that a reform of this kind could be carried out within a very short time, for instance, a few months or a year. A competent and impartial study of the scheme will, however, easily show that the object in view could only be attained after having been in operation for some considerable time.

One must not lose sight of the fact that the reform had to be introduced into an empire with a population of 300 millions of inhabitants, mostly ignorant people incapable of understanding that the rupee could ever attain a value considerably above that of the silver it contained, and who at the same time were unable to protect themselves against the manoeuvres of dealers in silver.

It was on the 26th of June 1893, that the Government decreed the closing of the mints, and in June 1898 that the exchange reached 16 pence. It has taken five years to arrive at this.

This, I venture to say, is a very remarkable result considering the time which was absolutely indispensable to put the rupee to 60 per cent. above its intrinsic value by the natural and automatic contraction of the circulation.

Besides the famine and the plague, which have both to a considerable extent rendered the operation more difficult, one must not forget the manoeuvres of speculators for the fall in Indian exchange during four consecutive years. They have ultimately been compelled to desist after having sustained severe losses. Lastly, the considerable import of silver has to a great extent delayed the gradual rise in the exchange. It has permitted dealers in silver to sell to the natives on unfavourable terms for the latter, silver bars against coined rupees of the increasing value of which the natives were still in ignorance. These facts would certainly have justified and would still justify an important increase of the import duty on silver, which increase would likewise help to check the illicit course of rupees in several frontier States.

In any case, the limit of 16 pence is now reached, the exchange has been maintained at that rate during the dead season. The chief object of the reform is therefore attained, and everything leads to the expectation that the money market will not in future be subjected to great fluctuations in exchange nor to excessive rates of interest.

The question now to be considered is that of the introduction of the gold standard.

Previous Existence of a Gold Standard in India.

In the first place it would be well to note that it is not the question of the adoption of a new system. That point has been clearly elucidated by a well known economist, Mr. H. Dunning Macleod, in a remarkable

letter. A gold standard existed in India from remote times until the 1st January 1853, when the public treasuries suddenly refused to receive gold coin. It has been estimated that at that time gold coin to the value of 120,000,000. were in circulation. How then can it be asserted that India is too poor a country to have a circulation of gold coin? On the contrary India is admirably adapted for a return to the gold standard.

Such being the case one has to consider the best method of obtaining its re-establishment.

Ratio to be fixed between the Sovereign and the Rupee

All partisans of a gold standard for India are agreed, I think, as to the advisability of adopting the sovereign as the legal basis of the monetary system of the Empire. The only point wherein opinions differ is the ratio at which rupees should circulate in the country as fractional currency of the sovereign.

Some propose *ls. 3d., i.e., £1 = 16 rupees*. Others, including the Indian Government, give preference to the ratio of *ls. 4d., i.e., £1 = 15 rupees*. This ratio has the advantage of having been chosen as a trial basis by the Herschell Committee, and that with complete success since the exchange has attained and exceeded the rate of 16 pence, and now, during the dead season, maintains that rate, a result which the warmest supporters of the monetary reform could never have ventured to anticipate.

Other partisans of the gold standard, and I confess I am amongst the number, think that it would be more favourable for the country, for the inhabitants, for the Government and for the officials, to fix a rate more in keeping with the primitive value of the rupee (2s.). The rate of *ls. 6d., i.e., £1 = 13½ rupees*, or that of *ls. 8d., £1 = 12 rupees* would not be excessive. The late Mr. Bertram Currie was of the same opinion.

In my judgment it is just as easy to-day to attain *1s. 6d.*, or even *1s. 8d.*, as it was to reach *ls. 4d.*, perhaps easier, notwithstanding the numerous obstacles and the strong opposition which the reform encountered.

One question why the rupee should be fixed at so low a rate as compared with the sovereign when in England the sovereign is sub-divided into 20 shillings, worth in reality 10s. In France the 20 francs piece is likewise sub-divided into 20 francs in silver money, worth only 10 francs, finally in the United States 20 dollars in silver of an intrinsic value of 10 dollars circulate as the equivalent of 20 dollars in gold, &c., &c.

A striking example of the level attained automatically by money of which the coinage has been suspended is afforded by the Turkish mudiye. This coin which has no legal fixed ratio to gold and an intrinsic value of but 20·6 pence at the current price of silver, circulates to-day by virtue of the law of supply and demand at about 39·6 pence, that is at an appreciation of 92 per cent. (almost the value of gold).

There would, therefore, be no undue appreciation in having rupees in circulation at 18 pence, that is at 80 per cent. above their intrinsic value. It would be to the advantage of the Government and of the people, whose revenues and wages would be proportionately raised without any change being made in the bases of taxes and wages.

Let me add that the Herschell Committee, when taking the rate of *ls. 4d.* as basis of the currency reform, clearly explained that the limits could be raised if necessary. This is conveyed in the 151st paragraph of the report of the committee, which is as follows:—

"It would not, of course, be essential to the plan that the ratio should never be fixed above *ls. 4d.*; circumstances might arise rendering it proper and even necessary to raise the ratio, and the Indian Government might be empowered to alter it with the sanction of the Secretary of State. Such a scheme would, indeed, in the first instance be tentative and would not impede further action if circumstances should render it desirable."

On this point I beg leave to quote the conclusions set forth in my pamphlet of the 18th March 1897 "Le Role futur de l'or et de l'argent":—

"The want of a single monetary basis for international relations makes itself more and more felt. Gold is the metal which best fulfils the required conditions."

"It is the gold standard which is being gradually adopted by all nations."

"Silver will everywhere play in a greater measure the part of fractional currency."

"No matter what ratio may be chosen for the coinage of silver pieces, these coins will obtain in

the interior circulation of every country a par value with gold currency on condition of their not being in excess of the requirements of the circulation."

The most satisfactory Plan for establishing a Gold Standard.

Notwithstanding the great advantages resulting from a higher rate of exchange, it cannot be disputed that with a limit of 1s 4d in force there would be an end to the period of transition, which is, to some extent an impediment to commercial transactions. Whatever ratio between the sovereign and the rupee is resolved on, the principal object to be attained is an effective introduction of the gold standard.

Is a gold circulation indispensable? Should it be left to individual initiative and be brought about by the automatic movements of the commercial exchanges? Or, on the other hand, should it be effected forthwith by a Government measure introducing at first a more or less considerable quantity of gold?

I have no hesitation in asserting that a circulation of gold itself is indispensable. As to the means of attaining that end I am inclined to think that it would be preferable to bring about an influx of gold by the automatic working of trade. This would certainly require more time, but then the measure would not be jeopardized by an erroneous estimate of the initial quantity of gold to be introduced by Government.

I advocate, therefore, simply a continuation of the monetary reform, believing that the material obstacles which were present at the outset are now overcome, and that ere long sovereigns will flow into the country. Actual interference on the part of the Government should be restricted to a declaration that henceforth "the sovereign is legal tender in India." If the exchange of 1s. 4d is ultimately adopted, the sovereign being declared legal tender at the ratio of 1 sovereign = 15 rupees, transactions would be entered into on that basis.

Reply to the Arguments of the Indian Tea Planters who are in Favour of Re-opening the Mints.

The gold price of a commodity does not depend on the currency of the country where it is produced, however depreciated such currency may be. It is based on the supply and demand of such commodity. When production increases and no fresh outlets are found, prices fall, and, inversely, when the consumption develops more rapidly than production, prices rise.

The following statistics of Indian tea since 1886 clearly demonstrate that the depreciation in the price of that commodity does not arise from the fluctuations of the value of the rupee, but from the continuous increase in the production without sufficient outlets being found to absorb the excess:—

Production of Tea in India.

Year.	Production	Land under Cultivation.	Average Price of Indian Tea per Pound.	Average Rate of Exchange in India.
	Lbs.	Acres.	d.	d
1886	82,425,819	298,319	12	17 4
1887	92,252,082	312,803	11½	16 9
1888	99,792,544	324,327	10½	16 3
1889	107,042,875	333,701	10½	16 5
1890	112,036,000	344,807	10½	18*
1891	121,867,000	362,437	10½	16 7
1892	121,994,000	374,869	10	15*
1893	132,247,000	395,839	9½	14 5
1894	134,713,000	422,531	9½	13 1
1895	135,500,000	436,000	9	13 6
1896	146,500,000	450,000	8½	14 4
1897	148,250,000	470,000	8½	16 8
1898*	158,000,000	—	*7½	16*
1899*	163,000,000	—	*7½	—
1900*	170,000,000	—	*7½	—
1901*	178,000,000	—	*7	—

* Estimated on land under cultivation which will yield at the end of the fourth year

Villa Romaine,
Hyères.

E. KLEINMANN.

30th November 1898.

D—Miscellaneous Papers

No 23.

LETTER from Mr. H. F. ASTON, PROPOSING INCREASE OF WEIGHT OF RUPEE.

SIR, 11 November 1898

I HAVE the honour to forward, with due deference, for favour of submission to the Indian Currency Commission, a copy of my proposal,* advocated by me since 1875, for remedying the Indian currency difficulty by increasing the weight of the silver rupee.

2. In a despatch dated October 1876, the Government of India said: "We consider it certain that if we should find it necessary to make any change in our standard unit of value, it would be incumbent upon us sooner or later and more or less quickly to call in our old currency, and directly or indirectly at the public expense, to substitute a new currency, representing the new standard of real value."

3 I would point out that the liability the Government would incur by issuing a new heavier rupee and recalling the present coins is measurable. Taking the effective currency at 120 oros, or 1,200 million rupes, and silver at 27½ per ounce, to add a fourth to the weight of each rupee in the effective currency would cost 13,750,000l for the silver plus the cost of minting, and would make the intrinsic value of the rupee 25 per cent higher, that is 1s. 1½d. instead of 11d. with silver at 27½d. per ounce.

4 Gold would flow automatically into the Indian currency (if the sovereign remains legal tender), when 15 rupees become worth more than a sovereign, and such artificial methods as closing the mint and an import tax on silver &c., would still be available for regulating the gold price of the rupee when silver fluctuates below a certain point. The great danger of excessive manufacture of counterfeit coin would disappear. There would be far less inducement to speculate in currency, and the risk of a return to India of large quantities of rupees from other countries would be avoided.

5 Failing the introduction of such a reform, I would point out with deference that it might well be taken into consideration whether a rupee should not be issued when needed for 1s 4d of silver instead of for 1s. 4d. of gold. There would then be room for an automatic increase of the silver currency, according to trade requirements, without reducing the cost of the rupee. The mere fact that during the recent stringency in the loanable capital market, 24 per cent. interest was demanded in India for advances on silver when the rate on gold was 16 per cent., proves how important it is that the silver assets of India should be made more liquid. Such a difference in the rate of interest on loans on gold and silver could not exist if a rupee could be obtained at the mint for 1s 4d. of silver. It is, I think, open to grave doubt whether debtors who have incurred an obligation to pay in silver should be burdened with the duty to procure gold before rupees can be got from the mint. Trade need not be burdened with this duty. If the Government wishes to accumulate gold, then the Government can choose its time when to convert its silver into gold, but trade obligations must be punctually discharged.

I have, &c,

To the Secretary, H. F. ASTON.
Indian Currency Commission
India Office, London, S.W.

No 24.

LETTER from the LONDON INDIAN SOCIETY.

Washington House, 72, Anerley Park, S.E.,

June 22, 1898.

SIR, IN accordance with a Resolution passed at a Conference of Indians resident in the United Kingdom, convened by the London Indian Society on 20th instant at St Martin's Town Hall, I have the honour to submit for your and the Committee's kind consideration, the following Resolution unanimously passed at that Conference.—

RESOLUTION.

1 "That fall or rise in exchange does not in itself matter in true International trade, which

* Not printed.

adjusts itself automatically to the requirements of exchange; that closing the mints or introducing the gold standard does not and cannot save a single farthing to the Indian tax-payers in their remittances for 'home charges'; that closing the mints and thereby raising the true rupee of about 11d. of gold, to a false rupee of 16d. of gold is a covert act of exacting 45 per cent. more taxation from the Indian tax-payers, and at the same time of increasing the salaries of officials, and other payments in India by Government to the same extent; that the introduction of gold standard will simply add more to the existing grievous burdens of the tax-payers, to the extent of the cost of the alteration; that the real cause of the terrible evils of poverty, famine, plague, false currency, &c., is what Lord Salisbury truly calls the 'bleeding' of India (or as he says 'India must be bled'), and the 'bleeding' is further increased by the fall in exchange or rise in gold; that until this most deplorable 'bleeding' of India is stopped there is little chance, if any, of saving India and the British Empire from serious disasters or destruction; and lastly, that the constitution of the present Currency Committee is utterly unsatisfactory, as the suffering Indian taxpayer is not at all represented."

Proposed by DADABHAI NAOROJI, Esq.
Seconded by Dr. SARAT MULLICK.

I have, &c.

DADABHAI NAOROJI, Chairman.

Rt Hon Sir H. H. Fowler, G.C.S.I.,
President of the Currency Committee,
India Office.

No. 25.

LETTERS by Mr. DADABHAI NAOROJI, submitted to the COMMITTEE through the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS.

Washington House,
73, Anerley Park, S.E.,
July 30, 1898.

MY DEAR SIR WILLIAM WADDEBURN,

IN accordance with the reply of the 5th instant from the Currency Committee to your letter saying "they will, however, be glad to accord their best consideration to any written communication which you may desire to lay before them." I send you this statement, which you would be good enough to forward to them.

1. I may add that I am willing to submit to any cross-examination that may be considered necessary to test the correctness of my views, or to ask me other questions. You know that I have been in business in the City for 25 years as a merchant, and also as a commission agent. I have dealt with almost every kind of export and import between England and India. I have seen some commercial and monetary crises, including that of "the Black Friday," when, I think, Messrs. Overend, Gurney and Co. closed their doors.

2. Fall or rise in exchange does not in itself (other circumstances remaining the same) matter in true international trade, which adjusts itself automatically to the requirements of exchange. To establish this proposition by a detailed explanation of the mode of operations of Indian trade, I attach as Appendix A. some letters which I wrote to the "Times" and the "Daily News" in 1886.*

3. Closing the mints or introducing a gold standard does not and cannot save a single farthing to the Indian taxpayers in their remittance for "Home Charges" to this country. The reason is simple. Suppose we take roundly 20,000,000 sterling to be the amount of the "Home Charges." The Indian taxpayers have to send as much produce to this country as is necessary to buy 20,000,000, not an ounce less, no matter whatever may be the rupee, or whatever the standard (gold or silver) in India. England must receive 20,000,000 in gold, or produce worth 20,000,000. The only way in which relief can come to the Indian taxpayers in these remittances, is the rise in the prices of the Indian merchandise in this country, and not by any juggling with the currency laws of India.

4. The Government of India, in their despatch to the Secretary of State (Simla, November 9, 1878), themselves admit this in so many words—

"66. Now, it is plain that so long as the amount of the so-called tribute is not changed, the quantity of merchandise necessary to pay it will not change either, excepting by reason of a change of its value in the foreign country to which it goes." (C. 4368, 1836, p. 25).

5. Closing of the mints, and thereby raising the true rupee, worth, at present, about 11d. in gold, to a false rupee to be worth 16d. in gold, is a covert exaction of about 45 per cent. more taxation all round from the Indian taxpayers, and at the same time of increasing the salaries of officials and other payments in India by Government to the same extent, and giving generally the advantage to creditors over debtors, the former being generally well-to-do, and the latter the poorer classes, especially in the case of the money-lenders and the ryots.

6. The real and full effect of the closing of the mints must be examined by itself, irrespective of the effect of other factors. First of all, the closing of the mints was illegal, dishonourable and a despotic act. It is a violation of all taxation Acts, by which there was always a distinct contract between the Government and the taxpayers based upon the fundamental principle of sound currency, i.e., of a certain definite rupee. And what is that fundamental principle upon which the currency, both of this country and of India, is based? The former is upon what is called the gold standard, and the latter the silver standard. Take this country first.

7. Here the whole currency is based upon a sovereign—a fixed unit of a certain quantity of gold, whatever its relative exchangeable value may be with all other commodities. A sovereign is nothing more or less than, or anything else but, 123.274 grains of gold of a certain fineness, with a stamp upon it, certifying to the world that it is what it professes to be, and that no restriction whatsoever was to be placed either on the market of gold or on the coining of gold. Any person may present 123.274 grains of gold of standard fineness, with the mintage (which, I think, is three halfpence on an ounce),* and ask for a sovereign, and will get it. It is not buying or selling gold; Government simply having fixed a unit of currency measure, stamps the unit that it is the proper unit. I should be surprised if Government here should even think of interfering with this unrestricted sale and coining of gold, as the foundation of the sound currency of this country. The sovereign is the standard by which every other commodity, including silver, is measured in its exchangeable value, just as a foot is a standard measure of length, a gallon of liquid. The taxpayer's contract with the Government is that he is to pay in such unrestricted sovereigns, and every taxation law lays down the payment in such sovereigns.

8. Similarly about India—substitute 180 grains of standard silver, with 2 per cent. for mintage for a rupee, in place of 123.274 grains of gold, with three halfpence for every ounce of gold coined, for a sovereign, and all the above remarks apply word for word to the case of India, except that I should not be surprised at the Indian authorities playing any pranks, regardless of consequences to the Indian people, as long as they are considered favourable to the "interests," and are to be made at the cost of the Indians.

9. This is the true rupee—180 grains of standard silver at its market value, with nearly 4 grains more for mintage, is convertible into a rupee without any restriction either on the silver market or on the free coining of silver. It is in this true rupee that the taxpayer is legally bound to pay his taxes. Any interference with the fundamental principle and law of the rupee is illegal, immoral, or dishonourable.

10. Now comes the false rupee. The true rupee, in its relation to gold at the present market value of silver of 184 grains, is worth, say, about 11d. of gold. Government intervenes, abuses its power or duty to coin silver unrestrictedly, makes the rupee scarce and false, and forces it up to the value of 16d. of gold, or about 2.9 grains of silver (including mintage), which the rupee does not contain. And the taxpayer is compelled, by what Mr. Gladstone called "the

* Not reprinted.

* I understand that there is no charge now. (Coinage Act of 1870, Section 8).

argument and law of force," to pay his tax in this false rupee, under the false pretence of using the word "rupee" when this "rupee" is not one rupee, but nearly one-and-a-half rupee

12. Let us now take the factor of closing the mints by itself. Suppose I go into the market with my produce to buy 184 grains of standard silver for which I am asked one maund of rice. I go to the mint and ask to coin this into a rupee which I have to pay to the Sircar for my tax. If I get the rupee, then it is all right. But no, the mint refuses to coin. It virtually tells me, "Bring 269 grains of silver (i.e., worth 16d. of gold) and you will get a rupee." I go into the market to get the rupee. The man who has the rupee tells me, "If you give me 269 grains of silver, or as much produce as would buy 269 grains of silver, I would give you the rupee." What alternative remains for me but to give as much of my rice, about 1½ maunds, to get this false "rupee," instead of only one maund to get the true rupee which I can get in the same market and at the same time? This is altogether independent of whatever the actual price of commodities may be.

13. If the actual price of rice does not show this fall, owing to the disguise of the false "rupee," it is not that the closing of the mints has not produced this decline, but that other fortunate factors have influenced the price, whose benefit is robbed away from me by the Government by the covert device of the closing of the mints. Otherwise I would have received so much higher price for my produce than the actual price. The loss, therefore, to me is all the same, as I was forced to pay in my produce for 269 grains of silver to get the false "rupee" instead of at the same moment paying for 184 grains of silver to get the true rupee. These two different prices in merchandise for the false and the true rupee are demanded, as I have said above, at the same time, and in the same market, i.e., the price of the false rupee, 45 per cent. higher than that of the true rupee, entirely irrespective of any general market rise or fall of price at any same time. If the actual price of the rice be 1½ maunds for the false rupee, the price at the same time will be one maund for the true rupee, or for 184 grains of silver.

14. To test this in another way. Let us take some commodity in the country itself upon which the factor of the closing of the mints produces its full effect in the actual market, and which is not materially affected by other commercial factors, which operate generally upon the general merchandise. Such a commodity in India is gold. It is affected, not in merely foreign exchange or international relations, but in India itself as a commodity, like every other commodity. Say I have a sovereign, and I want to sell it for rupees in India itself—not for exchange to foreign parts. If the "rupee" were the honest, true rupee of the market value of 184 grains of silver, I should get 22 such rupees for my sovereign, but at the false value of the "rupee," i.e., the market value of 269 grains of silver, I actually get only 15 "rupees." This is the actual price of gold in India, a decline in the proportion of the false inflation of the false "rupee." This is the case with every commodity, as can be tested by offering produce for the true rupee of 184 grains of silver; and for the false rupee or 269 grains of silver at the same time and in the same market.

15. In addition to the higher taxation thus inflicted on the Indian taxpayers, by an irony of fate, the very "interests" (bankers, merchants, planters, foreign capitalists of all kinds, &c.) for whose behalf, besides that of Government itself, all this dislocation of currency was made, are now loudest in their cry for all the mischief caused also to them, and yet the authorities in both countries remain blind and infatuated enough not to learn even by experience, and persist in a mischievous course.

16. In the Treasury letter of 24th November 1879 (c 4868, 1886, page 31) to the India Office, my Lords say—

"1. The proposal appears to be open to those objections to a token currency which have long been recognised by all civilized nations, viz.—That instead of being automatic, it must be 'managed' by the Government, and that any such management not only fails to keep a token currency at par, but exposes the Government which undertakes it to very serious difficulties and temptations

17. "2. It appears to my Lords, that the Government of India, in making the present proposal, lay themselves

open to the same criticisms as are made upon Governments which have depreciated their currencies. In general, the object of such Governments has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their taxpayers. My Lords fail to see any real difference in the character of the two transactions

18. ". . . . If, on the other hand, it is the case that the value of the rupee has fallen in India, and that it will be raised in India by the operation of the proposed plan, that plan is open to the objection that it alters every contract and every fixed payment in India.

19. "This proposal is, in fact, contrary to the essential and well-established principle of the currency law of this country, which regards the current standard coin as a piece of a given metal of a certain weight and fineness, and which condemns as futile and mischievous every attempt to go behind this simple definition

20. "It is perfectly true as stated in the despatch (paragraph 41), that the "very essence of all laws relating to the currency has been to give fixity to the standard of value as far as it is possible," but it is no less true that, according to the principles which govern our currency system, the best and surest way, and, indeed, the only tried and known way, of giving this fixity is to adhere to the above definition of current standard coin. A pound is a given quantity of gold, a rupee is a given quantity of silver, and any attempt to give those terms a different meaning is condemned by experience and authority.

21. "3. If the present state of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve—

"(1.) The Indian Government from the inconvenience of a nominal re-adjustment of taxation in order to meet the loss by exchange on the home remittances.

"(2.) Civil servants and other Englishmen who are serving or working in India, and who desire to remit money to England.

"(3.) Englishmen who have money placed or invested in India which they wish to remit to England. But this relief will be given at the expense of the Indian taxpayer, and with the effect of increasing every debt or fixed payment in India, including debts due by ryots to money-lenders; while its effect will be materially qualified, so far as the Government are concerned, by the enhancement of the public obligations in India, which have been contracted on a silver basis.

22. "If, then, a case has been made out, which my Lords do not admit, for an alteration of the currency law of India, the particular alteration which the Government of India propose, could not, in the opinion of the Treasury, be entertained until the doubts and objections which have suggested themselves to my Lords are answered and removed. These objections are founded on principles which have been long and ably discussed, and which are now generally admitted by Statesmen, and by writers of accepted authority, to lie at the root of the currency system.

23. "It is no light matter to accept innovations which must sap and undermine that system, and my Lords have, therefore, felt it their duty plainly—though they hope not inconsistently with the respect due to the Government of India—to express their conviction that the plan which had been referred to them for their observations is one which ought not to be sanctioned by Her Majesty's Government or by the Secretary of State." [Italics are mine.]

24. Can condemnation be more complete and convincing?

25. The introduction of a gold standard, while it will not save a single farthing, or a single ounce of produce to the Indian taxpayer in his payment of "Home Charges," as already explained, will simply add more to his already existing grievous burdens to the extent of the heavy cost of the alteration, and injure him, Heaven knows, in what other ways, as the events of the past five years have shown.

26. The whole basis of the action of the Government is, and was, the assumption that, as fall in exchange will necessitate increased burden of taxation, the closing of the mints and introduction of a gold standard will save the Indian taxpayer from any such additional burden of taxation which would otherwise arise enor-

mously in the remittance of "Home Charges," and that it is imperatively necessary to establish a stable ratio between gold and silver. That the anxiety of the Government about increased burdens of taxation and its political dangers, and that to save the people from the former and the Government from the latter were the professed motives of all the present currency laws, would be clear from Government's own despatches.

27. In order not to encumber the statement here with the extracts from those despatches, I give them as Appendix B.

28. Both these objects, viz., saving people from additional taxation, and thereby Government from political danger, by the present proposals and past currency legislation are pure delusions. The Government might as well have tried to stop the action of gravitation as to try against a natural law, that while gold and silver should fluctuate in value in relation to and like all other commodities, yet between themselves they could be made to keep up a fixed ratio, or to try to make a rupee, which may be only worth 11d or even 6d. of gold, become worth 16d of gold, unless Government have found the philosopher's stone, or have attained the divine power of creating something out of nothing.

29. It is not that the Government of India did not know this, or were not told this from the highest authority and others, and in distinct and emphatic terms. Of this I have already given (see *supra* p. 16 to 21 paras) extracts from the despatch of the Treasury of November 24, 1879.

30. Notwithstanding the clear and emphatic views of the Treasury, expressing "their conviction that the plan which had been referred to them for their observations is one which ought not to be sanctioned by Her Majesty's Government or by the Secretary of State," the Government of India and the India Office again opened the subject in another form.

31. Lord Randolph Churchill wrote to the Treasury on January 26, 1886, and forwarded on March 17, 1886, a letter from the Government of India, dated February 2, 1886 (c. 4868, 1886, pp. 3-5). To avoid repetition I would not take extracts from these letters, as the reply of the Treasury embodies their views.

32. This reply of the Treasury is dated May 31, 1886 (signed Henry H. Fowler):-" b. As a result of this review of the inconveniences caused by the depression in the value of silver, the Government of India express their opinion . . . Yet there remains one thing which is not beyond the possibility of human control, and that is 'the establishment of a fixed ratio between gold and silver.' The proposition thus stated as an undoubted axiom is, however, one of the most disputable and disputed points in economic science. My Lords may, in passing, compare with this statement the declaration recorded by Mr. Goschen, Mr. Gibbs, and Sir Thomas Socoombe, as the representatives of Her Majesty's Government at the International Monetary Conference of 1878, that 'the establishment of a fixed ratio between gold and silver was utterly impracticable.'"

33. "The Indian Government further express their belief (paragraph, 7) that it is possible to 'secure a stable ratio between gold and silver,' and that 'a serious responsibility will rest both on the Government of India and on Her Majesty's Government if they neglect any legitimate means to bring about this result.' It would, however, have been more satisfactory if the Indian Government had undertaken to explain the grounds of their confidence that a stable ratio between gold and silver can be established, and the methods by which this is to be accomplished."

34. "8. In December, 1878, Lord Cranbrook, then Secretary of State for India, forwarded to the then Chancellor of the Exchequer (Sir Stafford Northcote), without any expression of opinion, two despatches from the Government of India, containing certain proposed remedies for the evils arising out of the depression in the value of silver which were then in full force. In the only one of those despatches to which reference need here be made, after *unfavourable* reference to previous suggestions—(1) that a gold standard and gold currency should be introduced into India; and (2) that the weight of silver in the rupees should be increased, it was proposed to limit the free coinage of silver at the Indian mints. The intention of this change was to introduce into India a gold standard, while retaining its native silver currency, the ratio between the

currency unit (the rupee) and the standard (the sovereign) being fixed arbitrarily by the Government. The means for attaining this end are worked out in the despatch with great elaboration of detail." (Italics are mine.)

35. "9. This despatch and its proposals were submitted by Lord Cranbrook, on behalf of the Indian Government, and Sir Stafford Northcote, as Chancellor of the Exchequer, to a Committee consisting of Sir Louis Mallet, Mr. Edward Stanhope, M.P., Sir Thomas Secombe, Mr. (now Sir Thomas) Farrer, Mr. (now Sir Reginald) Welby, Mr. Giffen, and Mr. Arthur Balfour, M.P. These gentlemen reported, on the 30th April, 1879—'That having examined the proposals contained in the despatch, they were unanimously of opinion that they could not recommend them for the sanction of Her Majesty's Government.'

36. "10. Subsequently, on the 24th November, 1879, the Treasury replied in detail to the proposals of the Indian Government. In the first part of that letter, which summarises the case as stated in the despatch, I am to call the particular attention of the Secretary of State to the following passages, which seem to apply with equal force to the present situation:—

37. "My Lords need not point out that a change of the Currency Laws is one of the most difficult tasks which a Government can undertake, and that it is most unadvisable to legislate hastily and under the influence of the pressure of the moment, or of an apprehension of uncertain consequences, upon a subject so complicated in itself and so important to every individual of the community, in its bearing upon the transactions and obligations of daily life.

38. "It is not proved that increase or re-adjustment of taxation must necessarily be the consequence of matters remaining as they are, for nothing is said about reduction of expenditure, and equilibrium between income and expenditure may be regained by economy of expenditure as well as by increase of taxation. Further, the cost of increase of salaries may be met or at least reduced by a careful revision of establishments. . . .

39. "A perusal of the despatch leads to the conclusion that the Government of India are especially anxious to put an end to the competition of silver against their own bills as a means of remittance to India. But my Lords must ask whether this would be more than a transfer of their own burden to other shoulders; if so, who would eventually bear the loss, and what would be the effect on the credit of the Government and on the commerce of India."

40. The letter then further quotes the paragraphs, which I have already given before, pointing out that the relief wished for by the Government "will be given at the expense of the Indian taxpayer."—(*Supra*, para. 21.)

41. "The Treasury find no reason stated in the despatch of the Government of India in the present year, which induces them to dissent from the conclusions thus sent forth on the authority of Sir Stafford Northcote as to the results of any attempt artificially to enhance the gold price of silver. . . .

42. "13. . . . It has been the policy of this country to emancipate commercial transactions as far as possible from legal control, and to impose no unnecessary restrictions upon the interchange of commodities. To fix the relative value of gold and silver by law would be to enter upon a course directly at variance with this principle, and would be regarded as an arbitrary interference with a natural law, not justified by any present necessity.

43. " . . . The observation of the Treasury in 1879, 'that nothing is said about reduction of expenditure,' seems to apply still more strongly to the existing situation, and it may be safely concluded that the control of its expenditure is far more within the reach of a Government than is the regulation of the market value of the precious metals" (c. 4868, 1886, p. 12).

44. Before proceeding further, I may in passing point out that in 1876 the Government of India itself was against their present proposals, and, as my Lords of the Treasury say, they have urged no sound reasons to alter those views. I have not got the Government of India's despatch of 1876, but I quote from that of November 9, 1876 (c. 4868, 1886, p. 18).

45. "3. The despatch above referred to (October 13, 1876) discussed in some detail . . . The general

result, however, was to point out that the adoption of a gold standard with a gold currency that should replace the existing silver would be so costly as to be impracticable, and would otherwise be open to objection;

46. "4. The despatch notices also, *but only to reject it*, the proposal that the Indian standard of value, and with it the exchange value of the rupee, might be raised by limiting the coining of silver in the future, and by adopting a gold standard without a gold currency." (The italics are mine.)

47. The Government of India, in their reply of February 9, 1877, to a resolution of the Bengal Chamber of Commerce passed by them on July 15, 1876, said—

"8. The value of no substance can serve as a standard measure of value unless its use as the material of legal tender currency is freely admitted. If, therefore, the free coining of silver on fixed conditions were disallowed in India, silver would no longer be the standard of value of India, but another standard would be substituted, namely, the monopoly value of the existing stock of rupees tempered by any additions made to it by the Government or illicitly. If no such additions were made, the value of the rupee will gradually but surely rise."

48. "9 The stamp of a properly regulated mint, such as the Indian Mints, adds nothing except the cost of manufacture and seignorage to the value of the metal on which it is impressed, but only certifies to its weight and purity."

49. "10 A sound system of currency must be automatic or self-regulating. No civilised Government can undertake to determine from time to time by how much the legal-tender currency should be increased or decreased, nor would it be justified in leaving the community without a fixed metallic standard of value even for a short time. It is a mistake to suppose that any European nation has rejected silver as a standard of value without substituting gold." (c. 7060, 1893, p. 337. Petition of the Indian Association to the House of Commons.)

50. And yet the Government forgot its "civilisation" and its "sound system," and inflicted upon poor India the penalty of its folly by the troubles of the past five years, and what is worse still, they want to persist in the same mischief.

51. Reverting to the above replies of the Treasury. After such complete condemnation by the Treasury of the proposals of the Government of India, the Indian authorities fought shy of the Treasury, and, after inditing a meaningless despatch to keep up appearances, left the Treasury severely alone, as far as I know, and adopted their own usual means to have their own way to rush into their own foregone, crude, and thoughtless legislation. The only wonder is that the Committee of 1893, while knowing all this, and seeing all the pitfalls and serious consequences of the proposals, allowed the Indian Government to have their own way, in the face of the emphatic rejection by the Treasury of these proposals.

52. To me, the proceedings of the Indian authorities is nothing surprising. Whenever they make up their mind to do a thing they would do it—be the opposition what it may—be it of Parliament itself. Resolutions or statutes of Parliament, or condemnation by the Treasury, are to them nothing. The usual process in such cases is to appoint a Commission or a Committee, put in Members and have witnesses of their own choice, leaving, if possible, just a small margin for appearance of independence. Generally, they get their own foregone conclusions. If by some happy chance the Commission decided anything against their view, so much the worse for the Commission. The Report is pigeon-holed, never to see the light of day, or to ignore such part as is not agreeable. If thwarted (as in this instance by the Treasury), the Government keep quiet for a time, wait for more favourable opportunities, and are at it again, taking better care against another mishap.

53. Thus they took their own usual course, which has, as was clearly predicted at the time, launched us on the present sea of troubles.

54. What is stranger still, is that after the Treasury so distinctly condemned these proposals, they did not care to see that any contemplated rash and crude legislation was not inflicted on the Indian taxpayers.

The fact seems to be that India is the vile body upon which any quacks may perform any vivisection, and try any cruel, crude, or rash experiments. What matters what is done to it? The Treasury, *i.e.*, the English taxpayer, has not to suffer in any way. India is our helot, she can be forced to pay everything. But they forget Lord Salisbury's eternal words—"Injustice will bring down the mightiest to ruin."

55. The next natural question is—Why is it, that fall in exchange should cause grievous troubles to India and not to any other self-governing, silver-using country? What is the real disease which creates all the never-ceasing pains of India? The reply is given by Lord Salisbury in four words, "India must be bled" under a system of "political hypocrisy." As long as this is the fate of India under an un-British system of government, no jugglery, no loud professions of benevolence, no device of raising a rupee to what it is not worth, will cure India's sad fate and "terrible misery." (Lord Salisbury's words.)

56. I shall let the authorities themselves speak about the real cause of India's troubles. Lord Salisbury's view I have given above. The following extracts explain this view more explicitly, and how it is effected. First, Lord Salisbury has explained that "the injury" is exaggerated in the case of India, where so "much of the revenue is exported without a direct equivalent."

57. And the literature of this very controversy itself supplied a clear explanation. Lord Randolph Churchill, as Secretary of State for India, explains how the "bleeding" and the drain of revenue is effected, and indicates also the final retribution—just as Lord Salisbury does, as already quoted by me. Lord Randolph Churchill, in his despatch to the Treasury of January 26, 1886 (c. 4,868) 1886, page 4, says—first—

58. "It need hardly be said that it is in consequence of the large obligatory payments which the Government of India has to make in England in gold currency that the fall in the exchange value of the rupee affects the public finances." (Italics are mine.)

59. And next he hits the nail on the head, and gives concisely and unmistakably the real evil from which all India's woes flow.

60. He says—"The position of India in relation to taxation and the sources of the public revenues is very peculiar, not merely from the habits of the people, and their strong aversion to change, which is more specially exhibited to new forms of taxation, but likewise from the character of the Government, which is in the hands of foreigners who hold all the principal administrative offices and form so large a part of the army. The impatience of new taxation, which would have to be borne wholly as a consequence of the foreign rule imposed on the country, and virtually to meet additions to charges arising outside of the country, would constitute a political danger, the real magnitude of which, it is to be feared, is not at all appreciated by persons who have no knowledge of, or concern in, the government of India, but which those responsible for that government have long regarded as of the most serious order." (The italics are mine.)

61. Here, then, is the real disease—the character of the Government, which is in the hands of foreigners, who hold all the principal administrative offices, and form so large a part of the army—"the taxation which would have to be borne wholly as a consequence of the foreign rule imposed on the country, and virtually to meet additions to charges arising outside of the country."

62. And it is remarkable that this was prophesied more than a hundred years ago by the highest Indian authority of the day.

Sir John Shore, in his famous minute in 1787 (Parliamentary Return 877 of 1812, para. 132), says—

63. "Whatever allowance we may make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by evils inseparable from the system of a remote foreign dominion." (The italics are mine.)

64. These evils of the system of a remote foreign dominion must be faced by the British rulers before it is "too late." No jugglery of currency, or loud pro-

fessions of benevolence, or the hundred and one subterfuges to which Indian authorities resort, will ever cure these evils—or put British rule on a solid and safe foundation and relieve the Indian people of all these national, political, and moral degradations and debasement, and economic and material destruction. Give India true *British* rule in place of the present *un-British* rule, and both England and India will be blessed and prosperous.

65 Now, with regard to the immediate position—What is to be done now? Retrace the false step of 1893, taken in spite of the clear warnings of the Treasury and others, and against the “law of Nature.” The opening of the mints to the unrestricted coining of silver will correct all the mischievous results that have flowed from the closing of the mints. And further, the true remedy, as pointed out by the Treasury, is a reduction of expenditure and readjustment of establishments.

66 It never occurs to the Indian authorities in both countries that the high salaries of officials may be reduced, say a third, and as repeatedly urged by many a right-thinking man, native agency should be substituted—except for the highest control—for the foreign agency, and that Britain should contribute its fair share of the expenditure, to the extent to which such expenditure is incurred for *its own purposes and benefits*, such as the European services and Imperial wars, &c. Of course, anybody can understand that it is hard for officials to out their own salaries, and let the Indians to come by their own or ask the British people to contribute a fair share. But this is the only remedy both for the preservation of English rule and for the prosperity of both England and India.

67. The opening of the mints will have immediate important effects (1) The stringency of the money market and the consequent dislocation of trade will be remedied (2) The poor taxpayer will have to submit to such additional taxation only (after careful and earnest reduction of expenditure and avoiding of suicidal and unnecessary wars) as will be absolutely necessary to meet the deficit caused by the natural fall of exchange, instead of a concealed enormous enhancement of the *whole* taxation of the country, under the disguise and by the creation of a false “rupee,” by closing the mints, to the extent of the difference between the value of the true and false rupee (may be between 6d. and 16d., or nearly three times as much) The Indian authorities must take the advice which the Treasury has given and restore the currency law to its original purity and soundness.

68. The second proposal for a gold standard (with partial or full quantity of gold) must be abandoned. The Government of India have themselves condemned the proposal, as already stated, paragraph 45. What does it mean? It is most inopportune at present. It means that all the proportionate small quantity of silver that is in British India, and the proportionately large quantity that is in the native States, must be forcibly (not by any natural economic cause but by the despotism of the State) deprived of a large portion of its present value by throwing a large quantity of it in the market, and buy a large quantity of gold at a still higher proportion of value by the large additional demand created by it. All this loss in cheapening silver, and dearer gold to be squeezed out of the poor, wretched, famished ryot of India.

69. The conversion of silver into gold standard cannot be carried out without great cost (see paragraph 45), which will be the highest cruelty and tyranny to inflict upon the “bloodless” and miserable and helpless people of India, and especially this infliction to be made on the false assumption that it will give relief from the burden of the remittances for “Home Charges,” when it will do nothing of the kind, as stated by Government itself.

70. The step is not at all necessary for any economic purpose, except that it will be a convenience to the foreign exploiter, official and non-official. A gold currency, without gold (paragraph 46) and with an unrestricted silver currency, is a delusion rejected by Government itself, and forcibly impressed by the Treasury.

71. I do sincerely hope and trust that this and all such heartlessness towards, and un-British treatment of, the wretched people of India will become a thing of the

past, and a true *British* rule may bring blessing and prosperity to both Britain and India.

72. I beg to give in Appendix C. a statement of December 11, 1892, which I have submitted to the Currency Committee in 1892, from which it will be seen that I had then pointed out the objections to the proposals. I also beg to refer the Committee to my evidence before the same Committee on December 17, 1892. (C. 7060, II.), 1893, page 106.

73. There are several other more or less minor questions. Suppose a ryot is paying Rs. 10, what will be taken from him in gold? Will it be at the rate at which the intrinsic value of the silver is at the time (at present 11d., may be 6d.) or will demand be made at the present false value of 1s. 4d., or even in the despotic power, at the rate of 2s., i.e., 1l. of the Rs 10?

74. When gold currency is introduced, what salary will be paid to the officials at 11d. or 6d. of whatever the market value of the rupee may be, or at 16d., or even 24d., of the despotic value of the “rupee,” for every rupee of the salary—a rupee of 180 grains of silver. In other words, will it be 25l. at 6d., or about 46l. at 11d., or about 66l. at 16d., or 100l. at 24d. for a present salary of Rs. 1,000 of a rupee of 180 grains?

75. There is the foreign merchant or capitalist of every kind always wanting to save himself in his trade-risks at the cost of the taxpayer, besides using to no small extent, or to the extent of the deposits of revenue in the banks, the revenues of the taxpayers, as his capital for his trade, and besides what is brought back to India, out of the “bleeding” of India as his, the foreign capitalist’s, capital. Is Government going to inflict oppression upon the Indian taxpayer whenever these “interests” raise a cry and agitation for their selfish ends? Merchants and all sorts of foreign capitalistic exploiters and speculators must be left to themselves. It is no business of the State to interfere in their behalf at the cost of the Indian taxpayers. They know their business; they are able, and ought to be left to take care of themselves. They exploit the country with the Indians’ revenue and “bleeding.” That is bad enough in all conscience—the profits are theirs, and the losses must be also theirs, and not an additional infliction upon the Indian taxpayers.

76. The Government here dare not play such pranks with the taxpayers. In India the Government only thinks of the foreign “interests” (official and non-official) first, and of the subjects afterwards, if it ever thinks of the subjects at all when foreign “interests” are concerned.

77. Lord Mayo has truly said. “I have only one object in all I do. I believe we have not done our duty to the people of the land. Millions have been spent on the conquering race, which might have been spent in enriching and in elevating the children of the soil. We have done much, but we can do a great deal more. It is, however, impossible, unless we spend less on the ‘interests’ and more on the ‘people.’”

78. On another occasion he said. “We must take into account the inhabitants of the country—the welfare of the people of India is our primary object. If we are not here for their good, we ought not to be here at all.” (“The Hindu,” of 4th May 1893. Sir W. Hunter’s “Life of Mayo.”)

79. This is exactly the whole truth. It is the “interests” alone that the present selfish system and spirit of Government care for—and though that is some profit to England, it is most destructive to India. If, according to the noble words of Lord Mayo, the *people’s* true welfare were made the object, England itself will be vastly more benefited than it is at present, and India will also be benefited and will bless the name of England, instead of cursing it as she now begins to do—shoot your eyes to it as much as you like. Do as Lord Mayo says, and all difficulties of trade, taxation, finances, currency, famine, plague, unnecessary wars, and last, but not least, of poverty and *destruction* will vanish. The past has been bad, “bleeding, and degrading”—but the future be good yet—prospering and elevating. India then will be quite able to pay as much as may be necessary for healthy government, and all necessary progress.

80. In the above remarkable and true words of Lord Mayo, you have the cause of all India’s woes and evils, and all England’s political dangers of “the most serious order,” as well as the proper remedy for them,

Will this Currency Committee rise to its duty and patriotism?

Yours truly,
Sir William Wedderburn, DADABHAI NAOROJI.
Chairman of the British Committee of
The Indian National Congress,
84, Palace Chambers, Westminster, S.W.

APPENDIX A.

INDIAN EXCHANGES

Correspondence in the "Times" of September 9th, 13th, 16th, 20th, and 27th, 1886, and the "Daily News," September 24th and 28th, 1886, not reprinted.

APPENDIX B.

Extracts from Parliamentary Papers, C. 4868, 1886, and C. 7098, 1893, not reprinted.

APPENDIX C.

"INDIA," July 1, 1893.—THE CURRENCY QUESTION.

Statement submitted by Mr. Dadabhai Naoroji to the Currency Committee.

The questions of exchange and currency in connexion with India have, unlike those questions in other countries, two different branches, and it is very important to keep them distinctly in mind

(1.) Political. (2.) Commercial.

(1.) The political aspect entails upon British India the compulsory remittance of about 16,000,000*l.* to this country every year (which will now be 19,000,000*l.*, as no more railway capital will be forthcoming to be used here instead of drawing on India). I am not discussing here the righteousness or otherwise of this state of affairs. It is the loss caused by the fall in exchange in the remittances of these (now) 19,000,000*l.* which is the point under consideration. Otherwise the question of exchange would have no significance, as I have shown in my letters to the "Times" in September, 1886.

The proposal to introduce a gold currency into India is based on the argument that it would save all present loss to the people of India from the fall in exchange. It will do nothing of the kind. It will simply inflict greater loss and hardship on the wretched Indian taxpayer. I explain.

The Indian taxpayer, at the time when exchange was 2*s.* per rupee, was sending produce to England worth 16 crores of rupees to meet the payment of 16,000,000*l.* Now, taking exchange, say roundly 1*s.* per rupee, he has to send produce worth 32 crores of rupees to meet the (present) remittance of 19,000,000*l.*—or at a double rate. To avoid the confusion of ideas that prevails through the present controversy, I would eliminate silver altogether from the problem and put it in another form—that, when one rupee was equal to 2*s.*, the Indian taxpayer sent, say, one million tons of produce to meet the 19,000,000*l.* of Home Charges—when a rupee is 1*s.*, he has to send two million tons of produce to meet the same demand. Whether the currency be gold or silver or copper or lead will not be of the slightest consequence. The Indian taxpayer will have to send to this country as much produce, and not one ounce less, as would produce 19,000,000*l.*—the only difference in the quantity of produce to be sent will depend solely on the rise or fall in gold. Only there will be on the poor taxpayer this additional infliction—that he will be saddled with the heavy cost of the conversion of the currency in gold; and gold becoming so much more in demand will still further rise, and the taxpayer will have to

send so much more produce to meet the additional rise in the value of gold. All talk of saving to the Indian the present loss by fall in exchange is pure imagination.

Again, suppose a ryot is paying Rs 10 as land tax. When gold currency is introduced, what will Government take from him in place of Rs. 10? Will Government demand at the supposed rate of 1*s.* per rupee—i.e., ten shillings only—or will Government demand arbitrarily in its despotic power at the rate of the fictitious value of a rupee as two shillings and will take 1*l.*, or any amount at any higher rate above the intrinsic value of the rupee? Taking the gross revenue comprehensively, the total gross revenue is Rs 850,000,000, what will Government take from the taxpayer when gold currency is introduced? Will it take at the present supposed rate of 1*s.* per rupee, viz., 42,500,000*l.*, or will it arbitrarily impose a double revenue at the rate of 2*s.* per rupee, so that from his present poor produce the taxpayer must sell double the produce to meet the demands of Government? If the latter, what a precious benefit will this be to the Indian taxpayer from the gold currency!

When gold currency is introduced, what salary will be paid to the European official? Suppose he has a salary of Rs. 1,000 per month, will Government give him at the rate of 1*s.* per rupee, i.e., 50*l.* and will the official accept 50*l.* for the Rs. 1,000? Is not all the present strong agitation of the Anglo-Indian a clear reply that he will do nothing of the kind, but will continue his agitation till he gets 100*l.* or something near it for his Rs. 1,000; or in other words get his salary doubled at a stroke, at the expense of the starving ryot? And has not Government already shown that it will yield to such agitation, and will be readily "liberal" to European demands at the sacrifice of the Indians? It has already yielded to the demands of the uncovenanted Europeans, and has given them a fixed exchange of 1*s.* 9*d.* per rupee for their furlough, no matter whether exchange is 1*s.* or even less, say 6*d.* Now the whole European service is agitating to get them 1*s.* 9*d.* or some other high fixed exchange, even to the extent of half their salary. Do these Anglo-Indians really want to exact from the starving ryot such high exchange when the rupee is worth perhaps a shilling or even sixpence? Who will pay this difference? Of course an arbitrary Government may oppress a people as much as they like, but will the British people and Parliament allow such a thing?

On the top of all this comes the merchant with his agitation for the gold currency, that he may be saved, at the sacrifice of the ryot, from his risks of trade. The profits of trade are for his pocket, but risks of a commercial disturbance must be met by the ryot! The poverty-stricken ryot must protect the well-to-do trader! God save India!

I do not need to trouble the Committee with any further remarks as to the effect of the introduction of a gold currency on the condition of the people, who according to Lord Lawrence's testimony, are living on scanty subsistence, and who, according to Lord Cromer, are already "extremely poor." Our friends the Anglo-Indians have to bear in mind that they are taking already from the mouths of the poor Indian about Rs. 150,000,000 or more every year as salaries, allowances, pensions, &c., to the so-much deprivation of the provision of the children of the soil. Will they never understand or consider this, and what evil that means to India?

A word about the proposal to stop free coinage of silver. Now we know that a trade, internal or external, especially internal, requires abundant currency in a country like India; the curtailment of the coinage of the rupee will dislocate and cripple the free action of the trade of the country, especially internally, and will inflict serious injury and create some new complications. Secondly, the rupee, being thus artificially raised to a fictitious value by being made scarce, will depress the price of produce, and the ryot will be obliged to part with more of his poor produce to meet the demands of Government. Will this be a benefit to him? Further, by this restriction on coinage the wretched Indian taxpayer will not be relieved of a single ounce of produce in his forced remittances for the Home charges of 19,000,000*l.*—in gold. Whatever the exchangeable value of gold is in relation to produce will have to be paid by the poor ryot, be the forced artificial exchange or the fictitious value of rupee what it may. By restricting the coinage of silver—the price of silver in relation to produce being artificially enhanced—the taxpayer will have to pay the salary of all

the European and other officials in such higher priced rupees, with so much more produce to part with; which, in short, will in effect be a far heavier burden, by increasing the *whole* salary of the officials of all the services, both Indians and Europeans, at so much the greater sacrifice of the wretched ryot.

The agitation for stopping coinage of silver or introducing gold currency, far from relieving the Indian taxpayer from the present loss by fall in exchange, which in all conscience is very heavy indeed, will actually inflict greater injury upon the helpless fellows. All attempts at artificial tampering with currency will, besides injuring the people, recoil upon the perpetrators of the mischief. They can no more raise the value of silver fictitiously than they can suspend gravitation.

The evil of the present loss from exchange does not arise from the fall in exchange, but from the unfortunate, unnatural political and economic condition of British India. Were there no compulsory remittances to this country (any ordinary *free* transactions of business or loans between two countries not mattering beyond the usual risks of business), there would be no evil or embarrassing loss to Government such as we are considering. The excessive European services are the cause of all such calamity upon the Indians. Any other silver-using country—for instance, China—has no problem like that which at present embarrasses the British Indian Government.

(2) Coming to the second branch of the question, viz., the effect of the fall in exchange on international trade (for it is in such trade or business only that exchange is concerned), the best thing I can do is to give below the letter I wrote to the "Times" in September 1886, and some other letters (I have inserted those letters, which I need not repeat here.) Of the letters to the "Times," that paper was pleased to write approvingly in one of its leaders.* Further, I have made, in the statement, some remarks as to the action of the United States in endeavouring futilely to stop the silver storm, instead of allowing it to run its course. This I need not give here.

The step which the Government has now taken will, I am afraid, produce much mischief, and inflict great injury on the taxpayer, crushingly heavy loaded as he already is. The utmost that the Government might have done would have been, as I was afraid they were determined to do, to give some fixed exchange to the officials for their remittances to this country—to as much as half the salary. This would have been bad enough, but the course the Government have adopted, and for which there was no great necessity, will, I fear, prove far more injurious.

Washington House,
72, Anerley Park, S.E.,

DEAR SIR WILLIAM, 20 October 1898.

SINCE my letter of 28th July last, I have perused the blue book of the evidence given before the Currency Committee, and I feel it necessary to make a further statement.

"British India,"

2. Those words are often used in a very misleading and confusing manner. I give below an extract from a statement which I have submitted to "the Royal Commission on Indian Expenditure and Apportionment of Charges," which I hope will place the matter in a clearer light.

3. "Before I proceed further, let me clear up a strange confusion of ideas about prosperous British India and poverty-stricken British India. This confusion of ideas arises from this circumstance. My remarks are for British India only.

4. "In reality there are two Indias—one the prosperous, the other poverty-stricken.

* The "Times," January 26, 1889:—"We observe with pleasure that Lord Cross says nothing on the bounty alleged to be enjoyed by the Indian wheat grower through the fall in the value of silver. This piece of nonsense has been again and again exposed in the letters of our correspondents, and never more clearly and forcibly than by Mr. Dadabhai Naoroji."

"(1) The prosperous India is the India of the British and other foreigners. They exploit India as officials, non-officials, capitalists, in a variety of ways, and carry away enormous wealth to their own country. To them India is, of course, rich and prosperous. The more they can carry away, the richer and more prosperous India is to them. These British and other foreigners cannot understand and realise why India can be called "extremely poor," when they can make their life careers, they can draw so much wealth from it and enrich their own country. It seldom occurs to them, if at all, what all that means to the Indians themselves

"(2) The second India is the India of the Indians—the poverty-stricken India. This India 'bled' and exploited in every way of their wealth, of their services, of their land, labour, and all resources by the foreigners, helpless and voiceless, governed by the arbitrary law and argument of force, and with injustice and unrighteousness—this India of the Indians becomes the 'poorest' country in the world, after one hundred and fifty years of British rule, to the disgrace of the British name. The greater the drain, the greater the impoverishment, resulting in all the scourges of war, famine and pestilence. Lord Salisbury's words face us at every turn, 'Injustice will bring down the mightiest to ruin.' If this distinction of the 'prosperous India' of the slave-holders and the 'poverty-stricken India' of the slaves be carefully borne in mind, a great deal of the controversy on this point will be saved. Britain can, by a righteous system, make both Indias prosperous. The great pity is that the Indian authorities do not or would not see it. They are blinded by selfishness—to find careers for 'our boys.'" (Letter to Lord Welby, dated 31st January 1897).

5. This state of affairs arises from the evil system of an un-British foreign dominion as predicted by Sir John Shore in 1787. This evil makes the action of the British trader and capitalist an exploitation, which otherwise, under ordinary circumstances under true British system, would be legitimate trade and investment.

6. Almost throughout the blue book, the thing chiefly considered is the requirements and benefits of the "foreign prosperous British India." "Indians' India" chiefly comes in only for the consideration as to how to tax the Indians in order to meet the requirements and benefits of the British official bleeders and non-official exploiters. Earnestly and repeatedly are questions put and answers given—how additional taxation should be raised—not how to probe the evil and to find the true remedy.

7. The main scope and direction of the evidence is as if India were a country and property of the Anglo-Indians and British traders and capitalists, as if, therefore, their wants and requirements, and the means of enabling them to carry away as much wealth as they possibly can to England, were the chief object; and as if to consider the land, resources, and labour of India as only the instruments for the above purpose.

"Indebtedness of India."

8. This expression is repeatedly brought out for the self-satisfaction and justification of the exploitation. Let us examine how this particular phenomenon is brought about.

9. The process is this: The total amount of "Home Charges" is 15,795,836*l.* (Stat. Abstract for 1896-7, p. 106) [C. 9086]; 1898. Out of this, I deduct fully—railways 5,790,567*l.*, and stores department 951,700*l.* In deducting these two items I do not mean that I admit the necessity of doing so entirely, but that I want to avoid any controversy at this stage upon what are called "Public Works Loans," made by England, and Government stores. The remainder, after making the above deductions, is 9,053,569*l.* = R. 199,178,518, at 11*l.* per rupee, about R. 23 per 1*l.*, about which is the present legitimate rate for the true rupee, and which, with much more, though under disguise, the Indian taxpayer is actually forced to pay. Taking roughly R. 200,000,000, every pie of it is drawn from the people of British India, and becomes an addition to the capital or wealth of England, and is altogether spent in England, every year.

10. Next, the European services are paid in India every year (at R. 1,000 and upwards per annum, not including lower salaries), about R. 94,673,627 (including a small amount of pensions paid to Eurasians,

not separately given) (Parl. Ret 192 of 1892). I do not know whether this amount includes the payments made for and to European soldiers in India. I think not. If so, this has to be added to the above amount. To it has also to be added, I think, the illegal exchange compensation, which is allowed to Europeans, thereby out-Shylocking Shylock himself by not only taking the pound of flesh, but an ounce of blood also. Almost the whole of this amount of R. 94,679,627—say roughly, R. 95,000,000—plus soldiers' payments and exchange compensation, is a loss to the people of British India, excepting in a way a small portion which goes to domestic servants, house-owners, &c. But these amounts would have gone all the same to these domestics, &c., even though Indians had been in the place of the Europeans. The services rendered by such domestics, &c., being consumed by others than the children of the soil are so far a loss to the country.

11. But I do not propose to argue this point here. I allow for the present this expenditure in British India by the European officials as not forming a part of the loss by the drain. I think it is generally claimed by the Anglo-Indians that such expenditure in India by European officials is about, on an average, half of the salaries and emoluments paid to them in India, and that the other half is about the amount which is remitted to England for families and of savings. Taking, therefore, this half of R. 94,679,627 = R. 47,339,813, and adding this amount to R. 200,000,000 (para. 9), the total is roughly R. 250,000,000 every year—probably more, if the two additions mentioned above of European soldiers' payments and exchange compensations were made. This enormous amount of annual political drain causes what Sir George Wingate very properly calls a "cruel and crushing tribute." Never could India have suffered such a cruel fate in all its history or existence.

12. The first step, therefore, towards the so-called "indebtedness" is, that British India is "bled" every year to the amount of about R. 250,000,000 clean out of the country, and this enormous wealth is year after year poured into England. Will the India Office be good enough to make a return of the enormous wealth which England has drained out of India during its whole connexion?

13. Now, the second stage in the process of the manufacture of "indebtedness," is that out of this enormous wealth, drawn away from India—sufficient, and far more than sufficient, to build thousands of miles of railways and every possible public works, and to meet every possible requirement of good government and progress to the highest prosperity and civilization)—out of this enormous drain, a small portion is taken back to India as "British capital," when it is nothing of the kind, and by means of the so-called "British capital," all Indian resources of land and labour are further exploited by "British" (?) capitalists of every kind. All the profits made thereon are so much more wealth drawn away from India and brought to England.

14. Further, the foreign exploiters are not satisfied with the small portion of Indian wealth which they take back to India as their own capital, but they insist upon being further helped from the very current revenues of the country. So voracious are these exploiters, that they clamour against Government for not putting its whole revenue at their disposal in the Presidency Banks instead of keeping a portion in the Treasury. Thus, there is, at first, a political bleeding, which is the foundation evil, and in its train and by its help comes the so-called "commercial" or capitalist exploitation.

15. Thus is manufactured that complacent "indebtedness," in the name of which, the bleeding and exploitation are unceasingly and ever-increasingly carried on, and which is so pleasant, so profitable, and so nice an excuse to the Anglo-Indian and British capitalists' heart.

16. In reality, there is not a single farthing of indebtedness from India to England. It is England that is under a very vast material and moral debt to India. Of the latter (moral) debt, I cannot speak much here, though it is no less enormous and grievous than the former.

17. Besides the sum of R. 400,000,000 now drained from India (para. 24) every year (1) the British Indian Empire is built up at the entire expense of India and mainly with Indian blood. Even now, Indian blood is contributing in extending the British Empire and

benefits in other parts of the world. And what a reward—a helotry! (2) Not only this, but in addition to the cost of building up the whole Indian Empire, England has taken away from India an amount of wealth since its connexion with India, which, with ordinary commercial compound interest, will amount to thousands and thousands of millions sterling.

18. It may be asked whether I mean that I do not want British capitalists to go and trade or employ their capital in India? I mean nothing of the kind. By all means let them do so. Under ordinary circumstances, India will had it as any other country may do. But let it be with *their own* capital. Let them bring their own capital and make upon it as much profit as they can with India's blessing upon it. What I mean is, that they should not first plunder "India, leaving it "wretched and helpless; then bring back a portion of "the plundered" India's wealth as their own, exploit therewith India's resources of land and labour, carry away the profits, and leave the Indians mere hewers of wood and drawers of water—mere slaves in worse plight than even that in which the slaves of the Southern States of America were.

19. If England can understand her true interests—political, moral, economic, or material if she would hold back her hand from India's throat, and let India enjoy its own resources, England can make India prosperous, and, as a necessary consequence, can derive from India far, far greater benefit, with India's blessing, than what she derives at present with India's curse of the scourges of war, pestilence, and famine, and of an ever-increasing poverty.

20. The word "indebtedness" must be taken at its correct interpretation. It is simply "bleeding" and exploitation, or what Mr. Bright indirectly characterised "plunder."

"Balance of Trade in India's favour, and excess of Exports over Imports as a Benefit to India."

21. What is balance of trade in its true sense? Say a country exports 100,000,000L. worth of its produce. It gets back in imports, say, 80,000,000L. worth of other countries' merchandise. The remaining balance of 20,000,000L. of the original exports, and, say, 10 per cent of profits, or 10,000,000L., altogether 30,000,000L. has to be received. This 30,000,000L. is called balance of trade in favour of that country. And when that country actually receives this balance of 30,000,000L., either in the shape of bullion or merchandise, then its account is said to be squared or settled.

22. I have not included in this trade account any true borrowing or lending. Such borrowing or lending can be considered by itself. A country's borrowing is included in its imports, and the interest it pays is a part of its exports. This loan account between any two independent countries can be estimated and allowed for, and that in no way affects the *bonâ fide* balance of trade. If India be allowed to, and can, get its true balance of trade, it would be only too happy to make any legitimate borrowing or lending with any country with benefit to both.

23. But such is not India's condition. What is India's actual condition? What is its so-called "balance of trade," of which much mistaken or wrong view is taken in the evidence. As I first remembered, as I have already explained under the heading of "indebtedness," that what is called India's debt is nothing of the kind, but simply and solely part of its own wealth taken away from it.

24. Let us see what the amount is. (C. 9036, 1898, p. 277.) Taking the last five years as an illustration, the total net exports for 1892-3 to 1896-7 are R. 1,314,600,000. The total exports for the same period are R. 5,688,000,000. Taking 10 per cent. profit thereon will be R. 568,800,000. Therefore the total excess of net exports plus profits would be R. 1,883,400,000. Then again, the so-called "loans" from this country are included in imports, the net exports must be increased to that extent. The addition to commercial debt in this country after 1891-2 to 1896-7 is 6,479,000L. (C. 9036, 1898, p. 130), or say 6,500,000L., which, at the average rate of exchange of the same years (p. 131) about 1s. 2d. per rupee, or nearly R. 17 per l., is equal to R. 110,500,000. So that the total of net exports (excluding loans from imports) and profits will be R. 1,883,400,000 + 110,500,000, equal to R. 1,993,900,000, or about, roundly, R. 2,000,000,000. During the five

years the average per year will be about R.400,000,000. Now, to call this as "balance of trade in favour of India" is the grossest abuse of language. It is neither "trade" nor "balance of trade." It is simply and solely *remittances* of the official bleeding, and the exploitation of the non-official capitalists. Not a *pee* of this tremendous amount—R.400,000,000 every year—will India ever see back as its own, while in true "balance of trade" the whole of this amount should go back to India as its own.

25. No wonder Sir William Harcourt's heart rejoiced at the leaps and bounds with which the income-tax increased year after year in this country. In his speech on the occasion of his famous Budget he rejoiced at the increasing income-tax, never seeming to dream how much of it was drawn from the "bleeding" drain from India.

26. With what self-satisfied benevolence have examiners and witnesses talked of the great benefit they were conferring upon India by making every effort to increase the excess of exports in order to enable poor India to meet her "indebtedness." Such is the Indian myth. But what is the reality? To increase the net exports as much as possible means to increase the remittances of the bleeding and exploitation of every year of which not a farthing is to return to India as its own. Extraordinary, how ingeniously matters can be, and are, represented or rather misrepresented, and the public here entirely misled.

"Surpluses" and "Solvency."

27. There never have been and never will be true surpluses or solvency of British India, as long as the present evil system of Government lasts. What is a surplus of the finances of any country? Suppose that in England you raise 100,000,000*l.* of revenue. Suppose 95,000,000*l.* are spent and 5,000,000*l.* remain in hand at the end of the year, and this 5,000,000*l.* is called surplus, and that the Government, if it does not impose any additional taxation or does not borrow, is solvent. Now, the essential condition of this surplus is that the whole of the 95,000,000*l.* has returned to the taxpaying people themselves in a variety of ways and continues to be the part and parcel of the wealth of the country and the remaining 5,000,000*l.* will also go back to the people and remain a part of the wealth of the country.

28. But what is the case with India? It is nothing of the kind. Suppose R.1,000,000,000 are raised as revenue. Suppose R.950,000,000 are spent, leaving R.50,000,000 in hand at the end of the year. Now, are these R.50,000,000 a surplus? No, the R.950,000,000 have not all returned to the people and have not remained as part of India's own wealth. Some R.250,000,000 (see paragraph 12) are drained clean out of the country by foreigners, never to return to India. Till these R.250,000,000 are returned to India as its own, which they never are, and which is a dead loss, to talk of a surplus of R.50,000,000 is another gross abuse of language. Instead of R.50,000,000 surplus, there is a pure deficit or rather entire loss of R.250,000,000. And such perpetual losses are pure bankruptcy.

29. I repeat that there never has been and never will be any surplus in India, as long as from every year's revenue, there is a clean drain, which at present is at the rate of about R.250,000,000. In this country all that is raised as revenue returns to the country, just as all water evaporating from the ocean returns to the ocean. And England's ocean of wealth remains as full as ever, as far as revenue is concerned. India's ocean on the contrary must go on evaporating and drying every year more and more.

30. The only reason why the Indian Government does not go into bankruptcy—bankrupt though it always is—is that it can by its despotism squeeze out more and more from the helpless taxpayer without mercy or without any let or hindrance. And if at any time it feels fear at the possible exasperation of the people at the enormity, it quietly borrows and adds to the permanent burden of the people, without the slightest compunction or concern. Of course, the Government of India can never become bankrupt till retribution comes and the whole ends in disaster.

31. I have referred in this above consideration to the official bleeding only. But when to this is added the further exploitation of the land (meaning all the resources) and labour of the country, which I have already described, the idea of surplus or solvency, or of any addition to the wealth or prosperity of the

people (however much it may be of the Europeans), becomes supremely ridiculous and absurd.

Import of Bullion and Hoarding.

32. Reference is frequently made to this matter. I think the best thing I can do is to give an extract from my reply to Sir Grant Duff in "Westminster Review" of November 1887.

33. "Sir Grant Duff refers to the absorption of gold and silver and to hoarding. What are the facts about British India?—In my "Poverty of India" I have treated the subject at some length. The total amount (after deducting the exports from imports) retained by India during a period of eighty-four years (1801 to 1884), including the exceptionally large imports during the American war, is 455,761,385*l.* This is for all India. The population at present is 254,000,000. I may take the average of eighty-four years roughly—say 200,000,000. This gives 45*s.* 6*d.* per head for the whole eighty-four years, or 6*d.* per head per annum. Even if I took the average population as 180,000,000, the amount per head for the eighty-four years would be 50*s.*, or 7*d.* per head per annum. Of the United Kingdom I cannot get returns before 1858. The total amount of treasure retained by the United Kingdom (after deducting exports from imports) is, for twenty-seven years, from 1858 to 1884, 86,194,937*l.* Taking an average of 31,000,000 of population for twenty-seven years, the amount retained for these twenty-seven years is 5*s.* 7*d.* per head, or very nearly 2*s.* 1*d.* per head per annum; while in India for more than three times the same period the amount is only 45*s.* 6*d.* per head, or 6*d.* per head per annum. France has retained from 1861 to 1880 ("Mulhall's Dictionary") 208,000,000*l.*, and taking the population—say 37,000,000—that gives 112*s.* per head in twenty years, or 5*s.* 7*d.* per head per annum."

34. "Sir Grant Duff ought to consider that the large amount of bullion is to be distributed over a vast country and a vast population, nearly equal to five-sixths of the population of the whole of Europe, and when the whole population is considered, what a wretched amount is this of gold and silver—viz., 63*d.* per head per annum—received for all possible wants! India does not produce any gold or silver. To compare it with Europe—Europe retained in ten years, 1871-1880 (Mulhall, "Progress of the World," 1880), 327,000,000*l.* for an average population of about 300,000,000, or 21*s.* 10*d.* per head, or 2*s.* 2*d.* per head per annum. India during the same ten years retained 65,774,258*l.* for an average population of say 245,000,000; so that the whole amount retained for the ten years is about 5*s.* 4*d.*, or only 6*d.* per head per annum, against 21*s.* 10*d.* and 2*s.* 2*d.* respectively of Europe. This means that India retained only one-fourth of what Europe retained per head per annum during these 10 years. It must be further remembered that there is no such vast system of cheques, clearing-houses, &c., in India, as plays so important a part in England and other countries of Europe. Wretched as the provision of 6*d.* per head per annum is for all wants—political, social, commercial, &c.—there is something far worse behind for British India. All the gold and silver that I have shown above as retained by India is not for British India only, but for the Native States, the frontier territories, and the European population, and then the remainder is for the native population of British India. We must have official information about these four divisions before we can form a correct estimate of what British India retains. The Native States, as I have said before, have no foreign drain except the small amount of tribute of about 700,000*l.* Some frontier territories receive something instead of paying any tribute. These States, therefore, receive back for the exports of their merchandise, and for the ordinary trade profits on such exports, full returns in imports of merchandise and treasure, and this treasure taken away by the Native States and frontier territories forms not a small portion of what is imported into India. It must also be considered how much metal is necessary every year for waste of coin and metal, and for the wants of circulating currency. When Government can give us all such information, it will be found that precious little remains for British India beyond what it is compelled to import for its absolute wants. I hope England does not mean to say that Englishmen or English women may sport as much as they like in ornaments or personal trinkets or jewellery, but that the wretch of a native of British India, their fellow-subject, has no business or right to

put a few shillings' worth of trinkets on his wife or daughter's person—or that natives must simply live the lives of brutes, subsist on their 'scanty subsistence' (Lord Lawrence) and thank their stars that they have that much."

35 "I will now try to give some indication of what bullion British India actually retains. Mr. Harrison gave his evidence before the Parliamentary Committee of 1871-74, that about 1,000,000*l.* of fresh coinage was more than sufficient to supply the waste of coin or metal. Is it too much to assume that in the very widespread and minute distribution, over a vast surface and a vast population, of small trinkets or ornaments of silver, and their rough use, another million may be required to supply waste and loss? If only a penny-worth per head per annum be so wanted, it would make a million sterling. Next, how much goes to the Native States and the frontier territories? Here are a few significant official figures as an indication: The 'Report of the external land trade and railway borne trade of the Bombay Presidency for 1884-85' (p. 2), says of Rajputana and Central India,—'13 The im-ports from the external blocks being greater than the exports to them, the balance of trade due by the Presidency to the other provinces amounts to Rs 12,01,05,912, as appears from the above table and the following' I take the Native States from the table referred to.

"Excess of Imports in Bombay Presidency"

	Rs
"From Rajputana and Central India -	5,55,49,753
"Berar - - - - -	1,48,91,355
"Hyderabad - - - - -	8,67,688
Total - - - - -	7,13,05,796"

Or 7,130,579*l.* This means that these Native States have exported so much more merchandise than they have imported. Thereupon the Report remarks thus—'The greatest balance is in favour of Rajputana and Central India, caused by the import of opium from that block. Next to it is that of the Central Provinces. It is presumed that these balances are paid 'back mainly in cash' (the italics are mine). This, then, is the way the treasure goes; and poor British India gets all the abuse—insult added to injury. Its candle burns not only at both ends, but at all parts.

36 Far from any important quantity or any quantity of bullion going to British-India as "balance of trade," Rs. 400,000,000 worth of British-India's wealth at present goes clean out of the country every year never to return to it as its own.

Benefits derived from cheap silver—A low rupee and low exchange promotes and develops exports.

37. That there is some temporary advantage from low exchange to silver-using countries over gold-using countries, I have already explained in my letter to the "Daily News" of 24 September 1886 (App. A. of my letter already submitted). But in British India this little advantage is not of much avail to the poor people. What becomes of it when they must perforce lose every year, never to return to them, Rs 400,000,000 of wealth out of their miserable total produce leaving them so much more poor and miserable. It is idle to talk of the people of British India deriving benefit from low exchange or from anything as long as these tremendous bleedings and exploitation go on.

Prices and Wages.

38. The above remarks apply equally to prices and wages. How on earth under such a drain can there be any healthy increase of prices or wages arising from true prosperity? Before the Royal Commission on Indian Expenditure and Apportionment, a member having asserted that there was general rise of prices, Mr. Jacob, as official witness, confirmed the statement. Thereupon, I prepared some questions, took the paper to Mr. Jacob and gave it to him to enable him to prepare the replies. And what was my surprise when he told me that the subject was not of his department and he would not answer the questions though he did not hesitate to say that there was a general rise of prices!

If of any use I shall produce the questions before the Committee. But first of all there are no reliable statistics sufficient to draw any correct conclusions, and conclusions of any value cannot be drawn about any one factor from prices or wages which are the results of many factors.

39. I would not lengthen this statement by noting several other points in the Blue Book, but conclude by repeating what Sir John Shore has said more than a hundred years ago (in 1787). His words were true then, are true to this day, and will remain true in future if the evil pointed out by him continues. He said:—

"Whatever allowance we may make for the increased industry of the subjects of the State, owing to the enhanced demand for the produce of it (supposing the demand to be enhanced), there is reason to conclude that the benefits are more than counterbalanced by the evils inseparable from the system of a remote foreign dominion."

40. This evil system must be altered, or as I have said before (par. 5) what under natural circumstances would in any country be legitimate trade and investment by British people, becomes, under this evil system of an un-British rule, cruel exploitation. Unless this evil is remedied, there is no hope for British India, and disaster both for England and India is the only look-out.

41. Let England pay fairly and honestly her share of expenditure incurred for her own interests, and end the bleeding by a careful consideration of the following words of the Duke of Devonshire, as Secretary of State for India, spoken in 1883—

"There can, in my opinion, be very little doubt that India is insufficiently governed. . . . If the country is to be better governed, that can only be done by the employment of the best and most intelligent of the Natives in the service." And the best means of attaining this object is to give honourable fulfilment to the resolution passed by the House of Commons in June 1893, about simultaneous examinations.

42. Unless Acts and Resolutions of Parliament and Royal Proclamations are honourably fulfilled, and a righteous government, worthy of the English character and promises and professions, is established, no currency or financial jugglery, or "political hypocrisy," or any "subterfuges," or un-British despotic ruling, will avail or remedy the ever-growing and various evils that must constantly flow from an unrighteous system.

43. Lord Salisbury's eternal words stare us in the face: "Injustice will bring down the mightiest to ruin."

Yours truly,

DADABHAI NAOROI.

Sir William Wedderburn, M.P.,
Chairman of the British Committee of
The Indian National Congress,
84, Palace Chambers, Westminster, S.W.

No. 26.

LETTER from the BRITISH COMMITTEE of the INDIAN NATIONAL CONGRESS communicating Resolution adopted by the INDIAN NATIONAL CONGRESS at MADRAS in December 1898.

British Committee of the
Indian National Congress,
84 & 85, Palace Chambers,
Westminster, S.W.,

27th February, 1899

SIR,
IN accordance with the resolution of the Indian National Congress, I have the honour to communicate the following Resolution, unanimously adopted by the Congress at Madras in December last, for the favourable consideration of the Indian Currency Committee—

Resolved—

'a) That having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss, either by changing the currency at a heavy loss, or contracting the internal currency,

- must add to the pressure on India's monetary resources and to her trading disadvantage ;
- (b) That the only real relief lies in carrying out practically the principle, affirmed by competent authorities, of England bearing an equitable share of that expenditure ;
- (c) That the Congress regrets, that, save Mr. Romesh Chunder Dutt, and Mr. Merwanji Rastamji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee of which Sir Henry Fowler is the President ;
- (d) That the President be authorized to request Sir W. Wedderburn, Chairman of the British Committee, to communicate this Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London

Proposed by Mr. D. E. Wacha, Bombay
Seconded by Mr. G. Subramania Iyer, Madras

In order to show the considerations which appear to have influenced the Congress in passing this Resolution I beg at the same time to forward a report of the speeches made by the mover and seconder *

I have the honour to be,
Sir,

Your obedient servant,

The Right Hon. W. WEDDERBURN
Sir H. H. Fowler, M.P., Chairman,
Indian Currency Committee.

No. 27.

SPEECH OF MR. DINSHA EDULJI WACHA at the FOURTEENTH INDIAN NATIONAL CONGRESS, held at MADRAS on 29th, 30th, and 31st December 1893.

(Received through the British Committee of the Indian National Congress)

Mr. President, Ladies and Gentlemen—The Resolution which has been entrusted to me runs as follows

- (a) That, having regard to the fact that the principal cause of the loss by exchange is the steady growth in the demands on India for expenditure in England, this Congress is of opinion that any artificial device for meeting that loss either by changing the currency at a heavy cost or contracting the internal currency must add to the pressure on India's monetary resources and to her trading disadvantage ;
- (b) That the only real relief lies in carrying out practically the principle affirmed by competent authorities of England bearing an equitable share of that expenditure ;
- (c) That the Congress regrets that, save Mr. Romesh Chunder Dutt and Mr. Merwanji Rastamji, competent and qualified Indian representatives have not yet been invited as witnesses to represent the Indian view of matters on the subject which now engages the attention of the Currency Committee of which Sir Henry Fowler is the President ;
- (d) That the President be authorised to request Sir W. Wedderburn, Chairman of the British Congress Committee, to communicate this Resolution to Sir Henry Fowler, Chairman of the Currency Committee in London

From the Resolution that I have just read out to you, it will, no doubt, be readily understood how important is this subject of currency at the present moment, and how far-reaching is it in its effects, intimately bound up as it is with the whole economic situation of a country so vast as India. When you reflect on the fact that the welfare of the people of a country greatly depends on its economic conditions, of which currency is one of the most potent, you will, I dare say, readily admit the influence such a condition exerts not only on the material prosperity of the population as a whole, but on that of each unit composing it. You may, therefore, easily realise what it is to alter the established currency of a country like India with its three hundred millions of people. Practically, its effects have influence on each unit of those millions. They affect you and they affect me. (Hear, hear.) But, though each individual feels their influence, he is not able to probe the cause or causes to the root. Highly technical

* For Mr. Wacha's speech, see No. 27. Mr. Iyer's speech was received too late for inclusion in this Appendix

as this subject of currency is, it is obvious that the difficulty of apprehending it lies in its manifold aspects. But technical though it be, I hope not to tire your patience while I am descending on it, or make you go to sleep. I cannot say that I will keep you quite enlivened as our friend Mr. Khaparde (cheers) did yesterday by his humorous speech in connexion with the retrogressive policy of our rulers in the matter of Local Self-government. Currency, in the first place, is rather too serious a subject to be trifled with, and, in the second place, it will not lend itself to humour.

I shall at the outset recall to your mind, as briefly as possible, the history of the currency legislation during the last five years, and then survey the situation as revealed by the evidence recorded before the Committee of which Sir Henry Fowler is the President. Ladies and Gentlemen, from the very day that the new currency nostrum, officially known as the Amended Coinage Act of 1893, was enacted as law within half an hour by the Legislature at Simla, without any of the representatives of the people being summoned for the occasion, it has often occurred to me that the Government of India and the Services were entirely going wrong on this question. We have among us a native proverb, at least, on my side of India, that when the stomach is in disorder it is the head that is complained of. While the stomach is aching the head is needlessly accused. (Laughter.) Precisely in the same way, the disease, Ladies and Gentlemen, is not currency at all, but the Home Charges. It is misleading for the Government and its high officials to aver that it is the instability of exchange which has disturbed the finances for many a year past ; and that the great divergence between the value of gold and silver is the cause of that instability. In their opinion, that cause could only be removed by altering the currency. Everything would, under that circumstance, go right. The financial embarrassments would be a thing of the past and prosperity would return to the State. But the authorities entirely ignored the fact that exchange would never be a disturbing factor were the gold obligations of the Government non-existent. Exchange was only the result of those obligations. The obligations themselves are the primary cause, the fountain and origin, of the great evils to be relieved from which they loudly insist upon a change of currency. You all know, what is a patent fact, that these gold obligations have now mounted up to nearly 17 millions sterling. (Hear, hear.) There has been for years past a steady growth in the demands made on India by the Home Government for expenditure incurred in England. But before I dilate on this question of the Home Charges which alone, I repeat, are at the root of the present financial difficulty, and not currency, I trust you will bear with me for a few moments while I endeavour to recall to your mind the history of the Currency legislation since 26th June 1893.

It was on that fateful day that the older Currency Act, which for many a year past had worked most smoothly, most automatically, and to the greatest welfare of the people, was superseded by an amended one whereby the mints were entirely closed to the free coinage of silver. All the economic evils from which the people at large and the banking and mercantile communities have suffered, and are suffering, since that event owe their origin to that measure which has often been characterised, and, in my opinion, justly characterised, as "the crime of 26th June 1893" (Hear, hear.) As I observed at one of the previous Congresses, that legislation was purely the offspring of panic. We have had more than one piece of panic legislation, of a most mischievous and obnoxious character (hear, hear) since that date ; but this particular enactment was the result of the economic panic which had seized the Government of India, and of which it seems it has not yet ridden itself. Without caring to carefully diagnose the true complaint, the Government jumped to the conclusion that it was the great disparity between silver and gold which created all the financial disturbance. It, therefore, straightway forged a new Currency Act and passed it in half an hour, with merely the semblance of a debate, while there was not a single representative of the people to explain the popular view of that measure. Had there been such representatives, they might have informed the Legislature of the immense mischief that enactment was certain to create, and the dislocation of the trade it would bring in its train. How the great staple manufactures and industries suffered ; how exports contracted ; how confidence was shaken, and how suspense and anxiety for months prevailed, are now

all matters of history. The Government, frightened merely by the rumour of what the Treasury of the United States might do in connexion with the Sherman Act, thought that silver would depreciate further, and that exchange would run lower than even a shilling, bringing about an appalling deficit! However, the unwise and ill-considered step was taken, in spite of the protest of the whole country save the Selfish Services and the interested members of the Gold Defence Association, led by Sir James Mackay. The principal object of the measure was to induce a stable ratio, such as would remain steady somewhere at 16 pence. But it was soon discovered that no such stability could be imparted, and no such rate could be maintained. It was fondly entertained by the currency prodigies at head-quarters that the immediate effect of the closure of the mints would be a diminution on the imports of silver. But to their intense disappointment that hope was not realised. The very first trouble which exercised their mind was the continued importation of the metal. The average in the four years following was only half a crore below the normal average of the 25 years previous, namely, 7 crores. This important fact proved the failure of the measure. Exchange ruled as under after the date of the closure—

At 115 pence in 1893-4	
„ 13 10 „ 1894-5.	
„ 13 63 „ 1895-6	
„ 14 48 „ 1896-7.	

Silver could not be shut out. In my opinion it never could be shut out, however stringent and prohibitive legislation might be. As you all know, India is the sink of silver. From times immemorial it has absorbed the white metal, and will continue to absorb it, though it may for a time be artificially shut out. It has been found to be the most suitable metal for all economic as well as domestic purposes. It is a fundamental axiom of economists that currency should not be of a material which is not suitable and convenient to the people. Only the other day, Sir R. Giffen, in his able criticism on the Government of India's proposal, in the *Economic Journal* for October last, emphasised that fundamental proposition. Lord Rothschild has been of the same opinion. Hence, to shut out silver from India, is simply a hopeless task. It will be purely Sisyphean in its character. The sooner, therefore, the currency quacks cure themselves of this craze to boycott silver from this ancient country the better. (Hear, hear.)

But when they found that silver could not be shut out, and that exchange, in spite of the closure of the mints, went downward and downward till at one moment it almost reached 1s, they thought of another panacea, equally futile. The next measure was the Gold Bill, which Sir James Westland thought would stimulate the inflow of gold. But, as the States would have it, no sooner was this precious measure, the offspring of that great financial paragon (laughter) passed into law, than it became abortive—a dead letter on the Statute Book. It was pronounced to be an abortion from the very first. And the thing had to be quietly buried without shedding one tear over it, for not many ounces of gold were offered at the treasuries, and the bankers laughed heartily in their sleeves at that impotent attempt to prop up exchange. (Hear, hear.) Meanwhile, the intervention of the troubles of the famine first, and of the pestilence later on Expeditions, again, beyond the natural boundaries of the country, were organised on the flimsiest of flimsy pretexts. The combined influences of these events were most embarrassing to the finances. Whilst they were in the midst of these physical and economic troubles, a ray of hope was offered by two great Western States. France and the United States suggested a proposal for the re-opening of the mints under certain conditions. One of those conditions was that the ratio should be maintained at 15. That, of course, was out of the question. But the question of the ratio alone should not have caused the contemptuous rejection of the proposal as a whole, calculated as it was to bring about some definite solution of the silver difficulty. By hook or by crook, the Indian Government had worked itself into a frame of mind which could not accept anything which went to rehabilitate silver. Gold and gold alone was determined upon as the panacea for the state of affairs which their own economic policy of years had ultimately induced. Thus, the Government gave us *non passimus* to the proposal. In my personal opinion it was an excellent one which, had it been well considered and adopted after reasonable modifications, might have by this time fairly

solved our difficulties. That was another grave blunder in matters of currency. Even such an apologist of the Government of India as the *Pioneer*, pointed out the error and expostulated on its summary rejection. That it was a huge blunder was further confirmed by Lord Rothschild in his evidence the other day before the Currency Committee. (Hear, hear.) This was the third stage of the Governmental failure to induce stability in exchange.

Meanwhile the aggressive border expedition, the famine, and the pestilence combined to exhaust the cash balances. They went down considerably below the normal figure, causing severe stringency in the monetary market against which the entire Indian and Anglo-Indian community raised a cry. While this was the prevalent condition of affairs, the master mind of Sir James Westland was busy manufacturing another nostrum to relieve the country of its so-called currency embarrassments. He conceived, what he thought was a most happy and practical idea, of entirely divorcing the Rupee from the bullion, whereby the value of the former could be artificially raised beyond its intrinsic worth and at the same time the gold standard passed under the amended Coinage Act of 1893 could be forced by gradually melting down the reserve Rupees in the Treasury. That so preposterous a scheme, fraught with economic evils of greater magnitude than those wrought by the previous measure, should have at all been proposed passes comprehension! No sooner was it officially given out than it raised an emphatic protest from all quarters. There was not a single apologist of that measure to bless it. Its absurdity and mischievous effect, if passed, were seen through. It became the subject of the most hostile criticism in the press, and in the banking and the commercial circles. (Hear, hear.) But Sir James thought he was, at the close of his financial career, achieving a most wonderful miracle in currency—a miracle which would enable the Indian Government to roll in wealth in future, expunge that official and canting phrase “low exchange” from future financial statements, and assist him to retire in a blaze of glory. (Laughter.) Little did he think of the storm that would rage round that pet measure, and little did he know how much unrest and dissatisfaction the very pronouncement of it would create in all parts of the country. The divorce of the Rupee from silver has already appreciated that coin beyond its intrinsic worth. It is now valued at about 45 per cent higher, so that practically the Rupee is not the honest Rupee which the Legislature has defined. Its value bears no proportion to the standard weight. It is something else. The evils of this dishonest Rupee are patent to you all and I need not dilate on them. None has better described them than Mr. David Yule at the meeting of the Calcutta Bank some weeks ago. But this is the preposterous proposal of the Finance Minister which is now the subject of investigation by that packed Committee of which Sir Henry Fowler is the Chairman. We need not anticipate the conclusions of that Committee, though it should not create any surprise if it registers the decision to which the Indian Government has already arrived. (Hear, hear.) But, I repeat, preposterous as this proposal is, and calculated as it is to create greater evils in the near future, it is the duty of this Congress to enter its emphatic protest against this latest currency nostrum as against any other panacea which may have for its object an alteration of the currency which, as I have said, is all right—a currency against which the people have never complained, a currency which in the opinion of all sound experts is the most suitable and convenient to the people of India, and every way beneficial to their material progress. (Hear, hear.)

(This, ladies and gentlemen, brings me to my next point, which is the kernel of the Resolution. I read to you. I have already remarked that the Indian Government has all through gone on the wrong track, that that there is nothing the matter with currency. What is wrong is the policy of the Government which for well-nigh a century past has gone on steadily increasing the expenditure in England on account of India. We are at present reaching almost the culminating point. The evils of the Home charges are accumulating and accumulating till at last they are about to bring the Government and the people face to face with them. It has been noisily said these last 10 years that exchange is the sole disturbing factor of Indian finances, that unless the exchange difficulty is solved there can be no relief; and that the only way to obtain relief is to alter the currency. Gold is the metal of Europe. India's external trade is principally with the gold using

countries. That, therefore, gold should be adopted. It is forgotten that after all it is not the mere external trade, chiefly in the hands of foreigners, that has to be looked to. We have to look to the larger and more extensive internal trade, so closely connected with the economic condition of the cultivator and the other producers who really are the backbone of the external trade. (Hear, hear.) Looked at from that point of view, the proposal for a gold currency falls to the ground. For consider how you may, you cannot help admitting the fact that bearing in mind the poverty of the people, and their immemorial habits and usages, gold can never become the currency. Silver alone is suitable and convenient. It is the natural currency. And therefore the natural alone should be adopted, for everything artificial and unnatural must sooner or later come to grief. The ryots and other producers have already grievously suffered by the artificiality; and it would be a graver crime than that of 20th June 1873 to propose a gold currency which nobody wants, save the selfish Services and a few interested foreigners.

Now let us examine this question of exchange which is said to be the *deus ex machina* of all the troubles. What is this exchange? It is simply this. That by reason of a mistaken policy the Indian Government has incurred many a State obligation in gold while collecting all its revenue in silver. That it discharges railway interest and pensions to civil and military officers in gold, and that beyond these it purchases stores and other articles in England which have to be paid for in gold. That so far these "Home charges," as the expenditure above referred to is called, are steadily growing. And with such growing expenditure exchange thereon grows apace. The sterling liabilities—a portion of which, it is notorious, are unjustly foisted on India, as was made clear before the Welby Commission, by both official and Indian unofficial witnesses,—have steadily grown from 12½ millions, which was the average of the five years ending with 1876, to 17 millions or thereabouts. And no expenditure in recent times has grown faster than the military. It is the appalling growth of the military expenditure since 1858, when owing to the revival of the external policy of aggression under Lord Dalhousie there was an addition to the strength of the existing army by way of 10,000 European and 20,000 native troops, which has mainly to answer for the embarrassed finances, and next the repeated border expeditions which have entailed something like 12 crores within 12 years. (Hear, hear.)

But to come to the sterling obligations. Practically, these have increased to the extent of about 4½ millions, while silver is depreciating in its gold value since 1873. It has often been proclaimed from the platform of the Finance Minister in Calcutta that every million charge of sterling correspondingly entails a greater loss in exchange. That every fall of a penny adds over a crore to the burden of that item. If this be the economic fact, was it wise on the part of the Government of India to have gone on adding to its sterling obligations from time to time, while silver, measured by the value of gold, was steadily declining? Common sense would have suggested one of three alternatives. Either a cessation of borrowing in sterling, or no borrowing at all, or borrowing in silver. But, as a matter of fact, they have been burning candles at both ends. At one end they are, under one pretext or other, increasing their sterling obligations, entailing heavier "loss by exchange," so called; while at the other they are incurring heavier expenditure on account of border warfare, generally unprovoked and uncalled for. Is it possible that a country situated as India is, under a foreign domination which drains away a greater portion of its annual surplus of wealth, can withstand that burden yearly growing heavier? (Hear, hear.) But this is the situation. The cry that so many crores of rupees have now to be annually paid as the equivalent of the sterling liabilities in a depreciated silver currency would never have been heard were it not for the policy which has entailed these obligations. Diminish these, and *pro tanto* so many less number of Rupees will have to be paid for the equivalent, which is the same thing as bringing greater relief to the Treasury. The cry, I repeat, must cease with the greater diminution in the home charges. But it should not be forgotten here that all these home charges are paid in produce. Therefore it has come to pass that, with the increased burden of exchange, the producers of produce have to part with larger quantities which, however, have not brought to them any corresponding gain in their money value. The

economic effect of these charges is that prices of the staple articles of exports have been lower. At any rate, the ryot has parted with his larger produce at or about the same price that he did 20 years ago with a less quantity. We are nowadays hearing too much of this cant of larger exports. But a little study of the question will at once tell you that these larger exports, for a debtor country like India, mean nothing short of larger sacrifices of the national wealth. (Hear, hear.) And while such is the condition of the producers, they have artificially raised the value of the Rupee, which, it is superfluous to say, adds not a little to their burden. Whether there is any corresponding gain is problematical. Yet this important question has hardly been investigated by the Currency Committee.

To return to the home charges. Those having reference to the military expenditure are very considerable indeed. Many of these charges have been protested against. I am quite convinced that, if the burden on account of military expenditure alone was reduced, a material relief would be afforded, and India would be able to pay its way without the wail of exchange. This military expenditure, as I have often observed on the Congress platform and elsewhere, is the consequence of the policy of external aggression pursued by the English Government since the acquisition of Quetta in 1876 and the date of the second Afghan War. It is with a view to maintaining its supremacy in the East that England has, as the predominant partner in the matter of Army expenditure, under the fatal amalgamation scheme of 1859, imposed most inequitable burdens on India. These burdens have been inveighed against, not only by this Congress and by the country at large, but by the Government of India itself, in more than one public despatch. They were recounted before the Welby Commission. One of the latest despatches submitted to that body observed as follows—"Millions of money have been spent on increasing the Army in India, on armaments and fortifications, to provide for the security of India, not against domestic enemies, or to prevent the incursions of the warlike people of adjoining countries, but to maintain the supremacy of British power in the East. The scope of all these great and costly measures reaches far beyond Indian limits, and the policy which dictates them is an Imperial policy. We claim, therefore, that in the maintenance of British forces in this country, a just and even liberal view should be taken of the charges which should be legitimately made against Indian revenues" (Hear, hear.)

It will be thus seen that part of the sterling obligations are unjustly foisted upon India, while part are increased, regardless of India's ability, and regardless of the economic conditions of the people. It is the combined pressure of these two burdens which have now proved too heavy to be borne, and that the so-called "loss by exchange" is the tangible manifestation thereof. If, owing to this exchange, the Indian Government now cries aloud for an alteration in the currency, is it not strange for it to ignore the very root and origin of that exchange? And, if the root can be eradicated, where may be the necessity of change in the currency? But it is most astonishing to observe that the Indian Government should beat about the bush, and attribute to silver all the faults which should properly be attributed to the policy which for years past is augmenting the sterling liabilities, of which the most inequitable and oppressive is the military expenditure. Again, to me it is most astonishing that not a single official or non-official witness has submitted to the Currency Committee this aspect of the present situation. Perhaps the only non-official witness who had a perception of it was Sir Forbes Adam, a gentleman of great Liberalism, than whom very few understand the real Indian view of this currency question. (Cheers.) His is a name to be conjured with. But even Sir Forbes was not able to bring clearly to the notice of the Committee this aspect of the currency to which I am now referring. The question was asked, if the currency was to remain undisturbed how was the heavier loss by exchange, with the greater decline in the gold value of silver, to be met? To that it is a matter of regret no definite reply was made. Curiousment of home charges, specially military, should have been the answer. It is true that nearly one-third of these are on account of interest on guaranteed and State railways. But there has been a culpable neglect in this particular liability. It was years ago—I think

somewhere about 20 years since — that Sir John Strachey, as Finance Minister, recommended that the railway liabilities should be commuted into silver. Had that been adopted, the Indian Government might not have been in the sorry plight that it is to-day, and might not have thought of tinkering or tampering with the currency. But that recommendation was pigeon-holed by the India Office, vested interests being too powerful. At the time, however, for the purchase of the two remaining guaranteed railways is now very imminent there is nothing to prevent the India Office from buying these companies off, and issuing the necessary debentures for their purchase in silver, say, at an annual interest of 3½ or 4 per cent., payable in silver, it would be a fixed and certain liability. The relief which might be given to India by this one transaction alone would more than compensate for all the evils the country has suffered in the past. I admit that vested interests will do their best to resist the suggested commutation. But, if there be sufficient moral courage and statesmanship at the India Office, the difficulties could be easily overcome. As to the interest on the sterling loans, which now average about 2½ millions, nothing need be said. The amount of interest is not so burdensome as the home charges of the military department, which in recent years has mounted up to 3½ millions. In fact, Ladies and Gentlemen, you will perceive from the figures I am just going to quote, that, next to the interest on State and guaranteed railways, the heaviest burden of sterling obligations is on account of the Army services in England. In 1896-97 the various obligations stood as under:—

Railway interest	-	-	5 80
Military charges	-	-	3 68
Interest on gold loans	-	-	2 67
Civil charges	-	-	2 28

The balance is made up of miscellaneous items. It will be thus seen that, were there a curtailment of the military charges incurred at home, and were there a fair and reasonable commutation of railway interest into silver, the difficulties of the Indian Government would at once be solved. Where there is a will there is a way. But so long as no effort is made on behalf of the Indian people, and so long as the vested interests are deliberately pampered and nursed, there can be no hope of any financial salvation. Not even a gold currency may mitigate the growing burdens.

But I shall now specifically refer to these military charges which demand 3½ million, and over of sterling remittances per year. In my supplementary evidence, in connexion with the Welby Commission, I observed that the whole burden of exchange entailed on the Indian finances during the 10 years ending 1895-96 was 43 crores of rupees, or, say, 4.3 crores per year. Of this, as much as 27 crores, or 63 per cent., was on account of military expenditure alone. This heavy sum might have been considerably less but for the fact of the addition made to the army in India in 1885. Had the strength of the army been maintained at the figure it was prior to that year, I estimated that the military exchange would have come to 12.85 crores in the decade. Practically, then, the increased exchange which India had to pay in the 10 years for the increased army services came to 14.52 crores in 10 years. Now, I would for a moment endeavour to fix your attention to the net burden of new and enhanced taxation during the same period. In his rebutting evidence, given before the Commission on 21st July 1897, the late Mr. Jacob, who, a premature death I and my other friends who were witnesses greatly deplore, and whose courtesy we all greatly appreciate, stated that taxation amounted to 22.31 crores. To this has to be added, as I pointed out, suspended famine grants and unfunded provincial balances, amounting to 6.41 crores. The total comes to 27.72 crores. Now, according to Mr. Jacob's own figures, the increased cost on account of the increased troops amounted to 33.94 crores in 10 years, without exchange. With exchange it came to 48.46 crores. Had there been no additional troops, all this sum might have been saved, against which as much as 27.72 crores of new taxation, &c., had to be raised. In fact, while 48.46 crores might have been saved, the net expenditure on exchange, as just stated, would have been no more than 28.75 crores. Practically, the result would have been a surplus of about 20 crores in the decade, despite the fact that civil charges had also greatly increased, but some of which being of a reproductive character, much complaint against their growth need not be made.

From the above facts it would be clear to you that India has in no way suffered on account of exchange, because exchange would have been fairly met from the revenues, without even a pie of taxation, had it not been principally for the additional military expenditure. Is it impossible to curtail the strength of the army and bring it back to the number at which it stood in 1885? It would save the Treasury about 3.89 crores without exchange or 5.34 with exchange. This, again, brings us to the practical part of the currency problem. I answer the question which the Committee put to some of the witnesses, including Sir Forbes Adam. The Committee inquired of these witnesses how they would meet the extra charges which might have to be paid in case exchange went below one shilling, were the mints reopened. I say that these charges could be easily met by the curtailment of the military expenditure which now entails, per annum, a charge of 2.73 crores for exchange. If the army was reduced there would be a saving to the extent of 1.45 crores in exchange alone. The charges for army services proper would, besides, be less by at least 3 crores. Then, if England only contributes her fair share towards the cost of maintaining her supremacy, there would be a still further saving. Of late, we have heard that the Welby Commission may propose such a share, amounting to 1½ crore of rupees. But this is still a matter in the clouds till we know what the belated report of the Commission actually recommends. (Hear, hear.) Even then there is the British Treasury to deal with—a very tough and powerful obstruction. But the savings which I have just referred to should easily suffice to meet the extra demand for greater loss by exchange which has long been held out as a bugbear before the ignorant public. On my part, I do not think that, were the mints re-opened to free coinage, under proper safeguards and limitations, that the Government would find any difficulty whatever in meeting the apprehended greater loss, without a pie of fresh taxation. (Hear, hear.) Aye, not even if exchange went as low as 10d. But the fact nevertheless remains that it is the home charges which are at the root of the difficulty. Consequently the agitation should proceed not for the reform of the currency, which has nothing the matter with it, but for the policy on the lines I have indicated. This practically means that the British Government should modify its present policy which regulates all expenditure. The economic evils of carrying on the administration by a costly foreign agency are entirely owing to the present mistaken policy. It is against this policy that Mr. Dadabhai Naoroji has been inveighing these many years. India is being bled to an extent unparalleled in the administration of any country in the world, ancient or modern. If the British Indian Administration is unparalleled itself, its bleeding of India, too, is unique. Cease that bleeding and India will revive. It will be soon in a position to accumulate the surplus wealth which is now drained to England, and have enough capital of its own to develop its material resources with great advantage both to England and India. As Mr. Dadabhai Naoroji truly observed at the meeting in Lancashire last month, the more India grows rich the more it will be in a position to extend its trade in Lancashire goods. Instead of its whole trade with the United Kingdom coming to only 2s per head it would come to 20s. But the bleeding must cease before that happy event could be realised. It can only cease when the policy of the costly employment of the foreign agency, in all its ramifications, administrative and commercial, is reversed. The exchange difficulty, now so absurdly found fault with, will cease to exist. India would breathe freely. The currency will operate automatically as it has hitherto done, and both the State and the people will be prosperous. At present, not only are the people but their industries and manufactures throttled, and under a mistaken conception they are going to throttle them further by their insensate currency proposals.

It is to be devoutly wished that the Currency Committee will take evidence on all the points I have just referred to. The mass of evidence recorded up to date reveals absolutely nothing. And no one seems to have touched on these points, which alone, in my opinion, are most relevant to a correct diagnosis of the present complaint. Some witnesses have indirectly referred to the points, specially Sir Forbes Adam, with his unique experience of the Indian people and the Indian economic question. I for one must admit that I am altogether disappointed with the whole evidence. It is mostly official or officialised. The independent evidence, if at all, is on the side of those who are for the re-opening of

the mints, though, in interested quarters, we have off and on been told, there is the strong belief that it is beyond all hope. That remains to be seen. Lord Rothechild believed in extended exports first and extended railways afterwards. But when may we expect extended exports? Not while the exchange compels, under the present unnatural policy, the producers to part with their produce at low prices. Not while India continues to be a debtor country. The exports would be beneficial to India only when the unnatural economic condition ceases. It is therefore to be earnestly hoped that evidence of competent representative Indians will be taken by the Currency Committee in order to arrive at a correct understanding of the economic situation, and be able to advise the Secretary of State as to which is the right and proper remedy to be adopted in the matter. (Hear, hear.)

If then I repeat, the military expenditure was curtailed and brought down to the figures at which it stood in the time of Lord Northbrook and Lord Ripon, then I say with confidence, and without the least hesitation, that the entire financial situation would be materially altered for the better. India might pay its way without adding a pie to the existing taxation. Again, if the fire-works which are incessantly being let off at a heavy expenditure, which has availed over one crore during the last 12 years, beyond the statutory limits of the country, are put a promptory stop to, and if the many domestic reforms that have been hung up for many years past, as our friend Mr. Surendramath Bannerji observed yesterday, were taken on hand, India would really be in a condition of progress. And I may here take the opportunity to remind you, Ladies and Gentlemen, that the Hershell Committee had strongly recommended curtailment of expenditure as a first step before taking any action whatever with regard to the closure of the mints. So that, in recommending curtailment of expenditure, I am not recommending anything new. This curtailment can only follow a change in the present policy, which is erroneous. When the policy is put on a sound and natural basis the aspect of expenditure will also be changed, and changed for the better. The whole question therefore to be determined is not currency, but *policy*. We must agitate from year to year until the present policy undergoes a material modification. We must agitate till we drive home the truth so clear to us, that the unnatural system of administration is at the root of the financial difficulties and not currency. We should leave no stone unturned to bring the authorities to discern this aspect of the question, if indeed they are not already aware of it. During the 14 years that the Congress has successfully held its annual session, I have found that on almost all the burning questions of the day, the original views held by it, though at first ridiculed and discredited, have at last come to be recognised and acted upon. That experience tells me that in this matter also the position which the Congress will take up in the spirit of the resolution I have moved will eventually be proved to be absolutely sound. This is my firm conviction, and on the strength of that conviction I now commend the resolution to your judgment. (Applause)

No. 28.

MEMORANDUM by Mr. W. MARTIN WOOD.

The Committee have already had put before it such a mass of statements and opinions regarding currency and exchange that it would seem superfluous to attempt to add to that portion of material. On the other hand comparatively little consideration seems to have, as yet, been given, in the course of examination, bearing on the monetary financial relations between India with the United Kingdom, which really lie at the root of the whole matter. In the tables and statements presented by the two delegates of the Indian Finance Department ample statistics as bases for such consideration are on record. Whether these comprise all the information that would elucidate the history of the large subject in its bearing on the present situation, the present writer is not aware, but Mr. O'Connor could easily supplement the material of that kind if desired. If the direct causes of the present perplexing situation can be traced in their proper sequence it is reasonable to expect that such analysis would indicate the only true and safe way out of the anomalies and paradoxical position in which Indian currency and trade financial affairs have drifted.

2. It appears eminently desirable, for instance, that the attention of the Committee should, without further delay, be drawn to the actual history of the subject in order that the present results of that sequence of events may be rightly estimated, before any practical conclusions are adopted or any definitive measures are determined upon. At some points of that history, during the last 35 years of India's financial and currency movements, it necessarily touches on some of the outside, and, for this purpose, superficial events connected with gold and silver production or the corresponding changes in other nations' currency regulations; but it will be desirable to keep separate, as far as may be, these inside and outside divisions of the problem.

3. The Committee might do well to consider the remarkable contrast presented by the circumstances in which India found itself in 1863-66 and these of the present day. At that period and in consequence of the large increase in gold production, beginning in the fifties, gold was becoming plentiful as compared with the production and then use of silver as currency. Many Anglo-Indian authorities at that time feared that the supply of silver might become stunted and India would thereby become subject to fall in prices and the serious inconveniences that always result from rapidly restricted currency. Therefore many persons—foremost amongst whom as a member of the Supreme Executive Council was the then Sir William Mansfield—thought it desirable to seize the opportunity, then apparently feasible to adopt a gold standard, and introduce that metal into the currency; though it was intended to retain silver as the chief material of circulation, and also to extend the use of currency notes. There were also proposals, at that time, to attract gold into circulation as legal tender (not as standard) subject to periodical readjustments, while retaining the silver standard tola rupee. Should the present Committee find itself compelled to fall back upon tentative expedients, such proposals may still be worth examination subject to the altered conditions of the present time. But this is only an incidental remark by the way.

4. When the Committee comes to consider the financial practicability of establishing a gold standard for India, with or without any appreciable use of the metal in the currency, the contrast between the comparative ease with which that course could have been taken in 1863-66, and the enormous difficulties in the way of such a course at the present day, may induce the Committee to pause. They might, on facing those financial obstacles, come to recognise them as so formidable as to lead them to perceive that it may be wiser to revert to the natural position before 1893, than to persevere with artificial wrenching processes entered on then, and as now proposed to be extended. If the factor seen on the surface, "loss by exchange," is urged as forbidding such reversion for India to the silver standard and automatic coinage, the Committee may be asked to suspend their judgment until, in a later passage in this Memorandum, the one obvious method of largely mitigating that political financial "loss" shall be explained.

5. Now let us look at the contrast presented between the monetary metallic situation in 1863-66, and what obtains at present. The relative market position of gold and silver would then be about 15 35 to 1 now it is say 30 to 1; but the Committee have before them evidence as to this to the utmost fraction. See also Mr. Barr Robertson's paper with its tables.—Society of Arts Journal, No. 2,098, February 3, 1893. In comparing that essential contrast, indication is afforded of the almost incalculable cost that will be involved in now adopting a gold standard for India, to say little as to drawing that metal into the currency. Even in the former period, it was seen that a few millions would have to be found for starting the moderate plan described above (paragraph 3). It was thought that five or six millions would, at least, be required. Later, in 1893, it was thought that 30 millions would be needed to carry through the more complete gold standard scheme which only then began to be entertained. But what figure can indicate the cost, however it may be met, and the sacrifices, however they may be endured, before the full levelling up of India to a gold standard and currency can be accomplished? The Committee have within its reach abstruse calculations, as well as many haphazard and pre-concoived speculations to choose from in forming any tangible estimate of the present and ultimate cost of carrying through this immense monetary wrench. It may safely be assumed

that 50 millions sterling is a moderate estimate of the cost of this enormous operation in the circumstances of India.* Any estimates founded on corresponding monetary changes amidst the highly organised credit facilities of the western world are manifestly inapplicable to the present problem. While as to which fiscal system and which constituency is to sustain that cost, is quite another question that must not be ignored.

II.

6 Now let us revert to the history of the causes that have resulted in the present situation. The next landing-stage was reached in the circumstances investigated by Mr. Goschen's Silver Committee which reported in 1876. That Report greatly dissipated the popular misconception that the fall in the gold price of silver was wholly due to the demonetisation of silver by Germany and the subsequent withdrawal of France from the Latin monetary union. It was demonstrated in that Report that the influence of the Secretary of State's drafts on the Indian treasuries is far more weighty and persistent in keeping down the market price of silver (and in adding to the Government of India "loss by exchange") than all other causes then prevailing. It was pointed out in the Report that "the supply of a different kind of remittance, namely, Government bills, has superseded to a large extent the necessity of remitting bullion." It will be seen that though the total amount of treasure and Bills remitted to India during the last four years 1872-76 has but slightly declined, the proportion between the two has "been entirely reversed." And a table is given showing that, whereas in the period of 1868-69 to 1871-72 the average annual import of treasure into India was 10,000,000*l* and Council Bills 7,000,000*l* in the period from 1872-73 to 1875-76, the average had been respectively 4,100,000*l* and 12,000,000*l*. In the year 1875-76 the figures were—treasure, 3,100,000*l*, and Bills, 12,000,000*l*. It was added "Whatever the effects of reduction in silver imports may be, they are simply to be accounted for by the large amount of Bills on India which the Indian Government (that is, Secretary of State) has now to sell." It may be noted that in the six years ending 1881-82 the net imports of treasure into India were rather over 53 millions, and Council Bills were 81 millions. These six years included 1877-78 when imports of treasure were exceptionally large (over 15 millions), because of famine demands and sterling loans taken up. It may also be stated that in the 13 years ending 1891 in which year import was very large, the net imports of treasure into India were 127½ millions, and Council Bills drawn, 198 millions. In the three years 1894-97, the treasure imported was rather over 124 millions, but the payments for Bills drawn to defray Home Charges amounted to over 124 millions. But the Committee have before them all the figures that exhibit the competition between imports of treasure and India Office Drafts, notably so in Sir David Barbour's tables of 1885, which also show the immense addition to the Home Charges Drafts since 1872—one of the great facts that the Committee has to deal with.

7 Here, in passing, as explaining the proximate cause of increase in the volume of Drafts from an average of about six millions in the three years ending 1871 to the 10 millions in 1872, and 14 the following year, this was due to the discontinuation, and almost cessation, of payments into the India Office of the sterling capital raised by the great guaranteed railway companies. Whilst that lasted the drawings were abated to that extent. Similar temporary effect is induced when new sterling loans on public account are taken up in this country. But these differences are only on the surface.

* Mr. H. Dunham MacLeod has recently drawn attention to the Government of India's Notification of December, 1852, by which gold, *i.e.*, mohurs of 16 and of 15 rupees, was demonetised in India. He states that "by this astounding coup de finance," which without precedent in the history of the world, it was "estimated that 120,000,000*l* of gold coin at once disappeared from circulation and was hoarded away." As to what this estimate was founded upon does not appear, but Mr. MacLeod must be under much misconception as to India having then "an immense gold currency in circulation," and this, apart from the estimate of amount, is the only practical consideration. That gold mohurs were spoken of in accounts and charges until a later date we all know. But there is no proof, that I am aware of, that gold formed any appreciable portion of the actual circulation.

Behind and beneath these superficial adjustments, the charges drawn from India and disbursed in the United Kingdom remains the one constant fact that has to be kept in view all through. These direct charges which up to nearly 1860 scarcely averaged three millions per annum, are now six times that amount, and this constitutes the great change in circumstances which underlies the questions the Committee has to consider.

8. To revert to the course of evidence showing that the largest and most persistent disturbance of the ratio between gold and silver, with the consequent monetary and commercial disturbance of the financial relations between our great dependency and this the mother country, reference may be suitably made to the remarkable treatise by Mr. R. H. Hollingbery, the Assistant Secretary in the Finance Department of the Government of India, a similar position to that now occupied by Mr. J. E. O'Connor. That work was compiled before the appointment of Mr. Goschen's Silver Committee, and its conclusions as bearing on the monetary financial position were, of course, worked out independently. Our concern with Mr. Hollingbery's conclusions lies apart from his exhaustive exposition of the statistics relating to the production with relative values of gold and silver, from the earliest to the latest period, and to the distribution of the precious metals amongst the various nations of the world.

9. That portion of this invaluable essay explaining the large subject with which the Committee has now to deal—under the greatly enhanced and accumulated difficulties of the present day—is comprised in Mr. Hollingbery's paragraphs 242-70 taken with paragraph 275-76, in which latter the whole statistical argument is concisely summarised. In entering on this exposition he finds himself on the concluding passage of J. S. Mill's chapter on "The Distribution of the Precious Metals" (section 4), in which is demonstrated the effect on prices and return to the producers that follows from "the existence of international payments not originating in commerce and for which no equivalent in either money or commodities is expected or received." As that eminent authority shows, "the result is that the country (as in the case of India) which makes regular (obligatory and unbalanced) payments to foreign countries (as to the United Kingdom) besides losing what it pays, loses also something more by the less advantageous terms on which it is forced to exchange its productions for foreign commodities, and . . . the result to the interest of the two countries will be . . . the paying country (*i.e.* India) will give a higher price for all that it buys from the receiving country, while the latter (*i.e.* England) besides receiving the tribute, obtains the exportable produce of the tributary country (India) at a lower price." Mr. Hollingbery proceeds to apply this principle, in clear easy expression, to the actual circumstances of India, and includes the important remark that the adverse or "reduced price at which they (exports in direct payment of Home charges) are offered affects also the exports which are exchanged for imported goods. Thus the gold price of Indian productions must fall (*i.e.* be continuously under-valued) and with them must fall the price of silver.* It should be mentioned that in Mr. Walter Bagehot's Essay on the Silver Question (1876), the economic effects on prices and products of non-commercial obligatory payments by a dependency were similarly explained in somewhat more popular form.

10 Now then we come upon the centre or crux of the problem that has to be faced, the very heart of the subject which the Committee has to consider. Compared with this central and permanent aspect of the matter, debates regarding different forms of currency or exchange fluctuations are beside the mark, or, at least, only deal with temporary or superficial circumstances. And, it must be remembered, that all the essential factors described 20 years ago as being adverse to India are now pressing on that country and its peoples with, say, five times additional weight, while certain of the proposals now influentially advocated, involving on one hand increased cost of its circulating medium and on the other restriction of its currency, would add incalculably to that pressure and burden.

* Appendix I, pp. 64-6.

III.

The Way Out

11. This is simple and obvious; though difficult because of political obstacles and financial requirements. It has been shown that the present crisis as between India and England, including the "loss by exchange," has arisen from the ever increasing pressure, dating from 1872-73, of the demands on India for expenditure in England, in popular phrase the Home charges. Thus the obvious remedy is the reduction of these demands, or the finding of some appreciable set off against them. If the drafts on India were reduced by one-half the true exchange value of the rupee would speedily rise, not only to 16d., but probably 18d. or higher. Even if only one-third of the drafts were cut off, probably some such measure of equisation would be reached. And with such adjustment, incalculable relief would be gained if the automatic currency were restored, or in the alternative, if the Government of India, taking direct control of coinage, were to freely replenish the now rapidly exhausting volume of currency. The market price of silver would also respond to that change. This proposition derives support from the facts recorded above as to the history that has led up to the present situation.

12. This is no new proposal. More than 40 years ago it was described thoroughly and with due discrimination by Sir George Wingate, R.E. and it has since been supported by competent authorities. Wingate's essay is very scarce, but a copy should be in the India Office library. The essential portion for the present purpose is set out in Part I, Vol. XX. of the East India Association Journal, 1883, pp. 28-30. (See Appendix II., p. 65.) Wingate's statement of the equitable demand that the British Treasury should sustain a considerable portion of the annual cost of maintaining that sway over the Indian Empire which results in incalculable profit and prestige to this country, is so lucid and convincing that the Committee cannot well afford to pass by this argument, which goes to the very core of the whole subject. It shows the natural way out of the otherwise insoluble problem before them. It is independent of, and superior to all outside circumstances, and apart from the artificial difficulties which have accumulated in attempts to evade the true remedy. India's now hapless monetary and financial condition

13. This general principle that it is unjust for India to have to pay for every outlay that can be brought into her expenditure accounts—even when large portions of that outlay has been avowedly for Imperial purposes—has been affirmed by public men of all parties on various special occasions. That principle was acknowledged and freely acted upon when it was sought to charge India with the chief cost of the 1868 expedition in Abyssinia. This was successfully resisted by Henry Fawcett, and the late Earl of Derby (then Lord Stanley) frankly admitted that such charge would be unjust. Again this principle was affirmed in the case of the Afghan War of 1878-80. On that occasion Mr. Fawcett moved this amendment in the Address—

"But humbly desire to express our regret that in view of the declarations that have been made by your Majesty's ministers that the war in Afghanistan was undertaken for Imperial purposes, no assurance has been given that the cost incurred in consequence of the renewal of hostilities in that country will not be wholly defrayed out of the revenues of India."

Eventually, the principle was adopted, in so far that one-fifth of the cost of that Imperial and British Cabinet's war was refunded to India with consequent saving by avoidance of loss by exchange on that amount, viz., 5,000,000. As bearing on the permanent and continuous fact that the Home charges represent the cost that India directly pays for the maintenance of our power over that Empire, it is well to cite the remarkable declaration by Mr. Gladstone, implying urgent and continuous application to this claim that India ought not to bear the burden alone. He said on that occasion—

"As regards the substance of the motion, I cordially embrace the doctrine of my honourable friend the member for Hackney. There is not a consistency in the country before which I would not be prepared to stand, if it were the poorest and most distressed in the land, if it were composed of

a body of men to all of whom every addition of a farthing for taxes was a sensible burden, and before them I would be glad to stand and plead that, when we have made in India a war which our own Government have described as in part an Imperial war, we ought not for a moment to shrink from the responsibility of assuming at least a portion of the cost of that war, in correspondence with that declaration, instead of making use of the law and argument of force, which is the only law and the only argument which we possess or apply to place the whole of this burden on the shoulders of the people of India."

At a later period (May 1893), the Earl of Northbrook brought this equitable financial claim before his peers. One passage in his speech being retrospective and comprehensive covering scores of millions of really joint charges all forced on India, may be quoted here—

"The whole of the ordinary expenses of the Abyssinian expedition were paid by India. Only extraordinary expenses being paid by the Home Government, the argument used being that India would have to pay her troops in the ordinary way, and she ought not to seek to make a profit out of the affair. But how did the Home Government treat the Indian Government when troops were sent out during the mutiny? Did they say, 'We do not want to make any profit out of this?' Not a bit of it. Every single man sent out was paid for by India during the whole time, though only temporary use was made of them, including the cost of their drilling and training as recruits until they were sent out. Surely in justice the same principle should be applied both ways."

As one moderate application of the principle of equity his Lordship made this practical suggestion, thus: "As to four millions increase in the non-effective charges in 14 years up to 1884, I think half that should be borne by the Imperial Exchequer. It should take over two millions." In the budget for the current year that head of the Home charges figures for Rs. 8,700,000. It affords a striking illustration of the monetary-currency bearing of this factor and the joint account, that were only that head of charge to be sustained by the British Treasury the saving in cost of exchange would be Rs. 1,400,000. The Committee can readily estimate what percentage this diminution would save or add to the exchange value of the rupee. On the occasion above referred to, the Earl of Kimberley in his apologetic reply as Secretary of State for India remarked, *inter alia*, "Pressure is brought to bear for some change in our (Home Army) system, and the expense of our (Indian) Army is accordingly increased. The War Office yielded to the pressure and the India Office finds itself saddled with additional charges in respect of which it has really had no voice. . . . The consequence is we have charges put upon us in connection with India which are both unjust and unnecessary." At a later period of that Session (July 31) the Duke of Argyll reverted to the subject under his sense of responsibility as a former Secretary of India, with reference to these exchange and finance difficulties which, as he said, "arise to a large extent from the Home charges made against the Indian revenues by the Home Government here." After explaining how charges strictly pertaining to this United Kingdom are sought to be thrust on the dependent country by the spending departments here. His Grace said, "this meant that India was called upon to pay a tribute to the country;" later on, he added, "he certainly thought that the people of India ought not to be called upon to pay anything in the nature of a tribute or more than the actual cost of our troops when employed in India, which was the old legal and constitutional principle. He thought that the balance of benefit was enormously against India and in favour of England." The trend of His Grace's arguments all through that speech is that the pernicious and inevitable financial and monetary effect of these abuses and exactions are above and beyond any currency disturbances or monetary contrivances real or artificial—which is the contention of this memorandum. It might be well for the Committee to have before them the letter from the India Office (dated August 9th, 1872) for which the Duke then moved, also the two other documents (of 1874 and 1876) which the Earl of Northbrook moved for on the same occasion. In closing these references to financial claims on India's behalf when, if fairly met, would go far to cover the Committee's mandate, it may be well to remind its members of

the remarkable consensus of opinion that obtained amongst public men of all parties in the earlier part of this year (1898), on behalf of making an imperial grant in relief of India's severe financial and monetary difficulties caused by the (Imperial) War beyond her borders, by famine and pestilence. These recommendations, though mainly proceeding on grounds of compassion rather than of international justice—which is the true and abiding consideration—were creditable to those who thus gave expression to the better side of the British character. That gleam of political equity and true financial insight was afterwards obscured by short-sighted pleas and evasive excuses; but the Committee is in a position to perceive what a large practical influence such grant would have had on the finance of the current year, and by illustration, on the present unsolved monetary and exchange difficulties of India.

14. Here to revert to the technical side of questions raised in course of the Committee's proceedings it may be pointed out (as in paragraph 5 above) that the monetary and trading conditions of India are essentially different from those of the Western world. Here, questions of currency have only indirect relations to the money-market and commercial finance. Here, these two branches of monetary affairs are almost inseparable—or, were so, until the violent wrench forced on them when the measure placed before your Committee will show this. And the statements recently made by an experienced Calcutta merchant, Mr. David Yule, are very timely in the way of explaining the intimate connection in India, hitherto, between currency and trading funds. Alluding to the recent cry of lack of loanable capital—as to which the ever expanding need was being fairly met until stopped by closing of the mints—he points out that so long as silver bars or ornaments were convertible into rupees those reserves supplied and invited funds into the interior; and he describes how this ready convertibility gave confidence to the thrifty portion of the population, also facilities for the money-lenders. But since these funds in the shape of rupees, were made by the Act of the State into “dead metal difficult of sale,” there has been, as Mr. Yule computes, “a loss of loanable capital to the extent of 150 crores of rupees.” Whatever may be the opinion as to this amount, he goes on to point out that the effect of depriving them of the use of their savings has been to drive them (the people) into the clutches of the money-lenders. In turn, these retail bankers have “become anxious about their outstandings,” and are “refusing to make advances to pay for seed and cattle.” The first effect of this was to drive the village banker's spare funds into the preceding towns—not for trade purposes, but to be invested for safety, in gold or silver bullion, the trade use being thus lost to the country. And Mr. Yule considers that this lack of convertible currency is driving trade in the interim into a state of banter, which “is a menace to the export as well as the import trade of India.” Here we have a demonstration of the inseparable connection in India between currency and loanable trade funds. Mr. Yule is of opinion that further contraction of the currency as proposed, will “carry with it ruin and disaster to all concerned.” Alluding to the comparatively prosperous state of trade in the period of fifteen years up to 1893—owing mainly to cheap silver currency and the frequent diminution of Council duties—due experienced Indian merchant expresses his conviction that “the country was ripe for a very heavy increase in her currency.” This expression of opinion by a local authority, who knows the monetary condition of the interior as well as that of the presidency towns, ought, it seems to me, to be well weighed by the Committee in view of the policy of contraction of currency and denudation of trade funds that now obtains, and which it is gravely proposed to carry out to the bitter end of an artificially created “stable exchange.” With regard to the present superficial remedy for the monetary and financial difficulties of the Indian Government such that has been written above suggests obvious reply. It is claimed that by closing of the mints and forcing up the gold value of the rupee a sum of nine million sterling in cost of exchange has been saved to India. It would be difficult to find a more striking illustration of the tenacious economic fallacy in failing to distinguish between “What is Seen and what is Not Seen.” Granted that the nine millions have helped to balance budgets;

but, whence comes it? The witness who cited that figure lightly remarked, “it has been practically an indirect tax on the people.” So that it has really been got into the budget by a sacrifice or loss to the people of India. And it cannot represent the whole loss imposed thereby on production and trade profits. The heavy discounts that had to be paid on trade bills a few months ago in India afford some indication of the *margin* loss, in the light of such explanations as that by Mr. Yule, as also by some witnesses before the Committee, that nine millions “saved” must represent a far heavier sacrifice to a country backward in all the mechanical appliances of civilisation, and without the automatic facilities derived from the credit systems in Western countries. As certain as that water under pressure will find its level, so surely must any artificial currency or exchange gains that can be devised, result in real sacrifices by, and incalculable burdens on, the community. Hence the deep responsibility on the Committee to consider well that which is the crux of these instructions—to report upon “the monetary system now (i.e., before 1893) in force in India” and the probable effect of any proposed changes “upon the internal trade and taxation of that country.”

15. Briefly to summarise the contents of this Memorandum:—

- (a.) The contrast as regards the relative value of gold and silver at the present time, and that in 1863-65, indicates the extent of the financial difficulty that has to be faced in the proposal now to establish a gold standard for India.
- (b.) The preponderating cause of the divergence between gold and silver and the consequent “loss by exchange” is due, as shown by Mr. Goschen's Committee of 1876, and by Mr. Hollingbery, to the large increase in the demands on India for expenditure in England—which, up to 1872, had been disguised by payments here of railway capital, and, since then, intermittently, by taking up of sterling loans—debt growing meanwhile.
- (c.) That these unbalanced withdrawals of revenues and resources constitute the preponderating adverse factor in India's monetary, commercial, and industrial condition, and, besides being a direct unrequited outlay, forces India to exchange its products for the foreign commodities it receives on less advantageous terms (J. S. Mill, &c.) than such as are obtainable under normal conditions of international commerce.
- (d.) That any artificial device for evading “loss by exchange,” either by forcibly changing the material of currency (regardless of cost) or contracting the internal currency, must add to the pressure on India's monetary resources and to her trading disadvantages the only real relief, and sole safe means of restoring India's trading energies and industrial efficiency, is to be found in the master country agreeing to sustain its equitable share of those disbursements here which represent the net cost to and sacrifice by India for maintenance of our sway over that Empire.
- (e.) That the principle of this equitable policy has been affirmed by competent authorities and various British statesmen, also that the demonstrable economic results of its practical application, while relieving the Indian people from monetary pressure too grievous to be borne, would largely increase profitable commerce with that country and strengthen its political and financial relations with the United Kingdom.

W. MARTIN WOOD.

September 8th, 1898.

APPENDIX I. to No. 28

From Mr. HOLLINGBERY'S Treatise.

... the Home Government's bills of each year, prevent, for that year, the importation into India of a corresponding amount of bullion.

244. The importation of bullion into India does, indeed, depend on the excess of her total exports over her total imports, and on the portion of that balance which cannot be settled by bills, but—especially in the present question of prices—it is necessary to distinguish, as the extract from Mr. Mill suggests, between the two portions of those exports which make up the gross balance of trade “in favour of India,” and also enter into the net balance that has to be settled by an import of treasure.

245. The exports from India consist of:—

- (a) The exports which are exchanged against imports of merchandise. If India did not incur a large amount of Home charges, her exports would increase, generally or chiefly, from a demand abroad for them, in which case they would go forward at a higher gold price abroad, as well as in increased quantities, causing (if not counteracted by an increase of imported goods) an increased import of silver which would raise the price of silver abroad. In other words, an increase of exports from India, if not arising from the Home charges, will generally imply an increased gold price of Indian productions and an increased price of silver abroad, or in, say, London, the world's market. This was the case during the cotton famine.
- (b) The exports which India has to send forward to Europe to provide for the Home charges. As pointed out by Mr. Mill, these exports not being required in exchange for goods must be offered at reduced prices abroad, so as to create an increased consumption of them. But, necessarily, the exports which go to England for the Home charges (in the place of silver from India) are not earmarked, and the reduced price at which they are offered affects also the exports which are exchanged for imported goods. Thus the gold price of Indian productions abroad must fall, and with them must fall the price of silver; for the diminished amount, in gold value, of Indian productions which are exchanged against goods and silver, reduces the amount to be settled by an importation of silver upon the account A.

APPENDIX II. to No 28

EXTRACT from “*A Few Words on our Financial Relations with India.*” By Major (afterwards Colonel Sir George) Wingate, R.E. Richardson Brothers, 1859, pp. 57-64.

There does not seem to be any insuperable difficulty in the way of discovering the principles upon which the financial relations of India with this country should be settled. With reference to its economical effects upon the condition of India, the tribute paid to Great Britain is by far the most objectionable feature in our existing policy. Taxes spent in the country from which they are raised are totally different in their effect from taxes raised in one country and spent in another. In the former case, the taxes collected from the population at large are paid away to the portion of the population engaged in the service of Government, through whose expenditure they are again returned to the industrious classes. They occasion a different distribution, but no loss of national income, and hence it is, that in countries advanced in civilization, in which the productive powers of man are augmented by mechanical contrivances, and a judicious use of the powers of nature, an enormous taxation may be realised with singularly little pressure upon the community. But the case is wholly different when the taxes are not spent in the country from which they are raised. In this case they constitute no mere transfer of a portion of the national income from one set of citizens to another, but an absolute loss and extinction of the whole amount withdrawn from the taxed country. As regards its effects on national production, the whole amount might as well be thrown into the sea as transferred to another country, for no portion of it will return from the latter to the taxed country in any shape whatsoever. Such is the nature of the tribute we have so long exacted from India. And the burden of a tribute is aggravated in proportion as the tributary country is backward in civilization, and possesses few

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mechanical and scientific aids for augmenting its productive power; for the net income of such a country, or the surplus of the gross produce of the nation's industry over and above the quantity required to replace the amount consumed in production, must necessarily be small. A country in the high state of industrial development of our own, could probably pay in tribute one half of its whole taxation more easily than India could pay one tenth, which was not far from the proportion that the tribute bore to the gross revenues before the outbreak of the mutiny. From this explanation some faint conception may be formed of the cruel, crushing effect of the tribute upon India. Let the reader endeavour to picture to himself what the present conditions of India would have been had the 80 or 90 millions of Indian taxes, which have been transferred to this country in the present century, been spent in India upon reproductive public works calculated to augment the producing powers of that country. India would long ago have been penetrated in every direction by roads, canals, and railroads. Agricultural produce would, by means of the facilities of transit thus afforded, have been drawn from the remotest parts of the interior to the seaboard for export to foreign countries, and those regions which now cannot import, because they cannot export, would have become consumers of foreign commodities in exchange for the produce thus sent away. It is probably a poor and inadequate conception to suppose that the net surplus of Indian industry beyond the cost of production, as distinguished from the gross production, would by these means have been doubled or trebled. And as this net surplus forms the fund by means of which a country obtains its imports of foreign commodities, it is not unreasonable to infer that the exports and imports of India, would have been double or treble what they are now. Let the people, and especially the manufacturers of this country, lay it to heart, that but for this cruel and sordid tribute, by which the total annual income of this country has been augmented by two or three [of late years say ten] millions, our exports [of merchandise] to India, instead of being from ten to sixteen [thirty to forty] millions might have been from twenty to fifty [sixty to one and fifty hundred] millions. For an income of two to three [say ten] millions we have sacrificed a trade of ten to twenty-five [forty to eighty] millions. Let the people of England, and especially the manufacturers of Lancashire, count the cost.

The Indian tribute, whether weighed in the scales of justice or viewed in the light of our own true interests, will be found to be at variance with humanity, with common sense, and with the received maxims of economical science. It would be true wisdom, then, to provide for the future payment of such of the Home charges of the Indian Government as really form tribute out of the Imperial Exchequer. These charges would probably be found to be the dividends on East India stock; interest on home debt; the salaries of officers and establishments and cost of buildings connected with the Home Department of the Indian Government; furlough and retired pay to members of the Indian military and civil services, when at home, charges of all descriptions paid in this country, connected with British troops serving in India, except for the purchase of stores to be sent to India; and a portion of the cost of transporting British troops to and from India. In regard to the last item, it would seem to be a fair and most convenient arrangement for the British Government to pay the cost of chartering ships, &c., for the transport of troops to India, and for the Indian Government to bear the cost of sending them home again. In fine, the tribute is made up of such items of charge, connected with the Government of India, as are spent in this country, and for which India receives no material equivalent in any form. In defining the future financial relations of India and Great Britain, it would seem to be a most just and equitable arrangement to require each country to furnish that portion of the total cost of Government which is expended within its own limits and goes to the support of its own industry. Upon this principle, British troops, actually serving in India, would not have to be supported by this country, as in the case of the Colonies, but would be paid by India [as they are now], and only such officers and men of Indian regiments as might happen to be at home would be paid from the British Exchequer.

What appears to be most urgently required is the appointment of a Royal Commission of first-rate men, thoroughly competent to the investigation of

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economical, political, and moral questions, for the purpose of inquiring into the present financial relations of Great Britain and India, as compared with those of Great Britain and our other dependencies and colonies; and of ascertaining the various items of the Home charges which may properly be viewed as a tribute paid by India to this country, as well as their total amount since the commencement of the present century, and to report upon the probable effect of this tribute on the condition of India, and the best means of adjusting the financial relations of India and Great Britain for the future, so as to secure the greatest amount of advantage to both countries. . . . Such a Commission would have no occasion to proceed to India for the purpose of collecting information, as the whole of the data necessary for the formation of a sound judgment upon all the questions that would be referred to them for investigation, is already to be found in this country in an available shape. A few months at the utmost would suffice for the prosecution of their inquiries and the preparation of their report, which would go forth to the country with all the weight of authority attached to the conclusions of men selected for eminent ability and familiarity with the questions submitted to their judgment. . . . Were India to be relieved of the cruel burden of the tribute, and the whole of the taxes raised in India to be spent in India, the revenue of that country would soon acquire a degree of elasticity, of which we have at present little expectation, and certain branches of the existing taxation might even be safely increased, so as to ensure a sufficient surplus revenue for developing the resources of the country by means of reproductive public works.

See also the concluding portion of J S Mill's chapter on the *Distribution of the Precious Metals*

[N.B.—The numerical terms within brackets on page 65, column 2, are not in the text, but were inserted (in 1883) so as to adapt Wingate's argument in the heavier Home charges and larger trade figures of recent years.]

No 29.

FURTHER MEMORANDUM by MR. W. MARTIN WOOD (to complete SECTION III. of his MINUTE printed in APPENDIX to EVIDENCE given before LORD HERSCHELL'S CURRENCY COMMITTEE of 1893).

This broad fact, that the *course of prices* not having risen in India in accordance with the cheapness of its currency standard metal, is, that the natural flow of silver has been checked by the extraneous financial demand represented by the increase in Council Bills, is strikingly shown by comparison in these two respects, between the eleven years ending 1872, and the similar period ending 1883, as thus set out—

	Rupees.
Council Bills from 1862 to 1872 (both inclusive)	71,61,56,776
Council bills from 1870 to 1883 (both inclusive)	175,40,45,677
Annual average of former period	6,51,05,160
Annual average of latter period	15,94,53,491
Net Imports of Treasure during corresponding periods —	
	Rx.
1862 to 1872	159,660,000
1873 to 1883	82,190,000
Annual average of former period	£14,510,000
Annual average of latter period	47,460,000

As it is only silver that affects currency and trade finance in India, the gold included in the total of Net Imports of Treasure does not count in this particular comparison, which is therefore all the more striking. It will be seen from the above that, whereas during the earlier of these periods the imports into India of bullion and specie were nearly twice the amount of such imports in the latter period, while as to Council Bills there were in the latter period two and a half times the amount in the previous eleven years, thus affording a clear demonstration that the Secretary of State's demands (i.e., Bills on the Indian Treasuries) supersede *pro tanto* bullion imports into India. The

silver taken by India in the former period amounted to close on Rx 160,000,000, and in the latter to barely 80,000,000; so that it is a matter of surprise that prices in India did not go down in presence of such greatly diminished supplies of the standard metal, whilst internal trade was extending with increased railway communication, and the growth of population.

That prices had not gone down so much as the diminished supply of silver would imply is partly accounted for by two circumstances: (a) The coinage of silver in India appears to have exceeded by five or six millions (Rx) the total net imports of the white metal during the later eleven years in evidence thereby indicating that the excess had been drawn from silver previously in India; and (b) the increase on the note circulation in the same period of about (Rx) five millions.

Incidentally, it may be remarked that we have here a practical illustration of the axiom as to the direct relations between prices and the volume of currency.

No. 30.

MEMORANDUM ON DISCOUNT RATES IN INDIA by MR. J A ANDERSON and MR. H. M. BOSS.

Calcutta, 1st June, 1898.

The accompanying tables and diagram admit of easier explanation if we roughly separate into three great divisions such money in India as directly affects the rates of discount. This money may be classified as follows:—

- Division 1.—That employed in Native banking and commerce.
- .. 2.—That employed in European banking and commerce, including the deposits of Government with the Presidency Banks.
- .. 3.—Coin in the Government Treasuries.

On reference to Table A it will be seen that the rates of discount that have prevailed in Division 1 compare advantageously with those obtainable under Division 2. For the period over which the comparison extends small native traders were able to discount their paper on better terms than were given by the Presidency Banks to European firms of the highest standing, even on the security of Government paper. This remarkable divergence would seem to show that there is ground for the contention that the existing monetary scarcity is a scarcity felt more by European than by native trade, and that it is attributable to the fact that the Exchange Banks and their constituents have remitted home most of their capital owing to want of confidence in the future of the rupee, a sentiment which, of course, does not extend to the native banker. The money of Division 1 is not available for remittance homewards and does not affect the rate of exchange.

For the above reason Division 1 finds no place in the diagram, which purports to show the alternating effects upon the bank rate of Divisions 2 and 3. In this diagram the weekly statements of the three Presidency Banks are taken as practically showing the position of Division 2, since the balances, both of the Exchange Banks and of European traders, are, directly or indirectly, lodged with them. There is a small discrepancy between Division 2 and Division 3 and their corresponding bank balances and Treasury balances shown in the diagram. Division 2 includes the Government deposits with the Presidency Banks, because they are available for the purpose of commercial finance; but, in the diagram, these Government deposits are included in the Treasury balances to better illustrate the power which the Government has of controlling the money market. The amount of these Government deposits is shown by Table B to remain fairly constant at about three crores of rupees, hence the discrepancy between the divisions and the diagram does not materially weaken the argument that the Government really controls the Indian money market. Should it withdraw these three crores, with which, it would appear, the banks finance their customers, they would have to be replaced by importations of gold by the Exchange Banks. The deposits of Government with the Presidency Banks are not available for

remittance home, but they affect exchange by being employed in India, and so force away other loanable capital when discounts are low.

The amount of coin in the Government Treasuries (Division 3) rises and falls as taxes are collected and Imperial disbursements made. Such rise or fall is reflected in an *inverse* movement of Division 2. After the closure of the Mints the regularity of these movements was for long interfered with by

(a) The expenditure of the 11 crores of rupees locked up by the suspension of Council Bill Sales in 1893.

(b) The release of two crores from the Paper Currency Reserve at the close of 1896.

Since the completion of the last of these "watering" operations, however, it has been possible to note with greater accuracy the reflective movements of Divisions 2 and 3. As will be seen from the diagram, discounts rise and fall *directly* with the amount of coin in the Government Treasuries and *inversely* as the amount of money in the Presidency Banks. In other words, the Government Treasuries alternately absorb and release the loanable capital of Division 2.

Table C shows similar, though more varying, effects over a period of four years, as also the coincident rates of exchange. When the private deposits in the Presidency Banks fall below two crores, we see discounts rising to 10 per cent. when the private deposits advance to 4 crores, we see discounts falling to three per cent. or four per cent. These figures appear to show that a currency scheme which can affect directly and immediately these deposits (or in other words the amount of loanable capital at the service of the Presidency Banks) will offer the readiest and cheapest means of controlling the rates of discount and also of exchange, since the tendency of dear money is to raise exchange, and of cheap money to lower it. But as the Government deposits with the Presidency Banks are not remittable, the scheme only requires to provide for the movement of the remaining European loanable capital. As apparently this has not exceeded 4 crores in the past two years, a very moderate amount of gold should suffice.

On the other hand, from the fact that the native money market (Division 1) has not betrayed the extreme stringency which has characterised the European one (Division 2), it may be held that the scheme which is adopted should as far as possible guard against the danger of gold passing into the internal circulation, since the extent to which the silver money of Division 1 would be exchanged for gold coins is quite unknown, and cannot be measured by the very small depletion which, in the case of Division 2, suffices to produce stringency. If, then, this danger is to be avoided, the necessary control would be as effectively, and more cheaply, obtained by a scheme which substituted sterling drafts or gold bars for exportation for the issue of gold coins for internal circulation.

The fact that in the busy seasons of the past two years, all capital, both native and European, has been fully employed at good rates of discount, shows that there is no longer any appreciable surplus coinage in the country above its normal requirements; that even in the dull season the unemployed capital of Division 2 is small and can be easily dealt with, and that the necessity for melting down rupees, which would have been advantageous when the Mints were first closed, has now entirely disappeared. The trade of the country now requires more money rather than less, and it may fairly be argued from the foregoing that the melting down of rupees would only be a perpetuation of the policy which has induced the present stringency. Moreover, the scheme submitted by Government (which does not propose to substitute at first a circulation of gold coins for the rupees melted down) will reproduce the worst defect of the present system of currency, *viz.*—a fixed maximum without a fixed minimum for the convertibility of the rupee. This defective feature of the present scheme has brought about certain methods of business based upon what may be termed "the evasion of the maximum." In other words, the fixing of 1s 4d. as the convertible rate of the rupee in India, and of 1s 4½d. as the convertible rate against deposits of gold in England, amounts to a firm offer of rupees to all comers for all time at these rates. It is therefore clear that every banker or merchant, having

such firm offer to fall back on, will exercise all his ingenuity to obtain his rupee requirements on better terms, and will only close with the Government's offer when all other means have failed him. This is the secret of the failure of the repeated attempts of the Secretary of State to fix a minimum for his Council Bills, for it is to be understood that the minimum of the Secretary of State is the maximum of the banker or merchant, and, as such, is evaded as long as possible. Each time that Exchange approaches this maximum, the export merchant ceases to sell bills, since he cannot sell them on worse terms, and may, by waiting, sell them on better, while the importer hastens to buy sterling in excess of his requirements, because he cannot lose, and may gain, by so doing. During the last two years exchange has again and again approached this maximum, only to recede almost immediately, from the effect of mercantile and banking operations such as are here described.

To remove this defect, the scheme which is adopted should provide a minimum remittance rate to all comers. The liability, as shown by the diagram, is small, seeing that the depletion of Division 2 by even so small a sum as two to three crores has an effect on discounts, which will speedily secure the return of the rupees to the circulation. It must, however, be urged that if the present monetary stringency is to be alleviated, the margin separating the maximum and minimum rates of convertibility should be a comparatively small one. Thus, if the margin be two per cent. as suggested in the Lindsay scheme, it should always be possible for the banks to obtain funds from England at two per cent. over the Bank of England rate, and consequently this margin would represent the extent of any monetary stringency in the Indian money market. Any scheme, however, which widens the margin between the maximum and minimum of convertibility, will tend to perpetuate the era of dear money in India. But a scheme like that proposed by the Government of India will neither beget confidence nor induce monetary ease, since its primary object is not convertibility assured by the Government, but a continuance of the policy of contraction, which has led to commercial difficulties, and has entirely failed to beget that spirit of confidence which, as Sir David Barbour pointed out in his Minute of 11st June, 1892, is essential to the success of the reform.

In conclusion, a word may be said with reference to the fears expressed as to the probable disturbance of the London money market owing to a large demand for gold by India. Table C shows that at the beginning of 1894 (with the Treasury balances swollen by the cessation of Council Bill sales) the monetary position was much the same as now. Financial ease was induced in the interval by the release of 13 crores of rupees [representing unsold Council Bills and the lowering of the metallic reserve of the paper currency department], all of which have been absorbed by the country's requirements. The drain upon the European stock of gold, therefore, would not be of large extent if a fresh supply of 13 crores of currency in the space of four years has almost sufficed for the needs of India.

J. A. ANDERSON.
H. M. BOSS.

TABLE A.

Comparing Rates of Discount charged by Native Bankers with Bank of Bengal Rates.

Native Bankers have no fixed rate of discount but each transaction is a separate bargain, the charge varying with the standing of the drawers and endorsers and with the conditions of business. If things are going smoothly, small men get almost as good terms as wealthy ones, whilst threatenings of trouble cause a wide gap between the two. The usual accommodation is by Hoondees of 51 days' date, with two names. Hajarimal Sagarmal's business consists in discounting these Bills, whilst Mugnaram Kumal devotes his attention to making advances on shares and Government paper, &c., though to some extent also discounting Hoondees. Their rates may be taken as typical of the value of money amongst the native community in the past 18 months.

				TABLE B.		
				Comparative Statement showing the amount of Government money as compared with private money in the three Presidency Banks as per the banks' statements on the following dates in 1898.—		
—	Hajarnal Sagarwal's Rates	Muguram Kumbhal's Rates	Bank of Bengal Rates	—	Private.	Government
1897						
10 to 15 January	6½ @ 9%	7½ @ 8½%	10%	4th January	Crores. 1·25	Crores. 3·05
15 „ 31 „	7 „ 4½					
1 „ 14 February	5 „ 5½	7½ „ 9	10	11th „	1·29	2·68
March	6½ „ 9	7 „ 8	10	18th „	1·75	2·72
1 „ 15 April	6½ „ 7½	6½ „ 7½	10	25th „	1·63	1·63
16 „ 30 „	7½ „ 8					
1 „ 15 May	7½	7½ „ 9	10	1st February	1·70	2·72
6 „ 31 „	7 „ 5½	6½ „ 7½				
June	6 „ 4½	5 „ 6	8	8th „	1·18	2·82
1 „ 15 July	2½ „ 3½	4 „ 5	5	15th „	1·19	2·96
16 „ 31 „	2½ „ 2½	3 „ 4				
August	2½ „ 2½	2½ „ 3	5	22nd „	·65	2·55
September	2½ „ 2½	3 „ 4½	6	1st March	·81	2·80
October	3½ „ 3½	3½ „ 4½	7	8th „	·46	2·95
November	3½ „ 3½	3½ „ 4½	5	15th „	·93	2·18
December	2½ „ 3	2½ „ 3½	9	22nd „	·70	2·04
after 25th	—	6 „ 7½				
1898.						
1 to 15 January	9 @ 10½%	8 @ 9 & 10	11	5th April	18	2·56
16 „ 31 „	9½ „ 10½					
February	9½ „ 10½	9 „ 12%	12%	12th „	— 13 (minus)	3·51
March	8½ „ 9	8 „ 10	12	19th „	+·51	3·24
April	9 „ 10	7 „ 8½	11	23th „	·98	3·45
1 „ 15 May	8 „ 9½	8 „ 9	11	3rd May	1·07	3·53
15 „ 30 „	6 „ 7	6 „ 7	11			

These rates have also been compared with those shown in the books of Juggonath Gordundas, another Hoondie discounteur. His rates are practically the same as shown above, except in July—August 1897, when he was charging his customers about 1 per cent higher than the rates given above.

From this it will be noted that Government money forms a large part of the loanable capital in the busy season. Without it in the past five months it would have been necessary to import gold largely to carry on the trade of the country.

TABLE C.

(1) Refers to balances in the Treasury, and (2) to private money in the Presidency Banks in crores of rupees.
 (1) The Treasury balance includes the reserve balance and cash and notes of the public deposits with the Presidency Banks (2) Amount in the hands of the Presidency Banks consists of the cash and notes after deducting the said public deposits. Position at end of each month —

—	1894.				1895.				1896.				1897.				1898.				—	
	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.	Crores.	Total Crores.	Ex.	Disct.		
January	{(1) (2)	23 80 1 72	= 25 52	s. d. 1 2½	% 6	20 77 2 59	= 23 36	s. d. 1 0½	% 5	13 90 3 82	= 17 22	s. d. 1 2½	% 5	11 95 2 42	= 14 37	s. d. 1 3½	% 10	12 90 1 70	= 14 60	s. d. 1 3½	% 11	January.
February	{(1) (2)	25 01 1 68	= 26 69	1 1½	10	20 94 2 02	= 22 96	1 0½	7	14 70 0 73	= 15 43	1 2½	7	11 87 2 25	= 14 12	1 3½	10	14 15 0 81	= 14 96	1 3½	12	February.
March	{(1) (2)	25 54 0 92	= 26 46	1 1½	9	22 51 1 53	= 24 04	1 1½	5	16 45 0 68	= 17 13	1 2½	7	13 81 1 14	= 14 95	1 3½	10	15 97 0 21	= 16 18	1 3½	12	March.
April	{(1) (2)	24 47 0 94	= 25 41	1 1½	9	20 46 1 38	= 21 84	1 1½	5	15 05 1 18	= 16 23	1 2½	6	12 40 1 24	= 13 64	1 2½	10	18 70 0 98	= 14 68	1 4	11	April.
May	{(1) (2)	23 28 3 04	= 26 32	1 0½	7	20 00 1 46	= 21 46	1 1½	5	14 92 1 69	= 16 61	1 1½	4	11 80 0 90	= 12 70	1 2½	10	—	—	—	—	May.
June	{(1) (2)	25 01 2 12	= 27 13	1 1	5	21 20 3 04	= 24 24	1 1½	5	14 53 4 07	= 18 60	1 2½	8	11 15 1 15	= 12 30	1 2½	8	—	—	—	—	June
July	{(1) (2)	23 58 3 45	= 27 03	1 0½	4	19 18 5 32	= 24 45	1 1½	3	15 82 4 80	= 20 42	1 2½	3	9 22 4 72	= 13 94	1 3½	5	—	—	—	—	July
August	{(1) (2)	22 13 4 31	= 26 44	1 1½	4	16 80 6 54	= 23 34	1 1½	3	14 20 4 21	= 18 41	1 2½	3	8 50 4 28	= 12 78	1 3½	5	—	—	—	—	August
September	{(1) (2)	19 91 5 31	= 25 22	1 1½	3	13 75 6 78	= 20 53	1 1½	3	12 57 3 76	= 16 33	1 2½	5	7 60 4 15	= 11 75	1 3½	6	—	—	—	—	September.
October	{(1) (2)	17 80 7 68	= 25 48	1 1½	3	11 27 7 73	= 19 00	1 1½	3	9 80 2 31	= 12 11	1 2½	7	8 09 2 98	= 11 07	1 3½	7	—	—	—	—	October.
November	{(1) (2)	16 83 7 47	= 24 30	1 1½	3	10 77 6 14	= 16 91	1 1½	5	7 50 3 20	= 10 70	1 3½	8	8 07 3 61	= 11 68	1 3½	5	—	—	—	—	November.
December	{(1) (2)	17 10 5 44	= 22 54	1 0½	3	10 66 5 23	= 15 89	1 2½	5	9 63 3 43	= 13 06	1 3½	10	9 97 1 49	= 11 46	1 3½	9	—	—	—	—	December
		Average Exchange - 13 837d.				18 246d.				14 418d.				15 234d.								
		Average Discount - 5½ %.				4½ %.				5½ %.				7½ %.								

Papers relating to India.

Calcutta, 12th May 1898.

No. 31.

LETTER ON BANK RATE AND BAZAAR RATE IN INDIA by
Mr. JAMES H. SLEIGH, Secretary and Treasurer
of the Bank of Bombay.

Reprinted from the "Times of India," 17th November,
1898.

To the Editor of "Capital," Calcutta.

SIR, Bombay, 12th November, 1898
YOUR correspondent "Mercator," in his letter from Folkestone, dated 30th September last, reviewing some of the evidence given before the Currency Committee in London, does the Honourable Mr. Allan Arthur serious injustice in his criticism of the reply Mr. Arthur gave to Sir Henry Fowler's question No. 1735.

The question and answer ran as follows. "Now there is another point you have told us about—the high bank rate. Has that rate been as high as the discount in the bazaar?—No, my experience is that the rate of discount in the Calcutta bazaar has not been so high as the Bank rate. During the recent period of stringency I know I had some bills to discount, and I went and asked the rates for discounting them, and I was quoted in the bazaar 8 per cent. I was quoted by the Bank of Bengal 13 per cent. I did not discount the bills, but those are the quotations that were given to me."

"Mercator" writes. "One can hardly understand a British merchant uttering such arrant nonsense. Why did not Mr. Arthur take bazaar money at 8 per cent., and lend it out at once at a handsome profit on undoubted security, which he could certainly have done, and conferred a benefit upon some of his brother merchants, who had great difficulty in getting money at any price? I have had 15 years' experience of intimate relations with all the native bankers in the Calcutta bazaar, and can confidently assert that with a tight money market the Marwari banker will not underbid the Bank of Bengal, for the very good reason that all his agencies up-country are taking money from the Bank of Bengal at full current rates. The Marwari, however, will, when discount rates are on the decline, lower his rates more rapidly than the Bank, but these forward rates, never exceeding 2 per cent. under Bank rates, are only for his own community, the Marwari trader and banker, and not for the outsider, whether native or European. Mr. Arthur appears to be a very gullible person."

My experience, now extending over a period of 30 years, in the closest contact with the Indian money market, both in native and European circles, entirely corroborates the statement which "Mercator" so vehemently denounces. Surely no one doubts the veracity of Mr. Arthur's statement, and that one instance of actual experience is worth more than the theoretic deductions of a thousand Mercators!

During the last export season, Shroffs' 60 days' sight bills were not obtainable over 8 per cent. discount except to a very limited extent at some of the produce marts up-country where there might be difficulty in laying down money. This was the rate then ruling in the native bazaar both in Bombay and Calcutta, and that, too, while the Exchange Banks were greedy to receive fixed deposits for short periods at 9, 10, and even 11 per cent. per annum, and while the Presidency Banks were straining to meet the demands for loans at 12 and 13 per cent. per annum. But there is no singularity in these facts. The same peculiarity has shown itself over and over again during periods of financial pressure; and even at the present moment, while money is not by any means tight, there exists a difference of about 2 per cent. between the bazaar and the Presidency Bank's rates. I have ever found that when the official rate rose abnormally high the rate in the native market did not respond to the full extent, but generally stopped at 7 or 8 per cent., though the Presidency Bank's rate might rise to 10 or 12 per cent.

The explanation is simple! The Shroffs, who finance nearly the whole of the internal trade of India, rarely, if ever, discount European Paper and never purchase Foreign or Sterling bills. Neither do they lend money in Government Paper or similar securities, but confine their advances to the discount of *hondrees*, to loans to cultivators, and against gold and silver bullion. The *hondrees* they purchase are for the most part these of traders, small and large, at rates of discount ranging from 9 to 25 per cent. per annum, but the *hondrees* they buy from and sell to each other, which are chiefly the

traders' *hondrees* bearing the Shroff's own endorsements, rule the rates in the native bazaar, and are generally negotiated, during the busy season, at from 5 to 8 per cent. discount. They also discount their endorsements pretty largely with the Presidency Banks when rates are low and discontinue doing so when they rise above 6 per cent. They also speculate largely at times in Government Paper, especially during the off season, but rarely or ever hold it or lend on it.

Their aggregate financial resources are very great, which, with their high credit and the elasticity of their system, enables them in times of severe stringency not only to continue but to increase their support to the internal trade of the whole country without the assistance of the Banks or experiencing any necessity to materially raise their rates of interest. They possess great facilities, too, for laying down funds in the Presidency towns by calling for remittances from their numerous agencies established in every Exchange centre in India, and are able to do so at rates much more favourable than at the same time obtain in Calcutta, Bombay, and Madras.

These are facts, and cannot, therefore, be disputed, so far as all events as their absolute truth is concerned. Hence the peculiarity of differential rates of interest and discount in India, and had "Mercator" taken the trouble to make proper inquiry he would have found it an easy task to discover the why and the wherefore.

"Mercator's" deductions would unquestionably hold good when applied to most of the Bourses of Europe, but Bombay and Calcutta are not in Europe! The Indian money markets possess very distinctive features and will probably retain them for many a year to come!

Mr. Allan Arthur, I know, is too shrewd and able a man of business to be ever likely to talk "arrant nonsense," or to say what is calculated to mislead.

Yours, &c.,

JAS. H. SLEIGH.

No. 32.

LETTER FROM COMMANDER HASTINGS BERKELEY, R.N.,
ON THE FOREIGN TRADE OF INDIA AND A LOW RATE OF
EXCHANGE.

The Rookery, Headington, Oxford,

1st November 1898

SIR,

I VENTURE, with much diffidence and in the briefest possible manner, to draw attention to certain fallacies of reasoning which appear to underlie the opinion that a low rate of exchange is a permanent stimulus to the foreign trade of India.

This view was brought very prominently before the Committee by several witnesses, and if there is any truth in it, its importance as a factor in fixing a par of exchange can hardly be exaggerated.

The gist of the argument, in a few words, appears to be as follows—Under a low rate of exchange the seller of Indian goods receives for them a larger number of rupees than he does under a high rate. The increase of profit consequent upon this is cut out of the hands of the merchant, and of the middlemen generally, by the operation of the close competition which exists between them, and it therefore eventually finds its way into the hands of the cultivator, enabling him to extend his cultivation, and in turn to buy import goods more largely. Thus both the import and export trades are stimulated. (See Mr. S. Eall's evidence, especially 3951. Also Sir F. F. Adam's, 7807.)

Sir D. Barbour pointed out (794) the difficulty of explaining how a fall in exchange can permanently stimulate the international trade between two countries, since, if we consider the exchange in terms of both currencies, that which is a fall from one point of view is a rise from the other. Sir F. F. Adam admitted that "it is more or less of a conundrum that has to be answered in this case from the Indian point of view" (794). This, of course, is merely a restatement of the conundrum.

It will, I think, be found that the argument gradually crumbles away if, instead of assuming as a matter of course, that under a low rate of exchange the seller of Indian goods necessarily gets a larger number of rupees than he did under a high rate, we begin by questioning the validity of this assumption. It then becomes tolerably obvious that this assumption is valid or not, according to the character of the economical facts of which the fall in exchange is merely the exponent.

For what, after all, is the essential character of a rate of exchange between two currencies? Broadly

considered, it is simply an expression for the relative general purchasing powers of the two rated coins. Hence, if we exclude temporary fluctuations, any gradual and continued change in the rate is evidence of a change, and quantitative evidence of a change, in this relation of the two purchasing powers, but we must be particularly careful not to start any theory which includes the unexamined presumption that one or either of the rated coins has maintained unchanged its purchasing power, while that of the other has altered. Commonly, no doubt, a change in the purchasing power of both will be involved. For the purpose of illustration it will be sufficient to take two definite simple sets of conditions accompanying a fall in the Indian exchange. as (a) where this fall indicates or measures a fall in general purchasing power of the rupee, the purchasing power of the pound sterling remaining constant, and (b) where it measures a rise in the purchasing power of the pound, the purchasing power of the rupee remaining constant.

In case (a) it is quite clear that the same quantity and quality of Indian produce will command more rupees, but the argument that there is a greater profit on its sale is a *non sequitur*, since, whatever is gained in number of rupees is lost in their individual value, *i.e.*, in purchasing power. In case (b) where the purchasing power of the rupee has not altered, there can be no more rupees obtained than before, but the pound sterling will buy more than it formerly did. Thus in neither case is there, on a *pari passu* grounds, any logical validity in the view that a fall in exchange is in itself a source of increased profit to the Indian producer. It may, nevertheless, be necessary to modify this conclusion if we consider the matter in relation to the fixed charges borne by the Indian producer. We come here upon the apparently interminable controversy as to whether a fall in exchange is or is not in the nature of a bounty on Indian exports. It seems to be recognised that a fall in exchange cannot act as a permanent bounty, but while it is contended by some that such a fall acts at least as a temporary bounty, this is denied by others. The preceding considerations will show, I believe, that neither view is strictly correct. There is in each an element of truth, and this is probably the reason that agreement is difficult.

The mere fact of a fall in exchange, apart from any knowledge of the economical conditions which have brought it about, does not enable us to form a judgment. In order to form such judgment it is necessary to know whether the fall in exchange is due wholly or partly to a fall in the general purchasing power of the rupee. If so, then, the fixed charges borne by the producer remaining the same in rupees but being less in produce, there would be a *quasi* bounty; but if the fall in exchange is due entirely to an enhanced purchasing power of gold, the alleged bounty is mythical.

I am, Sir,

Your obedient Servant,
HASTINGS BERRILEY.

The Right Hon the Chairman,
Indian Currency Committee.

No. 33.

MEMORANDUM by JOY GOVIND LAW, C.I.E., Member of the Legislative Council of the Governor-General of India, dated CALCUTTA, 27th August 1898.

I see the question has been raised as to the effect of Government currency measures on prices of Indian produce. It is a most difficult question. There are so many facts and circumstances which combine to govern prices, that it is almost impossible to predicate with any amount of certainty, of any particular variation in prices, that that was the result of the closure of the mints. It is conceivable that a sudden rise in exchange would have the effect of suspending for the moment purchases for European countries, but very soon things adjust themselves to the altered conditions, and either there is a fall in prices in the producing country, or a rise in the purchasing country; or, what is more usually the case, the difference is split and shared between the two. But, so far as my knowledge goes, there has been no permanent fall in the prices of Bengal exports owing to the contraction of the currency; nor is there any reason to suppose that trade has been crippled because of it, and there are no indications of such a catastrophe. The Bengal producer, merchant or exporter, goes about his work without the slightest suspicion that the closing of the mints has had anything to do with fluctuations in

prices, which, when they do occur, are rightly ascribed to the ordinary causes, demand and supply.

Much has been made of the losses which the poorer classes of the people have been put to, because of the appreciation of the rupee, in connection with the silver ornaments they were possessed of before 1893, but I have never heard of any serious or widespread complaints on this head; and, whatever their losses may have been at the commencement, it is undeniable they were not in operation since, and as they (the people) have been during the last few years in a position to secure a greater quantity of silver bullion for a given number of rupees than they ever were before, no doubt this has been a source of pleasure and enjoyment to them.

The greatest amount of opposition to the legislation of 1893 comes, it is true, from that important body, the European planters, but it appears to me there is a certain amount of misapprehension in regard to the effects of that legislation. They evidently seem to be under the impression that were it not for that measure they would be making immense profits on their productions. But does any one suppose that any permanent benefit would have accrued to them had exchange rates been lower than they have been? There is such a thing as competition, and competition would very soon have put an end to the extraordinary profits they imagine they could have secured. On the other hand, I cannot believe that the appreciated rupee has been of no advantage to them. Have they not to procure their machinery and stores from Europe? Would they not have to lay out a greater number of rupees to pay for them, had exchange dropped to 10s., and have not some of them to remit their profits to England?

It must be admitted that the appreciation of the rupee affords a strong temptation to illicit coinage, but I do not see that this is an insuperable difficulty. Currency notes have no intrinsic value, and the Indian Government have not found it impossible to detect and check forgeries.

In what I have said I am far from suggesting that there are no inconveniences or difficulties attachable to a currency with an artificial value. I believe there are several inconveniences and difficulties, but the question appears to me one of a balance of advantages, and considering the fact that no one is able to say with any amount of confidence how low silver might fall, closed mints were a necessity forced upon us by circumstances over which we had no control. I do not know whether those who are advocating free coinage of silver fully appreciate the consequences. It is said that some of the best mines could produce silver costing 5d. per rupee. Imagine, then, what our position would be if anything approaching this were realised. It would mean disaster and ruin to the Indian Government and people, and the total stoppage of all works of improvement. Some people say, put on additional taxes, but, as everyone knows, there is not much room for them. To tax the country further to any appreciable extent would be sure to cause serious discontent and suffering, and the Government, instead of being a blessing, would be universally execrated, and this is a danger which must be avoided at all hazards. It would be a clear advantage to the country if a gold standard could be introduced to clench the measures already in operation.

Since the preceding remarks were written I learn from telegrams in the newspapers that some of the witnesses before the Currency Committee, who are advocates of the free coinage of silver, have made certain proposals to meet it, and amongst them I find they suggest the raising of the customs duties to 10 per cent, the doubling of the salt or income tax, the increasing of the railway rates, and export duty on jute. It appears to me that the advocates of these measures hardly realise how poor the people are. A tax on salt at five rupees a maund would almost put it out of the power of the poorer classes to buy this necessary of life, and would certainly lead to widespread discontent, and a big income tax would produce the same result amongst the taxable classes. A 10 per cent. duty on imports would mean that the people must considerably restrict themselves in the matter of clothing, which, as everybody knows, is scanty enough already. It must be noted that it is not the 10 per cent. duty alone that would produce this result. The serious drop in the exchange rates consequent on free mints must also be taken into consideration. It will perhaps be admitted that any large increase in railway rates would lead to a considerable curtailment of the passenger traffic, and to a certain extent of goods also. But, irrespective of other considerations, it seems that

in making their proposals the witnesses I have referred to lose sight of the economic objections to them. Their object is, no doubt, to foster the trade of the country, which they allege is being injuriously interfered with by currency measures, but I am unable to see how the trade of a country is likely to be fostered by burdening it with heavy imposts.

No 34.

LETTER FROM MR DORABEE PESTONABE CAMA.

3, Great Winchester Street,
London, E.C., 10th November 1898.

DEAR SIR,
REGARD I am not in a state to attend Indian Currency Committee meeting as requested by you of yesterday's date. I enclose a copy of a letter that I wrote to the Chamber of Commerce on 3rd October 1892. I am still of the same opinion as therein stated, and, if you wish, you can put it before the Committee.

I remain, Dear Sir,
Yours faithfully,
Robert Chalmers, Esq. D. P. CAMA.

Copy of letter enclosed with above.

To THE SECRETARY of the CHAMBER of COMMERCE.

DEAR SIR,
In reply to our Chairman's letter of 29th September, re silver question, my humble opinion is that that question will not be settled, until all the leading governments agree to select a certain metal to buy and sell, if they do not come to any arrangement, then the silver-using countries will continue to prosper by exporting their produce, and, as far as possible, manufacture what they import, which means ruin to the industry of gold currency country. When silver is at 39d and rupee at 1s. 3d., wheat sells at 30s. If India were to make the gold currency, a rupee ought to be 2s (I have seen the exchange at 2s. 3d.) and when the exchange be at par, then India will not be able to sell wheat under 48s. If India keeps silver currency, silver by degrees will knock down the rupee, and I should not be surprised to see a rupee equal to a penny, in which case India can sell wheat at 2s., instead of now selling it at 30s. Although, in fact, I am personally a sufferer, owing to depreciation of the rupee, I wish the Indian Government would not introduce gold currency in India, for the welfare of the country.

Yours faithfully,
D. P. CAMA.

No. 35.

LETTER FROM MESSRS RALLI BROTHERS, forwarding Statistics mainly relating to the COTTON TRADE (with Diagram)

25, Finsbury Circus, London, E.C.,

11th November 1898

DEAR SIR,
I AM in receipt of the letter which you have written to me under date of 9th November on behalf of the Right Hon. Sir Henry H. Fowler, Chairman of the Indian Currency Committee, asking me whether I desire to be recalled as a witness to supplement the evidence given by me on 11th July last.

Having read the evidence of Mr. J. E. O'Connor, page 53 of the Minutes of Evidence taken before your Committee, No. 1416, I wrote to our Manchester firm, Messrs Ralli Brothers, to prepare, if they can do so, a statement giving the official exports from the United Kingdom to India, of cotton goods for each year beginning 1873 and ending 1897. This work has taken a good deal of time. Some statements and charts were sent to me some time ago by our said firm, and I asked them to have them submitted to Mr W. H. Holland, Sir Forbes Adam, and Mr. Barclay, Sir John Muir's agent in Manchester. I afterwards wrote to our Manchester firm to have copies of these statements and charts forwarded to Sir John Muir in Glasgow, and to my friend Mr. Robert Campbell, General Manager of the National Bank of India, with whom I had some conversations respecting them. I have since asked our Manchester firm to give us, if possible, the amount of production of the Bombay cotton mills in 1873 and 1897, which is a very important feature, and after ascertaining this, to send to the chairman and members of the Committee and to yourself copies of these statements and charts with the above additional information.

On receipt yesterday of your letter under date of 9th November, I sent copy of same to our Manchester firm, asking them if they have not yet been able to get the information about the production of the Bombay cotton mills, to send to you 12 copies of the above-mentioned documents and charts, and not to wait any longer.

As regards my giving further evidence, the most important point is the above. There are also other points on which I could give evidence, but they are of secondary importance and will not affect the main issue, and from the reading of the blue book some of them have been already answered by other witnesses, and I have no doubt some others will be answered by the new witnesses which will be examined. Therefore while thanking the chairman and the members of the Committee for the opportunity given to me, I shall not avail myself of their kindness, and I shall not take up more of the Committee's valuable time.

Believe me, &c.
S. A. RALLI.

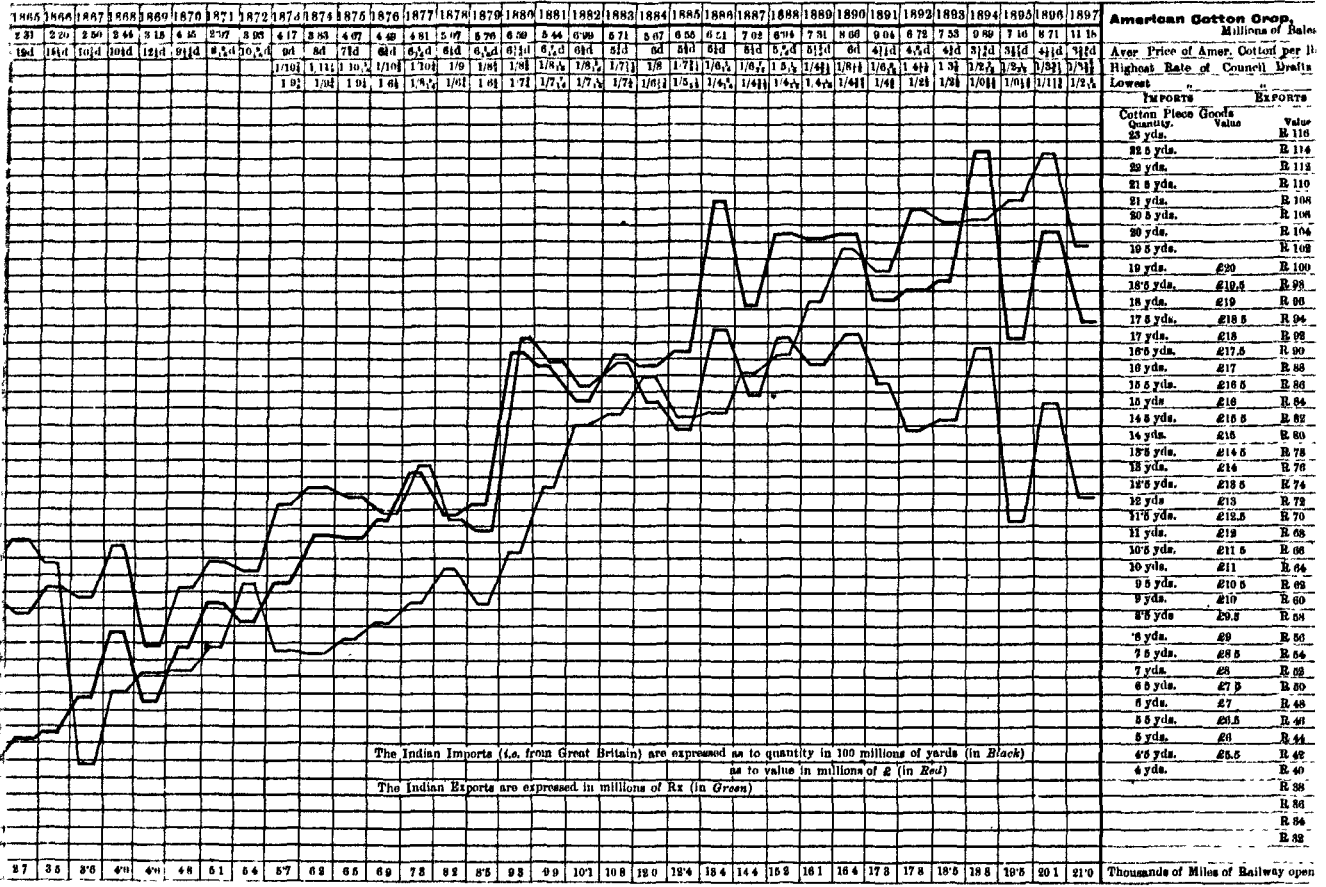
Robert Chalmers, Esq.,
Secretary Indian Currency Committee,
India Office, Whitehall, S.W.

STATEMENTS, &c referred to in the foregoing LETTER.

(A)

EXPORTS OF COTTON PIECE GOODS TO INDIA		
Year	Quantities	Value
	Yards	£
1858 - - -	728,571,215	8,414,684
1859 - - -	886,604,546	10,879,575
1860 - - -	722,825,446	9,078,637
1861 - - -	735,549,267	9,100,244
1862 - - -	463,502,615	7,178,514
Average - -	537,156,089	44,651,653
	707,491,218	8,930,331
1863 - - -	508,041,429	10,537,724
1864 - - -	439,258,572	10,279,078
1865 - - -	503,780,170	9,809,925
1866 - - -	545,404,082	10,628,116
1867 - - -	645,865,222	10,414,107
Average - -	2,642,407,475	51,668,950
	529,481,495	10,333,790
1868 - - -	843,268,498	11,915,764
1869 - - -	626,390,516	8,942,660
1870 - - -	784,927,800	10,700,638
1871 - - -	920,069,767	11,473,025
1872 - - -	861,247,485	11,229,970
Average - -	4,035,904,086	54,261,657
	807,180,817	10,852,331
1873 - - -	989,954,098	13,007,489
1874 - - -	1,119,338,370	15,579,724
1875 - - -	1,114,628,810	13,392,516
1876 - - -	1,166,230,821	12,738,498
1877 - - -	1,304,935,496	14,261,397
Average - -	5,665,085,595	66,999,623
	1,189,017,119	13,999,925
1878 - - -	1,189,059,900	12,825,204
1879 - - -	1,205,563,900	12,421,110
1880 - - -	1,670,310,900	18,042,608
1881 - - -	1,639,741,500	17,480,229
1882 - - -	1,521,970,700	16,689,450
Average - -	7,226,648,900	77,458,601
	1,445,329,780	15,491,720
1883 - - -	1,653,073,000	17,475,244
1884 - - -	1,642,731,800	16,119,230
1885 - - -	1,664,636,600	15,477,366
1886 - - -	2,118,838,400	18,487,449
1887 - - -	1,811,964,500	16,456,430
Average - -	8,891,244,300	84,015,719
	1,778,248,860	16,803,144
1888 - - -	2,035,138,900	18,231,349
1889 - - -	2,001,153,400	17,999,475
1890 - - -	2,921,025,500	18,281,264
1891 - - -	1,846,391,900	16,738,655
1892 - - -	1,850,872,900	15,302,558
Average - -	9,744,584,900	85,953,280
	1,948,916,980	17,190,656

(F.)
LI BROTHERS' COMPARATIVE TABLE OF INDIAN EXPORTS & IMPORTS, &c.



The Indian Imports (i.e. from Great Britain) are expressed as to quantity in 100 millions of yards (in Black)
 as to value in millions of £ (in Red)
 The Indian Exports are expressed in millions of Rs (in Green)

American Cotton Crop,		Exports		Imports	
Millions of Bales		Quantity	Value	Quantity	Value
1865	1.9	25 yds.	Rs 116	100 yds.	Rs 100
1866	2.0	25 yds.	Rs 116	100 yds.	Rs 100
1867	2.5	25 yds.	Rs 116	100 yds.	Rs 100
1868	3.4	25 yds.	Rs 116	100 yds.	Rs 100
1869	3.15	25 yds.	Rs 116	100 yds.	Rs 100
1870	4.3	25 yds.	Rs 116	100 yds.	Rs 100
1871	3.7	25 yds.	Rs 116	100 yds.	Rs 100
1872	3.05	25 yds.	Rs 116	100 yds.	Rs 100
1873	4.17	25 yds.	Rs 116	100 yds.	Rs 100
1874	3.33	25 yds.	Rs 116	100 yds.	Rs 100
1875	4.07	25 yds.	Rs 116	100 yds.	Rs 100
1876	4.20	25 yds.	Rs 116	100 yds.	Rs 100
1877	4.81	25 yds.	Rs 116	100 yds.	Rs 100
1878	5.07	25 yds.	Rs 116	100 yds.	Rs 100
1879	6.20	25 yds.	Rs 116	100 yds.	Rs 100
1880	5.44	25 yds.	Rs 116	100 yds.	Rs 100
1881	5.99	25 yds.	Rs 116	100 yds.	Rs 100
1882	6.71	25 yds.	Rs 116	100 yds.	Rs 100
1883	6.57	25 yds.	Rs 116	100 yds.	Rs 100
1884	6.55	25 yds.	Rs 116	100 yds.	Rs 100
1885	6.21	25 yds.	Rs 116	100 yds.	Rs 100
1886	7.02	25 yds.	Rs 116	100 yds.	Rs 100
1887	6.94	25 yds.	Rs 116	100 yds.	Rs 100
1888	7.31	25 yds.	Rs 116	100 yds.	Rs 100
1889	8.00	25 yds.	Rs 116	100 yds.	Rs 100
1890	9.04	25 yds.	Rs 116	100 yds.	Rs 100
1891	6.78	25 yds.	Rs 116	100 yds.	Rs 100
1892	7.53	25 yds.	Rs 116	100 yds.	Rs 100
1893	9.89	25 yds.	Rs 116	100 yds.	Rs 100
1894	7.10	25 yds.	Rs 116	100 yds.	Rs 100
1895	8.71	25 yds.	Rs 116	100 yds.	Rs 100
1896	11.15	25 yds.	Rs 116	100 yds.	Rs 100
1897	11.15	25 yds.	Rs 116	100 yds.	Rs 100

RALLI BROTHERS, MANCHESTER,

Year	Quantities,	Value.
1893 - - -	1,888,291,200	15,779,536
1894 - - -	2,276,227,700	17,994,094
1895 - - -	1,718,224,000	13,608,045
1896 - - -	2,038,024,500	16,066,816
1897 - - -	1,759,140,600	13,474,593
Average -	9,679,908,000	75,929,584
	1,985,981,600	15,184,517

(B.)
EXPORTS OF COTTON YARN TO BRITISH INDIA.

Year.	Quantities.	Value
	Lb	£
1858 - - -	84,205,199	1,835,142
1859 - - -	39,655,995	2,320,385
1860 - - -	27,834,571	1,609,062
1861 - - -	23,897,511	1,402,580
1862 - - -	15,991,408	1,336,470
Average -	140,084,684	8,503,589
	28,016,987	1,700,719
1863 - - -	20,864,609	2,613,237
1864 - - -	16,387,862	2,180,994
1865 - - -	13,602,960	1,432,549
1866 - - -	19,849,408	2,166,107
1867 - - -	23,368,151	1,947,058
Average -	94,022,988	10,899,875
	18,804,598	2,079,975
1868 - - -	25,371,283	1,893,915
1869 - - -	32,410,196	1,883,561
1870 - - -	27,092,631	2,042,983
1871 - - -	21,891,847	1,594,816
1872 - - -	23,619,530	1,787,842
Average -	119,815,487	9,033,116
	23,863,097	1,806,623
1873 - - -	26,171,936	1,910,918
1874 - - -	35,389,769	2,500,759
1875 - - -	30,353,110	2,147,307
1876 - - -	31,663,481	2,062,007
1877 - - -	36,080,025	2,255,950
Average -	159,557,321	10,876,841
	31,911,464	2,173,368
1878 - - -	33,892,000	2,106,923
1879 - - -	29,363,000	1,846,388
1880 - - -	44,097,000	2,832,872
1881 - - -	40,183,300	2,518,098
1882 - - -	43,082,800	2,625,389
Average -	189,117,600	11,929,670
	37,823,520	2,385,934
1883 - - -	49,172,400	2,555,188
1884 - - -	45,585,100	2,795,538
1885 - - -	41,520,600	2,278,404
1886 - - -	46,605,800	2,471,142
1887 - - -	48,882,400	2,516,677
Average -	224,736,300	13,616,944
	44,947,260	2,523,389
1888 - - -	54,069,000	2,711,844
1889 - - -	43,334,000	2,250,392
1890 - - -	49,734,000	2,563,680
1891 - - -	49,990,800	2,399,975
1892 - - -	39,503,200	1,754,541
Average -	238,658,300	11,679,632
	47,730,660	2,335,926
1893 - - -	38,538,400	1,773,047
1894 - - -	39,996,600	1,643,234
1895 - - -	41,070,600	1,637,360
1896 - - -	49,163,300	2,061,031
1897 - - -	47,693,200	1,957,628
Average -	216,463,400	9,062,320
	43,292,480	1,812,464

a. Y 4075.

(C.)

COTTON CROP OF THE UNITED STATES, AVERAGE PRICE OF MIDDLING UPLANDS IN EACH YEAR SINCE 1857, AND RATES OF INDIAN COUNCIL DRAFTS.

Year.	Crop.	Average Price	Rates of Council Drafts.	
			Highest.	Lowest.
1858 -	3,994,481	67	s. d.	s. d.
1859 -	4,823,770	67	—	—
1860 -	3,825,068	67	—	—
1861 -	No records.	87	—	—
1862 -	—	17	—	—
1863 -	—	23	—	—
1864 -	—	27	—	—
1865 -	2,314,476	19	—	—
1866 -	2,204,089	17	—	—
1867 -	2,498,895	16	—	—
1868 -	2,439,039	10	—	—
1869 -	3,154,946	12	—	—
1870 -	4,352,317	9	—	—
1871 -	2,974,351	8	—	—
1872 -	3,930,308	10	—	—
1873 -	4,170,388	9	1 10	1 9
1874 -	3,832,391	8	1 11	1 9
1875 -	4,669,588	7	1 10	1 9
1876 -	4,485,428	6	1 10	1 6
1877 -	4,811,265	6	1 10	1 8
1878 -	5,073,581	6	1 9	1 6
1879 -	5,757,397	6	1 8	1 6
1880 -	6,589,329	6	1 8	1 7
1881 -	5,435,845	6	1 8	1 7
1882 -	6,992,834	6	1 8	1 7
1883 -	5,714,052	5	1 7	1 7
1884 -	5,669,021	6	1 8	1 6
1885 -	6,550,315	5	1 7	1 5
1886 -	6,519,823	5	1 6	1 4
1887 -	7,017,707	5	1 6	1 4
1888 -	6,935,082	5	1 5	1 4
1889 -	7,313,726	5	1 4	1 4
1890 -	8,055,518	6	1 3	1 4
1891 -	9,038,707	4	1 6	1 4
1892 -	6,717,142	4	1 4	1 2
1893 -	7,527,211	4	1 3	1 2
1894 -	9,892,766	3	—	—
1895 -	7,162,473	3	—	—
1896 -	8,714,011	4	—	—
1897 -	11,180,860	3	—	—

(D)

EXPORTS OF MERCHANDISE FROM INDIA, AND LENGTH OF RAILWAYS OPEN IN EACH YEAR FROM 1858 TO 1897.

Year ended.	Exports.	Miles open.
April 30th	Kx	—
1858 - - -	—	—
1859 - - -	—	—
1860 - - -	—	—
1861 - - -	32,970,605	1,028
1862 - - -	36,317,042	1,584
Average -	69,287,647	2,613
	34,643,823	1,306
1863 - - -	47,859,645	2,234
1864 - - -	63,623,449	2,581
1865 - - -	68,027,016	2,747
1866 - - -	65,491,123	3,459
March 1st	—	—
1867 - - -	41,859,394	3,597
Average -	286,863,227	14,611
	57,772,645	2,922
1868 - - -	50,945,849	3,992
1869 - - -	52,316,486	4,023
1870 - - -	52,471,375	4,766
1871 - - -	55,331,825	5,072
1872 - - -	63,180,848	5,366
Average -	273,351,333	23,219
	54,670,277	4,644

K

Year ended.	Export.	Miles open
	Rx	
1873 - - -	55,236,295	5,672
1874 - - -	54,960,786	6,201
1875 - - -	56,312,261	6,497
1876 - - -	58,058,125	6,938
1877 - - -	60,961,632	7,322
	285,529,099	32,630
Average - - -	57,105,820	6,526
1878 - - -	65,185,713	8,212
1879 - - -	60,893,611	8,492
1880 - - -	67,173,158	9,308
1881 - - -	74,531,282	9,892
1882 - - -	81,901,960	10,144
	349,685,734	46,048
Average - - -	69,937,145	9,209
1883 - - -	83,400,865	10,784
1884 - - -	88,035,139	11,982
1885 - - -	83,200,528	12,376
1886 - - -	83,827,840	13,390
1887 - - -	88,428,660	14,383
	436,893,032	63,917
Average - - -	85,379,606	12,583
1888 - - -	90,471,462	15,245
1889 - - -	96,978,171	16,095
1890 - - -	103,896,862	16,404
1891 - - -	100,135,732	17,283
1892 - - -	108,036,010	17,768
	499,018,227	82,795
Average - - -	99,808,645	16,559
1893 - - -	106,535,997	18,459
1894 - - -	106,447,590	18,841
1895 - - -	108,814,999	19,466
1896 - - -	114,263,140	20,113
1897 - - -	109,914,297	21,015
	539,976,023	97,894
Average - - -	107,995,305	19,579

(E.)

PROGRESS OF COTTON SPINNING MILLS IN ALL INDIA.

Year ending June 30th.	No. of Spindles	Approximate Cotton Consumption, Bales of 392 lbs.
1861 - - -	328,000	65,000
1874 - - -	593,000	114,000
1876 - - -	1,100,112	198,000
1877 - - -	1,244,206	215,000
1878 - - -	1,289,706	225,000
1879 - - -	1,452,794	267,585
1880 - - -	1,461,590	307,631
1881 - - -	1,513,096	378,989
1882 - - -	1,620,814	397,562
1883 - - -	1,790,388	456,556
1884 - - -	2,001,667	531,365
1885 - - -	2,145,646	596,749
1886 - - -	2,261,561	643,204
1887 - - -	2,421,390	726,276
1888 - - -	2,488,851	786,923
1889 - - -	2,762,518	888,654
1890 - - -	3,274,196	1,008,469
1891 - - -	3,351,694	1,178,906
1892 - - -	3,402,232	1,165,938
1893 - - -	3,575,917	1,171,008
1894 - - -	3,649,736	1,322,508
1895 - - -	3,609,929	1,341,714
1896 - - -	3,932,946	1,409,818
1897 - - -	4,063,618	1,300,936

No. 36.

EXTRACTS FROM THE REPORTS OF TPA COMPANIES FOR THE SEASON 1897

(Handed in by Mr D. Cruickshank See Q No 9408.)

The Chandpore Tea Company, Limited (Sylhet).

"The result of the season is very disappointing, but the reasons are evident. First, the unfavourable weather, as stated above; second, the rise in exchange, 1d being equivalent to a loss of over 600l on the working of the garden."

The Miquil Tea Company, Limited.

"The difference in the cost of remittance for the working expenses in India, amounting to 2,196l, is a serious item, equal to over 2 per cent. on the capital of the Company."

Attoree Khat Tea Company, Limited.

"Fortunately the loss by the higher rate of exchange has been considerably minimised by the directors having arranged beforehand for the bulk of the year's requirements at 1s. 2½d. exchange. It will be obvious how materially our position would have been affected if it had been necessary to provide funds at the current rate of about 1s. 4d."

The Allynigger Tea Company, Limited

"Unusual and serious difficulties have handicapped the industry, foremost amongst them being the high rate of exchange."

The Brahmapootra Tea Company, Limited

"The directors regret the increased expenditure which the circumstances of the season have necessitated, and which has been seriously aggravated by the policy of the Government in artificially enhancing the sterling cost of the rupee."

The Dejeo Tea Company, Limited

"The increase in the cost is accounted for by the short crop, heavy expenses for labour importation, higher rate of exchange"

The Assam Company

"The circumstance that the Indian Government have been able to maintain the value of the rupee during the year at the level of about 1s. 4d., has had the effect of considerably diminishing our profits, in common with those of all tea companies and other industries carried on in India with British capital."

The Borells Tea Company, Limited.

"The high rate of exchange has seriously affected the working of the year."

The Chargoia Tea Association, Limited.

"Exchange has again ruled higher and increased the cost of production by about 2,000l, or, say, 1d. per lb. The rise of the past two years in the value of the rupee means the loss of a sum equivalent to 5½ per cent on the ordinary shares."

The East India and Ceylon Tea Company, Limited.

"The directors regret that the higher rate of exchange, the fall in the price of tea, and the enhanced cost of rice owing to the Indian famine, have reduced the profit of the year. The rise in the exchange alone during the past year, raised the cost of production ½d. per lb., and is caused by the action of the Indian Government in artificially forcing up the value of the rupee."

Endogram Tea Company, Limited.

"The cost of the tea, including all expenditure chargeable to the year, was 6½d. per lb., the sterling cost of production being considerably enhanced by the rise in the Indian exchange."

The Lebong Tea Company, Limited.

"The average rate of exchange for the remittances of the year was 1s. 3d., or 1d. more than last year. While, therefore, compared with the experience of others, the result is considered satisfactory, the reduced outturn, lower prices, and higher exchange combined have the effect of considerably reducing the profits from the figures of the last very prosperous years. Thus, 1896, net profits = 12,682l., 1897, net profits = 8,444l.

The Eastern Assam Company, Limited.

"The cost of production was high; 1½d per lb. of this is accounted for by the higher exchange as compared with 1896."

The Empire of India and Ceylon Tea Company, Limited.

"During the year under review there has been a further rise in the exchange value of the rupee, which has helped to reduce profits."

The Assam Frontier Tea Company, Limited

"The rate of exchange ruled about 1d. per rupee higher in 1897 than it did in 1896, and this is equal to a loss to the company of over 6,500l."

The Lukwah Tea Company, Limited.

"The Company has, in common with other producing concerns in India, suffered during the year from the rise in the exchange value of the rupee, and should exchange be maintained at the artificial rate of 1s 4d, the adverse effect on the company's outlay will have to be reckoned with in future."

The Moabund Tea Company, Limited

"Exchange ruled higher than in the previous year, and the cost of remitting the working expenses to India has thus been increased by 3,084l. in excess of the sum necessary to provide the same amount of rupees at rates obtained in 1896."

The British Indian Tea Company, Limited.

"The increase of 2,500l in the estimate of the expenditure, as compared with the figures of 1896-97, is owing to the higher rate of exchange (1s. 4d. per rupee) entered this year"

The Jokat (Assam) Tea Company, Limited.

"The action of the Government of India in closing the mints, and thereby artificially raising the sterling exchange value of the rupee has added materially to the Indian expenditure; the loss in 1897, as compared with that of the previous year, amounted to 3,543l., which would have been considerably increased but for the fact that the board had fixed exchange forward for the bulk of the Indian outlay to the 31st March last at 1s. 2½d. The difference on exchange for the current year, taking the rate at 1s. 4d., will amount to 17,532l., as compared with the company's average in 1895, or equal to 7 per cent. on the ordinary capital of the company. With the above facts of this particular case before them, shareholders will realise what the expense will be to the Indian producers generally, if the Government proposal to introduce a gold standard is carried out."

No. 37.

MEMORANDUM by Captain EDWARD FRANK MARRIOTT, I.S.C.

Of those issues which the Currency Committee has assembled to consider, which is the first and foremost on which it must pronounce? It is this - which of two possible currency policies would India be wise to adopt? Gold or silver monometallism?

To this issue alone I propose to address myself, for the argument in favour of silver monometallism as a currency policy for India is, to my mind, overwhelming.

What is it that more than aught else has driven the Government of India for years to seek a change from her silver standard policy? The belief, fostered by

the pioneers of this question, that silver has for years been falling steadily in value,* and that it has become so untrustworthy as to be unfitted for its position as a standard. Is it strange that so false a belief has, as yet, but led to currency chaos?

I have written a small pamphlet, "The Indian Currency Question," published by Messrs. Kegan, Paul, Trench, Trübner & Co., in which I prove incontrovertibly both that gold appreciated some 47 per cent. in 1893 as compared with its average value in 1867-77, and that silver in 1892 was of the same level of value as in 1873, and that, in the intervening period, it had neither risen nor fallen to any notable extent. There is nothing new in the theory of gold appreciation and silver stability. All single-minded students of the question whom I have met accept it; but the pamphlet should be useful to those who have not specially studied this aspect of the subject, or who, having studied it, are yet led by such an authority as Lord Farrer to deny the theory.

I need not here touch on the proofs of the appreciation of gold; but I may usefully put forward some arguments which prove the truth of silver stability.

I may point out that, if gold has been proved to have risen in 1893 some 47 per cent. in value above the average level of 1867-77, and if silver in the same period fell, as it did, 32 per cent. in price, the stability of the value of silver is thereby proved.† Inasmuch, however, as the truth or otherwise of the stability of silver between 1873 and 1893 is of great importance, I advance the following proofs of the matter.

In the year 1894 I was considering this question, and I chanced upon some tables of silver prices in China drawn up by Consul Jamieson, of Shanghai, and furnished to the Foreign Office in a report, "Miscellaneous Series," No. 305. From these tables I drew up and published silver index numbers of the prices of 43 commodities for the years 1882-92 inclusive; the average prices of the years 1870-74 were my standard of comparison, and these prices I represented by the number 100. The result was as follows:—

1870-74	- 100	1887	- 95.5
1882	- 96.1	1888	- 97.2
1883	- 94.4	1889	- 96.8
1884	- 92.4	1890	- 100.4
1885	- 92	1891	- 94.5
1886	- 100.1	1892	- 96.9

These figures give an average index number of 96.5, or a value for silver for the period in question of 3.5 above the level of 1870-74.

In the year 1896 Mr. Atkinson, of the Finance Department of India, who has drawn up many useful tables of prices, furnished the following figures to "The Pioneer." They are the export prices in India of certain commodities, and they are compared with the prices of the same commodities in 1871.—

1871	- 100	1887	- 92.7
1882-83	- 98.9	1888	- 95.9
1883	- 92.7	1889	- 99.6
1884	- 94.5	1890	- 103.9
1885	- 94.6	1891	- 96.2
1886	- 92.9	1892	- 100.4

These figures give an average index number of 96.8, or a value for silver, for the period in question, of 3.2 above the level of 1871.

The second corroboration of the general correctness of the index numbers which I obtained from prices in China is to be found in the third edition of Sir G. Molesworth's prize essay, "Silver and Gold," in which a diagram based on Seeboer's Tables occurs. In this diagram we have gold and silver measured by a multiple, that is, an ideal standard; 114 commodities form this measure, and their average level is shown by a thick horizontal line. Arrays of figures may fall to

* Value in its correct economical sense, i.e., commodity value.

† The actual figures are instructive. Gold prices fell from an average of 100 in 1867-77 to 68 in 1892, a fall of 32 per cent. The price of silver fell from 58d in 1867-77 to 39½d. in 1892, a fall of 31½ per cent. The price of silver, therefore, fell almost exactly with the average price of commodities, in other words, silver remained perfectly stable in value up to 1892; and yet in that year the Government of India began to vehemently agitate for the overthrow of this most perfect standard of value.

carry conviction, but no one who has once glanced at this diagram and seen the gold line climbing aloft, while the silver line clings round this ideal level of value, can fail to be impressed by the fact of the appreciation of gold and the stability of silver during the period dealt with.

I do not wish to deny that India ever since 1873, has had certain financial troubles to contend with; yet, considering with what really remarkable ease* the country met these troubles, we can never with justice consider that India was at any time on the verge of bankruptcy, or was ever in such financial ill-health as to require heroic remedies.

To what were these troubles due? The chief cause of her financial difficulties, and the one which dwarfed all others, was the rise in the value of gold, the rise, that is, in the value of the sterling measure of her indebtedness. From 1873 onwards all gold debtors had alike been bearing continually increasing burdens. Gold debtors, whether discharging their debts through gold or silver, have been suffering each to an equal extent, but it was only those who discharged debts through silver who were in a position to see the increase of the weight of the burden which they bore. The increase of the burden in the case of India was marked by the fall in the price of the rupee, but the fall in the price of the rupee was no more the cause of the increasing burden than the fall in the price of cotton in India, or of wool in Australia, was the cause of the increase in the burden of those gold-debtor countries, yet, on this fall in the price of the rupee have all eyes been fixed, as if it, and it alone, were the disease, and to cope with this imaginary disease has been the aim of recent legislation.

Now, I fully allow that the burden was heavy; indeed, had gold continued rising in value, gold debtors must in time have been compelled to repudiate a portion of their debts, and they would have been quite justified in doing so. But the burden in India was not due to a fall in the value of the rupee; and this is a point to bear clearly in mind.

The difficulty, then, which India had to face in 1893, in common with all gold debtors in the world, was the rise in the value of the sterling measure of her indebtedness. But this real difficulty was obscured by the all too evident fact of the fall of the rupee in price, this fall was regarded as the real source of difficulty, and this phantom trouble led minds to ignore the true issues.

There are those who would argue that, as far as India is concerned, it mattered little whether gold had risen or silver fallen in value. Such an argument is untenable. As far as India is concerned—as far, that is, as her power of meeting her debts is concerned—the value of her currency is of no importance whatever. India discharges her debt by the export of surplus produce. She has no surplus produce of silver; all the silver in the country has been imported by those who needed it either for currency, hoarding, or manufactures, and it is only by the exports of surplus produce that India can meet her debts. If it had been silver which had fallen in value, and gold which had remained stable, India would have had no added burden to meet. The debtor's measure of indebtedness is, in this connexion, of no account, it is clearly the value of the creditor's measure of indebtedness which alone affects the burden of debt.

Again, there are those who argue that as far as the Government of India is concerned it is of no consequence whether gold has risen or silver fallen in value. As regards the narrow question of the balances of Government ledgers, the argument can pass; but it is impossible to satisfactorily treat this great, if simple, question by peering through the narrow channel bounded by Government ledgers.

It is hard to conceive how mischievous to the controversy the false theory of the depreciation of silver has been. This parent error has given birth to many children, but the most misleading of the whole brood is the one which has induced a belief in the worthlessness of silver as a standard value, and has led India to agitate for its dethronement.

Mr. Dunning Macleod's latest pamphlet on the Indian currency is rendered futile by his adherence to this monstrous superstition. He writes of India's adoption of a silver standard as a matter of regret, and her final

* The year 1892 was the fourth of a series of years of uninterrupted surpluses.

refusal of gold as a calamity. When shall we clearly understand that, until legislation was directed against silver, India possessed the most perfect standard of value in the world, and a medium of exchange exactly suited to her requirements? One writer only on these subjects has, as far as I know, fully recognised this, and I may be permitted to quote his wise words. Mr. Lloyd, in *The Statist*, of the 6th August last, in considering the question as to who gains and who loses by a fall in exchange, wrote:—"The stimulus, then, to the Indian export trade and to Indian production, was given by the steadiness of the value of silver, at a time when gold was rising so much in purchasing power. In other words, India benefited from the excellence of her own currency system."

If we set out from the starting point of gold appreciation and silver stability we can arrive at but one solution of the Indian currency problem, and the solution is to return to free silver monometallism under which India flourished greatly.

Before the fatal 26th June, 1893, India, thanks chiefly to her admirable currency conditions, and in spite of the growing burden of her sterling debt, was enjoying a fair measure of prosperity. But in one part of the horizon a cloud lay, and the rulers of India were oppressed with a sense of coming disaster. This cloud had begun to form in 1873, and had been continually growing larger; it threw a shadow over gold-debtor nations, and shed a depressing influence over gold-using countries. But its nature remained for long unrecognised. Silver countries saw their currencies falling apparently in value, and attributed the phenomenon to the depreciation of silver caused by the increasing supplies of that metal. Gold-currency countries attributed the oppression to over-production, strikes, and other imaginary causes. But the increased demand for gold, and the consequent contraction of the gold currency, was the one sinister influence affecting all alike. Yet so blind are the nations even now to the real cause of their troubles, that many of them, following the example set by India, are joining in the scramble for gold, and are thereby intensifying the evils from which they suffer. If the problem were rightly understood, and if India and the countries which have followed her example were to avoid the further use of gold, they would see the cloud which menaces the future melting away before the greatly increasing supply of gold which this decade is witnessing. The day, indeed, of the discovery of the Witwatersrand Goldfields was the beginning of the end of the currency troubles which have been threatening the civilised world.

Such is a true presentment of the problem, and the evident solution of it for India is to return to her old established silver monometallic policy; to avoid, as far as possible the use of gold, and to allow the enormously increased and increasing supplies of gold to have their natural effect in gradually lowering its value.

India, then, should repeal the legislation of 1893, and should let a free and elastic currency once more circulate through her arteries. Under such conditions silver would approximate to the level it held in 1893 just before the mints were closed,† trade and commerce moreover would so flourish, that the expanding revenues would, I doubt not, meet the additional rupee expenditure which would be required. But if even then some further taxation were found necessary, surely a scheme for increasing the revenues could be devised less injurious to the country than one which strangles commerce, stifles trade, and tends to throw the country back into the barbarous condition where money is unknown, and transactions are the subject of barter.

Under the silver depreciation theory it is very generally held that a return to open mints would mean

* I should add that Mr. M. de P. Webb, in an admirable article in the "Economist" for July, 1898, has also recognised, and has forcibly insisted on this economical truth.

† At the beginning of 1898 the Japanese currency legislation was held to be a bar to a return to open mints in India, for it was argued, and justly, that while this legislation continued the rupee could not rise above 11d. Mr. A. M. Lindsay, in speaking to me on the subject had stress on this point, and I understood him to say that, but for Japanese legislation, he would look on a return to open mints as the preferable policy. Now this legislation, as a measure affecting the position of silver, is dead. The yen ceased to be legal tender on the 31st March 1896, and ceased to be exchangeable for gold under the Act, on the 31st July 1898; a most important consideration.

a fall of the rupee to 9d. or lower, and in the end a practically unlimited fall.

Knowing, as we do, that the fall of the rupee in gold price was, up to 1893, due solely to the rise in the value of gold, and that, until legislation was directed against it, silver never fell notably in value, we may rightly conclude that a return to the currency conditions which ruled before 1893, would imply a return to silver stability, and that the level of the value of gold would again be practically the sole factor in the change of the gold price of the rupee. And since such a policy would imply the cessation in the prospective demand for gold, and since this policy would sooner or later be followed by all world-wide gold standard countries, it would have a world-wide effect in lowering the demand for gold, and gold would fall in value and the rupee rise in price; and year by year the revenues of India under a free and elastic currency policy would expand, and her expenditure as the gold burden grew less would diminish, and the country would enter upon an era of great prosperity.

Prosperity immediate and increasing would be the certain reward of the acceptance of the simple policy, I, and those who think with me, advocate. What have the advocates of gold monometallism to offer? A great mutual expenditure, an increase in the amount of the sterling debt, and an increase in the weight of the whole burden of debt due to the increased value of gold which the demand by India for gold would lead to, several years of money scarcity,* dear capital, stringout markets, and currency conditions adverse to the increase of commercial enterprises, and to the general prosperity of the country, and all to secure a standard of value less stable than silver, and less suited to India's needs.

It was the growth in the value of gold which alone caused the pressure of expenditure to be felt in India for so many years; it was this growth which caused the rupee to seem to be ever growing less and less in value, and which led the Government to devise schemes to prevent its continuous fall; but this growth has now ceased, and Sauerbeck's index numbers proclaim that a slow and steady fall in the value of gold has begun.

It is interesting to see what a great financier has to say in regard to this increasing supply of gold. On page 253 of Part I of the Minutes of Evidence this witness says:—"You would do a service to Europe if you were to gradually utilise this extraordinary surplus of gold." The witness means that India would do a service to the gold creditors of Europe; that is true, but India would be doing a great disservice to herself, and to every other gold debtor in the world. Such evidence as this from such a source points unmistakably to the road India should take. *The course which the gold creditor would take is the one which the gold debtor should carefully avoid.* India must legislate with a single eye to her own interests; she cannot pause to consider the interests of gold creditors who are likely to suffer to some extent by the fall in the value of gold which is impending.

It is unnecessary to point out to the advocates of gold monometallism the difficulties, and even dangers, attendant on the adoption of a gold standard for India. For one thing, the huge initial cost of obtaining gold must be faced, and cannot, as Lord Rothschild points out, be avoided by any currency scheme, however skilfully devised.

And, for those who understand that stability is the one prominent virtue in a standard, and who recognise that silver possesses this virtue in an unusual degree, the question before the Currency Committee is answered. Silver has long been accepted by the millions of India as a medium of exchange suitable to their needs; if, in addition, it possesses the stability required in a standard of value, then there is no commodity in the world which could with advantage take its place in India.

My arguments in favour of silver monometallism for India are as follows, each of the following propositions are, to my mind, of more weight on the side of a silver standard than any which the gold standard advocate can produce:—

- (1.) Silver, until the passing of the adverse legislation of 1893, was stable in value, and therefore

* It would naturally take some years to establish a gold "currency." Lord Rothschild, Minutes of Evidence, p. 256, Pt. I.

prominently fitted to India's needs, both as a standard and a medium of exchange.

- (2.) The increase in the value of gold between 1873 and 1893 was alone responsible for the increase in the burden of indebtedness which India bore, and silver was innocent of blame.
- (3.) The value of gold, according to Sauerbeck's index numbers, is even now ebbing, and would most certainly fall more rapidly if India withdrew from the gates of the gold market, a fall which would proportionately lighten India's gold burden.
- (4.) The adoption of a gold standard, in itself a most costly and burdensome policy, would necessarily tend to increase the real burden of the sterling debt.
- (5.) A rupee forced above its natural silver level must injuriously affect export trade, the trade, that is, on which the real prosperity of a country depends.
- (6.) A rupee at its natural level, destined to rise in price as gold falls in value, would be at least as attractive to western capital as any other currency policy which could be devised.

The advantages of gold monometallism are almost entirely imaginary. I have never met but one argument in its favour which is really worth consideration. It is urged that linking India's currency system with that of England would encourage the flow of western capital to India. It would do so, but so would any fixed currency policy; and nothing could better promote the flow of capital than the conditions which would rule under a return to silver monometallism. For were the legislation of 1893 repealed, the rupee would fall to a fixed level, and inasmuch as the repeal would deal a deadly blow at gold ascendancy and limit the possible demand for gold, we should certainly see its value, under constantly increasing supplies, falling, gradually falling, no doubt, but still falling in value, and this implies a rise in the price of the rupee. The conditions of a rising rupee would plainly be very favourable for the attraction of western capital.

A return to open mints should alarm no one. If the Secretary of State were to press the sales of council bills, the rupee would gradually fall until it reached a price of, say 1s. 2d. If, then, the mints were re-opened to silver, silver would rise considerably, and the rupee fall slightly, until an equilibrium were reached, which would be at about 35d. an ounce for silver, and 1s. 13d. for the rupee (*vide note*). The disturbance to trade even in the silver market would not be great, and certainly no greater than that occasioned by the passing of the currency legislation of 1893.

When we have once grasped the fact that silver is an admirable standard of value, we could never, I think, agitate for its dethronement; and when we have once recognised that the adoption of a gold standard must increase the value of gold, and, *pro tanto*, the weight of the burden of the sterling debt, we could never, I think, be so unwise as to enthrone gold as the standard of value for India.

EDWARD FRERE MARRIOTT.

Athenaeum Club, Pall Mall, S.W.
10th December, 1895.

NOTE.—To what level would the rupee fall if the mints were re-opened? This question is of great importance to the Indian Government, but I have seen no reasoned answer to it. Vague suppositions that the rupee would fall to 9d. or even lower, float about; but these are but the offspring of the parent error, the depreciation of silver. Let us examine the question.

The price of the rupee, when the mints are open, depends on two factors—the value of gold, and the value of silver. The value of gold we can, with the help of index numbers, determine with some exactness. It stands about 4 per cent. higher than in May 1893, just before the mints were closed. The value of silver is not so easily determined, but it depends, in the long run, like every other commodity, on the cost of production, supply and demand. The cost of production, in spite of some advances in the treatment of refractory ores, is practically unchanged, and the supply of silver has scarcely altered. The conditions of demand alone have changed, but the change is due chiefly to the Indian legislation. Let India repeal this legislation, and the conditions which made for the value of silver in May, 1893, would be practically restored. If, there-

fore, the mints were re-opened, silver, owing to the higher value of gold, would be some 4 per cent. lower in price than in May, 1893, and would probably stand at about 36*d.* I do not think that silver, if it again were freely coined in India, could rise to less than 35*d.*, an ounce, and this means a price for the rupee of 1*s.* 1½*d.*

I would ask those who hold that, on the mints being opened, the rupee might fall to 10*d.* or lower, whether this fall is to come about owing to (1) a rise in the value of gold, or to (2) a fall in the value of silver. If to (1), I would ask how mints open to silver can increase the value of gold; if to (2), I would ask how increased facilities for the flow of silver can lower the value of silver. It is clear, of course, that open mints would lead to a considerable rise in the value of silver; and to me it seems self-evident that the rise would reach a level approximating to that held by silver in May, 1893, before the mints were closed; and it is unquestionable that, with mints open to the free coinage of silver, the price of silver and of the rupee would, year by year, steadily rise as gold, under the pressure of "this extraordinary surplus of gold" gradually falls in value.

No 38.

MEMORIAL FROM WEST OF SCOTLAND MANUFACTURERS

SIR, 17th December, 1898
We, the undersigned manufacturers, in the West of Scotland, of cotton and other goods for the Indian markets, desire to put a brief statement before your Committee, showing the effects of exchange fluctuations upon our trade.

We have some reluctance in doing so, but we note from the Blue Book, recently published, that evidence has been given, not only by export and import merchants dealing with India, but also by the tea producers there; while the British manufacturer of goods for the Indian markets has not been represented.

We desire to draw your attention to the following points—

A. The point brought out by Sir Francis Mowatt (Questions 4290/91 of the Blue Book, Indian Currency Committee, 1898), that it is the producer in India, and the producer in this country, who are properly comparable, is of much importance, as showing that the latter is equally entitled with the former to a fair share of consideration.

B. The unlimited coining of depreciating silver from 1874 to 1893 for all comers, and the consequent fall in the basis of exchange, had a serious effect upon British industries. The extra rupees required to cover the sterling costs were often not to be obtained, or if obtained, it was only after a prolonged delay—the result being that the British manufacturer had frequently to work without profit and often at a loss.

While on this point, we would call your attention to question and answer 8110 of the Blue Book, in which it is stated that Glasgow and Manchester exporters do not require to enter into any transactions unless they choose. This may be the case of the merchant, but the manufacturer, whose machinery is adapted chiefly for the Indian trade, must continue producing, even at considerable loss, rather than face the complete stoppage of his mills or dyeworks, and the disbanding of his trained employees.

Further, when exchange is fluctuating, the Indian buyer, who cannot foresee the rate of exchange at which payment will be made, is chary of making sterling purchases of goods which cannot be delivered for many months to come.

But if he does make such a purchase, and finds, on coming to pay the price, that the exchange has gone against him, and that he has to remit more rupees than he contemplated when he placed the order, he frequently finds some means of repudiating his purchase, with the result that the British producer becomes a heavy loser.

If any actual proof of the effects of exchange upon our trade were required, we could show (1) that the years of a low or falling rupee were years of

restricted output and unprofitable business; (2) that, with the gradual rise of the rupee since 1895, a decided improvement set in, and that, too, in spite of war, plague, and famine in India; and (3) that, in particular, we have benefited by the steadiness of the rupee during the present year.

C. It seems to us that the view put forward, before your Committee, by some advocates of open mints—viz., that India has benefited by a falling exchange, and that the more the currency of a country depreciates, so much the more does its productive power increase—is a most fallacious one, and opposed to all experience. We submit that the strong standard countries are the best producers and exporters, and in India itself, in the years prior to 1874, when exchange was about 2*s.*, the average yearly increase in exports, reduced into sterling at the current exchange, was larger than it has been under the declining rupee. We believe that a stable exchange is necessary to secure the proper development of trade in India, and also to gain the confidence of the capitalist to invest there. On this point we beg to refer you to the accompanying statement, prepared by a competent authority, of the statistics of Indian trade for the past forty-one years.

D. We note that one of the suggestions of the open mint advocates, in order to meet the increased taxation which would be necessary were the mints re-opened, is to increase the import duties. Against any such increase we would respectfully protest.

E. In conclusion, we would venture to express our agreement with Sir Samuel Montagu (Blue Book 6627), that if "would be the height of "folly to have the Indian mints alone opened, "and no other mints, either in the old or the "new world."

We believe that the Government of India, in adhering strenuously to the recommendations of the Herschell Committee, as given effect to in their currency policy since June, 1893, with such further measures as may appear desirable for strengthening and establishing that policy, would be acting for the best interests of all who have business connections with India either as exporters or importers.

We have, &c.

J. & W. CAMPBELL,
J. R. COCHRANE & Co.,
ALEX. Y. MACLAURIN & Co.,
COCHRANE & FLEMING,
JOHN FREW,
JOHN GLEN,
JOHN GALLOWAY,
ALEXANDER BALFOUR & Co.,
GUTHRIE & McARLY,
UNITED TURKEY RED COY., LD.,
John Christie, Chairman,
T. P. MILLER & Co.,
ALEX. BRID & SONS,
J & M. P. BELL & Co., LD.,
Joseph Turner, Secretaries,
J. J. COCHRANE & Co.,
JOHN LEAN & SONS

To the Right Honourable

Sir Henry H. Fowler, G C S I, M. P.,
Chairman of the Indian Currency Committee.

From Messrs GEORGE WILSON & Co., Dalnarnock
Weaving Factory, Glasgow.

DEAR SIR, 22nd February 1899.
HAVING seen the memorial addressed to Sir Henry Fowler, as Chairman of the Indian Currency Committee, by 15 firms in this neighbourhood, dated 17th December last, we desire to add our name thereto. We are proprietors of four large cotton mills, and have had extensive business with India for the last 30 years.

We are, &c.,
GEORGE WILSON & Co.

Robert Chalmers, Esq.

STATEMENT accompanying above MEMORIAL.

INDIAN TRADE, &c—41 years—1857-8 to 1897-8

1. The Table below is specially prepared to show the sterling equivalents, at the varying rates of exchange, of the merchandise and treasure, imported and exported, during the last 41 years, in order to rectify many wrong deductions that have been made by comparing rupee figures, at a lower exchange, with rupee figures at a higher.

2. The general result, as regards exports of merchandise, is that in the 15 years prior to 1872, when exchange ranged round about $2\frac{1}{2}$, exports increased steadily from the equivalent of 27 $\frac{1}{2}$ millions sterling to 63 $\frac{1}{2}$ millions sterling, or at the average rate of 2 $\frac{1}{2}$ millions sterling yearly. In this period the 3 years, 1863-6, are exceptional, the increased value of about 18 millions sterling, yearly, being mainly due to the very high prices of cotton caused by the American Secession War; but, apart from this, there was a steady average yearly increase of 2 $\frac{1}{2}$ millions. Had this increase continued at the same ratio during the last 26 years of declining exchange, the exports would now have amounted to the equivalent of 123 millions instead of 64 $\frac{1}{2}$ millions last year. This fact completely disposes of the popular fallacy that a depreciating currency enriches a country by promoting production and increasing exports. The reverse is the true state of the case. As an instance, the paper currency of the Argentine Republic, which stood relatively to gold at 361 premium in 1891, equal in sterling to only 10 $\frac{1}{2}$ d. per currency dollar, has since steadily and gradually improved until now the premium on gold is reduced to about 125, or the equivalent in sterling of 1s. 9d per currency dollar; and this advance in the value of the currency, from 10 $\frac{1}{2}$ d. to 1s. 9d per dollar, has been attended by the best general results to the trade and prosperity of that country. Further, it is a matter of common knowledge, that, all over the world, the countries with strong and stable exchanges are the largest exporters.

3. Another striking feature is that, when exchange begins to decline, the sterling equivalents of exports fall off. This will be noticed by comparing 1871-2 with 1873-4, 1877-8 with 1879-9, 1883-4 with 1884-5, 1891-2 with 1892-3, 1893-4 with 1894-5. This shows that, on a fall in exchange, rupee prices, as a whole, do not, at once, obtain an equal equivalent rise; that there is first the higgler-haggler of the market, depending mainly on the position of each article, and, so long as this equivalent rise is not obtained, the produce growers suffer from the fall in the rupee, and the exports are less effective for taking off Council drawings and imports. On the other hand, it will be noticed that the greatest increase in exports, during the past 26 years, was in the 6 years 1878-9 to 1883-4, while exchange kept fairly steady at 1s. 8d. and 1s. 7 $\frac{1}{2}$ d. During these

6 years exports increased from 50 $\frac{1}{10}$ millions to 72 $\frac{5}{10}$ millions, an average of 3 $\frac{1}{2}$ millions sterling yearly. The true inference from all this seems to be that, while exchange is declining, produce growers do not immediately get the equivalent of the decline in advanced rupee prices; that, while it is advancing, they have not immediately to concede the equivalent of the advance; so that an advancing exchange is for the benefit of the produce growers. Also, while exchange remains steady, prices adjust themselves, tend to confidence, and lead to increased exports. It would further appear that, in the present condition of India, looking to the fair adjustment of all interests concerned, a ratio of 1s. 8d., or 12 rupees to the sovereign, is what would most tend to develop trade, and be most equitable as between the seven great interests involved, viz. :—

- (1) The Government and the taxpayers.
- (2) The public creditor—i.e., the holders of the rupee debt. Of the present 105 crores of rupee debt, 89 crores were issued when exchange was about $2\frac{1}{2}$.
- (3) The wage-earners, (including all salaried men, from the Viceroy to the coolie), and their employers. Wages, if exchange were about 1s. 8d., would correspond more nearly to the price of food than they do at present, and would be more in accordance with the rate of exchange at which they were generally fixed.
- (4) Debtors and creditors.
- (5) The holders of the coined rupees in circulation, who lose the whole of any depreciation.
- (6) The producers in India, } both of whom lose, by
- (7) The producers outside } a fall in exchange,
- India, for the wants of } until prices adjust
- India, } themselves thereto

Bankers and merchants (so far as they are mere middlemen), are affected by variations in exchange only on their current outstanding transactions, on some favourably, on others unfavourably, and they can very readily adjust their subsequent working to any altered ratio.

4. It should also be noticed how steady the 5-years' average balance of exports over imports has been since 1867—about 20 millions sterling, but that the years that show best in this respect (leaving out 1862-7, already referred to as exceptional) were 1881-2 to 1883-4, when exchange was 1s. 8d. and 1s. 7 $\frac{1}{2}$ d. This circumstance would also seem to point to a 1s. 8d. ratio as the most desirable on a just and equitable consideration of all the interests concerned. It should also be noticed that 1s. 8d. is about the average exchange of the 41 years ending 31st March, 1898—i.e., since India was transferred from the East India Company to the Crown.

December 1898.

INDIAN TRADE, ETC.

Official Years	Exchange Yearly Average.	Exchange 5 Years' Average	IMPORTS OF MERCHANDISE.				EXPORTS OF MERCHANDISE.				SURPLUS OF EXPORTS OVER IMPORTS					
			Crores and Lakhs of Rupees		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees		Sterling Equivalents, Millions and Tenths.			
			Yearly	5 Years' Average.	Yearly	5 Years' Average.	Yearly	5 Years' Average.	Yearly	5 Years' Average.	Yearly	5 Years' Average.	Yearly	5 Years' Average.	Yearly	5 Years' Average.
1867-8	2 0		15.28		15'3			27.46		27 5			12.18		12'2	
1868-9	2 0		31.75		31 7			29.86		29'0			3.13		3 1	
1869-70	2 0	2 0	34.27	21.42	34 3	21 4	27.06	30.91	28	30 0	30 0	9.40	3.60	3 7	9 5	
1870-1	2 0		23.49		23'5			32.97		33			0.48		0 5	
1871-2	2 0		23.58		23 3			36.32		36 3			14.00		14	
			107.00		107 1			154.87		154 7			47.48		47'5	
1862-3	2 0		22.03		22'6			47.86		47 9			25.33		25 3	
1863-4	2 0		27.15		27 1			65.03		65 0			33.46		33 5	
1864-5	2 0	2 0	28.15	27.31	28 2	27 3	68.03	57.77	68	57 8	57 8	30.46	30.68	30 6	30 5	
1865-6	2 0		29.60		29'6			66.49		66 5			36.80		36 9	
1866-7	2 0		20.04		20			41.86		41 8			12.82		12 8	
1866-7 (11 Months)			136.57		136'5			198.87		198 8			152.90		152 3	
1867 8	2 0		35.71		35 7			64.87		64 9			15.10		15 2	
1869-9	2 0		35.90		36			53.06		53 1			17.07		17 1	
1869-70	2 0	2 0	32.93	34.24	32 9	34 2	52.47	54.90	52'4	55	55	20.75	19.74	19'5	20 8	
1870-1	2 0		34.17		34 5			55.34		55 3			20.87		20 8	
1871-2	2 0		32.09		32 1			63.19		63 2			31.70		31'1	
			171.19		171 2			274.99		274 0			103.74		103 7	
1872-3	1 11		31.87		30'5			55.25		55 0			23'8		23 4	
1873-4	1 10½		33.32		31 7			55.00		51 6			21.18		19 9	
1874-5	1 10½	1 10	36.22	35.68	33 6	32'6	56.38	57.14	52 3	52 3	52 3	21.40	20.14	18 7	19 7	
1875-6	1 9½		38.89		36 2			53.10		52 7			19.21		17 6	
1876-7	1 8½		37.44		32			61.01		62 1			33.57		30 1	
			178.24		163			285.72		261'6			107.46		96 6	
1877-8	1 9		41.46		36 3			65.32		57 1			23.76		20'6	
1878-9	1 8		47.80		31 5			60.94		50 8			23.14		19'3	
1879-80	1 8	1 8½	41.17	44.58	34'3	37 4	67.21	69.08	56	58 8	58 8	25.45	26.04	21'7	21'4	
1880-1	1 8		53.12		44 3			74.53		62'1			31.46		17 8	
1881-2	1 8		49.11		40 9			81.97		68 3			32.86		27 4	
			222.06		187 3			349.92		304 3			137.26		107	
1882-3	1 7½		52.10		42 9			83.49		68 7			31.29		25 8	
1883-4	1 7½		55.28		45 5			86.17		72 5			32.80		27 3	
1884-5	1 7½	1 7	55.70	56.10	46 3	44 2	83.26	85.45	67 6	67 4	67 4	20.95	27.56	22 3	24 2	
1885-6	1 6½		55.06		42'3			83.88		63 8			28.22		21 5	
1886-7	1 5½		61.78		45			88.47		64'5			26.69		19 5	
			280.62		221			427.27		337'1			146.75		116 1	
1887-8	1 5		65.00		46			96.54		64 1			25.54		18 1	
1888-9	1 4½		69.44		47 7			97.05		66'7			27.61		19 9	
1889-90	1 4½	1 5	69.20	69.01	48 3	49	103.46	90.89	72 2	71	71	30.88	34.26	23 9	22	
1890-1	1 6½		71.98		54 7			106.23		76'2			28.25		21 5	
1891-2	1 4½		69.43		48 5			108.17		75 5			38.74		27	
			345.03		245 2			499.45		354 7			154.40		109 5	
1892-3	1 3		68.27		41'4			104.60		66'0			40.33		25 2	
1893-4	1 2½		77.02		48 5			108.50		64 4			29.46		17 0	
1894-5	1 2½	1 2½	73.53	73.17	40 0	43'3	108.01	108.06	60 1	64	64	34.80	35.38	19 5	20 7	
1895-6	1 1½		72.94		41 8			114.33		65 5			41.99		23 7	
1896-7	1 2½		76.10		46			108.98		62 8			27.58		16 8	
			305.80		216 3			440.32		319 4			174.48		103 1	
Total, 40 Years			1,807.18		1,447 8			2,891.05		2,286'5			1,013.87		837 8	
Average, 40 Years	1 8½		45.18		36'8			70.52		57'1			25.34		20 9	
1897-8	1 5½		73.03		48 3			97.64		64'1			24.91		15 8	

1887-8 to 1897-8.

GOLD NET IMPORTS.				SILVER NET IMPORTS.				GOLD AND SILVER: NET IMPORTS.				COUNCIL DRAWINGS.				
Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		Crores and Lakhs of Rupees.		Sterling Equivalents, Millions and Tenths.		
Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	Yearly.	5 Years' Average.	
2.78	4.15	3.9	4.8	12.23	9.10	12.2	9.1	15.09	13.38	15	13.3	63	36	8	4	
4.42		4.4		7.73		7.7		12.15		12.1		22.1		—		—
4.38		4.3		11.15		11.1		15.43		15.4		15.4		—		—
4.23		4.2		6.33		6.3		9.64		9.6		9.6		—		—
5.15		5.2		9.09		9		14.27		14.2		14.2		7.20		7.2
20.99	20.9	46.33	46.3	60.41	60.4	60.4	1.83	1.8								
6.45	7.03	6.8	7	15.55	12.21	15.6	12.2	18.40	19.24	19.4	19.2	6.66	7.06	6.6	7	
5.90		5.9		12.20		12.2		21.79		21.7		21.7		9.01		9
9.44		9.4		10.08		10		19.98		19.9		19.9		6.82		6.8
5.72		5.7		15.67		15.7		24.39		24.4		24.4		7.06		7
8.54		8.5		6.98		7		10.80		10.8		10.8		5.94		5.9
35.15	35	61.05	61.1	66.21	66.1	66.1	35.38	35								
4.61	4.84	4.6	4.3	5.99	6.79	5.6	5.3	10.30	10.05	10.2	10	4.25	7.00	4.1	6.7	
5.16		5.1		5.90		5.9		13.76		13.7		13.7		3.83		3.7
5.80		5.6		7.23		7.2		12.91		12.9		12.9		7.20		7
2.39		2.3		94		1		3.23		3.2		3.2		8.61		8.4
3.56		3.5		6.51		6.5		10.67		10.7		10.7		10.70		10.5
21.20	21.2	28.94	29	60.16	60.2	60.2	33.02	33.5								
2.64	1.51	2.4	1.4	78	3.32	7	5	3.26	4.33	3.1	4.4	14.70	13.56	13.9	12.6	
1.38		1.3		2.50		2.5		3.38		3.3		3.3		14.27		13.3
1.27		1.7		4.64		4.3		6.51		6		6		11.74		10.8
1.56		1.4		1.66		1.4		3.11		3.1		3.1		13.75		12.4
21		2		7.20		6.2		7.41		6.4		6.4		14.36		13.7
7.55	7	18.62	18.6	24.17	24.1	24.1	69.32	63.1								
4.7	1.98	4.8	1.6	14.85	7.16	13.8	6.1	15.15	9.08	13.1	7.7	11.78	17.59	10.1	14.6	
— [1.98]		— [1.7]		3.97		3.3		3.67		3.6		3.6		16.91		13.9
1.75		1.5		7.87		6.6		9.62		8.1		8.1		13.35		15.3
3.06		3.1		3.89		3.2		7.35		6.3		6.3		13.33		15.3
4.94		4		6.38		4.5		10.22		8.5		8.5		22.21		15.4
9.82	9.2	35.79	30.4	45.61	38.6	38.6	67.50	72.9								
4.22	4.00	4.1	3.2	7.49	7.98	6.2	6.3	12.41	11.95	10.3	9.5	13.50	17.51	15.1	13.8	
5.46		4.5		6.41		5.3		11.67		9.8		9.8		21.62		17.6
4.67		3.6		7.25		5.9		11.92		9.7		9.7		21.19		15.8
2.76		2.1		11.81		9.8		14.27		10.9		10.9		13.23		10.3
2.13		1.6		7.16		5.2		9.54		6.8		6.8		13.79		12.1
30.00	16.1	39.91	31.4	60.91	47.5	47.5	87.54	68.9								
2.19	3.89	2.1	2.6	9.22	10.52	6.6	7.5	12.22	14.21	8.7	10.1	21.21	21.38	15.4	13.2	
2.31		1.9		9.25		6.4		12.06		8.3		8.3		20.90		14.3
4.02		3.2		10.94		7.6		15.56		10.9		10.9		22.42		15.5
5.64		4.3		14.18		10.6		19.22		13.1		13.1		21.19		16
2.41		1.7		9.08		6.3		11.43		8		8		23.08		16.1
16.47	13.9	32.63	27.7	71.09	50.9	50.9	100.49	77.2								
— [2.91]	— [4.0]	— [1.9]	— [1.2]	12.98	9.07	8	8.4	10.05	8.61	6.3	5.2	26.48	26.01	16.4	13.2	
84		4		12.72		8.3		14.35		6.7		6.7		15.72		9.3
— [4.97]		— [2.7]		6.33		5.5		1.36		8		8		26.97		16.9
3.23		1.3		4.53		3.8		6.11		5.3		5.3		31.09		17.7
2.59		1.4		5.36		3.5		8.15		4.9		4.9		25.79		15.5
— [1.22]	— [1.2]	46.38	37.1	43.03	35.9	35.9	130.05	76.2								
120.76	—	190.4	—	324.82	—	278.9	—	456.59	—	397.3	—	656.04	—	423.7	—	
3.27	—	3	—	8.14	—	6.9	—	11.41	—	9.9	—	13.99	—	10.7	—	
4.91	—	3.2	—	8.47	—	5.6	—	13.33	—	6.4	—	14.73	—	9.3	—	

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No. 39.

MEMORANDUM by Mr. F. C. HARRISON, supplementing his EVIDENCE on the VOLUME of the RUPEE CIRCULATION.

1. Answers Nos. 2436 and 2455.

The recent census shows that rupees have probably come out from hoards in consequence of the famine. So far as we can judge from the census, the quantity does not appear to be considerable. I do not think the circulation of 1893 is greater than that of 1897.

2. TABLE on page 89 of Part I. of the Evidence.

The following columns can now be added to the table

	1898,		1898.
W IV. - - -	48	1883 - - -	1.08
1840 1st issue -	1.08	1884 - - -	2.16
2nd " - - -	19.61	1885 - - -	3.99
1832-73 - - -	21.09	1886 - - -	2.32
1874 - - -	1.02	1887 - - -	4.81
1875 - - -	1.24	1888 - - -	3.47
1876 - - -	1.5	1889 - - -	3.89
1877 - - -	4.49	1890 - - -	6.61
1878 - - -	3.01	1891 - - -	3.60
1879 - - -	2.64	1892 - - -	5.75
1880 - - -	2.69	1893 - - -	4.82
1881 - - -	.37	Miscellaneous -	.06
1882 - - -	2.89		
			100 00

3. Question 2424.

I have now had access to figures of a later date and find that they bear out my estimates, even better than I thought. I subjoin a short table—

TABLE showing the result of the rupee census from 1892 to 1898 in percentages of the circulation—

Year of Coinage in Groups.	Year of Examination.						
	1892.	1895.	1894.	1895.	1896.	1897.	1898.
William IV. 1835-40	1.69	1.44	1.47	1.54	1.2	.7	55
1840-74	42.74	39.06	38.19	38.30	39.7	39.92	41.51
1877-88	38.75	34.80	33.99	33.54	33.46	33.73	33.49
1888-93	16.74	24.60	25.73	26.01	25.64	25.65	24.62
Total	100	100	100	100	100	100	100

It will be noticed that in 1895, the William IV. rupee formed 1.54 per cent. of the circulation, and the percentage fell to .55 in 1898, that is to say, it formed 1 per cent. less of the circulation than in 1895. But we know that we have recalled about 120 lakhs* of this issue. If, therefore, 1 per cent. equals 120 lakhs, we know the whole circulation must be one hundred times greater, viz., 120 crores, and this is the figure at which I have arrived by a totally different process of estimating. Strictly speaking, the validity of this reasoning depends on the assumption that the 1.54 per cent. and .55 per cent. are percentages of a stable circulation. In point of fact, I believe the circulation of 1895 was about 120 crores, and that of 1898 about 124 crores. The difference is unimportant in this connexion, for my point here is not that the circulation has slightly increased or slightly decreased, but that it ranges about the figure of 120 crores.

I should mention here, that the entries for the William IV. rupee in this table are not in exact accord with the entries in the table on page 89. I did not consider it worth while to introduce into the latter the alterations made in the former.

* The exact figure down to March, including a few half rupees, was 119 lakhs, to which a little should be added for the receipts in April and May, after which the census took place.

4. Answer 2458.

The estimate given here was a guess made under pressure. Figures now before me show that the rupees recalled up to the end of October were about 138 lakhs, i.e., 12 lakhs less than my estimate.

No. 40.

THE COTTON INDUSTRY IN INDIA AND THE FAR EAST.

REPORT of SPEECH delivered at the ANNUAL MEETING of the BOMBAY MILL-OWNERS' ASSOCIATION on March 22, 1899, by SIR GEORGE COTTON, Kt, Chairman.

(Reprinted from the "Homeward Mail," 15th April 1899.)

The cotton industry now is passing through a critical time. There has been a steady decline in the value of raw material during the past two years, owing to the large American crop last year and the anticipated larger one this year, and it has resulted in a correspondingly continued fall in prices of yarn and in such heavy losses to holders, both in India and China, as to have caused the absence of that speculative demand which so frequently acted as a buffer between the producer and the consumer by the holding of stocks which the spinner could not afford to finance, and the consumer declined to buy in a falling market until actual requirement compelled him. In addition to this, Japan, which had increased her spindles by some 50 per cent. during the past two years, owing to financial pressure, had to force her surplus production on the China market at less than cost price, and the Shanghai Mills, which were started under the impression that the closing of Indian mints gave them a special advantage over Bombay, had fared no better than their neighbours, and were selling yarn in their own markets for less money than it cost them to spin it. We in Bombay not only had to face bad markets, but to fight against plague for the past three years, which, by nearly closing our mills for weeks during two or three months each season, and generally disorganising our labour, increased the cost of production at a time when, under normal circumstances, every effort would have been directed to economise. Owing to reduced estimates of the American cotton crop, and the consequent advance in price of raw material, the yarn market is now much firmer, and there is no longer a desire on the part of holders to get rid of yarn at prices below that at which it can be produced. This in itself should help the market, and the re-opening of the northern ports of China about this time should, I trust, also tend to improve the position.

Unsold and uncleared stocks of Indian yarn in China are still heavy, being 130,000 bales against 97,000 bales at the same time last year. But, in comparing these, it must be borne in mind that in addition to our own large exports, 450,000 bales for the year, China has absorbed large quantities of Japan and locally manufactured yarn, showing, I think, there is considerable room for expansion in her power to consume—expansion that must develop with the great opening-up now going on. We can only hope that for some time, at least, there will be no great increase in the number of Eastern mills, and that consumption will quickly overtake our increased production, enabling us again to secure a margin on the right side. But I think the time for handsome profits gone, and that in the future, we will have to content ourselves with more moderate returns on capital invested. The important question for us in India is, "Can we successfully compete with Japan and China?" I think we can, because we have raw material on the spot and abundance of experienced cheap labour. Japan and China draw almost entirely upon India for their supply of cotton, and judicious purchasing in the purchasing of raw material is an important factor in the working of a cotton mill. A Bombay millowner, with a large market at hand where he can select his requirements, ought to have considerable advantage over his friends in the

Farther East, who must buy on sample or type, at times when freight can be obtained, and pay additional charge in the shape of buying commission. Japanese and Chinese mills may appear to have the advantage by working 23 hours per day, but experience has over and over again shown that the loss from heavy depreciation of machinery and inefficiency of labour, resulting from night work, more than counterbalance any gain from increased output.

I thought that the closing of the Indian mints would give Japan and China a great advantage in the matter of exchange, but experience shows that the prices for yarn in China move almost automatically with the rise or fall in the sterling value of the dollar, in the same manner that the decline or rise in the sterling value of the rupee is followed by a rise or fall in the value of our produce. As a matter of fact, exchange between India and China has, in sympathy with the steadiness of the rupee and of silver, varied less during the past few months than for some years past. I cannot see that cheap silver gives China any real advantage. The lower the price of the metal, the more she must give of it, or its equivalent, for anything she requires. This is, I think, strikingly illustrated by the fact that whereas, when silver was of more sterling value, the dollar would purchase 1,300 cash, cost being the copper currency used for small payments to coolies and others; now the dollar can only buy 900 cash. Now that the idea that the curtailment of currency is necessary to maintain exchange has been disproved, I would prefer leaving matters as they are, and giving a longer trial to our present currency law, which has not worked badly, considering that, in the face of plague, famine, and war, we have come out fairly well. I am of opinion that with-

increased railway facilities, which would enable produce to find its way to new markets, the balance of trade in favour of India must steadily increase; and that, except in famine years, we should not only be able to pay for our imports and meet our obligations, but would have such a balance to our credit that exchange could be maintained without further legislation. The present system has, to my mind, this advantage, that, if through famine in India or overstocked markets abroad, exports should fall off, exchange would decline, and in so doing would tend to stimulate our export trade for the time being. I trust the time is near when the financial position of the country will enable the Government to make Bombay a free port once once. The vexation, annoyance and hindrance to trade caused by import duties, even with the best regulated Customs House, can only be realised by those engaged in the import trade. We millowners do not complain of countervailing excise duty as in any way injuring us in regard to competition between England and India, there cannot, as this Association has always maintained, be any competition between the fine goods of Lancashire and coarse cloth made in this country; but there can be no doubt that the Excess duties protect hand-loom weavers, and, as a consequence, we find that, whereas handlooms are increasing their consumption of yarn year by year, there has been no increase in machine-ooms in Bombay since 1896, when the number was 21,335 against 21,379 at the present. I think we have good ground to make a representation to Government regarding this, the more so as it seems the time has come when, without any financial inconvenience, Government is able to repeal duties never intended to be permanent, or protect one class of industry against another.

Papers relating to CEYLON.

No. 41.

LETTER from the COLONIAL OFFICE to the CEYLON ASSOCIATION.

SIR, Downing Street, 7th May, 1898.

WITH reference to the letter from this Department of the 18th ultimo and to your letter of the 4th instant, I am directed by Mr. Secretary Chamberlain to inform you that the wishes of the Planters' Association of Ceylon and of the Ceylon Association in London, with regard to the appointment of Mr. T. N. Christie as a member of the Indian Currency Committee, were duly communicated to the Secretary of State for India, but Lord George Hamilton was only able to offer one vacancy to be filled by a representative of all the Eastern Colonies.

2 It seemed desirable that the dollar using colonies should be represented as well as Ceylon, and that therefore a representative should be appointed who was connected not only with Ceylon, but also with the Far East.

3 For this reason Mr. Chamberlain suggested the name of Sir A. Dent, K.C.M.G., as a suitable representative to Lord G. Hamilton, who has been good enough to appoint him.

4 I am to suggest that if your committee desires to offer any evidence specially affecting Ceylon to the Currency Committee, they should put themselves in communication with Sir A. Dent and with Mr. R. Chalmers of the Treasury, who is secretary to the Committee.

5 The memorial from the Planters' Association of Ceylon dated 12th ultimo, received from the Governor of Ceylon on the 2nd instant, will be communicated to the Committee.

I am, Sir,
Your obedient Servant,
(Signed) C. P. LUCAS,
The Secretary to
the Ceylon Association.

No. 42.

LETTER from the Colonial Office forwarding MEMORIAL from the PLANTERS' ASSOCIATION of CEYLON.

Downing Street,

7 May 1898.

SIR, I AM directed by Mr. Secretary Chamberlain to transmit to you, to be laid before the Indian Currency

Committee, copy of a memorial from the Planters' Association of Ceylon, with regard to the effect of the currency policy of the Indian Government in Ceylon. Mr. Chamberlain trusts that the Committee will be able to obtain full evidence on behalf of the Ceylon planning interest, and I am to enclose copy of a letter which has been addressed to the Ceylon Association in London on the subject.

I am,
Sir,
Your obedient Servant,
R. Chalmers, Esq. C. P. LUCAS.

Enclosure to above Letter.

To the Right Honourable
Joseph Chamberlain, M.P.,
Her Majesty's Secretary of State for the Colonies,
Downing Street, London.

The humble Memorial of the Planters' Association of Ceylon, and others having a stake in the continued agricultural prosperity of the Colony, and having for their object the good of Ceylon.

RESPECTFULLY SHERETH—

1. That your memorialists, who are deeply interested in the cultivation of the staple products of Ceylon (tea) as well as in the general agriculture of the island, recognising the extreme gravity of the existing conditions of exchange and currency, desire to represent to Her Majesty's Government how disastrous the artificial high rate has been, how critical the position of the producers—European and native—is, and to urge the necessity for early action in such vital matters.

2. That your memorialists view with very great alarm the delay that is taking place in the settlement of the question of the Indian currency, which is the same as Ceylon and consider it their duty humbly to point out to Her Majesty's Government that the continued prosperity of Ceylon is at stake.

3. That your memorialists of the Planters' Association of Ceylon passed the following resolution in August

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1893, at a general meeting, and forwarded it to Government.—

"That the Government be urgently requested to take immediate steps to appoint a Commission to consider and report upon (1) the probable effect in Ceylon of the recent action of the Indian Government in putting an artificial value on the rupee, (2) the measures which it may be expedient to take to protect the interests of the Colony under the altered nature of the currency, as in the opinion of the Association the prosperity of the Colony has been seriously endangered."

4. That the Ceylon Silver Currency Commission appointed in response to the representation then made, reported in February 1894, and that many of the conclusions arrived at by the Commission have been verified, and few, if any, have been disproved.

5. That your memorialists are in full agreement with the conclusions expressed in paragraphs 14 to 20 and 24 to 28 of the Ceylon Silver Currency Commission Report hereto appended (Sessional Papers VI, 1894). Your memorialists would point to the diminished dividends declared by local tea companies, and in many cases to the absence of dividends in 1897, notwithstanding increased crops, and to the reduced value of tea property as evidenced by the Companies Share List quotations. In support of this statement, appended hereto is an editorial article in the "Times of Ceylon" of March 3rd (Appendix C) and also an extract from the "Times of Ceylon" of March 19th 1898 (Appendix B). That this loss of profit in the tea industry—caused in a large degree by high exchange—has very seriously checked further extensions of tea cultivation admits of no doubt.

6. That your memorialists feel in addressing you that it is unnecessary to do more than emphasise the fact that competition with silver-using countries, where the currency is a bullion value currency, will soon be impossible by virtue of the enormous difference between the bullion value and the artificial value of the rupee—amounting at the moment to over 60 per cent. on the bullion value of the rupee. It is difficult, your memorialists conceive, to credit that the Indian Government is not well aware of this effect of their present policy, and that a positive bounty has been given thereby to the teas of China and Japan at the expense of the British-grown teas of Ceylon and India. In the words of the Report of the Ceylon Silver Currency Commission referred to above:—

"It is impossible to forecast or give any trustworthy opinion on the extent of injury likely to be done to Ceylon tea and other products competing with similar products grown in silver currency countries, as the extent of the injury hinges on the extent of the divergence in rupee value before referred to; but there is no doubt that if the divergence were large these Ceylon products would only retain their markets by accepting prices so low as to seriously imperil the prosperity of the largest producing classes in the island."

This statement is borne out by what is now occurring in Russia and the Continent, where at considerable expense, voluntarily submitted to by the producers in Ceylon (Ordinance No. 4 of 1894, for increasing the consumption of Ceylon tea in foreign lands), a trade has been opened and prospects were promising, but owing to the competition of China, favoured by her bullion value currency, the prices of Ceylon tea were forced down, and Ceylon producers are forced to accept a serious decline in prices, which tends to further lower rates now quoted in London.

7. That your memorialists agree with those who think that cheap silver, previous to the closing of the mints in India, was a potent, if not the most important, factor in developing the agricultural resources—which are the backbone of prosperity—of Ceylon, as of India, whilst they admit that stable exchange is a factor, though a minor one, tending to attract capital. Your memorialists affirm that capital seeks profit, not stability of exchange alone, and that where there are no profits capital will soon cease to flow. Further, your memorialists say that a high rate of exchange induces the withdrawal of capital from Ceylon to London and elsewhere. Your memorialists maintain that capital will inevitably flow where there is most profit and prosperity, but apart from this fact, your memorialists apprehend that stability of exchange is one of those objects of the policy of the Indian Government which it has not yet succeeded in attaining.

8. That your memorialists are of opinion that the present unsatisfactory condition of the currency question is intolerable, and that adequate consideration should at once be given to the subject by Her Majesty's Government, with a view to ascertaining the best measures to be taken to ameliorate the existing critical state of the producing industries, and to relieve the financial pressure. Already the local banks of Ceylon—unquestionably owing to the contraction of the currency through the closing of the mints—are charging from 12 to 15 per cent. interest on advances, rates which heretofore have only been levied by native money lenders on doubtful security.

9. That your memorialists rest assured that when confidence is established, capital will again flow freely to Ceylon and to India, and, without presuming to tender advice or to offer any opinion here as to the best remedy for the present unfortunate position of Ceylon and India, your memorialists would respectfully, but strongly, maintain that the producers' interests have been most severely injured by the experimental tampering with the currency in the supposed interests of the Indian Government.

10. Your memorialists would quote in this connection the following words from paragraph 24 of the Ceylon Silver Currency Commission Report: "The evidence we have is conclusive that that fall (the fall of the rupee) has not prevented the introduction of all necessary English capital, and it is stated that there is more capital offering for investment on reasonable terms than has ever been the case before. There is no practical or legal difficulty in securing the repayment of sterling loans in sterling value, and the loans of English capital, almost entirely made to Europeans, are so secured."

11. That your memorialists believe that, having regard to the issues on which agricultural prosperity depends, it is to the best interests of Government that whatever steps are taken should be final, and that the problem can only be satisfactorily solved as a result of a fresh, impartial, and exhaustive inquiry, at which the producers will not be sacrificed, but will be fully represented, carried on on *amiable* lines to that made before the closing of the mints in 1893, on the clear understanding also that the question of the gradual re-opening of the mints to the coinage of silver under certain conditions is included in the scope of the Commission.

12. That your memorialists rejoice to recognise that you consider it a duty incumbent on the British Government to draw closer to her colonies, to seek in her own family the strength and support which Great Britain can never find from foreign nations, and that the policy of Government is to bind the colonies closer by all means in their power, that the old policy of apathy and indifference is to be given up for one of initiative and resolution; that accordingly the prosperity of the Ceylon tea industry must necessarily be a matter of concern.

Wherefore your memorialists humbly pray that the gravity of the present crisis with regard to the producers of British-grown tea, as well as agricultural interests generally, may be earnestly considered by Her Majesty's Government without further delay, and that effective action may be taken for the amelioration and relief of many of Her Majesty's loyal subjects who are engaged in laudable and useful enterprise in the first Crown colony of the empire.

And your memorialists, as in duty bound, will ever pray.

On behalf of the memorialists,
F G A. LANE,
Chairman, Planters' Association
of Ceylon.

Kandy, Ceylon,
12th April 1898.

APPENDIX A.

EXTRACTS from Ceylon Silver Currency Commission Report referred to. (Sessional Paper VI, 1894)

14. We think it advisable to mention retrospectively what has occurred in Ceylon during the last twenty years, while the gold price of silver has been falling.

Taking, first, the production of goods for export, Table W. in Appendix E. shows that the export of coffee, which in 1877 was worth almost 50 millions of rupees, has gradually fallen ever since, and that in

1892 it was worth only 3½ millions: the fall was due to lent disease entirely. Meanwhile the export of tea has gradually risen from Rs. 2,000 in 1876 to 32½ millions in 1892 and Rs. 40,723,329 in 1893. The value of the exports of other commodities generally has increased from nearly 11 millions of rupees in 1877 to 25½ millions in 1892.

15. Preparatory to forming an opinion on the probable effects in Ceylon of the action of the Indian Government in enhancing the sterling value of the rupee, it was necessary that we should first enquire into and form an opinion of the proposition that Ceylon generally has benefited by the fall in the value of the rupee, which has been so pronounced during late years, and it may be convenient, in considering this all-important issue, to consider *separatim* the classes named by Lord Ripon in his letter of 25th November 1892, to the India Office.

These classes were—

- (1) English merchants and traders.
- (2) Producers and inhabitants generally.
- (3) The Government.
- (4.) English civil servants.

In considering the effects which the fall of the rupee has had on some of these classes, it is necessary to distinguish (1) between the effects of the actual process of falling, which would probably not affect more than one generation, and (2) the effects of a permanently low rupee, which would have a far more extended influence.

16. It is the first of these causes which really forms the chief hardship to the merchant and trader, it unsettled the local prices of European goods, introduced an element of uncertainty into many transactions, and affected all European capital brought into the island when the rupee was high, which would now, *ceteris paribus*, be much reduced in sterling value. The witnesses examined by us have made little complaint in this connection, and generally testify to their own prosperity and attribute it to that of the producing classes. The truth apparently is that all the European firms are so connected with, or dependent on, the planting industry that what is advantageous for their constituents is advantageous for them. The native traders have all their capital in rupees, and a large proportion of their business is with India, and they have consequently suffered even less than the European firms. The European business which seems to have suffered most and very seriously from the low value of the rupee has been that which encounters Indian competition. Local and Indian production has been stimulated and the European manufacturer has found it well nigh impossible to compete with goods manufactured in silver-using countries. It cannot, however, be said that the substitution of Ceylon and Indian goods for those of Europe is a matter for legitimate regret in these countries.

To sum up, the local merchant has a great volume of business owing to the progressive increase of exports and to the increase of shipping calling at Colombo. On the other hand he suffers from the harassing influence of a constantly fluctuating exchange, and the drawback of the shrinkage of capital engaged in business when measured in gold.

17. As exports have increased in value so have imports generally, and the whole body of importers has paid more silver for imported goods. The evidence taken before us shows that the local price of certain imported goods has fallen during the last twenty years in degrees varying with each commodity; but the same evidence also shows conclusively that the quality of some goods imported during the same period has deteriorated considerably.

We invite especial attention to this fact, as it does not appear to have been put prominently before other bodies which have previously discussed this subject.

Tradespeople attribute to the local consumer a determination not to pay more than a certain silver price for a given article, and they admit having lowered the quality so as to allow of their charging about the same price notwithstanding the lower value of silver.

18. In considering the second class named by Lord Ripon—producers and inhabitants generally—we have divided this class thus:—

- A.—Producers (largely Europeans) whose production is carried on by wage-earning labourers.
- B.—Indigenous native inhabitants, largely composed of small producers who cultivate their own ground.
- C.—Immigrant inhabitants, chiefly employed by European producers.

19. The Class A is the one which would manifestly seem to have directly benefited by the fall in exchange, and the great majority of our witnesses was confident that this class owed much of its present prosperity to that cause, the few witnesses who held the opposite view based their opinion upon the belief that it was the low price of silver that has caused the sterling price of so many commodities to fall, but none of these witnesses could give good reason for their belief.

At the present moment it may be calculated that tea has become since 1888 worth to the producer almost as much as coffee used to be worth in the days of its greatest prosperity, while the value of other commodities exported has more than doubled. These figures indicate generally a considerable degree of prosperity in all classes of producers for export. The class which produces commodities for export other than tea—a class which includes almost all the native producers, except grain growers in the island—appears to have augmented its business in a very notable degree; the value of its exports has more than doubled (measured in rupees) in the last fifteen years—measured in gold the increment is 60 per cent. This denotes a general progressive increase of prosperity amongst the producing classes and those depending on them.

We are of opinion that the low price of silver has stimulated the production of many commodities, and that the increased production so caused has naturally tended to lower prices; but on the question of a direct connection between the price of silver and that of other commodities our views are identical with those expressed by Lord Herschell's Committee, which, substituting "Ceylon" for "India," runs thus (paragraph 22). "It has indeed been alleged that the fall in the gold price of certain (Ceylon) products is to be attributed to the fall in the value of the rupee, but this allegation is strongly controverted, and having regard for the phenomena presented in the case of (Ceylon) products not greatly open to competition, and to the necessary effect of competition in the case of those which are within the sphere of its influence, it seems far from clear that the fall in the gold price of (Ceylon) products would have been materially less if the exchange had not fallen."

But whether there be an intimate cause-and-effect connection between the price of silver and the price of commodities or not, one thing is clear, viz, that the lowering of the gold price of commodities has equally affected those grown in a gold-standard country and those grown in a silver-standard country. Tea grown in Java—a gold-standard country—has shared to the full the diminished gold value of that product, and it has not shared in the compensating diminished cost of production, due to low exchange, which has enabled the Ceylon industry to retain its prosperity. The rate of wages paid to unskilled Tamil labour on the estates has not increased during the past eighteen years. It fell somewhat in 1886, and in some portions of the planting districts there has of late years been a rise to the old level. The rate of wages to Singhalese labourers has always been considerably under that paid to Tamil immigrants, and our evidence points to a general tendency towards an increase, although there is a large exception in the cinnamon estate labourers, whose wages have diminished. The real capital value of estates must depend upon their profit-yielding capacity, and if that capacity has been maintained owing to the effects of low exchange, the owner, even although he might not be able to get the same sterling price originally paid on purchasing the estate when the rupee was high, is indebted to the low exchange for having counterbalanced the fall in the sterling value of his produce, which would otherwise render his property profitless and possibly valueless. We are of opinion that Class A—the European and native owners of estates, whose expenditure is largely on unskilled labour—has benefited by the low exchange which has ruled in late years.

20. Class B is chiefly made up of the Sinhalese population and the Tamils settled in the northern and eastern portions of the island, many of whom are large producers of exported products—the value of the exports which can be classed as coming from native producers being over twenty millions of rupees per annum—and these stand in connection with exchange in much the same category as Class A. Another large section of Class B is directly or indirectly dependent on the spending power of the estate owners and labourers in finding a market for what this section has to sell.

The imports from foreign countries used by this class are small, and as regards clothes the evidence we have collected shows that they are at present both cheaper and inferior to the clothes of twenty years ago. As regards rice, it has for the last three years been dearer than twenty years ago, those in the interior who eat kurakkan are said to find the product dearer, but as the labourers are nearly always paid by a share of the produce, its increased money value may not be against the general interest of the labourer.

The circumstances of the ordinary wage-earning labouring inhabitant of Ceylon, who may have little or no property, and therefore cannot be classed as a producer, have varied very much in different parts of the island; and it would be impossible to lay down any rule applicable to all.

We append a mass of statistics (Appendix D) on the condition of the peasant labourer in all parts of the island. We have felt compelled to use great caution in making use of this information because, in the absence of historical data, the tendency of men's minds is generally in similar circumstances to describe the past as a time of easier conditions of life.

The poorer labourers, male and female, about Colombo have suffered greatly from the collapse of the coffee enterprise, which used to find them easy employment, and the development of the city as a port of call has not yet compensated them.

The class of labourers for hire has increased generally, and the demand for labour has also increased; it has been proved that the rate of wages has been raised in the Jaffna, Trincomalee, Metara, and Hambantotta districts, and in the Western province during the last twenty years.

On the other hand, the rate for peasant labour in the Central, Western, and Sabaragamuwa provinces appears to have remained fairly constant—at about three days' labour for a rupee; but that rate had only recently been attained in 1870. The rate in 1864 was generally a little lower.

24. When, leaving the individual classes and interests mentioned in foregoing paragraphs, we review the general position of Ceylon and its trade, we find that during recent years the statistics which are usually held to be indices of a country's progress point to a general increase or prosperity during the period when the fall of the rupee was most marked.

The evidence we have is conclusive that that fall has not prevented the introduction of all necessary English capital, and it is stated that there is more capital offering for investment on reasonable terms than has ever been the case before. There is no practical or legal difficulty in securing the repayment of sterling loans in sterling value, and the loans of English capital, almost entirely made to Europeans, are so secured (see Appendix D 13). Native borrowers and lenders deal entirely in rupees, and have been in this respect unaffected by the fluctuations of exchange.

25. Our opinion is that up to the present time a bullion silver currency, coupled with a falling rate of exchange, has been for the benefit of the greatest number, in other words, the sum of the advantages has preponderated over the sum of the disadvantages, and, as far as we can see, the action of the Government of India is not advantageous to the general interests of Ceylon, provided—

A.—That the readjustment of all local salaries, wages, and prices to the altered value of the rupee could be deferred for an indefinitely long time,

B.—That the future rise in the general revenue would be sufficient to keep pace with the increase in the obligations of Government, consequent on the altered value of silver, such rise being secured either by the revenue naturally rising *pari passu* with the increased demands on it, or by additional contributions from the producing interests specially favoured by a bullion silver currency and low exchange.

26. With reference to the possible readjustment of local wages and prices measured in silver, while we find that there is in Ceylon a slight tendency towards increasing wages, and a more general tendency towards increasing prices (after taking duly into account local exceptions and certain prices which have decreased), such increase bears no actual proportion to the progressive decline in the gold price of silver, and it can hardly be attributed thereto.

It is our opinion that the date of such a general adjustment of wages and prices is uncertain; that it will probably be remote, and that it may be postponed for an indefinite period of time.

We may note that this conclusion agrees in the main with that arrived at by the three Chinese members of the Straits Currency Committee of 1893, and with those of Mr Carden in his Report on Mexico, No. 302 of 1893 (F O Miscellaneous Series, C. 6856—50), and with those of Mr H H Gibbs as a producer in a silver standard country (C-5099, Minutes of Evidence, pp. 149—159, and Appendix X 2, signed J. M. Lowe).

27. The rise in sterling prices of commodities, which a few of our witnesses look for as a result of the action of the Indian Government, and which would compensate the producer for the rise in exchange, would, if it came at all for such a cause, follow at a distance while the adverse effect would be immediately in operation. We do not, however, think that a gradual and moderate rise in the sterling value of the rupee would, if equally felt by the currencies of other silver-using countries, seriously affect the prosperity of the colony, but the effect of the recent action of the Indian Government which we are now considering has, so far, not been to raise the value of the rupee (except for a short period of speculation) above its pre-existing value, but to create a great divergence between the token currency value and the bullion value of the coin, and it is this divergence in value which menaces the prosperity of some of the island's staple products.

The Extent of this Divergence is shown by the following Figures.

	Divergence	Bullion Value of the Rupee calculated at the Market Price of Silver, plus 3 per cent. Seigniorage.	Exchange Value of the Rupee
1893.	<i>d</i>	<i>s. d.</i>	<i>s. d.</i>
June 1 - - -	0 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$
" 15 - - -	0 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$
" 29 - - -	4 $\frac{1}{2}$	0 11 $\frac{1}{2}$	1 3 $\frac{1}{2}$
July 13 - - -	3	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 27 - - -	3 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 8 $\frac{1}{2}$
Aug 10 - - -	2 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 24 - - -	3 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 2 $\frac{1}{2}$
Sept 7 - - -	3 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 21 - - -	3 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 3 $\frac{1}{2}$
Oct. 5 - - -	3 $\frac{1}{2}$	1 1	1 3 $\frac{1}{2}$
" 19 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 8 $\frac{1}{2}$
Nov 2 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 16 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 30 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
Dec. 14 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3
" 28 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
1894.			
Jan. 11 - - -	2 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 3 $\frac{1}{2}$
" 25 - - -	2 $\frac{1}{2}$	0 11 $\frac{1}{2}$	1 2 $\frac{1}{2}$
Feb 8 - - -	2 $\frac{1}{2}$	0 11 $\frac{1}{2}$	1 2

28. Tea, the staple product in which Europeans are interested, and the coconut palm products forming the chief native exporting industry, are the two enterprises most seriously affected, both being in competition with countries further east, where the currency is silver of bullion value.

It may safely be concluded that in such a vast and conservative country as China it would take many years before any change in the external purchasing power of the dollar would affect its power of purchasing local labour or articles produced for consumption in China, and that being so, it is evident that with tea at a given sterling price the European importer could afford to give the Chinese producer a higher value in local undepreciated currency than he could to the Ceylon or Indian producer in their local currency.

We have received through the Government a report from the British Legation at Tokio (Appendix D. 44), which indicates that since 1st May last there has been a considerable increase in the export of tea from Japan, and figures recently published in the *Ceylon Observer* respecting the export from China, while they indicate an increase since 1st May last of 6 $\frac{1}{2}$ million pounds to Russia, and 1 $\frac{1}{2}$ million pounds to North America, show a slight falling-off in the export to Great Britain. But it is evident that the progressive decrease (see Appendix E, Table T) in the export of tea from China which has taken place every year since 1886, to the benefit of India and Ceylon, has now ceased, and is likely to be replaced by an increase which would be a serious disadvantage to this country. We have since received interesting reports (Appendix D. 46, 47, 48, and 49) from Peking, Shanghai, Hankow, and Foochow.

Ceylon tea is produced solely for export, and it is not improbable that its production would be continued for

a considerable time in spite of almost any fall in price, and the effect of this exchange premium in China's favour would therefore be manifested less by any remarkable increase in the export of China tea or displacement of Ceylon tea than by prolonged reduction in the price of tea to a figure which was so low as to prevent Chinese growers, even with a premium of, say, 1½d. or 2d. per pound in their favour, exporting with profit.

It is impossible to forecast or give any trustworthy opinion on the extent of injury likely to be done to Ceylon tea and other products competing with similar products grown in silver-currency countries, as the extent of the injury hinges on the extent of the divergence in rupee value before referred to; but there is no doubt that if the divergence were large these Ceylon products would only retain their markets by accepting prices so low as to seriously imperil the prosperity of the largest producing classes in the island.

APPENDIX B.

(Times of Ceylon, 19th March 1898)

Below we give the averages for the past three years of a number of well-known and representative estates in various parts of the planting districts, and this table will afford facilities for further comparisons:—

	1895.	1896.	1897.
Agra Ouvah	69	61	55
Anchor Mara	59	59	45
Ardlaw and Wishford	65	58	55
Augusta	49	41	33
Cankuhen	50	47	46
Castlereagh	50	46	40
Chinae	47	39	34
Clyde	53	44	37
Deaculla	55	52	43
Dekapitiya	54	47	41
Dunbar	49	47	42
Eadella	47	34	32
Fiba	47	40	33
Faraham	55	43	40
Glasgow	61	58	51
Glanit	53	49	45
Glencorse	49	42	40
Great Valley	53	42	40
Harangalla	49	42	39
Harrington	61	54	51
Hethersett	65	52	53
Ives	43	37	34
Kelaal	55	39	36
Knavesmire	45	34	32
Langdale	67	55	48
Macaldenya	56	52	40
Maha Ouvah	54	47	45
Maldern	49	37	30
Middleton	65	52	55
Mocha	62	37	48
Naseby	70	65	71
Ottery and Stamford Hill	65	49	46
Patiagama	56	49	41
Queensland	53	44	53
Radella	65	52	45
Roseneath	49	39	33
St Heliers	50	45	39
Ststed	42	48	37
Talga-wela	50	41	38
Templestone	56	47	40
Trenton	73	53	43
Tyrwood	55	40	36
Vogan	52	46	40
We-niya	46	38	33

APPENDIX C.

CEYLON COMPANIES AND THE LOCAL SHARE MARKET.
(Times of Ceylon, 3rd March 1898.)

A detailed study of the state of the local share market, and of the prospects of both sterling and

rupee-capital tea and other produce companies—more particularly those formed during the past two years—shows how severe has been the relapse after the inflation of 1895. It is a very disappointing statement which we have to make, but not to face the situation would in no wise improve it, and it is better to regard things exactly as they are. The record of losses during 1897 on local quotations—accentuated this year to the present date—when reckoned on all the existing scrip, assumes astounding proportions; and we must be made of it to show the home authorities how adverse conditions have combined to check our prosperity—the prosperity at present, principally, of the European community in Ceylon. Its reflex action upon the island generally has not become very manifest yet; but must already be bringing its influence to bear in many directions. What the natives felt during last year more especially was the dearth of rice due to the Indian famine, and enhanced up-country by the Allagalla rock-slip. The immigrant estates coolies, in many cases, suffered less than others in this way, because the majority of estates shared the additional cost with their labourers. This has tended to further reduce the profits of not a few public companies; but it is fully realised now that the prime and lasting cause has been the artificial exchange, to which the prices of our staple have in no degree responded. It is not a characteristic of the Ceylon planter to bemoan bad luck. If it come to him in the ordinary risks of tropical life and work he is prepared to take his chance and accept the results in a manly way. Low prices do not force a complaint from him if he be competing on equal terms with the rest of the world; but when he realises that he has not a fair field, that his case, in spite of his highly-praised pluck in refusing to be wiped out by the coffee crisis, has not received consideration in connection with the present financial operation permitted in India, then his indignant protest is natural, and his protests will become louder and more urgent until they are regarded. We hope the Governor, as largely responsible for the continued prosperity of the country during his rule, has already addressed the Secretary of State on the situation. If this has not been already done, the figures which we give to-day will, we trust, supply his Excellency with some reliable material.

In a special view of the local share market in 1895, which we gave in January 1896, we remarked that two great features divide the past year with remarkable distinctness, the first half having been noteworthy on account of the large amount of business done in old shares and their appreciation in price; and the second half for the number of new companies incorporated. We showed that, almost entirely in the latter six months, eighteen rupee companies, having a paid-up capital of Rs. 5,848,500 and a nominal capital of Rs. 8,860,000, had been registered. In a similar retrospect, a year later, it was stated that the feature of 1896 was the number of sterling companies formed. The companies floated in London during that year numbered thirteen, with a paid-up capital amounting to 902,170*l.*, which showed that four and a half times as much had been invested in London as in Ceylon, where during the same twelve months the public tea companies founded numbered eleven, with a paid-up capital of Rs. 3,259,000, and a nominal capital of Rs. 5,940,000. 1897 has been notable for the entire absence, since the first month of the year, of the formation of any local companies except of a private nature. In the January of this year one company was registered, and its shares are now quoted in the official list; but, from January to January exclusive, the public were not appealed to in the matter of a single new rupee tea company. The floating of limited liability concerns in London continued during last year, however; and, while the first half of the year saw some huge companies formed having joint interests in this island and in Southern India, the latter half was marked by the floating of a company representing the largest number of Ceylon estates that have been brought together for one flotation. We are unable to prophesy what lies before these later companies. Nor can we deal, to-day, with the prospects before the planting community as a whole; but in the tables which we append we show how the older local institutions, whose capital figures per acre were small, have been able to stand the present strain much better than those brought out when the vendors were able to get more favourable prices for their properties. The first table we give is of local companies which have been formed long enough to show the fluctuation in prices since the years 1895 and 1896. The first three columns represent the quotations

on the 1st January of the respective years, and the last column is brought up to date, embodying the alterations made by the committee of the Sharebrokers' Association at their meeting on Tuesday last. Some of the quotations are ex-dividend, but very few are affected by the deductions made for such payments, though mention may be made of Agra-Ouvah, Clyde, Glasgow, Kirklees, Knavesmire, Maha Uva, Tonacombe, and Upper Maskeliya. On the other hand, we have almost as many described as "nominal," while practically all in the list are now marked "sellers," which means, in the present state of the market especially, that business could be done only at figures more or less lower than those quoted.

FLUCTUATIONS OF THE OLDER RUPEE COMPANIES.

	Jan. 1,			Mar 1, 1898
	1895.	1896	1897	
Agra-Ouvah Estates -	700	1,125	1,300	1,040
† Beaumont Tea -	-	-	130	130
Castlereagh Tea -	85	157½	150	105*
Ceylon Hills Estates -	-	197½	107½	65*
Ceylon Provincial Estates -	-	62½	68½	48½
Claremont Estates -	-	100	77½	50*
Clunes Estates -	112½	197½	170	115
Clyde Tea Estates -	-	125	120	100
Delgolla Estates -	500	470	360	200
Doomoo Tea -	-	125	115	67½
Drayton Estate -	110	185	170	160
‡ Dunkeld Estate -	630	1,025	1,037½	-
Eadella Estates -	562½	675	560	250
Eula Tea -	114	175	155	65
Estates of Uva -	-	735	685	450
Glasgow Estate -	760	1,275	1,400	1,060
Great Western Tea -	680	1,000	950	650
Hapugahalanda Tea -	250	350	385	300
High Forest Estates -	-	650	630	425
Do do. part paid ‡	-	200	222½	225
Horrekelly -	80	75	92½	610
Kelani Tea Garden -	-	120	102½	90
Kirklees Estate -	-	150	185	167½
Maha Uva Estate -	600	1,015	1,025	780
Mocha Tea -	800	1,085	1,175	900
Nahavilla Estates -	537½	1,000	900	550
† Pine Hill Estate -	-	120	67½	50
Ratwatte Cocoa (started in 1893, but unquoted)	-	-	-	350*
‡ Roeberry Tea -	-	110	107½	70*
Ruanwella Tea -	-	130	110	67½
St. Heliers Tea -	800	1,240	1,300	800
Talgaswella Tea (ordinary)	55	82½	35	32½
Do do. (7 per cent. pref.)	105	97½	87½	90*
Tonacombe Estate -	590	735	700	575
Udabage Estate -	-	110	105	65
Udagama Tea and Timber -	-	40½	30	25*
Union Estates -	-	550	540	360
Upper Maskeliya Estates -	830	1,000	880	675
Uvakkelle Tea -	-	132½	120	70
Vogan Tea -	-	110	108½	75
Wana Rajah Tea -	700	1,100	1,510	1,310
Yataderia Tea -	265½	400	400	270
Weoya Tea -	195	330	317½	270
Yatiantota -	3,250	6,000	7,750	

The above particulars show the "slump" per share of the concerns named; but we now have to show what the fall means over the whole of the local produce companies, and on the total number of shares involved. The figures thus produced are what we referred to in our introductory remarks as almost incredible. We are, however, sure of the fact that we have not made out the total loss to be worse than it really is. We include the very latest addition to the sharebrokers list, which slightly reduces the net depreciation, and we repeat that, by taking the present quotations, we do not unfairly expose the weakness of the market. —

* Nominal
† In 1896 the par value of these shares was reduced from Rs. 100 to Rs. 60
‡ Absorbed in other companies
§ Rs. 100 called up on January 1, 1896 and 1897, Rs. 250 called up now
|| Since amalgamated into a sterling company, at 20s shares, now quoted at 8s.

RUPEE COMPANIES—TOTAL CHANGES IN FOURTEEN MONTHS

Appreciated

	Ordinary Capital paid up.	At present Quotation	Rise since Jan. 1, 1897.
‡ Ceylon Tea and Cocoa Estates Co -	Rs. 302,900	Rs. 332,400	Rs. 30,200
Horrekelly Estates Co -	400,000	424,000	54,000
Ottery Estate Co -	298,000	372,500	74,500
Total -	1,000,000	1,128,700	153,700

Stationary.

Palmerston Tea Co -	410,000	410,000	—
* Patupaula Estate Co -	200,000	200,000	—

Depreciated.

	Ordinary Capital paid up	At present Quotation.	Fall since Jan. 1, 1897.
Agra Ouvah Estates Co	375,000	780,000	195,000
Castlereagh Tea Co.	240,000	252,000	108,000
* Ceylon Hills Tea Estates Co.	427,000	256,200	181,525
Ceylon Provincial Estates Co.	666,000	646,020	266,400
* Claremont Estates Co. -	65,000	32,500	17,875
Clunes Tea Co. -	330,000	379,500	181,500
Clyde Tea Estates Co -	270,000	270,000	54,000
Delgolla Estates Co -	220,000	110,000	88,000
Doomoo Tea Co. of Ceylon	400,000	270,000	190,000
Drayton Estates Co. -	715,000	1,144,000	71,500
Eadella Estates Co -	160,000	80,000	99,200
Eula Tea Co -	300,000	195,000	270,000
Estates Co of Uva -	700,000	600,000	329,000
Glasgow Estate Co -	325,000	689,000	221,000
Great Western Tea Co -	584,000	759,200	350,000
Hapugahalanda -	170,000	255,000	72,250
High Forests Tea Co -	750,000	637,500	307,500
† Do. pt. pd (250)	125,000	112,500	73,750
* Kalutara Co -	400,000	264,000	136,000
* Kandyan Hills Tea Co (Rs 100)	125,000	62,500	62,500
Kelani Tea Garden Co -	300,000	270,000	37,500
Kirklees Estate Co. -	100,000	167,500	17,500
Knavesmire Tea Co. -	415,000	300,875	114,125
† Kanapediwatte Tea Co -	334,000	317,300	46,700
Maha Uva Estate Co -	300,000	468,000	147,000
Mocha Tea Co -	404,000	727,200	292,200
Nahavilla Estates Co -	398,500	436,150	277,550
* Nyassaland -	161,800	145,620	16,180
Penrhos Estate Co. -	150,000	135,000	15,000
† Pine Hill Estate Co -	208,740	173,450	60,882
* Ratwatte Cocoa Co -	125,000	87,500	45,000
Raygam Co. -	600,000	260,000	240,000
* Roeberry Tea Co -	800,000	210,000	112,500
Ruanwella Tea Co -	265,000	178,875	112,625
* St. Helier's Tea Co. -	59,000	80,000	60,000
Stunford Tea Co -	300,000	300,000	37,000
Talgaswella Tea Co -	200,000	85,000	35,000
Tonacombe Estate Co. -	280,000	322,000	70,000
Udabage Co -	170,000	110,500	68,000
* Udagama Tea and Timber Co -	315,000	157,500	31,500
Union Estates Co. -	320,000	230,400	89,600
Upper Maskeliya Estates Co. -	350,000	472,500	108,500
Uvakkelle Tea Co. -	240,000	168,000	120,000
Vogan Tea Co -	720,000	540,000	241,200
Wanarajah Tea Co -	378,000	990,360	151,200
Yataderia Tea Co -	190,000	513,000	247,000
Total	14,920,040	15,753,150	5,959,222
Less Appreciation -	-	-	153,700
Net Depreciation -	-	-	5,805,522

* Present quotations nominal
† Changes in par values allowed for
‡ Companies formed in 1897 or 1898
Note.—Patupaula Plantations Co., capital issued Rs. 80,000, is omitted from this list, not being quoted

From the foregoing it will be noticed that the present quotations are still higher, taken all round, than the par value of the shares, the totals respectively being Rs. 13,732,150 and Rs. 14,920,040. To show in what proportion the older companies conduce to this, we divide the list into those formed in 1894 or earlier and those registered in 1895 or later. Of the 25 constituting the former 16 are above par, one is unchanged; and eight are lower. Of the 26 quoted concerns forming the latter list, three are higher; three are unaltered; and 20 are lower, as follows —

COMPANIES FORMED prior to 1895.

Year	—	Par.		Present Value.
		Rs.	Rs.	
1892	Agra Ouva Estates	500	1,040	
1891	Castlereagh Tea Co.	100	105	
1893	Chinese Estates	100	115	
1893	Delgolia Estates	400	200	
1893	Drayton	100	160	
1893	Eadella	500	250	
1893	Ela Tea Co.	130	65	
1891	Glasgow Estate	500	1,060	
1893	Gt. Western Tea	500	650	
1894	Hapuganalande Tea	200	300	
1876	Horrekelly Estate	100	106	
1893	Maha Uva	500	780	
1893	Moolha Tea Co.	500	900	
1893	Nahavilla Estates	500	550	
1893	Pine Hill Estates	60	50	
1894	Putupasia Tea Estates	100	100 nom.	
1893	Ratwatte Cocoa	500	380 "	
1893	St. Hilens Tea	500	800 "	
1888	Talgaswala Tea	100	32½	
1894	Tonncombe Estate	500	575	
1893	Udagama Tea and Timber	50	25 nom.	
1892	Upper Maskeliya Estates	500	675	
1894	Uvakeille Tea	100	70	
1892	Wana Rajah Tea	500	1,310	
1888	Yataderia Tea	100	270	

COMPANIES FORMED in 1895 and SUBSEQUENTLY.

Year.	—	Par		Present Value.
		Rs.	Rs.	
1895	Ceylon Hills Tea Estate	100	65	
1895	" Provincial Estates	500	485	
1898	" Tea and Coconuts Estates	500	550	
1895	Claremont Estate	100	60 nom.	
1895	Clyde Tea Estates	100	100	
1895	Doonoo Tea	100	67½	
1895	Estates Co. of Uva	500	450	
1895	High Forests Estates	500	425	
1896	" " " part paid	250	225	
1896	Kalutara Co.	500	330	
1897	Kanapadiwatte Tea	100	95	
1896	Kandy Hills Tea	100	50 nom.	
1895	Kelani Tea Gardens	100	90	
1895	Kirklees Estates Co.	100	167½	
1896	Kuwesumra Tea Estates	100	72½	
1895	Nyasaland Coffee Co.	100	90 nom.	
1895	Ottery Tea Co.	100	125	
1895	Palmerston Tea Co.	500	500	
1895	Putugama Plantations	—	—	
1896	Penrhos Estate Co.	100	90	
1896	Raygam Co.	100	60 nom.	
1895	Roseberry Tea	100	70 "	
1895	Ruswella Tea	100	67½	
1895	Stansford Tea	100	100	
1895	Udagama Co.	100	65	
1895	Union Estates	500	360	
1896	Vogan Tea	100	75	

PRACTICALLY PRIVATE COMPANIES RECENTLY FORMED, and UNQUOTED.

Year.	—	Par.		Capital Issue.
		Rs.	Rs.	
1897	Agra Tea Co.	—	—	
1897	Donnybrook	100	130,600	
1897	Gangyatte Estates Co.	100	178,500	
1897	Malay Sates Coffee Co.	100	25,000	
1897	Neboda Ceylon Tea Co.	500	353,000	
1897	Odoowere Estates Co.	—	—	
1897	Putakande Tea Co.	500	230,000	

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By way of supplementing the records of the produce companies we append a list of the local commercial companies, from which it will be seen that, apart from the under-capitalised and unfortunate Spinning and Weaving Company, they have generally rather more than held their own, with the exception of the up-country hotels and the Bristol, which would all appear to have been influenced adversely by the cloud at present over the planting interests. This concluding table is as follows.—

COMMERCIAL COMPANIES

—	Par.	Jan. 1		Mar. 1, 1898.
		1896.		
		Rs.	Rs.	
Adam's Peak Hotel	100	105	100	90
Bristol Hotel	100	112½	100	90
" " 7% Deb.	100	—	—	131
General Steam Navigation	100	95	85	105
Spinning and Weaving	100	55	40	10
" " 7% Deb.	100	—	—	90
Colombo Apothecaries	100	97 50	109	125
Colombo Assembly Rooms	20	—	—	13½
" " Prefs.	20	—	—	17
Fort Land and Building	100	105	95	90
Colombo Hotels	100	275	322½	325
Galle Race Hotel	100	105	103½	120
Kandy Hotels	100	100	90	80
Kandy Station Hotel	35	—	—	nom.
Mount Lavina	500	—	—	495
" " part paid	450	—	—	450
New Colombo Ice	100	150	180	130
Nuwara Eliya Hotels	100	100	95	70
Public Hall	20	15	17½	17½
Wharf and Warehouse	40	90	85	75

No. 43.

MEMORIAL from certain INHABITANTS of CEYLON.

The Right Hon. Joseph Chamberlain, M.P., Her Majesty's Secretary of State for the Colonies, Downing Street, London.

The Memorial of the undersigned Inhabitants of Ceylon,

Respectfully sheweth,

THAT they represent the general community of the island, embracing all classes, and that they humbly beg to set forth the disadvantages under which they are at present suffering, and the deplorable condition to which the producing and exporting interests of the colony are being reduced, owing to the policy of the Indian Government in regard to the currency and the resultant artificial rate of exchange and dearness of money.

2. That this colony is dependent on India in a very large measure for its labour and for its food supplies, these having to be paid for in rupees. The currency of Ceylon is identical with that of India, and cannot now apparently be dissociated from it.

3. That with interest and discount ruling as they are now, at about 15 per cent. on approved security in Colombo, and even higher at outlying districts, the severe strain is exercising such a very adverse influence, that no industry can for any lengthened period stand it, and that business of all kinds is restricted and is being gradually strangled.

4. That the staple export products of this colony are not grains or cereals which are cultivated annually, and which, if found to be unprofitable from any cause one year, need not be cultivated the next, but consist of articles the cultivation of which requires a large capital outlay, and which have taken years to bring into production. If, therefore, the cultivation of these products be rendered unprofitable, and over a large proportion of the cultivated area of the colony, this point is dangerously near, the land will have to be abandoned, and the result would be the loss of capital that has been invested and of all the time and energy that has been spent. In a word, it would mean ruin to many of those engaged in these industries, and

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prove a serious loss to the Government and colony generally. There might then be a recurrence of the calamities which afflicted the colony after the failure of coffee.

5. That from its dependent condition the colony, merely by its adoption of the Indian currency, is obliged to be a party to the arrangements which were proposed and carried out for the supposed benefit of India, and is without any apparent means of extricating itself from its present difficulties.

6. That as the success of the efforts to establish the rupee at 1s. 4d. under the present policy depends upon the success attained in rendering it scarce, it is manifest that so long as this scarcity is maintained money will be dear, all business be carried on with difficulty and the prosperity of this island endangered.

7. That they do not believe that the Indian Government anticipated this effect of its policy, and they would urge a consideration of the position on your part in the interests of this island, more especially as, when the action was taken, the ill effects of which they are now suffering from, the interests of the producers in India, largely consisting of uneducated natives, unable to voice their own interests, were overlooked.

8. That the producing interests of Ceylon, your memorialists would point out, are overwhelmingly more important than any other, and these interests through the colony's exports, over two-thirds of which are sent to the United Kingdom, suffer in a disastrous way from an artificially inflated rupee, since so many of its products compete with those exported by other countries using a silver currency based on silver bullion value.

9. That whilst fully recognising the difficulties of the Indian Government, your memorialists are of opinion that any tampering with the currency must be injurious to the trade of this colony, upon the prosperity of which all revenue, public and private, is dependent, and they pray that such steps may be taken as may be effectual to afford them speedy relief.

Colombo, 25th March, 1895

(Signed) N. N. MITCHELL,
Mercantile Member of Legislative Council
(and 88 other Signatures)

No 44.

TELEGRAM from the CEYLON CHAMBER OF COMMERCE

Telegram of 14th June, 1893, to SIR HENRY FOWLER.

Ceylon Chamber Commerce identifies itself with Currency Memorial Inhabitants Ceylon 25th March. Chamber further strongly condemn currency proposals, Government India.

No. 45.

LETTER from MR. E. HARCOURT SKRINE, to the
Right Honourable J. CHAMBERLAIN, M.P.

SIR,

As an owner of tea property in Ceylon, I have the honour to offer some remarks on the subject of the currency, which has, I understand, been dealt with in a memorial to the Colonial Office by the Ceylon Planters' Association. That memorial had not been published when I left Ceylon last month, and it was therefore not in my power to address any representation on it through the official channels, but, inasmuch as I deduce some very different conclusions from the premises upon which the case for the planter is there argued, I venture to hope that I may be allowed to submit this letter for your consideration.

In so far as the Planters' Memorial is descriptive of the mischievous results to the Ceylon tea grower from the enforced contraction of the currency, it must command the loyal support of all producers, but when it goes beyond this, to recommend as a remedy the re-coinage of silver on the basis, as I understand, of a somewhat lower exchange for the rupee, I think it is time to bring to light some of the fallacies that in my opinion have obscured the judgment of the drafters of that memorial.

To illustrate these fallacies, I must refer you to Clauses 20 and 26 of the Memorial.

The concluding paragraph of Clause 20 says:—"The rate for peasant labour in the Central, Western, and Sabaragamuwa Provinces appears to have remained fairly constant at about three days labour for a rupee, but that rate had only recently been attained in 1870. The rate in 1864 was generally a little lower."

Clause 26 says:—"With reference to the possible readjustment of local wages and prices measured in silver, while we find that there is in Ceylon a slight tendency towards increasing wages and a more general tendency towards increasing prices, such increase bears no actual proportion to the progressive decline in the gold price of silver, and it can hardly be attributed thereto. It is our opinion that the date of such a general adjustment of wages and prices is uncertain, that it will probably be remote, and that it may be postponed for an indefinite period of time."

The object of both these clauses is to establish the contention that India and Ceylon as silver-using countries are incapable of re-measuring their commodities in gold. I admit that there is much apparent justification for this contention, opposed though it be to an inevitable natural law, but the fact that it is so opposed should have led the planting body to regard their inferences with suspicion.

The Planters' Association accepts the fact that the rate for peasant labour has remained constant at about three days' labour for a rupee from 1870 to 1893, as proof that the decline in the gold price of silver has not resulted in a proportionate rise of wages. It is the purpose of this letter to show that while the labour wage has, it is true, remained constant at three days' labour for a rupee, the value of that wage to the coolie has been enhanced fully 40 per cent during that period—or the equivalent of the fall in silver—by compensating advantages.

To trace these it is necessary to give a brief review of the labour wage for the past 24 years.

The Memorial admits that (1) during a period of par of exchange 1864 to 1870, the coolie wage was rising to some slight extent. That rise was commensurate with a staple trade price for coffee, and may fairly be taken to indicate a normally appreciating labour wage.

(2.) A second period, 1872 to 1881, was a period of great inflation, coffee prices rising from 65s per cwt. to 130s. This inflation was reflected in Ceylon by correspondingly higher cultivation. Labour that had in previous years been paid off after crop, to return to distant homes in India, was kept on for manuring and other works. Consequently the normal condition of a slowly rising wage was arrested, and made up to the coolie by this now found employment during the slack season. This period of high cultivation, the latter years of which balanced the first fall in silver, may be said to have ceased in 1881, when leaf disease and a collapse in the price of coffee brought the country to the verge of bankruptcy. It was succeeded by (3) a period of transition from the cultivation of coffee to that of tea. During this period, 1881 to 1885, the coolie wage was, it is true, still constant at three days' labour for a rupee, but the coolies were often not paid at all, and on some estates worked for years on a bare subsistence in rice. On estates worked with reserve capital a very rigorous task was exacted, such as is certainly quite unobtainable from the coolie of 1893, and a fuller value to the producer was undoubtedly obtained for the same wage. The argument of the apparent uniformity of the wage at the period preceding tea is, therefore, of little account. The coffee enterprise, while favoured by the exchange, may be compared to a ship with a favouring breeze, struggling vainly against a maelstrom. Indeed, so disastrous to labour was the ruin of coffee that, notwithstanding the collapse of silver which accompanied it, wages, that should have risen in accordance with a natural law, were actually lower estimated in the balance of earnings available to the coolie than they were when the exchange was at par. The natural result of all this was that the country was being rapidly denuded of coolies.

With these conflicting influences at work, it is idle to assume that the uniformity of wage had up to 1885, anything necessarily to do with the question.

Period 4.—Subsequent to 1885, the uniformity of wage argument is still further discounted by the altered circumstances to the coolie in tea. Whereas, in coffee, a large proportion of the labour force was paid off to return to their homes at the end of crop, the women that remained worked half time, and the children not at all; the whole Tamil family finds in tea a

constant full wage all the year round, and the women and children—the least useful labourers in coffee—have become the labour most in request in tea. The wage continues the same, “three days’ labour for a ‘rupee’” but the earnings of the Tamil family have increased fully 40 per cent., or very nearly, if not quite, the equivalent of the fall in the gold value of silver, which the Planters’ Memorial contends has had no such result. These advantages to the coolie (equivalent to a direct rise in wages) have been further added to by improved journey facilities to India. The Southern Indian Railway to Tuticorin, made in 1875, gave the coolie direct communication with his Indian home, superseding a toilsome march of many hundred miles by the circuitous Northern Ceylon route *enâ* Mannar, a route which was quite impracticable for weakly women and children. I am satisfied that this view of the question has been entirely overlooked hitherto, and that, if it is fairly sifted, it will be found that the coolie has been more than compensated for the fall in the purchasing power of his wage by the increased volume of wage earnable, and by easy access to his country.

The contention of the Planters’ Memorial—that prices have remained unaffected by the fall in silver—can be similarly tested in the history of the rice market. This article, less than any other produce, lends itself to remeasurement with the rise or fall of the precious metal used as currency, because it is cultivated on lands that can grow little else.

It will be found that previous to the great famine in 1876 rice was selling in Kandy at Rs. 3 per bushel, and in 1895 previous to the last famine at Rs. 3 5/10, or a rise of 16 per cent. The latter price, however, by no means represented the real rise in value paid to the Indian producer, for his cost of transport in 1896 had been enormously reduced by railways and cheaper freights. If allowance is made for this it will be found that the price received by the Indian rice grower in 1896 was some 30 to 40 per cent. higher than in 1875, so that here again the natural law of remeasurement of the commodity in the currency had been at work.

In those two main instances—the coolie wage and the price of rice—the nominal but deceptive sameness of rate in Ceylon is used as an argument to support the contention that these commodities have not remeasured themselves in gold if the latter currency is resorted to. I arrive at the opposite conclusion, and am of opinion that if the depiction of the Indian original currency silver is rectified by an influx of gold to restore the equilibrium between currency and commodities the producer, equally with all other classes, will be benefited. Mr. Allan Arthur, in his standard letter, has shown the disadvantages certain to recur by a partial re-opening of the mints to silver, which is what the Ceylon Memorial advocates. The result to Ceylon tea of such a policy would be to foster the existing over-production which is likely, in any case, for some years to be a greater hindrance to profits than the recent high exchange.

(On the other hand, the introduction of a gold standard will have the following beneficial effects. If the transfer is made at a fair rate—and I consider a fair rate to be that which was ruling before the American legislation which led to the closing of the Indian Mint in 1893, and which I will take, for this and other reasons, at 1s. 3d. per rupee—the results to the tea producer will be (a) he will have a fair amende made to him for the present unduly high rate than that recently forced upon him; (b) the stringency of the money market, as evidenced by prohibitory bank rates of interest will cease; (c) the English investor will acquire confidence and lend money on mortgage in Ceylon at 5 per cent. where he would not now (under the uncertainty of ever getting his capital back) lend it at 10 per cent.; (d) there will be a mitigation, if not an end, to the recurring periods of inflation and depression, which have been most injurious to sound enterprise, and must continue to occur with an untrustworthy currency medium. There will be less phenomenal profits but they will be constant; (e) the transition to gold will furnish the opportunity for re-considering the coolie wage. If the Southern Indian rate of 4 s. for men and 2½ s. for women commands a full supply of labour there, the Ceylon rates of 6 s. for men and 5 s. for women, taken in connection with the new journey facilities, would appear too high. At any rate the subject would have to be reconsidered, if only to supersede the custom of making profits on rice, which has always been a considerable factor in Ceylon

in the wage question. These profits are likely to be very considerable if rice comes to be remeasured in gold, and, being always open to misconception, it would be better to standness given to the cost of production (f) the steadiness given to the cost of production would induce the planter—instead of looking to the fall of exchange to help him—to develop his own latent economies. There is no doubt that labour is not nearly as efficient as it might be, estates having been flooded with new and untrained coolies supervised by young men from England, who are gaining their experience at the expense of the industry, (g) when these results have been worked out, it will be found that there is little to fear in the competition from silver-using countries on which so much stress is laid in the Planters’ Memorial.

Our China competitors will be unsupported by cheap capital as in Ceylon, and rice—the food of the China coolie—must rise in price as the gold countries purchase it. The quality of China labour must also deteriorate in proportion as it is ill-paid and ill-fed.

I have ventured to suggest the transition from a silver to a gold currency at the rate of 1s. 3d. per rupee not only because it appears a just rate, but also because it will lend itself better than any other to the double necessities of England and India, seeing it would be represented by a gold coin the equivalent of 12s. 6d. in England and Rs. 10 in India. The present stock of rupees is not more than sufficient for token requirements, and it must be remembered that the burden of currency work in the East will always fall on the token coins; e.g., in monthly payments for labour, the individual wage, after deducting food supplies, but seldom reaches Rs. 10. This fact disposes of the idea that the demand for gold for circulation in India will ever in any way compare with the like demand for it in England, where the labour wage is so much higher and food is not made part of the terms of payment.

This letter of course accepts the theory that the Indian Government was justified by the cyclonic disturbance to the currency created by American legislation in contracting the Indian currency to meet a special danger, but the object having been served, it is bound to revert to a sound principle which at the present stage can only mean a *bonâ fide* gold currency for India.

I have, &c.
(Signed) E. HARCOURT SKRINE

New University Club,
St. James’ Street,
9th May 1898.

No. 46.

LETTER from Mr. E. HARCOURT SKRINE to the INDIAN CURRENCY COMMITTEE, supplementing No. 9

Claverton Manor, Bath.

DEAR SIRS. 25th November, 1898.

As Mr. T. N. Christie has been examined at great length on the Currency question as it affects the Ceylon planter by your Commission, I venture to request that I may be allowed to supplement my own paper in support of a different view on the same subject by the following remarks.

Whereas the Ceylon Planters’ Memorial in effect represents the views of the local agents of dividend-paying tea companies of recent growth, my connection with Ceylon dates from 1872, during all which time I have remained in possession of my estates as a *bonâ fide* cultivator and continued to develop them through all the vicissitudes of production. On the ground, therefore, of the producer I claim to speak with experience, if not with authority. The producer, however, represents but one of at least three conflicting interests affected by the currency question, and I can well understand that his evidence should be limited in just proportion.

My own views, however, are not those gained by a producer only, for I have had quite as much experience as an importer of Manchester goods. During the three years which marked the first great fall of silver—1876 to 1879—I was in charge of a business house in Southern India, and was fully sensible of the injurious effect of the depreciation of the rupee on import business. Whatever, therefore, my private feelings might be as a producer, of the advantages of cheap silver, its disadvantages to the importer were equally apparent. I venture to think that this dual experience is one not

generally shared in by the witnesses you have examined. Moreover, since my memorial was sent in much additional light has been thrown on the feasibility of a gold standard in India, and it is in connection with this question that I should like to supplement my paper. In it I advocated the transition from a silver currency to a gold one at 1s. 3d. per rupee, having for its basis a gold standard and currency coin, to be minted in India, the equivalent of 10s.

It has been remarked to me that others have advocated 1s. 2d., and others again 1s., why then should a 1s. 3d. basis be accepted more than either of these? On the same argument it might be added that the Government proposal of 1s. 4d. is equally fanciful, but I venture to submit that the claim to transfer at 1s. 3d. has alone, of all others, a logical basis, inasmuch as that was approximately the rate current when the mints were closed. From a purely logical, and therefore just, point of view, the transfer should then and there have been effected, and any forcing up of the value of the rupee subsequently is, on economical principles, indefensible. As it is my duty to confine my arguments to Ceylon I shall show that the 1s. 4d. rate is injurious to the interests of both labour and capital in that country.

My memorial has shown that under the circumstances of tea, the labour wage is abnormally high at present. The tea industry, which could afford to pay that wage with a 1s. 3d. rupee, cannot do so if a 1s. 4d. basis is insisted on. If this industry, on which the island revenue depends, is to be sustained, it must be by either lowering the rates of cooly pay or by giving effect to the logical and just exchange rate of 1s. 3d. The first solution would be a drastic but dangerous remedy which can only be imposed by the proprietary, or accepted by the labour, after much distress and incalculable loss to both, which will have its echo in England in raising the price of tea, the principal beverage of the masses. If such a result comes about its origin will be fully explained to them. On the other hand it is in the power of the Government to ease the situation by transferring at 1s. 3d., and save Ceylon from a calamity which may only in degree be inferior to the state of things in Barbados, and which it will have itself imposed.

I have still two remarks to add to my memorial. The first is to anticipate the assumption that a gold currency in the East will be absorbed for hoarding. Lately in Ceylon I have had sovereigns offered me by a native banker in the interior at below their Colombo market value, and seeing that the enormous volume of gold which is absorbed annually in the East is obtained at cost price the demand for hoarding is fully met as it is. An Indian mint would come into competition with this demand and attract gold now hoarded, more especially in times of stringency.

The other remark, also from a Ceylon standpoint, is as to the necessity, if a gold standard is adopted, that it shall be reasonably effective for purposes of currency as well, and that it shall correspond with the note circulation. The sovereign does not meet these requirements. It corresponds with no note issue in India, and in Ceylon where the Colony has been made to think in decimals by the Government, it will have no currency utility whatever. It will serve only to illustrate the expression, "If thy son ask bread of thee wilt thou give him a stone?"

I am, Sir,
Yours truly,
(Signed) E. HARCOET SKRINE.

The Members of the
Indian Currency Committee,
c/o Robert Chalmers, Esq.,
Secretary, the Treasury.

No. 47.

LETTER ON CEYLON CURRENCY, BY MR. H. W. GILLMAN.
(Received through the Colonial Office.)

Clontedmore, Corn hford,
Co. Cork, 9th July 1898.

CEYLON CURRENCY.

RIGHT HON. SIR,
SOME unknown friend has sent me a copy of the letter addressed to the Secretary of State for the Colonies (under date 19th May last) by the vice-president of the Ceylon Association in London on the above subject in

connection with the present currency proposals of the Indian Government.

I take the liberty of inviting consideration to the fact that, of the evils which are indicated in this letter, one is beyond control, and as regards the other it is open to the Colony at its own option to adopt a remedy.

Two chief arguments are put forward in that letter as follows:—

1st argument—That the establishment of the rupee at 16d. has so curtailed profits of tea estates as to raise alarm as to the future of the industry and to check any further extension of the tea acreage.

But a consideration of the net gold prices of tea, with the cost of production per lb., and with the rise and fall of exchange of the rupee since 1893 (when the mints in India were closed) to the present year 1898, shows that the decrease of profits has been due more to the fall in price than to exchange. A few figures taken from the letter in question and from the very useful curves of prices, &c. appended thereto will make this clear, thus—

	Tea per lb.
1893—Average net* gold price in	
London	- 7 50 pence
Cost of production† with rupee	
at 15d.	- 4 28 "
(Exchange 15d.) profits per lb.	3 22 "
1895—Average net gold price in	
London	- 7 17 "
Cost of production with rupee	
at 13 3d.	- 3 80 "
(Exchange 13 3d.) profits per lb.	3 37 "

That is about the same profits as in 1893 though rupee had fallen 1½d.; and in this year if the price had remained the same (7½d.) as in 1893, the profits would have been 3 70d., so that a fall in exchange of 1½d. (i.e., from 15d. to 13 3d.) made a difference of profits, of only about ½d. per lb. of tea. The present year, further, shows the effect of the fall in price, thus:—

	Tea per lb.
1898—Average net gold price of tea	
in London	- 6 50 pence.
Cost of production with rupee	
at 16d.	- 4 57 "
(Exchange 16d.) profits per lb.	1 83 "

If the rupee had been at 15d. the profits would be only about ½d. per lb. more; and, if the rupee had been at the low figure (13 3d.) of 1895, the profits would be but ½d. more per lb.

Or, the point may be put in other words in this way, the difference in profit per lb. between 1893 and 1898 is 1 39d., of which only about ½d. is due to the rise in exchange from 15d. to 16d., while the rest, over 1d., is due to fall in price of tea. In fact a rise of 2d. in the exchange of the rupee makes a decrease of only ½d. in profits per lb. of tea, and has, therefore, only one-fourth the effect in diminishing profits that a fall of 2d. in the price would have.

It must, however, be noted here that many estates in Ceylon do not obtain for their tea the average price of 6 3d. last mentioned above: there are several whose tea nets little above 5d. per lb. The margin of profits in such cases approaches evanescence, and cultivation on those estates will probably have to be abandoned till prices chance to rise. A Ceylon correspondent lately informed me that a further fall of ½d. per lb. of tea in London would throw out of cultivation estates whose out-turn totals to about thirty millions of lbs. per annum, of course such a check to production would tend to cause prices to rise again, that is, if competition with China, a silver-using country, may not prevent such a rise in prices.

On the whole the tea industry in Ceylon, on which the prosperity of the colony depends, is in a critical condition at present. But, as regards the question of exchange, I do not see how the Colony can expect relief in that direction, because the interests of the great empire of India are paramount, and these require

* i.e., 1½d. below the gross price shown in the curve appended to the letter.

† 126 million lbs. of tea are produced at a cost of 36 million rupees, this is a cost of 2 ¾ cents. per lb. (100 cents Ceylon = 1 rupee) and is practically independent of fluctuations in exchange.

that the gold value of the revenue shall be stable, at its present amount at the least, without the imposition of further taxation of the people; and the State must secure this object even though any private interests may suffer thereby.

The second chief argument in the Ceylon Association's letter is to the effect that the tea and other industries, that compete in other markets with the produce of China and other silver-using countries, will be so handicapped by the high value of the rupee as compared with that of silver, that those industries are likely to be extinguished in such a competition. In this the Association assumes that the present currency arrangements and those soon to be adopted in India will be continued in Ceylon. This argument so far as it affected the Indian plantations was fully considered by the Herschell Committee in 1893, who dealt with it in pars 118-120* of their report. The Committee admitted to some extent the force of the argument, but doubted whether "any very serious prejudice would result" to Indian producers therefrom, and (in par. 120) dwelt on the want of railways and other means of communication in China, and the heavy imposts to which production is there subject; and thought therefore that no serious apprehension need be felt as to the competition of China.

The situation in China is, however, now very different from what it was when the Committee wrote: English factories with best machinery (as the Association points out) will soon turn out thence tea as well manufactured as any in India or Ceylon, and the want of transport will be overcome probably by railways; and I think that both Indian and Ceylon tea planters have much to fear from this competition while they use a rupee stable at about the rate of 16*d*. For instance, supposing both Ceylon and China teas to fetch a net price in London of 6*d* per lb, this 6*d*. remitted to China will, at 27*d*. the ounce of silver, exchange for about 166 grains of pure silver there, while in exchange with India or Ceylon it is the equivalent of only 62 grains of the 165 which are in the Indian rupee; and thus, since price of labour, &c has not responded to the change in value of the rupee, the London price will pay for nearly twice as much labour in China as it will in India or Ceylon. The China producer can therefore afford to sell his tea for two or three pence lower than the others, and, if the Chinese manufacture take the public taste, most of the Ceylon and Indian tea estates must be abandoned.

As above stated, the Association have assumed, in the above arguments that Ceylon will or must continue to use the Indian rupee and the gold standard if it be adopted presently by India. Of course it is, speaking generally, a great advantage to any country to have a currency not subject to depreciation or to fluctuations, sometimes violent, in exchange; and it may be here remarked that in 1893 the complaints of merchants and producers were directed more against the fluctuations in the rate of exchange than against the value of the rupee which then stood at about 15*d*.

But if Ceylon is, under present circumstances, content to use a silver currency however liable to variations in value and exchange, is there any formidable obstacle to her doing so, and to her giving up the use of the currency of her great neighbour? Since the occupation of Ceylon, in 1796, by the English, it has been always the case up to 1872 that the currency of the colony was different from that of India, and even when in 1872 the Indian rupee was adopted as the unit in Ceylon, the unit was decimalised there, and the use of the barbarous Indian sub-denominations of annas and pies was rejected. It will be remembered that before 1825 the

Ceylon currency was rix-dollars, coined at the mint in England, with sub-denominations of fanams and stivers. The rix-dollar was a silver coin, worth 1*s* 5*d* with silver at 5*s* the ounce. In 1825 the British currency was introduced, and accounts were directed to be kept in £ *s. d.*, and British silver and the rix-dollar (at 1*s*. 6*d*.) were declared by regulation to be legal tender to any amount. In 1835 the Indian Government made the Company's rupee of 165 grains pure silver and 15 grains alloy the standard for India; and in the following year the Governor of Ceylon, by notice (not an Order in Council or a Royal Proclamation), stated that the Government would put that rupee in circulation in Ceylon at the rate of two shillings.

This did not make the rupee legally current, but nevertheless it was universally accepted, and a debt expressed in British pounds was discharged in Ceylon by rupees at the rate of 10 to the £ as readily as by British currency or rix-dollars.

So it may be seen that, however natural it may be for Ceylon to use the same currency as India, history shows that it has generally not done so, and that it is possible for Ceylon again to use a different currency, and thus to compete on even terms with other silver-using countries such as China. Indeed this was the purport of the answer made by the Herschell Committee*, in 1893, to those who apprehended that Ceylon trade would be prejudiced by the closing of the Indian mints and by the adoption of a gold standard in India, if these currency arrangements should be continued in Ceylon. The Committee said, "it would in that event be open "to the Government of these colonies" (Ceylon and Mauritius) "to acquiesce in the action of India, or to "establish currencies of their own with or without "local mints."

The adoption of some such silver currency by Ceylon, even if it be to continue only for a time, would enable the Colony to tide over its present difficulties, so far as these have arisen from the action of the Indian Government, and to meet the competition of China with an even chance of success, and thus save the Colony from the disaster of the failure of the tea industry on which the prosperity of the whole island is very largely dependent.

It is unnecessary here to go into any detail as to the particular denomination of silver coin which Ceylon might adopt as the unit in such case. The Colony might use the British dollar of Singapore and Hong Kong, which seems to be fairly stable at an exchange value of 22 to 23 pence since Japan adopted a gold standard for her similar coin, the yen; or Ceylon might coin a rupee of her own, of some weight and fineness as the Indian one, but sufficiently distinct therefrom so as not to be mistaken for it, of which latter there would be little danger, for the natives of India and Ceylon are born money-changers. Whatever unit Ceylon may so adopt, Ceylon can pay the cost thereof by exporting to India such rupees as come to her treasury.

I may add that, after some consideration, and from my experience in connection with the details of the change of currency in Ceylon as carried out in 1871-72, I foresee no difficulty in the change now suggested greater, if not less, than the difficulties which were successfully overcome in those years under the government of Sir Hercules Robinson.

I have, &c.,
HERBERT WEBB GILMAN,
(Ceylon C. S. (Retired).

The Right Hon.
Joseph Chamberlain, M.P., &c.,
Principal Secretary of State
for the Colonies.

* Report, *ante*, par. 129.

* Report of the Committee appointed to inquire into the Indian currency, 31st May 1893
† See Sessional Papers, Ceylon, session of 1869-70.

Papers relating to CHINA.

No. 48.

SHANGHAI: PRICES OF COMMODITIES.

(Extract from a letter received from the Foreign Office.)

Her Majesty's Consulate-General,
Shanghai, January 31st, 1896.

I now have the honour to forward a return showing the difference of price in terms of silver of 14 different

articles as sold in the native market in the years 1867 and 1897. The list has been compiled from three separate and independent sources, and it represents, I believe, quite fairly the average retail prices in the native market.

In every case it will be seen that the prices have risen even in terms of "cash," and, a fortiori, in terms of silver. An office servant who was receiving \$5 per month could convert these in 1867 into from 2,400 to

9,000 "cash," whereas now he can only get about 6,880, and, moreover, he finds that for nearly all the necessaries of life he must pay more "cash" than he used to.

In short, it may be said that at the present moment in Shanghai it requires at least \$3 to procure the same articles of daily use as could formerly be procured for \$2. It is, I think, probable that some of the articles quoted may be unduly appreciated at the moment from temporary causes, but, taking things all round, I am sure that there is a permanent rise of at least 30 per cent. in silver prices.

I have, &c.,
(Signed) G. JAMIESON,
Consul-General.

The Marquess of Salisbury, K.G.,
&c. &c. &c.

Enclosure to above

COMPARATIVE TABLE of Retail Prices at SHANGHAI for
YEARS 1887 and 1897.

Article	Average Price in Cash.		Equivalent Average Price in Silver		Increase per Cent. in Silver Prices.
	1887.	1897	1887.	1897	
Rice, per picul	Cash	Cash	\$	\$	49
Flour, per catty	23	36	8 33	9 42	82
Charcoal, per catty	11	15	0 11	0 17	54
Chicken's eggs, each	6	9	0 006	0 110	66
" per catty	105	144	0 105	0 17	62
Pork, per catty	110	133	0 11	0 15	36
Eggs "	82	113	0 082	0 13	58
Vegetables, per catty	10	14	0 010	0 017	70
Oil, per catty	80	119	0 08	0 14	75
Sugar "	69	85	0 07	0 10	43
Salt "	18	24	0 018	0 028	55
Soy "	39	49	0 039	0 057	46
Tobacco, per catty	144	190	0 14	0 22	57
House rent	—	—	3 50	3 75	50

In 1887 the value of the cash is taken at 1,000 per dollar.

In 1897 the average exchange was 860 per dollar.

No. 49.

COST OF LIVING IN CHINA.

(Extract from a letter from Sir Claude Mac Donald, H.M. Minister at Peking, received through the Treasury.)

"Owing to the depreciation of silver and the dearness of copper cash, the silver pay of our Chinese employes of all ranks does not nearly represent the same purchasing power that it did some years ago, and the cost of living has consequently greatly increased. To meet this loss in the Customs Service Sir R. Hart has obtained sanction to raise the pay of all his Chinese employes by 50 per cent."

No. 50.

CURRENCY AND PRICES IN CHINA.

MEMORANDUM by MR. GEORGE JAMIESON, C.M.G., H.M. Consul-General at Shanghai.

The currency of China consists of—

A—Silver, which is either—

1. Uncoined metal passing by weight.
2. Mexican dollars and British dollars.
3. Subsidiary coinage (decimal parts of a dollar).

B—Copper cash.

A.—The standard of value is silver, the unit being the tael or Chinese ounce (565 grains).^{*} All Government

^{*} This is the weight of the ordinary tael of commerce at Shanghai. The Government or Customs tael is about 11 per cent heavier. The commercial tael differs in different parts of the country, some being heavier some lighter than the Shanghai tael.

taxes are levied in taels, the Government accounts are kept in taels, so also are all native banking accounts, and practically all the wholesale trade of the country is carried on in this currency. For convenience, the metal is cast into ingots weighing about 50 taels each. This is done by a private assay office, which will give a certificate of weight and fineness. Government does not interfere in the matter at all. The volume of currency is thus the whole stock of silver in the country. It is added to or diminished by the mere fact of import or export. An importation of, say, half-a-million ounces in bar silver, can be converted into currency at a few hours' notice and at practically no cost at all.

The stock of uncoined silver is supplemented by Mexican dollars, and to some extent by the new British dollar coined in Bombay for the use of the Straits Settlements and Hongkong. Mexican dollars circulate at the open ports of trade and some distance inland, especially in the silk districts near Shanghai. They exchange freely against silver at their intrinsic value or rather better, the rate of exchange varying, however, as much as 3 or 4 per cent., according to the demand. All large transactions between foreigners and Chinese are conducted in silver—either taels or dollars, according to the custom of the port. In Central and North China it is exclusively taels.

For convenience there is now at the ports and vicinity a considerable circulation of small coins—50, 20, and 10-cent pieces. Most of these purport to be issued by the Hongkong Government, but they are really coined in England, and imported by the banks, like the Mexican and British dollars, for use among the people.

Mint machinery has recently been imported and set up at Canton and Wuchang—the capitals of two of the largest provinces. These institutions have tried to issue a coin, about identical in weight and fineness with the Mexican dollar, but the people have not taken to them. The coins have no advantage in paying power over imported Mexican dollars or uncoined silver, and as the cost of minting comes to more than is charged on the Mexican coin they cannot compete in intrinsic value with the latter. Only a small quantity has, I believe, been coined, and the business soon stopped, there being no profit in it.

There is, however, a profit in turning out subsidiary coins and considerable quantities of these continue to be issued. They run concurrent with the Hongkong coins at Shanghai and the other ports, and, I presume, to some extent in the interior where they take the place of copper cash.

There is no law of legal tender in China. Obligations are discharged in the currency in which they were contracted. If you borrow taels you must repay in taels. The price of a thing is so many taels, dollars, or copper cash as may be agreed on, and payment is to be made accordingly.

B. Copper Cash.—For all retail trade the medium of currency is the coin known to foreigners as the "copper cash." By regulation it ought to be of a minimum weight of $\frac{1}{10}$ of a tael or Chinese oz., and should contain 50 per cent. of pure copper, 41 5 per cent. of zinc, 6 5 per cent. of lead, and 2 per cent. of tin, also 1,000 should be equivalent to a tael in value. In practice none of these conditions are observed. The existing issues which go back, some of them for hundreds of years, contain coins of all degrees of inferiority, including a proportion of coins which are entirely spurious, yet they all pass current in a way, though sometimes with difficulty. A string of 100 will contain 50 to 60 good coins, 20 to 30 of inferior quality and 10 or 20 of the poorest kind. By custom there is a tolerance of a certain proportion of inferior coins—if more than custom tolerates is attempted, there will be trouble.

The right to coin these "cash" is vested in the officials. The authorities of each province are supposed to issue fresh supplies to meet the wants of the people, that is to say, to coin just so much as will keep the cash constant in relation to silver at the rate of 1,000 per tael. Whether this ratio was ever maintained even approximately is doubtful, certainly it has not been so for the past 150 years. Presumably the authorities, finding it was profitable to coin at this rate, went on coining until the cash became so redundant that the price fell to nearly the intrinsic value when, of course, the issue would stop. And by reducing the weight and value of the coins to which there would be a natural temptation it was possible to continue the process and

carry the depreciation much further than would other-wise have been the case. The maximum period of depression appears to have been reached about 1850. According to one authority the following variations have taken place —

In 1736 the Shanghai tael changed for cash	700
" 1780 " " " "	900
" 1790 " " " "	1,400
" 1853 " " " "	2,000
" 1860 " " " "	1,500

I give that for what it is worth, being unable for the moment to verify it further. But at all events for a number of years before and after 1860, the exchange fluctuated between 1,500 and 1,600 cash per tael. Since 1870 the following variations have taken place. —

Dec. 31st, 1870	- 1,560	Dec. 31st, 1893	- 1,380
" 1875	- 1,560	" 1894	- 1,380
" 1880	- 1,520	" 1895	- 1,330
" 1885	- 1,480	" 1896	- 1,200
" 1890	- 1,330	" 1897	- 1,250
" 1891	- 1,370	" 1898	- 1,190
" 1892	- 1,410	January 1899	- 1,190

What are the causes of this appreciation, how far are they permanent, and what will be the economic effect on the industry of the country?

Changes of the above nature in the relative value of silver and copper cash must be due to either—

- A An increase in the volume of silver currency in China, or
 - B A diminution in the volume of copper cash currency either absolute or relative to the growing needs of commerce.
- The first alternative may be at once excluded.

The following table shows the Import and Export of Merchandise and Bullion since 1888 —

I.—MERCHANDISE.

Year.	Value in Haikwan Taels (000's omitted.)		Balance	
	Imports H. Taels.	Exports. H. Taels.		
			H. Taels	H. Taels.
1889	111,162	102,596	—	9,066,000
1889	99,056	107,203	8,147,000	—
1890	113,082	96,695	—	16,638,000
1891	116,788	111,499	—	7,384,000
1892	120,753	113,101	—	7,401,000
1893	132,949	127,275	—	5,674,000
1894	143,607	139,547	—	4,060,000
1895	154,685	154,964	379,000	—
1896	184,897	141,685	—	48,212,000
1897	185,194	175,329	—	9,965,000
			Total	- 108,250,000
				+ 8,426,000
			Balance	- 94,824,000

II.—BULLION TABLE

Value in H. Taels.

Year	Imports.		Exports.	
	Gold.	Silver	Gold.	Silver.
1888			1,678,000	1,911,000
1889		6,005,000	1,625,000	
1890			1,783,000	3,557,000
1891			3,693,000	3,118,000
1892			7,332,000	4,825,000
1893		9,873,000	7,459,000	
1894		26,389,000	12,774,000	
1895		36,685,000	6,624,000	
1896		1,730,000	8,114,000	
1897		1,641,000	8,512,000	
Total 10 Years		89,313,000	59,594,000	13,406,000

Net Export of gold H Taels	59,594,000
" Import of silver	68,907,000
The adverse balance of Trade against China by Table I. is	94,824,000
This is reduced by Export of gold	59,594,000
	35,230,000
To	68,907,000
Add net Import of Silver	68,907,000
Total adverse balance	104,137,000

which is made up by the recent Government loans on the foreign market, that is, by the total of the various loans since 1894, about 350 million taels, less the Japanese indemnity of 250 millions

The years 1894-95 no doubt showed a large import of silver which would, in the usual course of things, go somewhat to swell the volume of silver currency, but this import was quite exceptional and unwarranted by the balance of trade either before or after. Moreover as the borrowings of China will in the future entail an annual payment to Europe of about taels 25,000,000 per annum it is manifest that, unless the course of trade greatly changes, there can be no great import of silver for a long time to come. The conclusion, therefore, is that as regards the cash currency the appreciation of the latter cannot have been caused by the superabundance of silver in the country.

The explanation must, therefore, be sought in the alternative cause, viz, a diminution of the cash currency either absolute or relative to the wants of the commercial community. So far as my information goes there has been a diminution, firstly, absolute, by the melting down of some of the full-weighted and better class of coins; and, secondly, relative, by a cessation of the coinage. The evidence I collected in Shanghai tended to show that there has been going on for some years a process whereby the best coins were being abstracted from the currency and melted down for the sake of the copper they contained.

This would be possible only if there was a sufficient rise in the price of copper in terms of silver as compared with the rates prevailing at the time of coinage. Without troubling the Committee with details of the calculation I present the following table as showing the intrinsic value or melting point of copper cash during the last 28 years. It is only for selected coins of best quality, 1,000 of which weigh on an average 8 lbs. 4 ozs. avoirdupois, and on the assumption that the composition is up to standard. The price of copper is the local wholesale price in Shanghai as stated in the Customs Returns, but coincides closely with the prices of copper and silver as given in Sauerbeck's Tables —

Year.	Price of Copper per lb. in Tael Cents.	Intrinsic Value, or Melting Point.*
1870	12.56	Tael 1 = Cash 1,587
1875	13.65	" " 1,396
1880	12.58	" " 1,466
1885	11.12	" " 1,556
1890	12.88	" " 1,568
1891	10.82	" " 1,578
1892	11.55	" " 1,488
1893	12.77	" " 1,419
1894	12.04	" " 1,402
1895	15.02	" " 1,262
1896	13.78	" " 1,308
1897	16.60	" " 1,085

* Note.—In making the calculation the price of zinc as well as that of copper is taken into account.

This table shows that while there could have been no great temptation to melt down cash during the period 1880 to 1894 there undoubtedly has been such an inducement since that year—an inducement which would be strengthened by a further rise in the price of copper, such as seems to prevail at the present moment, unaccompanied by a corresponding rise in the price of silver.

On the other hand a counteracting influence has been set at work in the resumption of the coinage of copper cash, to the stoppage of which I mainly attribute the appreciation. This appreciation gave rise to numerous complaints and several of the provincial mints which had not been working for years have commenced to issue cash but of an inferior intrinsic value. A string of 1,000 of those new cash weighs only about 5 lbs. 8 ozs. as against 8 lbs. 4 ozs. of the older standard sort, so that assuming they contain the same proportion of copper

their value would be 33 per cent below standard. At this rate it, no doubt, pays the officials sufficiently well, and it may be presumed that they will go on coining until the exchange value in terms of silver again touches melting point. At the same time the operation of abstracting and melting down the superior coins may go on, their place being taken by the inferior coins from below. If the supply of the latter be sufficient this result must follow under the operation of the Gresham Law.

For the moment, at all events, the appreciation of cash seems to have been arrested, for it has remained steady at about 1,200 per tael since 1896, and if the mints continue working it is more than likely that the reverse process of depreciation will set in, which may, in time, bring back cash and silver to the old relative value.

From the above it will be seen that this cash currency forms a mongrel sort of standard of value of its own. It is not a token coin, for it does not represent any fixed weight of silver, though it was apparently intended it should. Nor is it a standard based on copper, or on copper and zinc, for its composition is not uniform, and, moreover, there is not free coinage. But inasmuch as it plays an indispensable part as a medium of exchange in the interior of the country, quite independent of silver, it would seem to follow that a contraction, either absolute or relative, must have its usual effect in lowering wages and prices generally in its own terms. If it did not, then, inasmuch as cash rose in terms of silver between 1870 and 1894 by about 15 per cent, it follows that the purchasing power of silver must have fallen to an equal degree. But it is quite certain that up to 1894 or 1895 there was no perceptible rise of silver prices in China. Since 1895 there has, no doubt,

been a rise in numerous articles of export, mainly owing to the fact that sterling prices have been firmer in foreign markets, a rise which in time would be reflected in cash prices of these articles in the interior. Apart from that, I think it is reasonable to conclude, though I can offer no statistics, that the long continued complaint of the dearth of cash must have tended to cheapen commodities. Rather the contrary, it is true, has been observed in Shanghai, as will be seen from my report on the rise of prices there referred to in Mr Christie's evidence (Question No 4025). As to that, I would only say that prices (meaning retail prices) in a busy corner like Shanghai must not be taken as representative of China generally. Their influence would not be felt 100 miles in the interior. That report was written merely as a guide in fixing the fair wages in silver of servants in the public offices at Shanghai, and did not go beyond what, for the time being, was current there.

From the point of view of industrial competition, the conclusions to be drawn are that, as the rise in the silver value of cash since 1893 has been about 13 per cent, the purchasing power of silver in China may have fallen by that per-centage during the same period, but only if we suppose that the whole burden of the change has been thrown upon silver, *i.e.*, assuming that cash prices have not varied. And as regards the future, unless the price of copper rises permanently in terms of silver, there seems no reason to anticipate a further enhancement of cash or consequent diminution in the purchasing power of silver, and should the rise in copper be permanent, its effect may be counteracted by the fresh issue of depreciated cash.

G. JAMIESON.

London, February 22, 1899.

Papers relating to JAPAN.

No. 51.

TEXT OF THE NEW COINAGE LAW OF JAPAN, (1897)

(From the 27th Mint Report (1896), (C. 8507))

ART I.—The power of minting and issuing coins belongs to the Government

ART II.—A weight of 2 rui (11.574 grs.) of pure gold shall be the unit of coinage, which shall be called a yen.

ART III.—The varieties of coin shall be as follows.—

GOLD COINS.

Pieces of 20-yen, 10-yen, and 5-yen.

SILVER COINS

Pieces of 50-sen, 20-sen, and 10-sen

NICKEL COINS

Pieces of 5-sen.

BRONZE COINS.

Pieces of 1-sen, and 5-rui

ART IV.—The decimal system shall be adopted for purposes of currency calculation. The hundredth part of a yen shall be called a sen, and the tenth part of a sen shall be called a rin.

ART V.—The composition of the coins shall be as follows:—

GOLD COINS.

900 parts of pure gold to 100 parts of copper.

SILVER COINS.

800 parts of pure silver to 200 parts of copper.

NICKEL COINS

250 parts of nickel to 750 parts of copper.

BRONZE COINS

950 parts of copper, 40 parts of tin, and 10 parts of zinc.

ART VI.—The weights of the coins shall be as follows —

	Momme.	Grammes.
The 20-yen gold piece - - -	4.444	(16.6665)
The 10-yen gold piece - - -	2.222	(8.3333)
The 5-yen gold piece - - -	1.111	(4.1666)
The 50-sen silver piece - - -	3.5912	(13.4783)
The 20-sen silver piece - - -	1.4377	(5.3914)
The 10-sen silver piece - - -	0.7188	(2.6955)
The 5-sen nickel piece - - -	1.244	(4.6654)
The 1-sen copper piece - - -	1.9099	(7.1280)
The 5-rui copper piece - - -	0.9501	(3.5740)

ART VII.—Gold coins shall be legal tender to any amount. Silver coins shall be legal tender to the amount of 10 yen. Nickel and copper coins shall be legal tender to the amount of one yen.

ART VIII.—The dimensions of the coins shall be fixed by Imperial Ordinance.

ART IX.—The legal remedy of fineness shall be $\frac{1}{1000}$ in the case of gold coins, and $\frac{1}{10000}$ in the case of silver coins.

ART X.—The legal remedy of weight shall be as follows:—

20-yen gold coin; 0.00864 momme (0.0324 grammes); or 0.833 momme (3.1125 grammes) in 1,000 pieces.
10-yen gold coin; 0.00695 momme (0.02269 grammes); or 0.622 momme (2.325 grammes) in 1,000 pieces.
5-yen gold coin; 0.00432 momme (0.0162 grammes), or 0.41 momme (1.5375 grammes) in 1,000 pieces.

In the case of the silver coins the legal remedy of weight shall be 0.02592 momme (0.0972 grammes) for each piece, or 1.24 momme (4.65 grammes) in each 1,000 pieces of 50-sen; 0.833 momme (3.1125 grammes) in each 1,000 pieces of 20-sen, and 0.41 momme (1.5375 grammes) in each 1,000 pieces of 10-sen.

ART. XI.—The minimum circulating weights of the gold coins shall be as follows:—

	Momms.	Grammes.
20-yen gold coin - - -	4.42	(16.575)
10-yen gold coin - - -	2.21	(8.2875)
5-yen gold coin - - -	1.105	(4.1438)

ART. XII.—If, in consequence of friction from circulation any of the gold coins fall below the minimum circulating weight, or if any of the silver, nickel, and copper coins becomes visibly reduced owing to the same cause, or, if any coins become inconvenient for purposes of circulation, the Government shall exchange such coins for others of the same face value, without making any charge.

ART. XIII.—If the design upon a coin becomes difficult to distinguish, or if it has been privately restamped, or otherwise defaced, it shall be regarded as unfit for circulation.

ART. XIV.—Should any person import gold bullion and apply to have it minted into gold coin, the Government shall grant the application.

ART. XV.—The gold coins already issued shall circulate at twice the value of the gold coins issued under the provisions of this law.

ART. XVI.—The silver 1-yen coins already issued shall be gradually exchanged for gold coins, according to the convenience of the Government, at the rate of one gold yen for one silver yen.

Pending the completion of the exchange referred to in the last paragraph, silver 1-yen coins shall be legal tender to an unlimited extent, at the rate of one silver yen for one gold yen; and the suspension of their circulation shall be notified six months in advance by Imperial Ordinance. Any of these coins not presented for exchange within a period of five full years, reckoned from the day on which their circulation is suspended, shall be regarded thenceforth as bullion.

ART. XVII.—The five-sen silver coins and the copper coins already issued shall continue in circulation as before.

ART. XVIII.—From the day of the promulgation of this law, the coinage of 1-yen silver pieces shall cease; but this restriction shall not apply to silver bullion entrusted to the Government for coinage prior to that day.

ART. XIX.—All previous laws or ordinances conflicting with the provisions of this law are hereby rescinded.

ART. XX.—With the exception of Art. XVIII., this law shall go into operation from the first day of the tenth month of the 30th year of Meiji (October 1st, 1897).

NOTE.—From the above it will be seen that the new gold yen will contain half the weight of pure metal of that hitherto issued under the law of 1871, and the ratio of gold to silver will be as 1 to 32 3/8.

No. 52.

REPORT ON THE WORKING OF THE GOLD STANDARD IN JAPAN

(Received through the Foreign Office.)

The law substituting the gold standard for the silver standard came into force October 1, 1897.

There are three points on which Her Majesty's Secretary of State for India desires information.

(a.) Freedom or restriction of conditions under which the public can, if they wish, withdraw gold from the State Bank for exportation.

(b.) The extent to which gold is being put into circulation among the community generally.

(c.) How far there is, in Japan, any apprehension among business men that gold will leave the country.

As to (a) there is absolutely no restriction upon the withdrawal of gold for exportation.

As to (b) the Japanese people have for the past thirty years used bank notes and small subsidiary coins, silver, nickel, and copper in making payments, and the habit has become so ingrained in them that there does not seem to be any likelihood of their taking to the

use of gold coin in place of notes. It has even happened that paper has been at a premium as compared with coin.

According to statistics recently published in the Government Gazette, the amount of coin in circulation on October 1, 1897, was estimated at 85,397,415 yen, of which 5,622,354 yen was in gold. (See Annex A, Coin in circulation.)

The corresponding figures at the end of January 1898 were 92,329,664 yen, of which 16,554,429 was in gold. At the end of February these figures were estimated at 94,706,854 yen and 17,369,987 yen respectively, and at the end of March the coin in circulation was estimated at 99,602,230 yen, of which 15,898,313 yen was gold.

Of the amount of gold in circulation, it is calculated that 10,000,000 yen may be in the possession of national and private banks, the rest being in the hands of private individuals. This latter amount can only be kept for hoarding, as it is not seen passing from hand to hand among the people.

As to (c) business men apprehend that gold will leave the country, and the Japanese authorities entertain the same apprehension.

On October 1, 1897, when the gold standard came into effect, the quantity of gold (including coin and bullion) in the possession of the Treasury and the Bank of Japan respectively was in round numbers.

	77,390,000 yen
	84,013,000 yen
in circulation	5,622,354 yen
	<u>167,025,354 yen</u>

On April 1 these figures were respectively

	49,722,133 yen
	73,396,104 yen
	15,898,313 yen
	<u>138,916,540 yen</u>

showing a decrease of 28,108,814 yen.

This corresponds very closely with the amount believed to have been exported during the six months that have elapsed since October 1, 1897.

The following are the monthly statistics taken from the Customs returns —

1897—October - - -	3,001,732
November - - -	4,200,846
December - - -	2,550,936
1898—January - - -	4,516,400
February - - -	4,840,056
March - - -	10,933,972
	<u>29,043,942</u>
Less amount imported during the same period - - -	821,749
	<u>28,221,193</u>

The figures include the amount sent away by parcel post, which is estimated at 3,000,000 (see Annex C).

By article XVI of the Coinage Law of which a translation* was enclosed in Despatch No. 44 of March 3, from Her Majesty's Legation to the Foreign Office, it is provided that the silver coins in circulation shall be gradually exchanged for gold coins. The amount thus given out in exchange for silver during the six months from October 1, 1897, to March 31, 1898, was \$32,480,245. During the same period a further sum of \$31,606,709 was exchanged for notes, making in all \$64,086,954, but from this must be deducted \$13,317,211, being the amount of gold received for notes and silver yen, the difference being \$50,269,741.

It was anticipated that silver yen would be imported from abroad for the purpose of obtaining gold in exchange. As is well known these coins are legal tender in the Straits Settlements, and a large quantity has been absorbed by Hong Kong and China. The total amount exported up to January 1897 reached 112,000,000 yen, and it was estimated that 35,000,000 silver yen might come back to this country. The amount actually imported during the six months has, however, been only 8,140,578 silver yen.

The Japanese Government has lying to its credit in London a sum equivalent to 31,835,107 gold yen and

* See *supra*, No. 51.

expects to receive from China on or about 8th of May next the balance of the war indemnity, amounting to 12,008,857, when a sum of something over 15 millions sterling in all will then be at the disposition of the Japanese Government. But of this a large portion will be required for payments abroad for ships, guns, and machinery ordered or purchased by the Government.

If the present rate of gold export be continued during the next two years nearly the whole of the existing stock of gold in the country will be exhausted. And as the payments which have to be made abroad on account of ships, guns, machinery, and so forth during the next five years are very large, some means, it is felt by the Japanese Minister of Finance, ought to be adopted to check the outflow of gold (See annexed Statement D.) Already the rate of interest on loans of the Bank of Japan has been raised to 8½ per cent, and that of discount to 9½ per cent. The example of the Bank of Japan has been followed by the other banks. Some of the latter in order to attract deposits offer 7 per cent on 12 months' deposit and from 5 to 6 per cent on current accounts. Whether these high rates will have the effect of checking the drain of gold seems to be doubtful, and in the belief of some financial authorities the action of the Bank of Japan has been solely with the view of reducing its note issue, which, according to a statement of the president of the bank on February 20th last, then stood at 226,220,000 yen; or was 47,310,000 yen in excess of the limit allowed by its charter.

The latest report of the Bank of Japan (for April 18-23, 1898), however, gives the following figures—

66,852,288 yen issue against gold reserve
112,909,745 yen issued against securities

Total 179,762,033, showing a considerable decrease

The limit allowed by charter is 85,000,000 against securities, and this was exceeded by 31,214,489 yen during that week.

Since 1896 the balance of trade has been against Japan. In 1896 it was 53,831,740 yen, in 1897 66,165,694 yen, in 1st quarter of 1898, 81,910,055 yen.

To a very large extent this balance has been met by bills drawn against the Government reserves lying in London.

The adverse balance has in a great measure arisen from the sudden development of the railway system, the expansion of the cotton spinning industry, and the increase of merchant shipping. Various municipal undertakings, especially the improvement of the water supply in the chief towns, have also necessitated large expenditure in Europe.

A.

Amount of Coin in Circulation on September 30, 1897.

Amount.—85,397,415 yen 34 sen on September 30, being an increase of 668,349 yen 82 sen 8 rin over the preceding month, and of 11,851,303 yen 24 sen 6 rin over the corresponding period of previous year.

These figures are shown as follows.—

Description.	In circulation at end of September	Increase over previous month	Increase on corresponding month of last year
Gold - -	5,622,854 ²²	194,432 ¹²	143,141 ¹²
Silver :			
1 yen and trade dollar -	37,525,036 ⁰⁰	847,434 ⁰⁰	7,565,299 ²¹
50 sen and under -	26,272,993 ²²	126,808 ⁰⁰	3,634,710 ⁰⁰
Total -	63,798,029 ⁰⁰	474,242 ⁰⁰	11,190,009 ²²
Nickel -	6,626,078 ⁰⁰	225	554,663 ⁰⁰
Copper -	9,350,952 ²²	100	36,510 ²²
Total -	85,397,415 ⁰⁰	668,349 ²²	11,851,803 ²²

Amount of Coin in Circulation in 1898.

On January 31 the amount of coin in circulation was 92,329,664 yen 94 sen 2 rin, being an increase of 564,407 yen 21 sen 1 rin over the preceding month, and of 11,809,239 yen 80 sen 6 rin as compared with the same month of the preceding year.

On February 28 it amounted to 94,706,854 yen 9 rin, an increase of 2,377,189 yen 6 sen 7 rin over the preceding month, and of 13,973,744 yen 70 sen 2 rin as compared with the same month of the preceding year.

The above figures are explained by the following table.—

Amount at end of January 1898.

Description.	In Circulation at end of January	Increase over preceding month.	Increase over corresponding month of last year
Gold - -	16,554,429 ¹²	20,143 ⁰⁰	5,765,571 ⁰⁰
Of which old gold coin -	11,064,082	—	—
Silver			
1 yen and trade dollar -	29,245,874	454,902	1,281,157 ²¹
50 sen and under -	30,436,145 ¹	1,040,205	6,783,218 ¹²
Total -	59,682,019 ¹	585,303	5,502,060 ²²
Nickel -	6,743,178 ¹	—	563,860 ²¹
Copper -	9,350,037 ¹¹	746,000	22,233 ¹²
Total -	92,329,664 ²¹	564,407 ¹	11,809,239 ²²

Amount at end of February 1898.

Description.	In circulation at end of February	Increase over previous month.	Increase over corresponding period of preceding year.
Gold - -	17,369,987 ²¹	815,558 ⁰²	6,602,068 ²¹
Of which old gold coin -	10,386,154 ²²	—	—
Silver			
1 yen and trade dollar -	28,783,725	463,149	1,777,488 ²²
50 sen and under -	32,448,595 ¹	2,012,150	8,710,459 ⁰²
Total -	81,232,320 ¹	1,550,301	6,932,971 ⁰²
Nickel -	6,758,178 ¹	15,000	462,860 ²⁰
Copper -	9,346,367 ²¹	3,670	24,153 ⁰²
Total -	94,706,854 ²²	2,377,189 ⁰²	13,973,744 ²²

Coin in Circulation on March 31, 1898

		Yen.
Gold - -	- -	*21,599,780 ⁰⁰
Silver :		
Silver yen and trade dollar	- -	27,667,575
Fifty sen and under -	- -	33,852,349 ¹
Total Silver	- -	61,519,904 ¹
Nickel -	- -	7,136,178 ¹
Copper -	- -	9,346,367 ²²
Total Coin in Circulation	- -	99,602,230 ²²

* Note.—This is only an estimate. The figures given in the body of the report were furnished by the Department of Finance, also with the remark that they represent only rough estimates.

B.	
Amount of Gold Coin and Bullion held by Bank of Japan —	
1897—On October	1 - - 84,013,000
	6 - - 63,022,534
	13 - - 82,014,342
	20 - - 85,309,137
	27 - - 89,224,308
On November	4 - - 83,297,687
	10 - - 83,732,731
	17 - - 68,876,910
	24 - - 86,326,572
On December	1 - - 86,793,064
	8 - - 89,215,618
	15 - - 90,653,715
	22 - - 90,313,509
1898—On January	4 - - 92,128,287
	19 - - 95,349,083
	26 - - 94,652,689
On February	2 - - 93,104,076
	9 - - 87,951,437
	16 - - 85,302,362
	23 - - 84,066,024
On March	2 - - 82,394,250
	9 - - 80,514,271
	16 - - 79,465,514
	23 - - 77,300,522
	30 - - 75,777,121
On April	6 - - 74,264,450

C.	
Gold Coin and Bullion exported.	
1897—October	- - - 2,001,732
November	- - - 4,220,846
December	- - - 2,550,936
1898—January	- - - 4,516,400
February	- - - 4,840,056
	<u>18,129,970</u>

Gold Coin and Bullion imported.	
1897—October	- - - 246,771
November	- - - 106,512
December	- - - 247,027
1898—January	- - - 134,019
February	- - - 47,073
	<u>781,402</u>

Silver Coin and Bullion exported.	
1897—October	- - - 553,896
November	- - - 729,061
December	- - - 3,979,426
1898—January	- - - 3,087,355
February	- - - 1,157,455
	<u>9,487,793</u>

Silver Coin and Bullion imported.	
1897—October	- - - 4,423,102
November	- - - 1,319,075
December	- - - 429,174
1898—January	- - - 673,832
February	- - - 810,447
	<u>7,685,600</u>

Coin and Bullion exported and imported during March 1898 —	
<i>Export</i>	
Gold Coin and Bullion	- - - 10,953,972 ₮
Silver Coin and Bullion	- - - 4,525,524 ₮
<i>Import</i>	
Gold Coin and Bullion	- - - 40,337 ₮
Silver Coin and Bullion	- - - 938,021 ₮

D.	
Government Expenditure abroad.	
1897-98	- - - 71,025,056
1898-99	- - - 54,708,710
1899-1900	- - - 38,408,857
1900-01	- - - 25,215,378
1901-02	- - - 19,956,173
1902-03	- - - 8,481,403
1903-04	- - - 4,127,490
1904-05	- - - 1,825,313
1905-06	- - - 901,501
1906-11	- - - 2,033,343
	<u>226,683,224</u>
Local, City and Private Expenditure.	
1897-98	- - - 23,677,425
1898-99	- - - 15,912,321
1899-1900	- - - 12,204,309
1900-01	- - - 12,733,289
1901-02	- - - 5,726,220
1902-03	- - - 9,765,323
1903-04	- - - 13,004,167
1904-05	- - - 1,466,034
1905-06	- - - 242,369
1906-10	- - - 2,953,292
	<u>97,674,809</u>

No 53.

INFORMATION from the OFFICER ADMINISTERING the GOVERNMENT of the STRAITS SETTLEMENTS as to the action taken by JAPAN in regard to the Yen.

Downing Street,
November 23, 1898

SIR,
I AM directed by Mr. Secretary Chamberlain to transmit to you to be laid before the Indian Currency Commission, copy of a despatch from the Officer Administering the Government of the Straits Settlements explaining the action taken by the Japanese Government in regard to the Japanese dollar or yen since the adoption of a gold standard in that country

I am, &c.
R. Chalmers, Esq., Secretary to Indian Currency Committee, C. P. Lucas.

Government House, Singapore,

SIR,
I HAD the honour to receive from you on the 11th instant the following telegram —
"Referring to your telegram of 1st October it is understood that your apprehensions are due to impaction of defaced coin, and that clear yen still continue to disappear from circulation. If so, it appears to me that difficulty would be met by notice drawing public attention to clause 4, sub-section 4, of Order in Council of 2nd February 1895"

3 I ought to explain that the Japanese yen already in circulation here, as well as those recently imported, are all clean coin, scarcely showing signs of being used; I have never come across a single worn coin.
4 Clear yen are not disappearing from circulation, but quite the reverse.

4. Japan last year adopted a gold standard at a ratio with silver of 32 1/2 to 1, on the hypothesis that silver had then almost attained its minimum value in terms of gold, 32 2/3 to 1 having been the ratio for the first nine months of 1897. The following remark was made at the time —

"The silver yen now in circulation will be maintained at par with the gold yen by the Government being prepared to redeem them in gold whenever called upon to do so. In this connection it is important to note that there are about 140,000,000 of Japanese silver yen in circulation, of which it is estimated that about 70,000,000 are in circulation as money in China, and the English, French, and other colonies and settlements in the East.

"Should the rate between gold and silver become greater than 1 in 32 the tendency would seem to be to

drive the outstanding silver coin back to Japan for redemption."

Count Matsukata, introducing the Bill on 3rd March 1897, is reported to have said —

"The present one yen silver — This silver coin has passed as legal tender unlimitedly since 1878, and, therefore, it is necessary to allow a certain time before it is called in. The Government, while giving such an allowance, intends to withdraw it from circulation as soon as it is possible to do so. . . . The one-yen silver exported from this country amounts to a very large sum, the total of such export up to January last has been more than 112 million yen. It is, therefore, asked whether the one-yen silver will not be re-imported and gold taken away?"

p. 360.

"Investigations which have been made *loco citato* show that except those circulating in Hongkong and Singapore it is very rare to find undamaged pieces amongst the exported one-yen silver. As they are now useful in daily transactions abroad there will not be many people coming out here to exchange them for gold, as silver is valued lower than at present in the proposed monetary law. There is, therefore, no need of entertaining a fear in this connection."

5 The Japanese currency law contained the following article —

"XVI. The silver one-yen coins already issued shall be gradually exchanged for gold coins according to the convenience of the Government at the rate of one gold yen for one silver yen.

"Pending the completion of the exchange referred to in the last paragraph silver one-yen coins shall be legal tender to an unlimited extent at the rate of one silver yen for one gold yen, and the suspension of their circulation shall be notified six months in advance by Imperial Ordinance. Any of these coins not presented for exchange within a period of five full years from the day on which their circulation is suspended, shall be regarded thenceforth as bullion."

Article XX. ". . . . This law shall go into operation from 1st October 1897."

6. Count Matsukata's anticipations were not fulfilled. Silver declined till its ratio to gold was as 4 to 1, and, as predicted in the quotation in paragraph 4, the outstanding silver was driven back to Japan for redemption.

In 1897 the Colony exported to Japan and Hongkong —

	\$
From Singapore - - -	4,597,144
From Penang - - -	2,324,366
In the first quarter of 1898 the Colony exported to Japan —	
	\$
From Singapore - - -	251,500
From Penang - - -	440,550
During the second quarter —	
	\$
From Singapore - - -	142,000
From Penang - - -	131,900
Some exports to Japan are probably included in the following statistics of export for Hongkong. —	
First quarter, from—	
	\$
Singapore - - -	359,850
Penang - - -	45,650
Second quarter, from—	
	\$
Singapore - - -	588,400
Penang - - -	414,000

7. This result has seriously embarrassed the Japanese Government

I annex an extract from the "Financial News" showing what unjustifiable means they adopted to check the drain of gold

According to a recent article in the "Japan Mail," the authorities there calculated on the 31st July last, that 26,150,471 silver yen remained still unchanged on the 31st July.

These silver yen, which include those rejected on frivolous pretexts by the Japanese Government, are now seeking an outlet. In Japan their value has fallen to 87.1 sen, or nearly 13 per cent. below the value realised by those exchanged for gold.

8. But this is not all. In the course of exchanging, the Japanese Government has accumulated an immense stock of demonetised silver yen for which it has no immediate use, and it was strongly tempted some time ago to send 50 millions abroad for circulation

south of Hongkong. It was in anticipation of some such step that my despatch No 147 of 13th May last was written.

9. My telegram of the 1st October will have shown that the re-importation of Japanese yen has begun on a large scale. From six to two months ago hardly a single one was to be found in circulation here, now they are becoming quite common again, and the minting of British dollars at Bombay has almost entirely ceased, because it is cheaper to buy in Japan discarded Japanese dollars and import them here

10. The Executive Council considered the subject on the 12th October, and advised me that in this case such urgent necessity existed that I should be justified under Article XXV., clause 4, and the proviso to the article, in immediately passing without a suspending clause the draft Ordinance, copy of which was enclosed in my despatch No 306 of the 12th.

I accordingly despatched to you the reply telegram contained in my despatch of the 12th instant.

I have, &c.

J. A. SWETENHAM.

The Right Honourable
Joseph Chamberlain, M.P.,
&c., &c.
Colonial Office.

A GOLD STANDARD IN DIFFICULTIES.

A correspondent writes to the "Financial News" —

"There is much complaint in Japan with regard to the treatment which is being accorded to the unfortunate holders of silver yen by the Japanese Government. Every possible method has been adopted to evade the obligation under the new currency Act to redeem them in gold. The most frivolous pretexts have been resorted to, a mere scratch on the surface of the coins, or the slightest abrasion, being considered sufficient excuse for refusing to accept them as decreed under the Act, although coins in circulation must necessarily become more or less scratched, and the coins in question, moreover, are destined to be melted. The paltry expedients, remarks a Yokohama authority, which never could amount to anything of consequence, are altogether exceeded by the introduction of a Bill which passed the House of Peers on June 4th, reducing the unexpired original period of five years to less than two months, so that after July 31st exchange will be refused altogether. By this means the Government hopes to stop the efflux of gold from the Treasury.

"Meanwhile, the state of financial affairs gets worse. Take the ruling rate for money as an example. The Japanese Minister of Finance has just published some interesting details concerning the rate of interest in Japan. The rate has been on the increase for several months past, and now reaches in certain provinces 18 to 19 per cent. for loans granted by banks. The average for the whole country is 12 to 15 per cent. The interest on deposits by the same banks is naturally much lower, never attaining more than 7 or 8 per cent., but that is high enough to indicate a deplorable lack of private enterprise.

"Of course it must be remembered that owing to the frivolous action of the Government alluded to above, bankers who are wide-awake in their calling are sending in within the limited period named for exchange every silver yen they can lay hands on, so as to diminish the consequence of the change of policy which the Government has so suddenly adopted, which will have the effect of, in some measure, by not giving time enough for the collection of yen and their transmission here to be exchanged for gold, choking off the demand. At the same sitting of the Upper House, a Bill passed through all its stages for limiting the present paper currency to December 31st, 1899. It is presumed that other paper money will be issued to take its place, since the reason alleged for the measure was that 'most of what is in circulation is defaced or 'torn.' It is contended that the sudden limitation of the period within which the silver yen will be received at the Japanese Treasuries practically amounts to an act of repudiation on the part of Japan. The yen were accepted originally as Japanese legal tender money, and the Japanese Government has not only lowered the value of the coin as bullion by its action, but now refuses to recognise the coin itself as money after a period too brief to allow of its presentation for redemption at its face value"

No. 54.

CURRENCY OF THE STRAITS SETTLEMENTS.

Downing Street,
18th November 1898.

SIR, I AM directed by the Secretary of State for the Colonies to transmit to you, to be laid before the Indian Currency Committee, the enclosed copy of a despatch from the Governor of the Straits Settlements relative to the Currency of that Colony.

I am, &c,
C. P. Lucas

B. Chalmers, Esq.

Enclosure above referred to.

Government House, Singapore,
9th March 1898.

SIR, I HAVE the honour to forward a copy of a letter received from the Chamber of Commerce, Singapore, together* with certain resolutions put at a special general meeting of the Chamber held on the 13th January on the subject of the Straits Currency. I also forward copies of the enclosures to the letter, together with a memorandum by the Acting Colonial Treasurer, and a copy of the "Straits Times" of the 26th January last, which contains the reported opinions on the subject of Straits merchants now resident in England.

2. It will be seen that a considerable diversity of opinion exists among the mercantile community as to the steps which should be taken to remedy the existing state of affairs, which, by reason of the constant fluctuation in the exchange value of the dollar, is admitted to be prejudicial to trade.

3. The scheme set out in the report of the sub-committee of the 6th November is put forward, it will be observed, not as a perfect or complete one, but as a basis for a scheme to be worked out by the Government. It is one to which, in the words of one of the members of the sub-committee, they were in no way wedded, being merely tentatively put forward before the Chamber (page 25 of proceedings).

4. This being so, it might appear to be unnecessary for me to criticise in detail a scheme which is submitted under these conditions, especially as very full criticisms are contained in the enclosures to this despatch. But as the scheme is one which is put forward as a basis on which to work, I am bound to mention some serious objections which it contains, and which would make an attempt to work it on the lines suggested as dangerous to the public revenue as it would be to the trade of the colony.

5. In the first place, the scheme is silent as to the cost of the experiment, and as to the risks and difficulties to be met in carrying it out, or as to the penalty for failure. With a moderate estimate of only \$10,000,000 to be dealt with, the initial cost of providing one dollar notes for use between the time of the demonetisation of existing dollar pieces, and the issue of the new token dollars would be large (say \$500,000), while the loss to Government by giving in exchange for dollars (at exchange say of 1s. 10¹/₂d.) something worth 2s. would be about \$700,000. There must be added the interest on the "Temporary Sterling Loan" referred to by the Sub-Committee, which according to paragraph 59 of their Report, would in the meanwhile have to be raised. The amount of this loan would necessarily be a large one, possibly at first for the full amount of the silver withdrawn from circulation, for if the colony were to undertake a token currency, it would be under an obligation to maintain its value, and to guarantee that when gold is asked for in exchange for token coins, it will be forthcoming at the rate fixed.

6. As to the manner in, or extent to, which the public revenue would be recouped for the initial expenditure the report gives little information. Apparently the only direct profits might arise from the recoinning of the discarded silver into token dollars, supposing that a new coin of considerably decreased intrinsic value was approved, and that the price of silver did not advance. But the Sub-Committee in paragraph 59 of their report suggest that only a limited number of Straits subsidiary dollars should be

coined, the balance of the demonetised silver being sold as bullion at a loss.

7. This suggests a very important point of the whole question, i.e. to what extent the token dollars would be legal tender. The report of the Sub-Committee is silent as to this, purposely silent, according to one of its members (page 27 of proceedings), who also stated that it would be quite unnecessary for them to have subsidiary dollars to any considerable extent. This is unfortunate, as the meaning of the proposed scheme turns to a great extent upon this. If there is to be a limit of legal tender, the scheme would mean, not putting the dollar on a gold basis, but introducing a gold currency. I think the Committee would have made their meaning clearer if they had avoided the use of the word "dollar" in their suggestions as to the changes to be effected.

8. But any attempt to establish a gold currency in the Far East is out of the question, not only because, as pointed out by Sir David Barbour in his minute on the report of the Indian Commission, gold coins would in practice be of too great value to suit the vast majority of transactions, but because of the great cost and risk of introducing a large stock of gold, even supposing that the world's supply of gold were sufficient.

9. The Sub-Committee, when they suggest that only a limited number of token dollars be coined, do not intimate in what form the notes meanwhile issued by Government in lieu of the discarded dollars should be redeemed. Obviously not in token dollars, for there would be an insufficiency as only a limited number would be coined. Apparently then in gold, which would be a costly or at least a very speculative operation for the Government to undertake.

10. The proposal of the Sub-Committee that the token dollars should be only of from 60 to 75 per cent. of the weight of existing standard coins cannot be passed over without remark. Any sudden change in intrinsic value of the coin which has for generations been the standard of value in the Far East should, if possible, be avoided. A reduction in weight must be regarded by the natives with distrust, and in the neighbouring countries or islands with which we trade, and where silver *per se* is looked on as the measure of value, it would certainly be repudiated. No native coming to our shores to trade would be content to receive payments of silver reduced in weight by say 25 per cent. With regard to this point, the following remarks of the late Sir William Maxwell, who was President of the Currency Commission of 1893, may be of interest; speaking of the dollar he describes it as "the medium of exchange in the eastern seas ever since merchant adventurers from Europe taught native producers that Spanish dollars could be safely received as the equivalent of a certain weight of fine silver" (page 45). "The Chinese trader does not understand occidental views of currency. He is accustomed to weight, not tale, and to him a silver coin is a piece of silver which has only intrinsic value" (page 48).

Mr. Craig, a witness before the same Commission (page 36), stated "so long as we are on the outskirts of and surrounded by countries using different dollars, all of which come to Singapore, we should do nothing to spoil our trade, and I think that if we make any change to a sterling basis, to the prejudice of the dollar, we shall spoil our trade with silver using countries."

And Mr. Murray (page 31 of printed proceedings of Currency Commission) expressed the opinion that silver coins with a fictitious value for circulation in the Straits could never be sent out of the Colony.

It is true that a portion of the demonetised coin is expected to remain in or come back to the Colony (see page 26 of proceedings), but so long as the token dollar was the only legal tender, so long would traders be bound to accept it and, in the event of the already existing dollar coinage attaining an exchange value of above 2s., it would be in the interest of purchasers to pay in the less valuable medium. How far it is possible for two currencies, one consisting of accommodation money for the bulk of transactions with outlying countries and subject to fluctuations in value, the other of a limited number of token coins of a fixed ratio with gold, to co-exist, it is difficult to say. It does not seem that the result would be what is apparently desired by the Sub-Committee, a gold currency pure and simple (pages 11 and 26 of pro-

* Enclosures not printed.

ceedings). The opinions of some of the witnesses at the Currency Commission of 1893 may be worth quoting in respect of this point.

Mr. Edelman (page 16) said "In my opinion, if the use of dollars for trade transactions is not prohibited in this colony, any change in the currency would be a dead letter." Mr. Allinson (page 18) said "If it was left open for people to make contracts in other dollars, the change of currency would be a dead letter."

11. Of course, if the intrinsic value of the new token dollar were to be only a little below its nominal value, Government could make little profit out of coining them, and in the event of the intrinsic value rising above 2s. the coin would naturally leave the colony.

12. These risks and others, such as the danger to our native trade by having a period without sufficient currency, the risk of counterfeiting coin of a low intrinsic but nominally high value, have been dealt with in the criticisms on the Sub-Committee's report, and I need hardly refer to them here.

The last named danger might prove to be a very serious one. A similar risk was considered when the Indian mints were being closed, but in this colony the circumstances would be very favourable to successful fraud. In India the strict customs examination would prevent the extensive importation of counterfeit money; in the colony there is no customs examination.

In the case of India the coining would have to be effected in that country, not only because of the customs examination but because Indians could not carry on, in a foreign country, operations of the required magnitude without arousing suspicion.

In the Straits, on the other hand, the bulk of the population are aliens, in easy communication with their fellow countrymen in China, whence counterfeit coins might be imported to an almost unlimited extent. This danger has been made evident by the very large scale on which the Netherlands Indian Currency has been counterfeited. No Treasury could risk having to pay away gold for coins of much less intrinsic value on which it had previously made no profit.

13. I do not consider that the procedure of the Government, suggested in paragraph 59 of the report, as to the manner of demonetising existing coinage is feasible or defensible. The Government could not take the step without the fullest preparation, which would certainly include the consultation of all parties interested and the fullest debate in council, not to speak of the actual arrangements and means for effecting the conversion which would have to be carefully worked out. This is apparently acknowledged by the Sub-Committee in the closing portion of paragraphs 56 and 59 of their report. This is the view taken by the Indian Government in its despatch to the India Office of the 16th September last with reference to the proposals for the re-opening of the mints to silver; "We would, nevertheless, strongly deprecate any steps of the kind being taken without the fullest preliminary consideration on the part of the banking and commercial bodies in this country."

14. I am doubtful if any change of our currency system could safely be made until we had a coinage of our own, the extent of which would be a subject of exact knowledge, and I should prefer to see this effected before any further steps were taken. There seems to be no reason why it should not be effected gradually, and without cost to the community.

15. It may seem to be somewhat ungracious to subject the scheme set forth by the Sub-Committee to what is apparently nothing but adverse criticism, but as it has been put forward as a basis on which to build, it is necessary to examine the solidity of its foundations. It may be urged that, if the Government is dissatisfied with it, it is bound to propose a better scheme, but I do not think that this necessarily follows, nor do I think that a scheme for this individual colony which would be workable and free from serious objections and dangers is at present practicable.

16. With two great financial experiments going on in India and Japan the result of neither of which is yet known, I should hesitate to select the present as the time for making any sweeping change in our currency system. I shall, however, welcome any proposals for obtaining the fullest and most reliable advice and information on the subject in whatever manner it might appear best to Her Majesty's Government, whether by merely local inquiry, or by an inquiry which would embrace a larger field than the unit of this colony and its individual interests. Any reason-

able cost or share of the cost this Government would be quite prepared to pay.

17. The printed papers on the subject show what a divergence of opinion exists among that portion of the mercantile community here who have considered the question, but as was pointed out in the speech of one of the members of the Chamber of Commerce (Mr. Earle, page 23 of proceedings), there are many different interests unrepresented, and that the opinion of the bulk of the native trading population as to a change in our currency system, and the extent to which their interests would be affected by such a change has never been ascertained.

18. One thing only appears to be certain, and that is that there is a general wish for fixity of exchange, apart altogether from the question of how far our prosperity has been affected by the fall in the price of silver, and any assistance that Her Majesty's Government could give to attain such an end would be gratefully acknowledged by the community of the Straits Settlements.

I have, &c.

C B H. MITCHELL.

The Right Honourable,
Joseph Chamberlain, M P,
&c., &c., &c.,
Colonial Office

Enclosure to above despatch of 9th March 1898.

Chamber of Commerce, Singapore,

SIR, 4th February 1898.

I HAVE the honour to inform you that a special general meeting of the Chamber was held on 13th ultimo to consider the subject of Straits Currency—37 members being present out of a total membership of 47.

2. The following resolutions were then passed by a majority—17 voting in favour of, and 14 against, each resolution—

I. "That, in the opinion of this Chamber, fixity of exchange with gold countries, on the basis of 2s per dollar, is desirable in the general interests of the Colony."

II. "That Government be requested to take such steps as may be found necessary for obtaining fixity of exchange with gold countries, and that the report of the sub-committee, dated 6th November 1897, and the scheme suggested therein, together with such criticism as may be furnished to the committee, be submitted to Government for consideration."

3. I have the honour accordingly now to transmit these resolutions for the consideration of Government, and accompanying these I also forward herewith—

(a) Report dated 6th November 1897 of sub-committee appointed by the committee of this Chamber "to enquire into the local Currency with the view of calling attention of Government to the question of converting the Straits Currency to a gold standard."

(b) Criticisms on this Sub-Committee's report by six members of the Chamber of Commerce.

4. A shorthand report of the proceedings of the general meeting of the Chamber, which dealt with this matter, is also sent with this letter, and from this it will be seen that, as an amendment to the first resolution, it was moved—

"That, in the opinion of this Chamber, an enquiry as to the desirability and feasibility of securing fixity of exchange should be undertaken in the interests of the Colony, and that, in order to secure a thorough examination of the matter, the Government should be requested to secure expert assistance and to vote a sufficient sum to defray the cost of the enquiry."

This amendment was negatived by 17 to 14.

5. For the information of the Government the names of the firms, being members of the Chamber, who voted in favour of the resolution and also of those who voted in favour of the amendment are appended, and it will be observed that the real difference of opinion between the two sections of the Chamber was, that whilst the former were decided in their view that fixity of value should be at 2s to the dollar, the latter, although apparently dissatisfied with the unreliability of the existing currency, desired an expert examination of the matter before expressing a decided opinion as to the remedy.

6. It will be noticed that in the criticisms forwarded to the Committee there is a general feeling in favour of fixity of value of some kind, although Mr. Meyeran, acknowledged representative of mercantile trading with India, still desires the adoption by this Colony of the Indian Currency, but considers the present an inopportune moment for fixing the gold standard value of the dollar as thereby cutting off the chance of the Colony deriving any advantage should the price of silver recover.

7 In putting forward the scheme in the report of the Sub-Committee for fixing the currency of the Colony on a gold standard the committee of this chamber desire it to be understood that they are fully aware of the many difficulties and inconveniences which must naturally arise in the change of the currency from a silver to a gold basis; and in now submitting to Government the resolutions which are given cover to by this letter I am directed to add that the scheme or proposal for conversion, as set forth in the Sub-Committee's report of 6th November, is put forward, not in the opinion that it is perfect or complete, but more as a proposal on which Government may start investigation, and as a basis from which some scheme, calculated to operate to general advantage, may be worked out by Government and its advisers or experts upon finance.

8. In connection with the scheme which is attached to the Sub-Committee's report of 6th November I am directed to add that, although no reference is made to the point in that report, the committee of this chamber has not lost sight of the fact that, in event of a gold standard being introduced to the Straits, the question of the extent to which the new silver dollar shall be legal tender, will have to be considered.

9 The committee of the Singapore Chamber of Commerce in forwarding the views expressed by a majority of members at the general meeting above referred to, feel sure that Government will recognize that the question is of much vital importance to the welfare and prosperity of the Colony, that it necessarily demands prompt attention and exhaustive investigation

with a view to some settlement. To this end the whole membership of the Chamber of Commerce appears unanimous, and I am therefore directed to express the hope that Government will, at an early date, set matters in motion, so that this gravely important question may be most carefully and exhaustively examined and considered, and some course devised by which to overcome the disadvantages and danger which under existing conditions are manifest.

I have, &c.,
(Signed) ALEX. J. GUNY,
Secretary.

The Honourable
The Acting Colonial Secretary,
Straits Settlements.

In favour of

Resolution 1.	Amendment.
Messrs. Guthrie & Co.	Messrs. Barlow & Co.
" Boustead & Co.	" Syme & Co.
" Fischner Huber & Co.	" Gillilan Wood & Co.
" McAlister & Co.	Chartered Bank of India, &c.
" Rigold Bergman & Co.	Netherland Trading Society.
" Brinkmann & Co.	Messrs. Katz Brothers, Limited.
" Kumpers & Co.	" Wm. McKerrow & Co.
" G. Heiber & Co.	" Meyer Brothers.
" Behn Meyer & Co.	" S. Manasseh & Co.
Mercantile Bank of India, Ltd.	K. Nathan, Esq.
Straits Trading Co, Ltd.	Hong Kong and Shanghai Banking Corporation.
Messrs. Hooglandt & Co.	Messrs. Eiley, Hargreaves & Co.
" Baatenberg	The Borneo Company, Ltd.
" Schmidt & Co.	Messrs. Grunberg & Co.
" Paterson Simons & Co.	Messrs. Brothers.
" Pattarcken & Co.	
" Sandhlands Buttery & Co.	
New Harbour Dock Co., Limited.	

AUSTRIA-HUNGARY.

No. 55.

MEMORANDUM on the CURRENCY of AUSTRIA-HUNGARY.

(Received through the Foreign Office)

In the year 1879 a decree was issued by the Government of Austria and Hungary whereby the free coinage of silver for private account was entirely prohibited. The result of this prohibition was an increased demand among the inhabitants of the Monarchy for the paper currency then in circulation; the reason for this preference being that the paper notes, while possessing exactly the same purchasing power as the weighty silver pieces, offered greater facilities to the public as regarded portability and for ordinary business purposes.

Thus, from the year 1879 until 1892, when the law for the introduction of the gold standard was passed, the currency of Austria-Hungary practically possessed what may perhaps most aptly be termed an "artificial" value, inasmuch as its circulation among the inhabitants was based on the confidence reposed in the Austrian and Hungarian government that the prohibition of free coinage of silver would not be withdrawn, and that neither of the two governments would undertake the coinage of silver money in larger quantities than was absolutely necessary to back the notes in circulation among the community.

The above-mentioned decree of 1879, while prohibiting the free coinage of silver for private account, likewise imposed certain restrictions relative to the coinage of silver for government account. Thus it was prescribed that only the silver derived from the State mines in Austria and Hungary, together with such broken metal as was purchased in bulk by the State mines themselves, should be coined.

Despite these restrictions, however, the amounts coined were considerable. From the beginning of 1880 until October 31, 1892 in Austria, and August 24, 1892 in Hungary, on which dates the respective State mines suspended operations in consequence of the law

for the adoption of a gold standard, the silver struck for government account reached a total of:—

£
5,789,076 in Austria.
3,678,618 „ Hungary
9,467,694

If the amount coined during the period of 1879 prior to the prohibition of free coinage likewise be added, the following figures result:—

£
8,964,624 in Austria.
5,824,945 „ Hungary.
14,809,639

and, in considering this total, it must be remembered that a certain proportion also falls to government account.

It should likewise be borne in mind that only a comparatively small sum was put in circulation, the greater part serving as a reserve to cover the notes of small denomination issued for the convenience of the public.

In 1892, the law for the adoption of a gold standard was passed by the Reichsrath in Vienna and the Parliament at Budapest. Briefly put this law empowered the government of both halves of the Monarchy to gradually substitute for the florin currency then in circulation a gold crown currency. At the same time it was expressly stipulated that, until the completion of the reforms, the florin currency should maintain in every respect its former position as legal tender and should be interchangeable as the rate of two to one, that is to say, one florin in silver or paper for two silver crowns. The relation between the old silver currency and the new gold currency was fixed at 18½ to 1.

For the purpose of carrying out the reforms embodied in the Bill, the services of the Austro-Hungarian Bank were called into requisition. This institution is the only bank in the Monarchy which is authorised to issue notes. It is in reality a private limited liability concern, but occupies a semi-official position. It is partially under government control, and both Austria and Hungary participate to a certain extent in its annual profits.

The original and supplementary Bills for the reform of the currency authorised the following financial operations, viz —

- (a) The issue of subsidiary silver, nickel, and bronze coin of the new crown currency to a total extent of 286,000,000 crowns, or about 12,000,000 sterling; against which a similar amount of the subsidiary coin and small State notes of the old florin currency was to be withdrawn
- (b) The withdrawal of the State notes then in circulation, amounting to about 312,000,000 florins, which were to be replaced by gold, silver, and nickel coin of the new crown currency.
- (c) The prescription that the Austro-Hungarian Bank should accept in exchange for its notes current gold coins at their face value and gold bullion at the rate fixed by law in connexion with the crown currency

In due course, the Austro-Hungarian Bank commenced operations by extensive purchases of gold coin and bullion on the domestic and foreign markets, whilst the government authorities in both halves of the monarchy proceeded to obtain the necessary supply of that metal by the issue of a series of State Rentes. These operations, however, were not carried out without frequent interruptions occasioned by the recurrence of an agio or premium on gold, rendering the import or purchase of that metal unfeasible.

To explain this condition of affairs, it is stated that the conversion of various categories of Austro-Hungarian stock, &c., gave rise to an almost unprecedented influx of these from abroad. Moreover, the temporary excess of commercial importations over exportations, whereby the amounts owed abroad exceeded those due to this country, repeatedly created a stringency of more or less duration. Both these arguments are advanced to account for the slow progress made in the introduction of the currency reforms and the interruptions which have occurred hitherto.

The operations dealt with in clause (a) have already been completed; that is to say, the minor coin of the florin currency has gradually been withdrawn, and has been replaced by the subsidiary coins of the crown currency, the silver one-florin piece meanwhile remaining in circulation and being, as already mentioned, interchangeable at the rate of two crowns to one florin.

With regard to clause (b), State notes to the extent of some 200,000,000 florins have been withdrawn, and in their stead 80,000,000 florins in silver, and 120,000,000 florins in bank notes have been issued. There now remains a balance of 112,000,000 florins in State notes in circulation, which it is intended to gradually replace by 32,000,000 florins in silver, and 80,000,000 florins in bank notes.

As matters now stand, the Austro-Hungarian Bank, which, as stated above, is the only financial institution in the Monarchy empowered to issue notes, is not legally bound to redeem its notes with gold, and, therefore, would be acting within its rights were it to refuse to part with that metal whether for exportation or other purpose. Nevertheless, it is realised that a refusal would, under certain conditions, cause either an undue advance or agio in the price of gold and gold bills of exchange on the domestic market, or a depreciation in the value of the notes issued by the bank itself.

In order to prevent this, and, so far as possible, to maintain the legal par value of the Austro-Hungarian currency (according to which a florin is equal to 1s. 8d. in English money), the bank voluntarily sells gold either in the form of bullion, foreign coin, or gold bills of exchange at rates which are fixed from time to time. In fixing these rates the bank is guided by the fluctuations of the international money markets, and by its own private reports; but, in addition, special attention is given to the maintenance of the par value of the Austro-Hungarian currency.

On the whole, this method has worked successfully; for, during the past three years, with the exception of some few unimportant variations, the par value has been

fairly well maintained. It may also be remarked here that, in order to encourage the importation of gold and reduce the cost of transport to a minimum, the bank has arranged that gold can be sent or offered for sale not only to its central offices in Vienna and Budapest, but likewise to those of its branches situated in proximity to the frontiers of the Monarchy.

Up to the present no gold has been put into circulation in Austria-Hungary, nor is it definitely known when it will prove feasible to do so.

As soon as circumstances permit, it is primarily intended to issue that amount of gold which already has been, or has still to be, deposited with the Austro-Hungarian Bank by the governments of both halves of the Monarchy in connexion with the withdrawal of the State notes and the issue of bank notes in their stead. The authorities, therefore, propose in the first instance to put into circulation the total sum of 200,000,000 florins in gold coin, in order to make room for which it is intended to call in all bank notes of less than 25 florins denomination.

The 200,000,000 florins' worth of gold referred to above is in possession of the Monarchy, that is to say, 80,000,000 florins is now in the hands of the Treasury Department, and 120,000,000 florins in the cellars of the bank. In addition to this amount, the bank at present has in its possession the sum of about 260,000,000 florins in gold, so that the value of the gold at the disposal of the Monarchy reaches an actual total of, say, 460,000,000 florins, apart from the not insignificant quantity owned by the Treasury, and which is not destined to be devoted to the regulation of the currency. As stated in the foregoing paragraph, it is first proposed to put into circulation 200,000,000 florins in gold coin, whilst the balance of that metal in possession of the authorities is destined to form a reserve for the bank.

In mercantile circles, apprehension is felt as to the ability of the Government to retain the gold in the country when once it is placed in circulation. Contrary to Great Britain, the value of the exportations from the Dual Monarchy to foreign countries almost invariably exceeds that of the importations, so that, so far as trade and commerce are concerned, the assets due to Austria-Hungary from abroad are in excess of her outstanding liabilities. On the other hand, however, while the investment of Great Britain in foreign securities, enterprises, &c., represents an immense total, Austria-Hungary is indebted to foreign countries. Indeed, according to most recent statistics, it is estimated that the amount paid by Austria-Hungary as interest to bond, stock, and shareholders, &c. abroad, reaches a total of between 125,000,000 to 130,000,000 florins per annum.

It is, therefore, argued that should the excess of exportations over importations in future years prove inadequate to cover the amount of interest payable by Austria-Hungary abroad, and, at the same time, a disinclination be manifested by foreign countries to absorb further quantities of Austro-Hungarian securities, the differences due from the Dual Monarchy to foreign debtors would have to be liquidated in gold, and would thus cause an efflux of that metal.

These apprehensions would appear to be justified by the fact that more than once of late years the annual trade balance of the Monarchy has shown only a comparatively insignificant excess of assets over liabilities, and also by the circumstance that both in 1877 and 1898 considerable quantities of gold left the country.

Moreover, it is feared that, under certain conditions, even a favourable trade balance would not prevent an efflux of gold, similar to that which occurred in 1893, when the conversion of various Austro-Hungarian stocks, &c., brought about a sudden return of these categories from abroad, and a proportionate outpour of gold from the Monarchy.

The gradual accumulation of a large stock of gold within the boundaries of the Monarchy, the granting of comparatively high rates of interest on Austro-Hungarian stocks, &c., far-reaching support of the export trade, and, finally, the slow but steady increase of wealth among the inhabitants themselves, whereby the re-purchase of those stocks, bonds, &c., held abroad would be rendered possible, are regarded by financial authorities in this country as the surest, and virtually the only, means whereby the apprehensions as to the affairs likely to be produced by an efflux of gold could be prevented.

No 56.

REPORT ON THE DEPRECIATION OF THE CURRENCY IN BRAZIL, SHOWING THE EFFECT ON PRICES AND WAGES

Received through the Foreign Office

Nominally Brazil is still a gold standard country, the legal value of an octave* of gold being 4 milreis, the gold coins of 5 octaves (276 840 grains) and 2½ octaves (138 420 grains) having a legal value of 20 milreis (=45s), and 10 milreis (23s 6d) respectively, while silver in the ratio to gold of 15 15 to 1 is only a legal tender up to 20\$000.

		Sterling Value.
The silver coins are:		
2 milreis	25 5 grammes†	4s. 6d.
1 milreis	12 75 "	2s. 3d.
500 reis	6 375 "	1s. 1½d.
The nickel coins are:		
Two hundred reis	15 grammes	5½d.
One hundred reis	10 "	2½d.
The copper coins, which at present low exchange must be issued at a loss, are:		
40 reis	1½ grammes	1½d.
20 reis	7 "	¾d.
The legal value of a sovereign is 8\$890.		

Though the nickel coins have not reached the point at which their intrinsic value is superior to their nominal value, they disappear very rapidly from circulation, except in the capital and its immediate neighbourhood; the explanation being that they are hoarded, particularly by the foreign colonists, perhaps because they are less perishable than paper. This has created a serious scarcity of small change in the provinces, and the State Governments, not being authorised to issue any form of currency, permit the circulation of *apólices* (or bonds) of infinitesimal value, some of them bearing interest, tramway tickets &c., to take the place of nickel. To remedy this evil the Federal Government has been authorised to issue nickel coins—

Of 12 grammes with a nominal value of 400 reis.	
Of 8 " " " " 200 "	
Of 5 " " " " 100 "	

But although Brazil is nominally a gold standard country, it is only in the event of exchange rising to, and remaining at or above, par that the notes even of the Banks of issue which at various times have had the privilege were in fact convertible into gold, while the Treasury paper money since 1833 has never been convertible.

The following are the periods during which one or more banks had the privilege of issue, generally in the proportion of two to one against gold and to an equal value against bonds.—

1808—1829.—Exclusive privilege of Banco Brasil, no limit Inconvertible between 1821 and 1829

1853—1857.—The (3rd) Banco do Brazil up to twice the value of "available funds," i.e., cash in hand or gold.

1857—1866.—Six banks up to the amount of subscribed capital

1869—1893.—Various banks all over Brazil up to twice the amount of subscribed capital.

1893—1896.—Exclusive privilege of Banco da Republica do Brasil.

The privilege has been frequently abused by the banks, sometimes no doubt with the connivance of the Government, as between 1820 and 1827, when the Banco do Brazil increased its circulation from 8,666 450 milreis to 21,574 : 920 milreis being nearly six times its subscribed capital of 3,000,000\$. During this period the milreis depreciated from 5d. to 3½d., reaching 20d before the final liquidation of the bank in March 1829.

The Government have, on two occasions, changed the par value of the milreis:—By the law of 8th October 1833, which declared the legal value of an octave of gold to be 2\$500, reducing therefore the par value of the milreis from 67½d. (when the octave was 1\$000) to 4½d., a sovereign being declared legal tender at 5\$355,

and a shilling at 250 reis, and by the Law of 11th September 1846, which declared the legal value of an octave of gold to be 4\$000, and fixed the par value of the milreis at 27d, which has continued up to the present time.

The first of these measures failed entirely in its intended effect of increasing the stability of the currency, the reason being that no adequate and effective measures were taken for raising the paper currency to its par value. In June 1833 the rate of exchange was 38½, and already in January 1834, after temporarily rising to par, it had again fallen to 39½. Evidently no payments would be made in the precious metals when they could be made in depreciated paper.

The new Banco do Brazil was, in virtue of the Law of 8th October 1833, to substitute all the Government paper money in circulation by notes of its own, which were to have the value of 1\$000, 2\$000, and 5\$000. Though nominally payable in gold it does not appear that these notes were in fact any more convertible than the Government paper, and the depreciation continued, the value of the milreis falling below 25 in each of the years 1842, 1843, and 1844. The bank had no privilege of issue on its own account.

By the decree of 1st June 1833 the inconvertibility of the Treasury paper money was definitely asserted, the notes of the old Banco do Brazil being substituted by Treasury notes, on which the words "payable at sight" were altered to "payable" at the National Treasury.

By the Law of 11th October 1837 special funds were set aside for the redemption of the paper money, but this law was never practically carried out, it being necessary in the following years to apply all available funds to meet a series of large deficits, and in 1839 not only were the funds assigned for the redemption of the paper money diverted from this object, but a "temporary" new issue was authorised.

Between 1833 and 1846 the currency question was constantly the subject of discussion, which resulted in the law of 11th September 1846. A lesson had been learnt by the failure of the legislation of 1833, and exchange being at the time of the passing of the law at nearly 27d, the Government was authorised to withdraw from circulation sufficient paper money to raise it to this value. From 1846 to 1853 the Government paper money was reduced from 50 668,475\$ to 46,884 805\$, and exchange was in every year between these dates at or above par, the fluctuations varying between 1850 and 1853 from 27¼ to 30, which seems to show that the paper money in circulation was even insufficient for the needs of the country, whose foreign trade had increased from 105,823 000\$ in 1845-46 to 160,976 000\$ in 1852-53, revenue in the same years having risen from 26,199 : 179\$ to 36,391 : 03\$.

The commercial crisis of 1853 was indeed probably due to the insufficiency of the circulating medium and was easily met by the advance to the two banks then in existence—the Banco Commercial and the Banco do Brazil—of 4,000 : 000\$ in Treasury notes.

By the Law of 5th July 1853, the Third Banco do Brazil was created by an amalgamation of the two banks mentioned above. It had the exclusive privilege of issuing notes in the capital of a minimum of 20\$000 and in the provinces of 10\$000 in the proportion of 2 to 1 (raised in 1855 to 3 to 1) against available funds, but under no circumstances in excess of the amount of discounts effected. In return for this privilege, the bank was to withdraw from circulation annually 2,000 : 000\$ of the paper previously in circulation, the notes so withdrawn to be deposited at the Treasury and destroyed.

The Government was obliged to come to the assistance of the bank during the commercial crisis of 1857, by authorising an increase in its issue of notes up to four times available funds, by the suspension of gold payments, by direct advances, and by undertaking to honour its bills up to 260,000 on their London agency. In this way the crisis was met without the bank having been compelled to raise its rate of discount.

In this and the following year six new banks of issue were created, two in the Capital and four in the provinces, with right of issue, up to the amount of their realised capital, against gold, at the rate of 2 to 1, and against Government bonds, &c. to an equal value.

Alarmed, however, at the rate at which the fiduciary circulation was increasing from 62,000,000\$ in 1854, to 260,000,000\$ in 1859, the Government passed the Bank Reform Law of 1860, which restricted the privileges of the banks, by obliging them to reduce their issue until convertibility was assured, by compelling them to withdraw from circulation within four

* Octave = 72 Brazilian grains.
= 57.58 English grains.
† Gramme = 15.432 grains.

months all notes of lower value than 50\$000 in the capital and 25\$000 in the provinces, and by stricter Government fiscalisation. The fiduciary circulation was in this way reduced by 9,261,846\$ between 1861 and 1862, and exchange again returned to par.

This law met with considerable opposition, it was declared that by limiting credit commercial enterprise must suffer. The figures of the import trade do in fact show a falling off in the next two years, but it is not certain that this is a bad sign in a country in which capital does not seek investments abroad, and where the tendency was for imports to exceed exports.

In 1864 there was another commercial crisis, brought on by the suspension of payments of five important banking firms and by a reversion of the crisis, which some of the most important European markets of Brazilian products were passing through. That the crisis was not the result of scarcity of the circulating medium, as Senhor Cavalcanti in his work on "O Meio Circulante," endeavors to persuade his readers, seems to be shown by the fact that the paper currency, far from being unduly appreciated, fluctuated between the normal extremes of 22½ and 27½.

The Government was again obliged to authorize the suspension of gold payments and to permit the Bank of Brazil (13th September) to issue new notes up to treble its available funds. Whether the additional issues thus authorised, amounting to more than 11,000,000\$ between 1865 and 1866, or the outbreak of the Paraguayan war, are responsible for the fall in exchange which followed (from 27½ to 22½) is doubtful; but it is at least probable that both causes contributed to the result. It is a significant fact that between December 1863 and December 1864 the issues of the Bank of Brazil increased from 27,297,930\$ to 43,168,000\$.

It has been seen that the wise checks imposed by Government between 1853 and 1866 prevented more than a moderate inflation of the fiduciary circulation. The same may be said of the period between 1866 and 1889 when the treasury were responsible for the issue of paper money on the extinction of the privilege of the Banco do Brazil by the Law* of 12th September 1866.

Between these years the Treasury paper increased from 42,560,444\$ to 188,869,263\$, and bank notes were reduced from 74,600,215\$ to 10,419,000\$, making the total increase only 43 per cent. while revenue between the same years had increased from 64,776,843\$ to 145,596,141\$, or 56 per cent. On two occasions, however, exchange fell below 20d. between 1866 and 1869, which may be accounted for by the Paraguayan war, and again in 1885. A possible explanation of a tendency to fall during the greater part of this period is, that during the whole time, possibly ever since 1853, there was in reality an excess of paper circulation. The Minister of Finance in 1884 expresses this opinion in his annual report, though the amount was less in that year than in any since 1879, and this is rather borne out by the rise in 1889 to par, when, by the emancipation of slaves in 1888, the use for currency was suddenly largely increased.

The year 1889 was, in fact, one of the most prosperous in the history of the country. Foreign trade had reached the unprecedented figure of £59,000,000, of which more than £34,000,000 was for exports. Exchange was at par, and revenue exceeded that of any previous year, as, it must be added, did expenditure also, the happy precedent of 1888, when there was a surplus of more than £2,000,000, having been quickly abandoned.

By the Decree of 24th November 1888, the Government of the Empire gave up its exclusive privilege by allowing limited liability companies to issue convertible paper under certain restrictions and by the Law of 5th January 1889, regulations for organising banks of issue were provided, issues however being limited to 100,000,000\$ in the Capital, and 76,000,000\$ in the provinces.

In November 1889 (and the Revolution which drove the Emperor from the throne)

The first Ministers of Finance of the Republic have much to answer for. It seems for a while to have been imagined that wealth could be created by the mere operation of the engineer's plute. It was a misfortune for the country that the first Minister of Finance should have been a man so remarkably gifted and so eloquent as Senhor Ruy Barbosa. There was no financial history

but "reasoned with his gracious voice, obscured the show of evil."

He declared on 5th December 1890 (p. 4042 *Director do Governo Provisorio*) "We are proceeding with extreme, even exaggerated, parsimony in fixing the total circulation of bank notes at 486,000,000\$ (54,675,000L)." The figure 1,580,000,000\$ (more than 177,000,000L) he seemed to regard not with dismay, but as a more reasonable limit.

The following list shows the amount up to which various banks were authorised to issue during 1890 against a deposit of gold, at the rate of 2 to 1, and bonds to an equal amount.—

	Milreis	£
Four banks for the state of S Paulo and Goyaz	200,000,000	22,500,000
Banks in the Northern states, divided into three districts (each 20,000,000 milreis)	60,000,000	6,750,000
Banco dos Estados Unidos do Brazil	100,000,000	11,250,000
Banco do Brazil	50,000,000	5,625,000
Banco Nacional	50,000,000	5,625,000
Banco de Pernambuco, an additional	10,000,000	1,125,000
Banco do Credito Popular	40,000,000	4,500,000

by decrees dated 7th March, 8th March, 29th August, 25th September, and 14th November.

The above list does not include the amounts up to which the Banco do Brazil and the Banco Nacional might issue against the deposit of bonds.

The decree of 7th December 1890 authorised the amalgamation of the Banco dos Estados Unidos do Brazil with the Banco Nacional, the new bank being known as the Banco da Republica dos Estados Unidos do Brazil, and having the right of issue up to three times its capital of 200,000,000\$ against a deposit of a third in gold, the bank to replace the Government paper money by its notes.

The privileges thus recklessly accorded would not have been so dangerous if the gold against which the notes were issued was effectively deposited at the Treasury, but as a matter of fact (Relatorio of the Minister of Finance for 1892, p. 26) nearly 2,600,000L which should have been deposited never entered the Treasury.

The notes actually issued amounted to*340,714,370\$ (38,330,366L) being 261,252,870\$ against gold, and 79,461,500\$ against bonds, the preference for issue against gold being naturally explained by the advantageous rate of 2 to 1. Of this amount only 25,370,040\$ had up to 31st December 1897 been withdrawn.

By the Law of 23rd September 1893, which recognised the danger of an almost unlimited number of banks of issue, the privilege was restricted to the new Banco da Republica do Brazil, which is an amalgamation of the Banco da Republica dos Estados Unidos do Brazil and the Banco do Brazil. But even in this law means were found to eventually further increase the paper circulation by the authorisation to issue 100,000,000\$ (11,250,000L) in *bonus* or cedulas, bearing interest at the rate of 4 per cent, nominally in aid of industrial enterprises, but merely used as an instrument of credit and very soon a depreciated instrument of credit 80,000,000\$ of these cedulas were issued, but, in consequence of their depreciation, and as they served no useful purpose, the Treasury decided to take them up and issue paper money in their place, the interest paid by the bank being applied to redemption.

Besides paper money in substitution of these cedulas, amounting actually to 79,979,600\$ the Treasury, in virtue of a decree, No 1616 A of 23rd December 1893, apparently not published in the *Statute Book*, under the Government of Marshal Floriano Peixoto, issued a sum of 85,000,000\$ (9,375,000L at par) in paper money between the 21th December 1893 and the 17th August 1894.

By the Law of 9th December 1896, the Treasury again assumed the sole right of issue, guaranteeing the notes in circulation, and taking over the deposits against which they were issued. Since 1894 excessive issues have been avoided, but the mischief was done, and the steps hitherto taken to remedy this rapid and enormous inflation of the circulating medium have been inadequate, while the situation has been

* Provisions were made in this law for the repayment of 811,000,000 which represented the amount of Brazilian paper money withdrawn by the bank, and for gradually withdrawing the notes of the bank from circulation.

* The deposits at the Treasury in guarantee amounted to—
Gold, 91,369,728\$
Bonds, 79,461,500\$

aggravated by the low price of the chief article of export.

The above facts appear to show that the present depreciation of the currency is in a very great measure due to excessive issues.

On the whole, paper money—even inconvertible—is probably the most convenient form of circulation in a country like Brazil, of vast extent and difficult means of communication, as long as the amount corresponds with the national wealth, reckoned in no matter what commodity, gold only being a more convenient measure than any other, because less subject to fluctuations in value.

It has, indeed, often been stated that there is a scarcity of the circulating medium in some parts of the country, and this may be true; the cause, however, being not an insufficiency of paper money, but that the production in those places is insufficient to meet the wants of the inhabitants. If production is on a large enough scale, it is certain that the circulating medium* will be attracted wherever it is wanted—in metal, if notes are scarce, which the Government will at once know by the par of exchange having been reached. Till then the remedy should have been to increase the circulating medium, but by all possible means to increase the national production.

The case of a country whose currency has an intrinsic value is, of course, different, but some of the remedies (such as closing the mints) are similar.

In annex A will be found a table showing the amount of paper money in circulation since 1841 for a population numbering about 14 millions in 1890.

Besides various paper crises, Brazil has also passed through what may be described as a "copper" crisis between 1827 and 1833, and a "silver" crisis between 1846 and 1849.

The circulation of copper coin, which before 1833 was a legal tender up to an unlimited amount, had increased to an enormous extent, it being calculated that in 1830 it amounted to 21,000,000\$, being, at the par of 87½¢, nearly six million sterling. The Government on account of the large profits made by striking coins, which circulated at the legal rate of 12½¢ to 1 as compared with silver, the intrinsic value of the metal being in the ratio of 40 to 1, had been making reckless issues, while numbers of false coins, estimated at 5,000,000\$ in 1830, had also found their way into circulation. As a consequence, copper had depreciated almost to the same extent as paper, and the depreciation seemed only likely to cease when the intrinsic value of the metal was reached.

By the Law of 3rd October 1833 the Government decided to exchange all the copper coins in circulation against cedulas having a value from 100\$000 to 1000\$000, the metal being received at 18280 a lb., and copper was made a legal tender only up to one milreis. The issue of these cedulas, the first Government paper money, caused a great scarcity of small change, and a part of the copper money so changed had to be reissued, but the limitation of the amount to be accepted as legal tender effectually stopped its depreciation, and since 1833 there has been no recurrence of a similar difficulty.

By the Law of 11th September 1846 the ratio of gold to silver was fixed at 1 to 15½, slightly undervaluing silver, notwithstanding the seigniorage charged for coining, and exchange being at or above par, the country was flooded with silver coins. The crisis was ended by the Decree of 28th July 1849, which altered the relations of the two metals to 1 to 15½, while silver was made legal tender only up to 20 milreis.

In addition to the disastrous monetary legislation from which Brazil has recently suffered, the evil has been made worse by a persistent extravagance which would have wrecked a nation less favoured by nature and of less productive and recuperative energy. Since 1837, only on seven occasions has the Government been in possession of a surplus at the end of the financial year. These red letter years are:—

Exchange.

1845-46	-	-	-	251-28½
1846-47	-	-	-	271-28
1852-53	-	-	-	27½-29½
1856-57	-	-	-	24-26
1872-73	-	-	-	25½-27
1888	-	-	-	22½-26½
1891	-	-	-	101-21½

With the exception of 1891 all years of high exchange.

* Exception being made in the case of subsidiary coins or tokens.

While the monetary policy of the Government continued sound, and it enjoyed credit abroad, deficits were of less importance, but, when these conditions changed, the country found itself face to face with bankruptcy. By the funding scheme of 1898, which provides for a suspension of gold payments for three years, an opportunity for reform has been given, but the situation is still critical, and can only be saved by economy and sacrifice. Fortunately, the present Government show signs that they are not afraid to face the unpopularity which reforms involve.

A good deal has been said and written in this country on the part which the balance of trade plays in depreciating or appreciating the currency.

It seems, however, to be inevitable that in the course of time exports and imports must nearly balance (as regards an excess of imports at least), since it is impossible for a country, any more than an individual, to continue for an indefinite period to spend more than it produces; nor is it easy from the figures appended to this report, showing the official value of the imports and exports for a long period, to discover any connection between their values and the rise and fall in exchange. For example:—

In 1852-53 imports exceeded exports by 13,688,000\$ and exchange fluctuated between 28½ and 30½.

In 1854-55 there was a balance in favour of Brazil of 5,528,000\$ and yet exchange was rather lower, fluctuating between 27½ and 29½.

In 1888 there was a balance of 48,406,000\$ against the country, yet exchange rose to 24½¢, and in 1890, with a balance of 57,722,000\$ in favour of Brazil, exchange fell from par to 20½¢.

In Brazil, where there is little or no native capital invested abroad, the balance between imports and exports, if one could be sure of the accuracy of the figures, is a more reliable test of the national wealth than in more developed countries, where foreign investments are necessarily excluded from such calculations.

In Annex C. are tables showing the variations of currency prices during periods of falling and rising exchange. Previous to 1867 these figures are taken from Senhor Cavalcanti's work* "On the Circulating Medium." Those for the last three periods—two of rising and one of falling exchange—between 1867 and the present time are furnished by the *Jornal do Commercio*, which every month publishes a list of prices of the commodities of most general consumption.

It will be seen from these lists that the tendency is for prices neither to fall nor rise in proportion to the appreciation or depreciation of the currency. The two principal articles of consumption of the lower classes—rice and black beans—seem, however, to be an exception, and since 1867 have varied almost exactly in proportion to the gold value of milreis.

Thus, between 1868 and 1875, the currency appreciated 33 per cent., while the average fall in the prices of foreign and Brazilian rice and of black beans was also 33 per cent.; between 1885 and 1889 the currency appreciated 33 per cent. and the price of rice and beans fell 36 per cent.; between 1889 and 1897 the currency depreciated 70 per cent. and rice and beans rose 74 per cent.

As is seen from Tables 1 and 2 in Annex D, giving the wages of workmen of different classes employed by two large English companies (which were furnished by their respective managers, Mr. Bonert and Mr. Gunning), there has been an all-round increase in wages since 1889 of about 40 per cent.—not therefore in proportion to the depreciation of the currency—while the cost of living as regards the two first necessities has increased in proportion, and, as regards nine articles of ordinary consumption, the cost of living has increased, though not to an equal extent with the depreciation of the currency, yet more than equal to the increase in wages. The rise in house rents has about kept pace with the average rise of prices. They have probably doubled or more than doubled since 1889.

It is therefore evident that the wage-earning classes are losers by a fall in exchange.

During the early period of rising exchange for which amounts of wages have been obtained, viz. between 1885 and 1889, there was practically no change, so that the working classes should have benefited by the rise, but, as Table 7, Annex C, shows, this is only the case as regards the first necessities, black beans and rice, and the tendency of other prices being not to fall, but to

* "O Meio Circulante Nacional," Rio de Janeiro 1866.

rise In the case of jerked beef, a very important article of consumption among the lower classes, there has been a rise of 16 per cent, so that while they are losers by a falling exchange they gain little by a rising

The prices of articles of consumption in the country which are also exported depending on various influences, do not follow the fluctuations of exchange with regularity. Thus between 1821 and 1830 when the currency depreciated 55 per cent., the prices of coffee and tobacco, instead of rising, also fell 43 per cent. and 12 per cent. respectively, while cotton only rose 7 per cent

Between 1835 and 1844, with currency depreciating 33 per cent, coffee and tobacco fell 11 per cent and 24 per cent. respectively.

Between 1889 and 1897 the currency prices of coffee and sugar rose less than those of any other commodity except mandioca flour, the comparatively small rise in which is explained by the largely increased production

Similarly, during periods of rising exchange it is noticeable that the prices of commodities which are also exported do not fall in proportion to the appreciation of the currency.

Thus between 1831 and 1835 the currency appreciated 36 per cent., while the prices of four articles of export, —sugar, coffee, tobacco and cotton—only fell 6 per cent.

Between 1843 and 1847, when the currency appreciated 10 per cent., the prices of sugar and coffee, instead of falling, rose 8½ per cent and the same phenomenon is still more striking between 1855 and 1859, when the prices of coffee and sugar rose 30 per cent and 18 per cent, although the currency appreciated 33 per cent., the price of coffee calculated in sterling having risen from 6s 9d. to 14s 8d., and of sugar from 4d to 7½d.

If any generalisation can be made from these figures, it is that the tendency of the chief articles of export, when no other circumstance interferes—such as an extraordinary increase in demand which has happened in the case of rubber—is to rise in price (calculated in sterling) during periods of rising exchange, and to fall in periods of falling exchange, i. e., high exchange, high prices of exports; low exchange, low prices of exports

This is natural because, as wages and general prices do not for a long time, if ever, rise in proportion to the depreciation of the currency, a low exchange cheapens production

On the other hand, it seems that the prices of articles produced in the country and also imported depend, not so much on the cost of production in Brazil as on the cost of production in the exporting country; the best example being jerked beef which, when produced in Brazil, rises to the price of the imported article, instead of the imported article falling in proportion to the cost of production in Brazil

Apparently, therefore, certain classes profit by a fall in exchange, viz, those engaged in the production of articles of export, provided diminished cost of production does not cause a fall of prices abroad, and those engaged in the production of articles which are also imported, such as the owners of cotton mills, of the jerked beef factories of Rio Grande, and the cultivators of maize, rice, black beans, &c., all of whom are enabled to produce cheaper, and those engaged in mining industry must be included in the same category

Those, however, engaged in the production of the most important Brazilian export—coffee—which figures for about two-third of the total exportation, do not at present gain by a low exchange, because of the phenomenal fall in the price of this commodity, brought about by over-production, one of the causes of which may be the very fact of the cheapness of labour, &c. Nor are all those engaged in the production of commodities which are also imported gainers, as for example, those whose capital was invested when exchange was high, which now represents a depreciated value, and those who are not independent of machinery which has to be imported from abroad.

- On the other hand, the losers are.
- (1) All those who have fixed currency incomes.
 - (2) The wage-earning classes.
 - (3) Importers and retail dealers.
 - (4) The Government, and all those who have obligations to meet abroad

Until, therefore, prices, wages, and the depreciation of the currency are again in equilibrium, which does not happen for a long time, there must always be some classes who suffer. Even when the equilibrium has been established, it is evident that creditors are still losers, as are all those bound by contracts entered into when the currency was higher

Instability and uncertainty are still more disastrous than depreciation. Once the depreciation is established, it is probably wiser for the government to direct all its endeavours to maintain the stability rather than raise the value of the circulating medium, and thus, under present conditions, can only be accomplished by the establishment of a currency convertible into gold

ANNEX A

PAPER MONEY IN CIRCULATION SINCE 1840
(Bank Notes and Treasury Paper)

	d	Milreis		d	Milreis
1841	30½	40,198,505	1870	22	192,226,873
1842	26½	43,689,115	1871	24	191,805,611
1843	26	46,520,997	1872	25	188,806,740
1844	25	48,267,496	1873	26	185,010,782
1845	26	50,379,633	1874	26	189,094,766
1846	27	50,668,475	1875	27	181,868,699
1847	28	48,788,909	1876	25½	179,421,825
1848	27	47,802,226	1877	24	179,347,859
1849	26	47,531,613	1878	22	208,933,507
1850	27½	46,884,061	1879	21	216,912,804
1851	29	46,684,317	1880	21½	215,677,816
1852	29½	46,684,177	1881	21½	212,284,605
1853	28½	46,684,805	1882	20½	212,240,123
1854	27½	62,223,505	1883	20	210,996,987
1855	27½	67,755,675	1884	20½	209,627,961
1856	27½	85,820,755	1885	18½	207,661,450
1857	25½	95,216,445	1886	20	213,589,585
1858	25½	92,569,138	1887	22½	202,291,669
1859	25½	95,873,098	1888	24½	205,288,333
1860	26	87,990,853	1889	27½	211,011,346
1861	25½	82,012,179	1890	23	297,730,014
1862	26½	79,063,744	1891	16	448,453,824
1863	27½	81,723,240	1892	13	524,024,707
1864	26½	98,543,755	1893	12	616,917,750
1865	25	100,649,035	1894	11	703,825,960
1866	24	112,844,080	1895	10	783,464,096
1867	22	117,160,359	1896	9	759,464,096
1868	17	124,686,204	1897	8	751,958,606
1869	19	183,224,767			

ANNEX B.

TABLE I SHOWING VALUE OF IMPORTS AND EXPORTS OF BRAZIL SINCE 1833

Year	Mean Exchange	Imports	Exports.	
	d	Milreis	Milreis	
Par of exchange 67½d.	1823	50½		
	1824	48		
	1825	51		
	1826	47		
	1827	35½		
	1828	32½		
	1829-30	25		
	1830-31	23		
	1831-32	24½		
	1832-33	35		
Par of exchange 49½d.	1833-34	34½	36,237,000	33,011,000
	1834-35	36½	36,577,000	32,998,000
	1835-36	39	41,195,000	41,442,000
	1836-37	30	45,319,000	34,182,000
	1837-38	29½	40,757,000	33,511,000
	1838-39	31½	49,446,000	41,598,000
	1839-40	31½	52,958,000	43,192,000
	1840-41	30½	57,737,000	41,671,000
	1841-42	29½	56,040,000	39,084,000
	1842-43	26	50,639,000	41,039,000
1843-44	25½	55,289,000	48,800,000	
1844-45	25½	57,228,000	47,034,000	
1845-46	26½	52,193,000	53,630,000	

TABLE 2.—SHOWING THE VALUE OF IMPORTS AND EXPORTS, CALCULATED IN STERLING, APPROXIMATELY, SINCE 1850-51

Year	Mean Exchange.	Imports	Exports.	Year.	Ex-change.	Imports.	Exports.
Par of exchange 27d							
1846-47	28	55,740,000	53,449,000	1850-51	29	9,300,000	8,200,000
1847-48	27	47,349,000	57,925,000	1851-52	29½	11,400,000	8,100,000
1848-49	26	51,569,000	56,289,000	1852-53	28½	10,400,000	8,800,000
1849-50	27½	59,165,000	55,039,000	1853-54	27½	9,800,000	6,800,000
1850-51	29	76,313,000	67,738,000	1854-55	27½	9,750,000	10,400,000
1851-52	29½	92,860,000	66,640,000	1855-56	27½	10,630,000	10,800,000
1852-53	28½	97,332,000	73,644,000	1856-57	25½	13,450,000	12,300,000
1853-54	27½	85,838,000	76,843,000	1857-58	25½	13,860,000	10,200,000
1854-55	27½	85,171,000	90,699,000	1858-59	25½	13,400,000	11,350,000
1855-56	27½	92,778,000	94,433,000	1859-60	26	12,350,000	12,840,000
1856-57	25½	125,351,000	114,553,000	1860-61	25½	13,150,000	13,000,000
1857-58	25½	130,440,000	96,247,000	1861-62	26½	12,000,000	13,800,000
1858-59	25½	127,722,000	106,805,000	1862-63	27½	11,500,000	13,800,000
1859-60	26	118,027,000	112,957,000	1863-64	26½	13,800,000	14,300,000
1860-61	25½	123,730,000	123,171,000	1864-65	26	13,700,000	14,700,000
1861-62	26½	110,531,000	120,719,000	1865-66	24	13,800,000	15,700,000
1862-63	27½	99,172,000	122,479,000	1866-67	22	13,300,000	14,000,000
1863-64	26½	125,855,000	130,365,000	1867-68	17	9,500,000	13,800,000
1864-65	25	131,746,000	141,068,000	1868-69	19	13,300,000	14,400,000
1865-66	24	137,777,000	177,017,000	1869-70	22	14,300,000	13,300,000
1866-67	22	145,005,000	153,353,000	1870-71	24	14,700,000	16,700,000
1867-68	17	140,611,000	185,270,000	1871-72	25	16,500,000	20,150,000
1868-69	19	168,510,000	207,734,000	1872-73	26	17,000,000	23,400,000
1869-70	23	155,687,000	200,235,000	1873-74	26	17,400,000	20,600,000
1870-71	24	137,364,000	166,949,000	1874-75	27½	18,600,000	25,200,000
1871-72	25	158,318,000	193,418,000	1875-76	25½	17,600,000	19,500,000
1872-73	26	156,730,000	215,893,000	1876-77	24	15,500,000	19,600,000
1873-74	26	160,315,000	190,083,000	1877-78	23	14,700,000	17,000,000
1874-75	27½	163,484,000	205,579,000	1878-79	21	14,450,000	18,400,000
1875-76	25½	166,209,000	183,928,000	1879-80	21½	15,800,000	20,000,000
1876-77	24	155,073,000	196,338,000	1880-81	21½	15,900,000	11,500,000
1877-78	23	160,187,000	185,581,000	1881-82	20½	15,900,000	17,500,000
1878-79	21	165,319,000	210,304,000	1882-83	21½	16,000,000	17,300,000
1879-80	21½	172,744,000	221,928,000	1883-84	20½	16,200,000	16,900,000
1880-81	21½	181,005,000	135,851,000	1884-85	18½	13,800,000	17,900,000
1881-82	20½	182,251,000	209,851,000	1885-86	20	16,500,000	16,300,000
1882-83	21½	185,861,000	195,498,000	1886-87	22½	19,200,000	24,200,000
1883-84	20½	194,223,000	202,434,000	(18 months)			
1884-85	18½	174,491,000	226,269,000	1888	24½	26,100,000	21,300,000
1885-86	20	197,501,000	194,961,000	1889	27½	25,000,000	34,800,000
1886-87	23½	209,406,000	263,519,000	1890	23	25,000,000	30,500,000
1888	24½	260,992,000	212,592,000	1891	16	21,600,000	27,900,000
1889	27½	221,621,000	309,000,000	1892	13	20,700,000	23,600,000
1890	23	260,100,000	317,823,000	1893	12	16,500,000	30,300,000
1891	16	322,614,000	418,147,000	1894	11	15,700,000	27,600,000
1892	13	323,100,000	433,341,000	1895	10	15,450,000	23,000,000
1893	12	328,532,000	606,032,000	1896	9	20,800,000	26,000,000
1894	11	341,539,000	601,046,000	1897	8	22,350,000	27,700,000
1895	10	370,087,000	696,360,000				
1896	9	533,947,000	694,057,000				
1897	8	671,603,000	831,806,000				

ANNEX C.

TABLE 1.—PERIOD OF FALLING EXCHANGE, 1821 to 1830. (Average Annual Prices.)

Year.	Exchange	Cotton, 32 lbs.	Rice, 32 lbs.	Sugar, 32 lbs.	Coffee, 32 lbs.	Rum, per Cask.	Tobacco, 32 lbs.
1821	d.						
1822	51	5914	75050	22550	6916	42375	63000
1823	49	53500	63900	19950	53085	35300	53880
1824	50½	52200	53430	22050	45500	385500	43950
1825	48	52500	63663	19983	33126	395500	33300
1826	51	62357	65237	23380	32150	363000	32800
1827	47	52200	72550	25340	28624	61166	42850
1828	35½	52767	112000	32060	32000	61267	42600
1829	32½	35710	125160	32800	23766	57350	52200
1830	25	65100	98375	32880	32650	76466	43700
	28	63500	83730	32533	32550	743750	52350

1821 and 1830 compared.

Depreciation of Currency, 55 per Cent.

Currency Prices:			
Cotton	- - - -	+ 7 per Cent.	Coffee - - - - - 43 per Cent.
Rice	- - - -	+ 19 "	Rum - - - - - + 43 "
Sugar	- - - -	+ 23 "	Tobacco - - - - - 12 "

Average rise in prices, 10 per cent.

TABLE 2.—PERIOD OF FALLING EXCHANGE, 1835—1844
(Average Annual Prices)

Year.	Exchange	Rice, per sack.	Sugar, per 32 lbs	Coffee, 32 lbs	Rum, per Cask	Tobacco, 32 lbs
	<i>d</i>					
1835	39	7\$625	2\$450	3\$500	48\$666	6\$200
1836	38	7\$500	2\$460	3\$635	42\$000	5\$500
1837	30	8\$500	2\$842	3\$757	61\$000	4\$800
1838	28½	13\$146	3\$050	3\$800	82\$000	4\$800
1839	31½	11\$000	2\$900	3\$920	70\$000	5\$500
1840	31½	9\$750	2\$650	3\$750	—	—
1841	30½	8\$750	2\$850	3\$750	70\$000	4\$650
1842	26½	9\$500	2\$300	3\$500	64\$000	4\$950
1843	26	9\$250	2\$800	3\$200	71\$000	4\$450
1844	25	8\$250	2\$750	3\$150	67\$000	4\$800

1835 and 1844 compared.

Depreciation of Currency, 33 per Cent

Currency Prices:

Rice	- - -	+ 7 per Cent	Rum	- - -	+ 26 per Cent.
Sugar	- + 10	"	Tobacco	- - -	- 24 "
Coffee	- - -	- 11 "			

Average rise in prices, less than 2 per cent.

TABLE 2A.—PERIOD OF FALLING EXCHANGE, 1840—1844
Prices of Articles not exported.

Year	Exchange	Jerked Beef, per 32 lbs	Mandioca Flour, per Sack.	Black Beans, per Sack.	Maize, per Sack
	<i>d</i>				
1840	31½	2\$250	4\$400	7\$300	2\$700
1841	30½	2\$000	4\$300	9\$750	2\$900
1842	26½	2\$000	4\$100	8\$500	2\$650
1843	26	2\$500	4\$300	6\$750	2\$400
1844	25	2\$670	3\$750	5\$250	2\$200

1840 and 1844 compared.

Depreciation of Currency, 20 per Cent.

Currency Prices:

Jerked beef	- - -	+ 15 per Cent	Black beans	- - -	- 27 per Cent.
Mandioca flour	- - -	- 14 "	Maize	- - -	- 18 "

Average fall in prices, 11 per cent

TABLE 3.—PERIOD OF FALLING EXCHANGE, 1889—1897.
(Prices, Month of November each Year)

Year	Ex- change.	Black Beans, per sack	Rice, per sack	Coffee, per 32 lbs	Sugar, per kilo.	Mandioca Flour, per sack.	Salt, per sack	Jerked Beef, per kilo.	Maize, per sack	Rum, per cask
	<i>d.</i>									
1889	27½	7\$500	6\$600	6\$530	0\$280	13\$500	0\$980	0\$240	4\$500	105\$000
1890	23	7\$500	11\$000	7\$120	0\$190	13\$000	0\$580	0\$420	4\$000	110\$000
1891	16	6\$000	17\$000	11\$300	0\$340	14\$000	0\$600	0\$420	5\$000	120\$000
1892	13	2\$5000	20\$000	12\$250	0\$400	12\$000	0\$900	0\$320	7\$000	125\$000
1893	19	2\$2000	20\$000	16\$700	0\$400	14\$000	1\$300	0\$520	7\$000	120\$000
1894	11	14\$000	16\$000	12\$250	0\$480	11\$500	2\$000	0\$400	6\$000	120\$000
1895	10	24\$000	16\$000	14\$298	0\$430	22\$000	1\$300	0\$440	6\$500	105\$000
1896	9	28\$000	24\$000	10\$394	0\$400	20\$000	1\$400	0\$860	9\$000	150\$000
1897	8	30\$000	25\$000	11\$000	0\$510	18\$000	2\$800	0\$820	9\$500	205\$000

1889 and 1897 compared.

Currency depreciated, 70 per Cent.

Currency Prices

Black beans	- - -	+ 75 per Cent.
Rice	- - -	+ 73 "
Coffee	- - -	+ 44 "
Sugar	- - -	+ 45 "
Mandioca flour	- - -	+ 27 "
Salt	- - -	+ 65 "
Jerked beef	- - -	+ 70 "
Maize	- - -	+ 52 "
Rum	- - -	+ 50 "

Average rise in prices, 55 per cent

Average rise in wages, 43 per cent.

1889 and 1892 compared

Currency depreciated, 52 per Cent.

Currency Prices

Black beans	- - -	+ 70 per Cent.
Rice	- - -	+ 67 "
Coffee	- - -	+ 45 "
Sugar	- - -	+ 30 "
Mandioca flour	- - -	- 11 "
Salt	- - -	- 8 "
Jerked beef	- - -	+ 53 "
Maize	- - -	+ 35 "
Rum	- - -	+ 40 "

Average rise in prices, 36 per cent.

Average rise in wages, 11 per cent

TABLE 4.—PERIOD OF RISING EXCHANGE, 1831—1835.
(Average Annual Prices.)

Year.	Exchange.	Cotton, 32 lbs.	Rice, 32 lbs.	Sugar, 32 lbs.	Coffee, 32 lbs.	Rum, per cask.	Tobacco, 32 lbs.
	<i>d</i>						
1831	25	6\$970	8\$666	2\$816	4\$135	65\$800	5\$850
1832	36½	5\$353	8\$670	2\$600	4\$254	58\$000	5\$450
1833	37	6\$200	8\$500	2\$267	3\$895	50\$500	5\$700
1834	38½	6\$700	9\$700	2\$200	3\$655	52\$700	5\$600
1835	39	6\$500	7\$625	2\$450	3\$560	48\$666	6\$200

1831 and 1835 compared.

Appreciation of Currency, 36 per Cent.

<i>Currency Prices</i>				
Cotton	- - - -	7 per Cent.	Coffee - - - -	- 14 per Cent.
Rice	- - - -	11 "	Rum - - - -	- 26 "
Sugar	- - - -	8 "	Tobacco - - - -	+ 6 "

Average fall in prices, 10 per cent.

TABLE 5.—PERIOD OF RISING EXCHANGE, 1843—1847
(Average Annual Prices)

Year.	Ex- change.	Black Beans, per sack.	Rice, per sack	Coffee, per 32 lbs.	Sugar, per 32 lbs.	Mandioca Flour, per sack.	Jerked Beef, per 32 lbs.	Maize, per sack	Rum, per cask.
	<i>d</i>								
1843	25	6\$750	9\$250	3\$200	2\$800	4\$300	2\$500	2\$400	74\$000
1844	25	5\$250	8\$250	3\$150	2\$750	3\$750	2\$600	2\$200	67\$000
1845	26	8\$000	8\$250	3\$150	2\$750	4\$000	2\$600	2\$000	64\$000
1846	27	10\$250	8\$750	4\$000	3\$000	4\$300	2\$750	-	62\$000
1847	28	9\$000	9\$250	3\$600	3\$000	5\$000	2\$000	4\$100	79\$000

1843 and 1847 compared.

Appreciation of Currency, 10 per Cent.

<i>Currency Prices</i>				
Black beans	- - - -	+ 25 per Cent.	Mandioca flour - - - -	+ 15 per Cent
Rice	- - - -	-	Jerked beef - - - -	- 20 "
Coffee	- - - -	+ 11 per Cent.	Maize - - - -	+ 41 "
Sugar	- - - -	+ 6 "	Rum - - - -	+ 6 "

Average rise in prices, 10.4 per cent.

TABLE 6.—PERIOD OF RISING EXCHANGE (18d. to 27d)
(Prices month of November each year)
The Years 1868 and 1875 compared.

	1868 (Exchange 18d)	1875 (Exchange 27d)	Rise or Fall.
			Per Cent.
Rice (Foreign), Sack	13\$000	8\$600	-33 }
Rice (Brazilian), Sack	15\$500	10\$500	-32 }
Black Beans, Sack	14\$500	10\$500	-34
Maize, sack	4\$100	3\$400	-17
Jerked Beef (Plate), 32 lbs	2\$700	3\$400	+50 }
Jerked Beef (Brazilian), 32 lbs.	2\$300	4\$200	+45 }
Bacon, Kilo	0\$640	0\$800	+20
Sugar, 32 lbs	4\$500	3\$000	-33
Rum, Hog-head	10\$000	7\$000	-28
Mandioca Flour, Sack	10\$300	11\$000	+ 4
Wheat Flour, sack	27\$500	15\$250	-44

Appreciation of currency, 33 per cent.

Average fall in prices of nine articles, 13 per cent.

TABLE 7 -- PERIOD OF RISING EXCHANGE 1885-1889
(Prices month of November each year.)

Year.	Ex- change.	Black Beans, Per Sack.	Rice, Per Sack	Coffee, Per 32 lbs	Sugar, Per Kilo	Mandioca Flour, Per Sack	Salt, Per Kilo.	Jerked Beef, Per Kilo	Maize, Per Sack.	Rum Per Cask
1885	<i>d</i> 18	11\$000	11\$000	4\$500	0\$230	7\$000	0\$780	0\$200	5\$000	95\$000
1886	20	7\$000	11\$000	5\$310	0\$200	9\$500	0\$700	0\$400	3\$600	85\$000
1887	22	8\$000	8\$400	7\$420	0\$190	8\$500	0\$950	0\$180	3\$000	85\$000
1888	25	6\$000	10\$000	4\$630	0\$170	8\$500	1\$000	0\$220	4\$800	105\$000
1889	27	7\$500	6\$600	6\$530	0\$280	13\$500	0\$980	0\$240	4\$500	105\$000

1885 and 1889 compared.

Appreciation of currency, 83 per Cent.

Currency Prices :

Black beans	-	-	-	32 per Cent.	Salt	-	-	-	+ 20 per Cent.
Rice	-	-	-	40 "	Jerked beef	-	-	-	+ 16 "
Coffee	-	-	-	30 "	Maize	-	-	-	- 10 "
Sugar	-	-	-	18 "	Rum	-	-	-	+ 9 "
Mandioca flour	-	-	-	48 "					

Average rise in prices more than 5 per Cent
Wages unaltered.

ANNEX D

TABLE 1.—RIO DE JANEIRO CITY IMPROVEMENTS COMPANY.
Comparative Rates of Workmens' Wages in Years 1884, 1890, 1893, and 1898

Class of Workman	Wages, 1884, per Day	1890, per Day Exchange 23 <i>d</i>	1893, per Day Exchange 12 <i>d</i>	1898, per Day Exchange 7½ <i>d</i>
Head carpenter	6\$000	6\$000	7\$500	12\$000
General carpenter	3\$740	3\$780	5\$250	7\$200
Head plumber	5\$300	8\$300	9\$800	12\$500
General plumber	3\$450	3\$680	4\$820	7\$400
Assistant plumber	1\$980	2\$280	2\$450	3\$350
Bricklayer	4\$000	4\$000	4\$500	5\$500
Do. assistant	2\$800	2\$800	3\$000	4\$000
Labourer	2\$200	2\$300	2\$900	3\$600
Carter	2\$700	2\$600	3\$500	4\$500

1890 and 1893 compared.

Currency depreciated, 48 per cent.
Rise in wages, 17.5 per cent

1890 and 1898 compared

Currency depreciated, 67 per cent
Rise in wages, 37 per cent

TABLE 2.—MINAS AND RIO RAILWAY.
Comparative Rates of Workmens' Wages between 1884 and 1898.

Years	Per Day							
	Drivers.		Firemen		Masons.		Carpenters	
	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum.
1884 to 1891	6\$000	4\$500	2\$500	2\$300	3\$500	3\$500	4\$000	3\$000
1892	7\$000	5\$000	3\$000	2\$600	4\$000	3\$500	5\$000	3\$300
1893	7\$500	6\$000	4\$000	3\$500	4\$000	5\$000	6\$500	5\$000
1894	8\$000							
1895	8\$500							
1896								
1897 and 1898	9\$500	7\$000			7\$000	7\$000	8\$000	6\$500

1889 and 1892 compared

Currency depreciated, 52 per cent.
Rise in wages, 11 per cent.

1889 and 1897 compared.

Currency depreciated, 70 per cent.
Rise in wages, 43 per cent.

No 57

OF THE CURRENCY OF ITALY.
(Received through the Foreign Office.)

I.

1. The Italian monetary system is, in its normal state, identical with the French.

2. Up to 1865 the circulation was principally a metallic one. The public did not absorb bank notes, and preferred certificates and credit notes representing effective bank deposits.

The actual issue of bank notes had increased from 1860 to 1865 from an average of 80 millions of lire to an average of 132 millions.

3. The crisis of 1866, which weighed so heavily on all the money markets of Europe, had made itself felt more intensely in Italy in consequence of the rumours and preparations for war with Austria. Private individuals withdrew their deposits, and the banks which had discounted and were discounting largely Treasury "bons," restricted the discounting of bills.

Thus, large and influential financial houses, threatened with bankruptcy, pressed the Government to declare the inconvertibility of bank notes, placing the National Bank in a position to recommence discounting.

The Government, which, on its own account, was preparing to make use of the banks in order to provide for the expenses of a war with Austria, decreed the "*Corso Foroso*"* on the 1st of May 1866, and exacted from the banks a loan of 278 millions of lire.

This decree is of the greatest importance in the history of the paper circulation in Italy; from it dates the expansion of paper issue, not only on account of the State, but also on the account of the banks themselves. It gave to the "Banca Nazionale" the privilege of inconvertibility for its notes in consideration of the loan above mentioned. The notes of the other banks were made legal tender, and these banks were granted the power of gratuitously exchanging their notes for those of the Banca Nazionale up to the amount of the sum immobilised by them as their metallic reserve.

The following account of the events which led up to the decree is taken from the "*Storia della Circolazione Bancaria in Italia*," by C. Supino:—

"During the period 1860-1865 the deficits in the Budgets amounted to the enormous sum of two milliards and a half of lire; and these were met mostly by foreign capital, in the shape of loans and the issue of rentes.

"The reconstituted country of Italy had launched into all the expenditure of a great nation, and the organisation of armies and fleets, the construction of ports, arsenals, railways, and roads had entailed an increasing expense with which the development of the resources of the country was unable to keep pace; and the year 1866 saw a further deficit of 261 million lire for which further debt would have to be contracted.

"The credit of the State began to totter. In 1860 the price of Italian Rentes on the Paris market was 80, in 1862 it fluctuated between 67 and 75, descended to 64-40 in 1865, and finally fell to 43-90 in April 1866. The Italian Government were making every preparation for a war with Austria, and the rumours to that effect completed the work of financial discredit. The low price of Italian securities abroad induced Italian investors to withdraw their capital from the development of home industries in order to purchase their own Rentes. The prevailing opinion that Italy would take refuge in an inconvertible paper currency led foreign banks to refuse drafts on Italy, and they sent back all their Italian paper to be exchanged for metal or bills on other countries.

"Italian depositors hurried to withdraw their deposits in metal while yet in time, and the bearers of bank notes brought them in masses to be exchanged for gold.

"Gold was the one object sought, and the anxiety to obtain gold on the one side, and the dread of parting

with it on the other, led to a deadlock in discounting and other financial business.

"Such was the economic situation in Italy at the beginning of 1866

"Towards the latter end of April events precipitated themselves.

"On the 18th the Chamber of Commerce of Alessandria writes to the Minister of Agriculture praying for an immediate remedy for the hardships under which commerce was suffering, aggravated by the measures adopted by the 'Banca Nazionale' to restrict discount operations. Three days later an alarming message was sent by the Syndic of Genoa to the Minister of Finance, stating that the markets of that city were labouring under the effect of a most serious financial crisis. 'A deep and widespread mistrust is inducing the capitalists to withdraw their deposits from the banks in order to convert their paper into gold and export it abroad.' The Genoa Chamber of Commerce wrote again and again, 'A genuine commercial crisis is approaching rapidly,' and complaining that though the rate of discount was nominally low, the banks had practically suspended all discounting.

"On the 26th of April the Director General of the 'Banca Nazionale' informed the Minister of Finance that he was unable to place the Treasury 'bons,' although offered at a great loss. On the 27th the Presidents of the 'Cassa di Sconto' of Turin and of the 'Cassa Generale' of Genoa, telegraphed to the Minister with a view to obtaining large assistance from the 'Banca Nazionale,' in order to avoid the most disastrous consequences in the approaching settlement. And on the 28th April the Genoa Chamber of Commerce begged the Government to take steps to provide against the whirlwind of ruin which threatened the whole city and a great part of the kingdom.

"The Government turned to the 'Banca Nazionale' for assistance and advice. The bank set forth, in a detailed report, that circulating capital was wanting, because it had been absorbed in the acquisition of securities, or was locked up in strong rooms in consequence of the prevailing distrust; that the bank could not increase it because their notes did not remain in circulation, and therefore, in order not to have to provide for the exchange of the latter into coin, they were obliged to restrict operations; that commerce and industry consequently found themselves abandoned, or but little supported by the banking institutions; that private fortunes were shaken by the extraordinary depression in the prices of securities. 'This state of things,' concluded the Director General, 'requires energetic remedies, which may be efficacious to-day, useless to-morrow. Perhaps never was the country in a position so alarming.'

"Henceforth the efforts of the banks to stem the tide of panic were unavailing; the state of affairs grew daily worse, and the authorities at Genoa made desperate appeals to the Government for remedial measures. On the 30th of April the Government, having been authorised to declare war against Austria, obtained from the Chamber full powers to adopt measures for the salvation of the country, and on the 1st of May 1866 the decree was signed which freed the National Bank from the obligation to redeem its notes with metal."

In this way began the period of inflation of inconvertible paper money.

While before 1866 the total fiduciary circulation (bank notes, deposit notes, &c.) did not reach 300 millions, at the end of 1866 it was more than duplicated and has ever since been increasing.

4. The larger portion of the note circulation represented loans made to the State, which from the original 278 millions had risen in 1875 to 940 millions.

That part of the paper issued by the banks on their own account, which may be called the "commercial" circulation, had legally to be met by a metal reserve, but this was in fact far from sufficient to guarantee convertibility. But as regards the circulation of notes issued on account of the State, the banks were released from the obligation of holding any metallic reserve.

These circumstances explain the great depreciation of the fiduciary medium issued to the public to provide for the needs of the Treasury, and in excess of the real needs of the public.

The following are the statistics of the note circulation, showing the issues made to the debit of the State and those made by the banks on their own account, together with their depreciation as measured by the annual average premium on gold.

* Inconvertibility of the bank note.

Period 1866-80.

Year	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Premium on Gold
Previous to 1866	295	—	295	—
1866	620	278	342	8
1867	849	378	471	7.37
1868	915	378	538	9.82
1869	915	378	537	8.94
1870	1,027	600	637	4.50
1871	1,206	629	577	5
1872	1,368	740	623	8.60
1873	1,464	790	664	12.44
1874	1,513	880	633	11
1875	1,561	940	624	7
1876	1,586	—	646	7.52
1877	1,568	—	628	9
1878	1,632	—	672	8.75
1879	1,672	—	732	10.17
1880	1,688	—	748	8.34.

5. The succeeding period was one of many financial expedients on the part of the Government to obtain money for the State, and of a few legislative efforts in the direction of a return to a sounder currency. The latter were all abortive, and the former resulted in further concessions with regard to the note-issuing powers of the banks, and increased obligations on the part of the State with a corresponding increase in the paper circulation enforced on the people. Eventually, in spite of much resistance on the part of the banks, the abolition of the *Corso Forzoso* was provided for by a law introduced by the Minister Magliani, who dwelt on the evils resulting to the national production, commerce, credit, and finance from the inconvertible paper currency, and from the inflated paper issues of the banks. This law was passed on April 7, 1881. The State contracted a loan abroad of 600 millions of lire, destined for the conversion of the same value of bank notes. The other 340 millions of its debt were repaid by State notes convertible on demand of the bearer, and, since these notes were of small denomination (5-10 lire), it was calculated that the market would easily absorb them and keep them in circulation. The payment of coin for notes was, in accordance with the provisions of this law, resumed in the spring of 1883, but the public showed no great disposition to return to the practical use of the metallic currency, and the discount on paper disappeared during this period (1883-1890).

6. The operation, as a whole, was not successful. With the resumption of metallic payments there came a rush of foreign capital into Italy, attracted by the high rate of interest, and no longer fearing the oscillations of the *agio*. A great rise in public and private securities ensued, and the period 1881-1890 was characterised by an extraordinary activity in business and speculation, which had no solid foundation in the development of industry and commerce, but was principally manifested in banking and bourse dealings. It was also a period of great schemes of armaments, naval construction, and railroad building, which reopened in the State finances an era of deficits and public debts. Thus, while speculation was undermining the banks, the State was injuring the national credit at home and abroad.

The sum of 600 million lire, repaid by the State to the banks, while it would not have been sufficient in normal conditions to assure the convertibility of the notes already issued by the banks on their own account, was, in reality, made use of by the latter to increase, for the purpose of supporting the excessive speculation, the inflated circulation of their notes.

Between the years 1889 and 1890 the reaction began to make itself felt.

The following are the figures showing the paper circulation for the period 1881-1890.

Year.	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Rate of Exchange
1881	1,675	940	735	100.28
1882	1,672	940	732	101.26
1883	1,511	718	793	99.15
1884	1,510	611	899	100.
1885	1,441	493	948	100.35
1886	1,477	446	1,031	100.38
1887	1,470	395	1,075	100.19
1888	1,420	346	1,074	100.98
1889	1,460	344	1,116	100.67
1890	1,468	342	1,126	101.15

7. The reaction having set in with the approach of the moment of liquidation, the notes flowed into the banks, but the latter had not the means to cash them and avoided that process by many illegal expedients.

The Government and public opinion, fearing the consequences that the failure of the banks would entail on the credit of the country and on the finances of the State, supported the banks in their struggle with the note-holders demanding payment. Then began a period of an inconvertible paper currency "de facto," and the *agio* reappeared. Nevertheless this "de facto" paper currency did not succeed in saving the banks from failure, the State, which had encouraged the financial institution to support the speculative enterprises of the preceding period, put an end to the uncertainty of the public by themselves assuming the liabilities of the banks, that is to say, by guaranteeing to the public the payment of the bank notes by means of State notes, taking legislative measures for declaring for the latter the "*Corso Forzoso*" or inconvertibility. This is the régime in force at the present day.

The following are the statistics for the period in question—

Period 1891-98.

Year	Total Note Circulation (in Millions).	Notes issued on State Account (in Millions).	Notes issued on Commercial Account (in Millions).	Average Premium on Gold.
1891	1,463	342	1,121	1.55
1892	1,479	341	1,138	3.55
1893	1,572	351	1,221	7.27
1894	1,610	492	1,118	11.08
1895	1,595	510	1,085	5.87
1896	1,579	510	1,069	7.63

8. In conclusion, the Government have twice declared the "*Corso Forzoso*" for bank notes. On the first occasion it had recourse to such a measure as a fiscal expedient in order to obtain credit and to cover the deficits in the budget; the second time there were no fiscal reasons, but the Government, having favoured the industrial fever and having urged the banks to support the building speculation, the agricultural undertakings, the "*Credito Ponente*," the construction of railways, &c. &c., were unable or unwilling to separate their responsibility from that of the banks, to this motive may be added the general dread of the disturbances which the failure of the great banks would have produced in the country. Therefore, in order to prop up the banks without the direct intervention of the Treasury, the "*Corso Forzoso*" was re-established.

II.

9. With regard to the effect of the depreciation of the paper money on commerce and on the general level of prices, it has always been the widespread opinion in Italy that the *agio* on gold and its rapid fluctuations have impeded import trade, and have raised, first, the

prices of imported goods, and, finally, the general level of all prices and even of wages.

But this theory does not meet with absolute confirmation by such statistics as are available, because the presence of more effective influences either hides or neutralizes the action of the depreciation of the paper money.

10. The following are the figures relating to wages, which, since 1862, have been collected at different times from a hundred of the trades distributed over various regions.

Year	Average of Industrial Wages.	Average of Agricultural and Mining Wages.	Average of the two preceding Columns.
1862	1.86	2.44	1.90
1867	1.64	2.57	2.10
1871	1.79	3.09	2.44
1881	2.34	3.53	2.93
1888	2.55	2.64	2.59
1889	2.62	2.65	2.63
1891	2.55	2.89	2.72
1892	2.51	3.00	2.75
1893	2.53	3.48	3.00
1896	3.54	2.60	2.57

It will be seen that wages tended to rise in the period from 1862 to 1886 as well as in the period since the introduction of the "corso forzoso" **

Dividing these data respectively into the four periods:

1862-66 (no agio);
1866-80 (agio);
1880-90 (no agio);
1890-97 (agio);

which succeed each other according to a paper or metallic currency, the effect of the depreciation of the paper money is hardly distinguishable.

11. Very little or no information has been collected respecting the history of prices in Italy; official publications are grounded almost exclusively on the values of goods as fixed on the frontier by the Customs Commission, instituted in 1879. It may be said, however, that the prices of manufactures and commodities show a general tendency to go down independently of the presence or otherwise of the agio. Evidently general and particular causes of a stronger nature neutralise or disguise the action of the agio.

12. With regard to the influence of a depreciated paper currency on external trade, a correspondence is perceptible between the movement of commerce and the movement of the agio.

From the annexed tables (Table A.) it may be observed generally that the total of external trade diminishes during the transition from a period of metallic currency to a succeeding period of depreciated paper currency, and it may be noted that the difference is greater in the case of the imports than of the exports. This confirms the opinion that the existence of the agio, with its fluctuations, is an obstacle in the way of the importation of goods from abroad.

13. On the other hand, care should be taken not to exaggerate the effect which this cause may seem to have on the movement of Italian foreign trade, as there are other circumstances which may explain the variations observed. From 1862 to 1865 the Italian Government were raising loans of the ordinary kind in which foreign capital took part, hence the excess of imports over exports represents in part the advances made directly or indirectly to the Italian Treasury. *Vice versa* from 1866 to 1880 the State drew on its credit in the disguised form of an internal issue of bank notes. Again, in and after 1881, during the years of great speculation, armaments, &c., and of new debents in the budget, the State contracted further loans abroad; thus, foreign capital returned in great quantity into Italy and increased the figures of the import trade. The financial operation undertaken for the abolition of the "Corso Forzoso" itself acted in a similar manner.

On the other hand after 1887 the protective tariff came into operation, which led towards an absolute diminution in the total foreign trade, with a relative

excess of exports over imports; its effect, therefore, is contemporaneous with that of the depreciated paper currency prevailing since 1891.

14. In conclusion, the presence of other concomitant causes makes it difficult to isolate the action of the agio on the trade of Italy, and necessitates precaution before accepting the theory of the restricting action of the agio on foreign trade.

The appended translations of extracts from Signor Supino's work, "Storia della circolazione Bancaria in Italia," may be of interest as describing the more immediate effects on the economic condition of Italy: (1) of the measure decreasing the inconvertibility of the paper currency, 1866 (Appendix 1), and (2) of the introduction of the measure re-establishing the metallic currency, 1890-81 (Appendix 2).

TABLE A

Italian Foreign Commerce (not including goods in transit and exclusive of the precious metals).

Year.	Importation (000).	Exportation (000).	Total (000).
Period, 1862-65 (Metallic Currency).			
1862	829,374	576,421	1,406,295
1863	901,975	633,456	1,535,431
1864	983,621	573,275	1,556,896
1865	965,139	557,542	1,522,681
Period 1866-1880 (Depreciated Paper Currency)			
1866	869,684	612,997	1,481,881
1867	884,429	733,221	1,616,650
1868	895,111	785,627	1,680,738
1869	935,010	791,431	1,726,441
1870	894,367	755,302	1,649,669
1871	961,456	1,074,589	2,036,045
1872	1,182,509	1,162,262	2,344,771
1873	1,261,170	1,181,395	2,392,565
1874	1,395,646	978,188	2,273,834
1875	1,306,919	1,032,390	2,299,209
1876	1,307,079	1,308,488	2,515,567
1877	1,141,543	933,966	2,075,508
1878	1,062,344	1,021,331	2,083,675
1879	1,361,595	1,071,969	2,323,565
1880	1,166,831	1,104,126	2,299,957
Period 1881-1890 (Metallic Currency).			
1881	1,239,671	1,164,616	2,404,287
1882	1,227,033	1,151,784	2,378,817
1883	1,287,506	1,187,730	2,475,236
1884	1,313,777	1,076,938	2,389,705
1885	1,459,869	950,788	2,410,657
1886	1,458,243	1,028,231	2,486,474
1887	1,694,947	1,003,186	2,697,033
1888	1,174,601	891,934	2,066,535
1889	1,391,154	950,645	2,341,799
1890	1,319,638	895,945	2,215,583
Period 1891-96 (Depreciated Paper Currency).			
1891	1,126,584	876,800	2,003,384
1892	1,173,391	958,187	2,131,578
1893	1,191,227	964,188	2,155,415
1894	1,094,649	1,026,506	2,121,155
1895	1,187,288	1,037,070	2,224,358
1896	1,173,066	1,051,376	2,224,442

Extract.

"Hardly had the 'Corso Forzoso' been decreed than, as it was easy to foresee, a sensible change occurred in the economic conditions of the country, besides a radical transformation in the currency.

"After the decree of the 1st of May, in some regions of Italy transactions were still carried on in metal, nor were there districts wanting in which the distrust of paper was so great that notes were not accepted. Sometimes the paper was accepted, but the bargain was made in metal, and the buyer had to pay the agio; in other places there were two prices, one in the legal currency, the other in gold or silver.

"From this existence of a dual measure of value arose confusion, uncertainty, and public disturbances, greatest in the Southern provinces where the people were least accustomed to a fiduciary circulation.

"Prices underwent a change proportional to, and sometimes in excess of, the agio on gold; but the

* Documenti a carico del Progetto di Legge per l'abolizione del corso forzoso; Allegato No. 17. (Atti parlamentari, Noi 322, prima sessione 1880.)

" rise in prices did not affect all products in the same degree or with the same rapidity. The first to feel the influence of the 'Corso Forzoso' were the products from abroad, which were paid in metal, next the commodities which compete with foreign products, such as silk, wool, or cotton tissues, or those national products which could be exported, such as silk, flax, cheese, &c. The rise was less felt in those goods for which the demand remained stationary, and in certain objects of internal consumption. In face of this increased dearthness of commodities, in hardly any part of Italy was there an increase of wages; and, where there was such increase, it was neither so rapid nor so uniform nor so general as the rise in the price of commodities; in some places wages even suffered a reduction.

" The agricultural interest was not injured by the 'Corso Forzoso,' since many of its products were sold abroad and the difference in exchange pocketed, while the taxes and rents were paid in paper, as also the debts previously contracted, the price of labour did not rise. With regard to the manufacturing industry, Piedmont considered the Corso Forzoso as favourable to it, looking on the agio as a protective duty on national production, while in other regions an entirely contrary opinion prevailed.

" Trade, and especially the import trade, diminished in a sufficiently sensible manner.

" On credit the 'Corso Forzoso' had deplorable effects. Abroad, no one would do business with Italy, or only on conditions that were ruinous to that country. The banks of the Banca Nazionale changed their character—instead of bills of 20 or 30 thousand lire for colonial or cotton goods, &c., they now contained the paper of speculators on the rise or fall of the agio and small local bills. Beyond that, the instability of the currency, the fear of an increasing depreciation, the uncertainty of the future, diminished all banking transactions relating to advances, credits, accounts current, and other similar business. Credit was restricted, because supplies from abroad were wanting, and because the national capital was hidden away or sent abroad; thus it was said that one house at Genoa had deposited £70,000 sterling in London, and that in Umbria much private capital was invested in the Papal States.

" But of the immediate effects of the 'Corso Forzoso' none was more serious or more terrible than that on the monetary circulation of the country. It is an undisputed fact that the declaration of the convertibility of the bank note always causes the disappearance of metallic money, but, while the disappearance has usually little importance, as being limited to coins of high denomination, in Italy, which had shortly before joined the Latin Union, not only the gold and silver of high denomination were exported, but also the silver and even the copper divisionary money disappeared, because they had currency in the other States of the Union.

" The small coins accordingly disappeared suddenly; the Government, led by false reasoning, was unwilling to substitute in their place small notes, as

" they feared to aggravate the evil or to make it incurable, in the meanwhile the small transactions of daily life became impossible, with great injury to trade, and with danger to the public tranquility."

APPENDIX 2.

" As it was easy to foresee, the mere introduction of the Bill for the Abolition of the 'Corso Forzoso' brought about a sudden fall in the exchange, the agio, the price of Stock Exchange securities, and produced a veritable panic in all the markets. The anticipation alone that money would rise in value, and would cause a universal reduction in prices, provoked this fall long before the abolition of the 'Corso Forzoso' was an accomplished fact.

" In view of the probable fall, the speculators hastened to sell, intensifying the precipitous decline in prices. Those who were obliged to sell could no longer find buyers, while the serious business man preferred to stop trading, looking for other means to meet his engagements; hence an intense demand for money just at the moment when the banks, in order to prepare for the return to a metallic currency, were obliged to restrict their advances and discount operations. Towards the end of November 1880 the panic was already transformed into a genuine crisis. The speculators for the rise were obliged to pay heavy differences, whilst it mattered little to them that the numerical diminution of prices was compensated for by the greater value of the money in their new purchases. Merchants saw overturned the conditions on which they had based their contracts and made their calculations. Those who had bills to meet sustained injury by the heightened value of money, and those who had to receive money due reaped an unequalled advantage.

" And it was not the speculators alone who felt the influence of the forthcoming abolition of the 'Corso Forzoso.' The rapid decline of the agio, which happened immediately after the presentation of the Bill, led to a reduction in prices, but not in those of all goods equally or at the same time.

" Thus came about a conflict of the economic interests of the various classes of society, the reverse of that which had been manifested at the moment of the introduction of the 'Corso Forzoso.' And so at that time the national producers had reaped an advantage from the fact that the price of the more important commodities and of labour had not increased in proportion to the depreciated value of the paper money; so now they suffered injury because those same commodities and wages could not or would not bring themselves into line with the rise in value of the circulating medium. Moreover, the fall in the agio immediately facilitated the importation of goods from abroad, removed that kind of protective duty which industry had enjoyed, and thus caused not inconsiderable losses."

PERU.

No. 58

REPORT ON THE CURRENCY OF PERU.

(Received through the Foreign Office.)

Whilst Peru was under the domination of Spain, gold and silver were coined in the mints, which were established at Lima, Cuzco, and Potosi. The latter place was then within the jurisdiction of the Audiencia de Charcas, in which sphere the territories forming part of the present State of Bolivia were included. Inasmuch as until the year 1776 Charcas was placed under the control of the Spanish viceroys, who resided at Lima, the mintage at Potosi has also been taken into consideration.

It is clearly shown by coinage returns that the stock of gold, as compared with that of silver, must at all times have been very small. It has not been possible to ascertain the total of the gold and silver minted at Lima, Potosi, and Cuzco since the foundation of the mints, but sufficient information has been collected to bear out the statement that silver has always been the

principal currency of the country, and that consequently the disappearance of the gold currency could have no effect whatever upon wages, rent, &c., or the import or export trade of Peru.

On examination of the Returns marked I, II., III., IV., and V., appended to this Report, it will be perceived that the output of silver coin at the mints above referred to was infinitely greater than the gold minted there. It is true that gold coin was also imported into Peru from some of the other Spanish possessions, but this could scarcely have increased the ordinary stock of gold in a permanent manner, since it was constantly depleted by large remittances to Spain.

On certain occasions it did happen in Lima, and probably in other towns in this country, that silver was at a premium; but this state of things lasted for a short period only, and was probably owing to the non-arrival of silver remittances.

Gold was demonetised by statute in 1872, but, as a matter of fact, it had disappeared before that date as a circulating medium. No gold was coined between 1863 and 1898.

Though, perhaps, foreign to the scope of the inquiry, a few remarks may be made upon the history of the paper currency in Peru.

Private banks of issue were established in 1863. At first the issues were fairly well regulated. However, the Government having borrowed large sums from the banks, their situation became embarrassed, and they ran short of silver with which to redeem their notes. On that emergency the Government in 1875 relieved them from that obligation, and thus the paper became inconvertible.

During the war with Chili, which broke out in 1879, the Government continued issuing paper money, until very large sums, estimated in the aggregate at about eighty-five million soles, were put into circulation, and the notes fell to threepence per sol.

When in 1881 the Chilians occupied the Peruvian coast, they refused to receive these notes in payment of duties and taxes, insisted on being paid in silver, and opened the mint to the free coinage of silver. On the evacuation of Peru by the Chilian forces, the first Peruvian Government which was established maintained the system, and thus silver continued to be the basis of all monetary transactions. Nevertheless, paper money was still used as a subsidiary currency, but solely for satisfying domestic necessities in the provision market. However, in December 1887 the market people refused to receive it, and notwithstanding the protests of the holders of this worthless paper, the refusal was persisted in, and since then no paper money has been issued in Peru.

A very interesting experiment is now being made by the Peruvian Government with the view of establishing a gold standard. Since 1897, measures have been adopted with that object, the coinage of silver has been suspended, with the exception of the minting of fractional coins, and the importation of soles prohibited, whilst silver coins have been melted down in large quantities and exported. The pound sterling was declared to be a legal tender, and coins denominated "libras" (pounds) of exactly the same weight and fineness as the English sovereign are being coined, but, so far, in limited quantities. Up to December 1898, 40,103 pounds had been struck.

The immediate result of these measures has been to give the Peruvian sol a market value much above its intrinsic value, inasmuch as for a long period the exchange has been at about 23½d. Gold has been imported in fairly large quantities, and it is estimated that at the present moment there are about two hundred thousand pounds in English and Peruvian gold coins in Peru.

With regard to the steps taken to procure the contraction of the silver currency, it is doubtful whether the object has been achieved. Millions of soles were known to exist abroad, especially in Central America. The incentive to contraband is so great, owing to the high rate of exchange ruling at present, that in all probability an illicit trade is carried on. In any case it is reported that silver coin has never been so abundant, even in the towns of the interior, where formerly silver had to be remitted, whilst this is not the case now. However, it seems somewhat anomalous that the stock of silver should increase without disturbing the rate of exchange.

When paper money became inconvertible, the prices of imported commodities naturally underwent great fluctuations, owing to the depreciation of the notes, and subsequently owing to the heavy fall in the value of silver. These factors have undoubtedly retarded the development of the country, and consequently affected seriously the import and export trade. But other causes more potent, especially international and civil wars, have in a much greater measure been instrumental in depressing the agriculture, trade, and industry of Peru.

4th February 1899.

I.—STATEMENT SHOWING THE AMOUNT OF GOLD AND SILVER COINAGE MINTED AT LIMA FROM 1791 TO 1821.

Year	Gold Dollars.	Silver Dollars.	Year.	Gold Dollars.	Silver Dollars.
1791	756,589	4,261,403	1807	307,710	3,484,047
1792	695,418	4,896,762	1808	292,722	3,976,205
1798	647,321	5,235,555	1809	312,147	4,486,855
1794	784,577	5,309,760	1810	301,555	4,492,690
1795	660,967	5,989,943	1811	318,882	4,508,825
1796	699,798	5,270,401	1812	584,685	3,453,495
1797	588,724	4,546,206	1813	639,732	3,938,547
1798	585,810	4,758,094	1814	673,236	3,628,717
1799	496,524	5,512,345	1815	634,925	3,745,217
1800	378,596	4,399,409	1816	773,267	3,866,917
1801	328,051	4,528,982	1817	778,516	3,388,555
1802	337,612	4,143,310	1818	471,661	5,269,187
1803	350,623	3,990,593	1819	587,607	3,269,899
1804	352,759	4,340,896	1820	501,883	3,788,027
1805	392,932	4,388,792	1821	385,616	1,966,418
1806	218,046	4,348,668			

II.—STATEMENT SHOWING THE AMOUNT OF GOLD AND SILVER COINS MINTED AT LIMA, 1853 TO 1863.

Year.	Gold Marks.	Silver Marks.	Year.	Gold Marks.	Silver Marks.
1853	4,100	5,213	1857	3	—
1854	3,242	—	1858	—	47,719
1855	3,533	44,187	1859	—	26,466
1856	140	2,652	1860	—	12,181

1863. In this year were coined in gold, 4,544,200 soles.

III.—STATEMENT SHOWING THE AMOUNT OF GOLD AND SILVER COINS MINTED AT CUZCO FROM 1825 TO 1845.

Year.	Gold Marks.	Silver Marks.	Year.	Gold Marks.	Silver Marks.
1825	1,407	28,061	1836	283	46,663
1826	2,124	57,989	1837	829	39,284
1827	268	30,856	1838	885	58,651
1828	393	37,608	1839	310	41,919
1829	—	35,278	1840	775	32,603
1830	1,208	42,885	1841	489	14,684
1831	636	62,790	1842	—	3,838
1832	619	64,876	1843	206	1,211
1833	592	50,145	1844	323	—
1834	353	41,528	1845	699	—
1835	496	32,467			

IV.—STATEMENT SHOWING THE TOTAL AMOUNT OF GOLD AND SILVER COINS MINTED AT POTOSI UP TO THE END OF THE LAST CENTURY.

Gold.	Silver.
S/2,084,912	S/111,204,307

V.—STATEMENT showing the AMOUNT of GOLD and SILVER COINS minted at POTOSI from 1825 to 1886

Year	Gold Dollars	Silver Dollars	Year	Gold Dollars	Silver Dollars	Year	Gold Dollars	Silver Dollars	Year	Gold Dollars	Silver Dollars
1825	—	1,345,232	1841	163,336	2,314,006	1857	16,917	2,638,008	1873	—	1,332,703
1826	—	1,553,057	1842	179,928	2,422,286	1858	—	2,402,290	1874	—	103,210
1827	—	1,638,538	1843	194,312	2,128,391	1859	—	848,412	1875	—	707,000
1828	—	1,369,928	1844	75,898	2,015,545	1860	—	2,859,547	1876	—	970,879
1829	—	1,549,456	1845	53,584	1,919,902	1861	—	2,113,612	1877	—	1,309,170
1830	—	1,789,301	1846	84,064	1,407,587	1862	—	2,273,319	1878	—	1,471,500
1831	122,944	1,889,992	1847	55,624	1,902,869	1863	—	2,326,153	1879	—	2,040,131
1832	148,478	1,861,959	1848	—	2,037,161	1864	—	1,899,914	1880	—	2,107,500
1833	99,824	1,954,337	1849	11,720	1,618,314	1865	—	1,709,520	1881	—	1,897,000
1834	80,240	1,861,800	1850	—	2,055,896	1866	—	2,013,076	1882	—	1,933,500
1835	184,008	1,980,160	1851	a	—	1867	—	2,192,762	1883	—	1,987,000
1836	82,824	1,947,316	1852	62,946	2,489,912	1868	—	2,609,731	1884	—	1,074,293
1837	185,912	2,070,083	1853	112,189	2,690,529	1869	—	1,912,911	1885	—	1,289,410
1838	84,456	2,057,501	1854	107,327	2,415,984	1870	—	1,162,836	1886	—	1,091,537
1839	91,256	2,464,755	1855	29,048	2,408,647	1871	—	1,734,411			
1840	230,384	2,600,507	1856	38,959	2,661,026	1872	—	2,302,692			

a. Books belonging to this year missing from Mint

RUSSIA.

No. 59.

INTRODUCTION of GOLD CURRENCY into RUSSIA.

MEMORANDUM by MR. HOHLER, of HER MAJESTY'S EMBASSY at ST. PETERSBURG.

(Received through Foreign Office.)

Till within the two or three years commerce in Russia and transactions of all kinds were carried on in paper money. The silver rouble was the standard monetary unit, but, except for a fugitive coin here and there, it was never seen, but its place was taken by paper money, called "credit notes." These credit notes were State notes of every requisite number of roubles, from one upwards. Unlike English bank notes, they were not destroyed on entering the bank, but were, and still are, re-issued time after time. They bore on the front an inscription that they were exchangeable on presentation for gold or silver, and on the back was a further inscription stating: (1) that their payment in cash was guaranteed by all the resources of the State, (2) that they were to be current throughout the Empire on a par with silver, and, (3) a notice against forgery. These notes have never at any time up to the present moment lost their purchasing power in the country. They date, practically, from the year 1839, the time of the famous so-called Kankrin reform— unjustly so called, as Kankrin, the Minister of Finance, was personally opposed to the change, but the Emperor Nicholas sided with the Council of State, which was in its favour. At that epoch the paper (assignaz), current together with metal, had fallen to such a point that 7 roubles, paper, were only worth 2 roubles, metal, whether gold or silver. The reform consisted in (1) recognising the full in the paper; and, (2) opening the exchange of paper for cash at a fixed rate of 350 roubles, paper, for 100 silver. Further supplementary measures to this were (1) the issue of State notes to which was given currency throughout the Empire on a par with silver (Manifest of July 1, 1841); and, (2) the change of the old assignaz for the new notes (Manifest of July 1, 1843). This edict further enacted that the silver rouble of the Russian mint was re-established, as before, as the standard coin for State payments. The weight, size, &c of this coin had been fixed by a Manifest on June 20, 1810, and is in its essential parts the same as that of to-day.

Till as late as 1869 accounts were still calculated in assignaz in the more remote parts of the country.

Before proceeding any further it would seem advisable to state here, in a tabular form, the value which these credit notes have had as a medium of exchange, in comparison with our own currency.

RATE of EXCHANGE of the ROUBLE in Pence, with the promise that the par value of the Gold Rouble (i.e. Imperial=10 Roubles) is 38 Pence

Year	Highest	Lowest.	Remarks
1841	39 ⁷ / ₁₆	38 ¹ / ₂	
1842	38 ⁰ / ₁₆	37 ⁷ / ₁₆	
1843	38 ¹ / ₁₆	37 ⁷ / ₁₆	
1844	38 ² / ₁₆	37 ⁷ / ₁₆	
1845	38 ¹ / ₁₆	37 ⁷ / ₁₆	
1846	40	37 ⁷ / ₁₆	Maximum reached in end of year.

Year	Highest	Lowest	Remarks
1847	40 ⁷ / ₁₆	37 ¹ / ₂	Fall from beginning of year
1848	37 ⁹ / ₁₆	34 ¹ / ₂	Lowest in April and May.
1849	37 ¹ / ₁₆	31 ¹ / ₂	
1850	38 ¹ / ₁₆	37 ⁹ / ₁₆	
1851	38 ⁷ / ₁₆	37 ¹ / ₁₆	
1852	39 ⁷ / ₁₆	37 ¹ / ₁₆	
1853	39 ⁹ / ₁₆	37 ¹ / ₁₆	
1854	38 ¹ / ₁₆	33 ¹ / ₂	Maximum was in January and minimum in April, caused no doubt by the war. More fixed at end of year between 35 and 37.
1855	37 ¹ / ₂	34 ¹ / ₁₆	Minimum in November
1856	39 ⁹ / ₁₆	35 ¹ / ₁₆	Minimum at beginning of year
1857	38 ⁷ / ₁₆	34 ¹ / ₁₆	Fall at end of year
1858	37 ¹ / ₁₆	34 ¹ / ₁₆	
1859	36 ⁹ / ₁₆	32	
1860	36 ¹ / ₁₆	35 ¹ / ₁₆	
1861	35 ⁷ / ₁₆	33 ¹ / ₂	
1862	35 ¹ / ₁₆	33 ¹ / ₂	Recovery towards end of year. Uncertainty of attempted payments in gold under Steglitz.
1863	37 ¹ / ₁₆	33 ¹ / ₂	Sudden fall in winter
1864	35	29 ¹ / ₂	Steady fall throughout the year
1865	32 ⁹ / ₁₆	31 ⁹ / ₁₆	
1866	32 ¹ / ₁₆	25 ¹ / ₁₆	Sudden drop about May and June.
1867	6 June 32 ⁹ / ₁₆	13 April 30	
1868	2 Jan 30 ¹ / ₁₆	5 July 32 ¹ / ₁₆	
1869	10 Jan 32 ⁹ / ₁₆	11 July 29 ¹ / ₁₆	
1870	5 June 31 ¹ / ₁₆	21 July 28 ¹ / ₁₆	
1871	28 Sept. 33 ¹ / ₁₆	5 Jan 30 ¹ / ₁₆	
1872	3 Oct. 33 ¹ / ₁₆	18 Aug 32 ¹ / ₁₆	
1873	12 Jan 32 ¹ / ₁₆	26 June 32	
1874	9 April 33 ¹ / ₁₆	4 Jan 32 ¹ / ₁₆	
1875	31 Jan 34 ¹ / ₁₆	30 Dec. 31 ¹ / ₁₆	Gradual fall throughout year
1876	14 Sept. 31 ¹ / ₁₆	23 Nov 28 ⁹ / ₁₆	
1877	1 Feb 29 ¹ / ₁₆	30 Sept 22 ¹ / ₁₆	Steady fall throughout year. Slightly better at close
1878	24 Jan 26 ¹ / ₁₆	21 April 22 ¹ / ₁₆	Ditto
1879	28 Sept 25 ¹ / ₁₆	23 Jan 22 ¹ / ₁₆	Recovery towards end of year
1880	5 Feb 26 ¹ / ₁₆	30 Sept. 23 ¹ / ₁₆	
1881	28 Aug 26 ¹ / ₁₆	5 May 24 ¹ / ₁₆	
1882	4 Jan 25 ¹ / ₁₆	7 Dec 24 ¹ / ₁₆	
1883	18 Feb 24 ¹ / ₁₆	1 Nov 23 ¹ / ₁₆	
1884	28 Dec 25 ¹ / ₁₆	13 Jan 23 ¹ / ₁₆	
1885	1 Feb 25 ¹ / ₁₆	2 April 23	
1886	25 Feb 24 ¹ / ₁₆	13 Jan 23 ¹ / ₁₆	
1887	2 Jan. 22 ¹ / ₁₆	8 Dec. 20 ¹ / ₁₆	Steady inclination downwards. Ditto. Average price of 1 rouble, gold, in rouble credit was 1 7/16.

From the year 1888 onwards the rate was expressed in the number of roubles purchasable for 10*l.* :—
 80 roubles for 10*l.* = 2*s.* 6*d.* per rouble.
 85·71 " " = 2*s.* 4*d.* " "

92·31 roubles for 10*l.* = 2*s.* 2*d.* per rouble
 100 " " = 2*s.* " "
 125 " " = 1*s.* 7½*d.* " "

Year.	Highest.	Lowest.	Average Price of 1 R Gold in B. Credit.	Remarks.
1888	23 Sept. 91·85	16 Feb. 125·25	1·682	Very great fluctuations: 115 at beginning of year, 125 in February, low until May, then rises to 92 in September; at about 96 towards end of year.
1889	29 Dec. 89·75	2 June 98·90	1·518	Steady rise
1890	4 Sept. 76·60	1 Feb. 92	1·378	Ditto, but fall towards end of year.
1891	18 April 82·50	5 Nov. 106	1·498	Very unsteady in last half-year. General decline.
1892	16 May 94	2 Jan. 102·25	1·586	Very unsteady.
1893	23 Dec. 93·05	2 Jan. 98·85	1·532	Through most of year steady at about 95 or 96.
1894	31 Aug. 92·05	15 Feb. 94	1·492	
1895	7 Oct. 92·60	12 Dec. 94	—	May 27, State Bank fixed price of half-imperial at 7·40 and subsequently at 7·50.
1896	2 Nov. 93·15	13 April 94·85	—	
1897	19 Aug. 93·85	15 Feb. 94·06	—	

It is seen from this table that the rouble "kreditni billet," which is at par at a value of 3*s.* 2*d.*, was in the year 1847 actually worth 3*s.* 4½*d.*, and that in the process of time it has fallen to a point where it is worth only about 2*s.* 1½*d.* or 2*s.* 2*d.*, and even went as low as 1*s.* 7*d.*; i.e., it has lost, approximately, on an average a third of its value, or, in other words, 5 gold roubles are worth about 7½ paper.

As already stated, these paper notes have never, from the beginning, lost their purchasing power, and have been the sole medium of exchange within the country. Until the last year or two coins were never seen, except the token coins which formed the divisional part of the rouble.

It must not, however, be thought that no coins were struck. It will be sufficient for our purpose if we examine the coinage from the year 1871 on. From that date half-imperials were struck, the standard being, like that adopted in England—11 parts of gold to 1 of alloy. They contained almost exactly 6 grammes of fine gold, their weight being 6·544 grammes (916½ fine). They harmonised with no existing coinage, least of all with Russian, for their face value was 5 roubles while their nominal value was 5 roubles 15 kopeks, equivalent to 20·66 francs. In the Russian market they were quoted, according to the rate of exchange, at from 6 to 9 roubles, paper. Ducats were also struck containing 3 grammes and 60 centigrammes of gold, and were nominally worth 3 roubles.

These ducats and half-imperials never entered into circulation, but were immediately hoarded in the Bank of Russia or sent off to London, Paris, or elsewhere.

The number of coins struck on this model was 55,908,054 half-imperials and 468,058 ducats, in value 1,161,237,670 francs.

In 1885 the law of 17 (29) December established a new gold rouble worth almost exactly 4 francs (4·0002), which found expression in a new half-imperial of 5 roubles. The standard was altered from 11 to 10 parts of pure gold. The new coin contained 1 solotnik and 34·68 doli of gold (or 5·806746 grammes), and its gross weight was 1 solotnik and 48·2 doli (or 6·45192272354 grammes). Now a lous d'or (20-franc piece) contains 5·80644 grammes of gold and its gross weight is 6·4516 grammes. So that the half imperial contains 0·00306 more grammes of gold than a lous; or, in other words, it is worth intrinsically 20·001014 francs or 1*s.* 10 3/32*d.* or 16 20/32 marks.

Imperials (of 10 roubles) were also coined at this time, while ducats were abandoned. The new half imperial being thus so nearly identical with a lous was able to, and actually did, and does still, circulate abroad in countries of the Latin Union; but in Russia, they were merely used as articles of commerce except in the case of the payment of the Customs dues. They had

nothing in common either practically or legally with the silver, i.e., paper, rouble which was then the monetary unit of the Empire. Gold was not even a legal tender between private persons. The number of coins struck of this currency is variously given, but the following figures are given officially for the coinage from 1887 to 1895.

Year.	Gold Coins.		Silver Coins.	
	Imperials (in Roubles)	Half Imperials (in Roubles).	Of full Weight and Value (in Roubles and Kopeks)	Small Change Tokens (in Roubles and Kopeks).
1887	9,750,020	16,305,015	510,507	1,500,002
1888	225,060	26,285,035	500,022 95	1,007,011·50
1889	3,430,020	21,000,000	1,753·50	1,493,001
1890	150,060	28,000,030	91,760	2,000,003
1891	30,100	2,705,040	1,135,024	2,351,504
1892	80,060	640,030	2,133,010 50	1,650,000·30
1893	10,080	2,990,040	1,489,014	1,750,004
1894	10,070	2,990,035	3,007	400,000
1895	50,000,380	180	4,605,053·50	199,000·60

It might here be observed in parenthesis that payments, especially in certain districts, are frequently made in stocks or in coupons; and there is also an official table published of the Russian loans of which the bonds and coupons will be accepted as gold money, and the price at which they will be accepted, in payment of Customs and other dues.

The gold money thus coined was used only for the payment of coupons of loans which had been made on a gold basis, and for the payment of foreign creditors—the balance of trade, in fact—for whom, of course, the Russian paper money would have no value. There is one other purpose for which this gold was necessary. A law came into force on January 1, 1877, when, as will be seen in the first table above, the exchange was at about 29, by which it was enacted that all Customs duties were henceforth to be paid in gold. This was equivalent to raising the duties from 30 to 50 per cent. (according to the exchange of gold) all round; the merchants, however, had due warning, and much consideration was shown at first in the execution of this law. But it introduced an additional element of uncertainty into business, i.e., the varying price that would have to be paid in notes for the gold with which to acquit the Customs; further, it increased the weight of the Customs dues in proportion as the note fell in value. The measure is especially important as being the first official recognition of the depreciation of the

rouble, which recognition has developed into its final form in the recent changes introduced into the Russian currency

Internal loans were mostly raised on a paper basis.

The table of exchanges given above would appear sufficient to prove the extreme fluctuations to which the unit of Russian currency was liable. The paper rouble had already fallen almost 50 per cent. from its original value, owing partly to the general decline of the credit of the country, partly to the large issues (400 millions) during the Turkish war, and partly to the autocratic constitution of the country, which induced a fear of sudden changes or of events following on the death of a monarch, as well as to various other causes. But what produced far more serious consequences to the merchant were the fluctuations

Thus, on the bourse of Berlin we find the rouble quoted at the following extremes:—

Year.	100 R. Credit equals	
	Highest	Lowest.
	Marks.	Marks
1891 - - - - -	245.10	191.50
1892 - - - - -	216.40	197.00
1893 - - - - -	217.20	208.85

The average of the exchange value of 10l. sterling monthly during 1893 and 1894, was as follows:—

	1893.	1894.
January - - - - -	97.00	93.84
February - - - - -	94.54	93.66
March - - - - -	94.81	93.37
April - - - - -	95.69	93.19
May - - - - -	94.92	93.30
June - - - - -	94.32	93.28
July - - - - -	95.70	93.08
August - - - - -	96.43	92.89
September - - - - -	95.57	92.71
October - - - - -	95.18	92.89
November - - - - -	94.82	92.28
December - - - - -	93.71	92.63

The increased steadiness and appreciation of the rouble in 1894 is due to the following facts. The Russian credit money had become the favourite object of speculation on the Berlin bourse. In 1893 the then Russian Minister of Finance, Mr Wisnegradsky, realised the intolerable condition resulting from this and took drastic measures. All the speculators in Berlin continued to sell rouble notes many times more than had ever existed in Germany, and the Russian minister proceeded to set agents to work buying them up at the rate of 216 marks and over. This continued for eight months, when Mr Wisnegradsky suddenly imposed a check on the export of notes from Russia, which previously had gone on an enormous scale, and at the September setting in 1894, demands were presented to the speculators for the notes they had sold. They were compelled to throw themselves on the mercy of the minister whose terms, however, did not err on the side of leniency. This species of speculation had its origin in quite a genuine, honest, financial operation, for whenever a merchant had concluded a transaction, he was forced by the variations of the rouble to go and secure a sufficient number of them to meet his engagement at the time when it fell due.

But even such a lesson as the above would not be sufficient to stop all speculation entirely, and was ineffectual for preventing the injurious effect of fluctuations of the paper rouble, due to genuine causes. Owing to the above-mentioned purchases by the Russian agents, the rouble had not sunk during 1894 below 216.80 marks per 100 roubles, and to maintain it approximately at that price recourse was had to the following measures. The Government drew bills payable in three months on their various agents in foreign countries, fixing the rate of exchange at the rate of 46.27½ roubles for 100 marks. They then announced that the State bank was prepared to sell these bills at

this rate, or to buy others at the same rate, and that they were obtainable at the "Chancellerie de Crédit" (office of Ministry of Finance) in St. Petersburg, and at the offices of the bank in a certain number of towns. In this manner a limit was fixed beyond which the market value of the rouble could not fall, although the Government in selling at that price may have had, at first at all events, to sustain a loss. This process is still going on, and the "Bourse News" has every day an announcement on the outside sheet of the rate at which the Government sells or buys bills. Exchanges have also been established in some of the chief towns in which the State bank has a branch office, in order to preserve the level all over the country as far as possible. Moreover, all the local treasuries were turned into branches of the bank for this purpose, as well as to obviate the inconvenience of the large transmission of notes through the post, as it has been estimated that 20 per cent. of the notes in circulation are permanently in the post.

This measure may be artificial and regarded by some as going beyond the ordinary limits of State interference, but it at least had the effect of making the merchant sure of his position. An advantageous transaction was no longer liable to turn to his loss by the ups and downs of the rouble previous to the term of payment, nor was the price of his imports suddenly heightened or lowered by the variation of the amount he would have to pay for the gold to meet the Customs dues.

At the end of 1895 the State had thus been selling roubles on the Berlin bourse at the rate of 100 roubles for 216 marks, and a mark is always exchangeable for 358.423 grammes of gold; consequently, one rouble paper = $\frac{358.423 \times 216}{100}$ or 774.9368 grammes of gold,

and a half-imperial contains by law, 5.8068 grammes. On comparing these values it is seen that a half-imperial is equivalent to a trifle over 7½ paper roubles. As the State had been operating exchanges on this basis in Berlin for the past two years, and that without occasioning a drain of gold, there appeared no reason why they should not do the same at home, and on December 12-24 1895, the State bank published a declaration stating that "jusqu'à nouvel ordre" they would give half-imperials for paper money, and vice versa at the fixed rate of 5 rouble gold for 7½ paper. Few notes were presented for change.

On August 8, 1896, an Imperial decree appeared, ordering the State bank to buy and sell (receive or give in payment) paper roubles at that price until December 31, 1897, and from that date on until further orders. This payment of the notes in gold, fixed for a period of 16 months, was the beginning of the gold currency. It was found that this also did not cause a drain of gold; on the contrary, there was no demand for the metal, and in consequence we have the series of enactments beginning with that of January 3, 1897.

The acceptance of the gold in lieu of paper was not altogether a voluntary thing, nor is it to-day. Although the Government say that they give either gold or notes, they thus far have to endeavour to force as much as possible the gold issue, and are making considerable efforts at the present date with this aim. I am informed that when a merchant or banker sends to the State bank for say 10,000 roubles, his porter is given half in gold, which he will spend some hours in counting, and although he might unquestionably obtain notes for his gold by going to some other department the following day, business hours are short here and the counting takes long, so that the money would not be available till the day after, and thus three days' use of the money would have been lost.

There is an absolute and strong preference throughout the country for notes, to which the people have always been accustomed, over gold coins, which most of them have never in their lives seen before. It is also very easy to understand the dislike of taking the gold coins as they existed previous to January 3, 1897. The imperial, as already stated, was marked ten roubles and the half-imperial five roubles; the task of persuading an illiterate and fairly suspicious people that these objects were of the value of notes to the amount of 15 and 7½ roubles respectively might tax the powers of an Admirable Crichton.

These were the causes which provoked the Ukase of January 3, 1897. It is addressed to the Minister of Finance, and after summing up the reasons for the changes, it decrees (1) that without making any modification in the quantity of pure gold, nor in the name, weight, or dimensions of the gold coins as they

have already been fixed by law, he shall have struck imperials and half-imperials, bearing, as indication of their value, the former 15 roubles and the latter 7 roubles 50 kopeks, in conformity with the description therewith given; (2) that he shall put the said gold coinage into circulation.

An Imperial order of the same date states that "with regard to engagements undertaken in gold roubles, and to the payments to the Crown of the customs duties and other taxes leviable in gold, the imperial and half-imperial mentioned in the above Ukase shall be accepted, the former as 10 roubles gold each and the latter as 5 roubles gold each." A description of the coin follows.

The next enactment is dated August 29th of the same year, and provides for the arrangement, on a new basis, of the gold reserve. It states that the Ukase of January 3rd has brought the nominal value of gold to meet the value at which its exchange for notes was fixed, and has strengthened the circulation of the latter, and given both to them and to the gold circulation a firm basis. But the previous laws as to the guarantee of the issues of paper do not correspond to the conditions established by that Ukase. Consequently, "paper money is issued under a guarantee of gold, strictly limited by the urgent needs of the monetary circulation. Up to 600 million roubles the paper must be guaranteed by half its value in gold, and beyond that sum it must be guaranteed rouble for rouble."

And, finally, we have on November 14th, 1897, two more Ukases.

The first decrees the coinage of gold pieces of the value of 5 roubles, equal, therefore, to one-third of an imperial. Then follows a complete description of the coin, its weight, dimensions, &c. (These pieces are popularly called "Lulliputs.")

The second, after summing up the reforms introduced by the Ukases of January 3rd and August 29th, by which the gold coins and the paper notes have been set on a uniform basis, and the guarantee of the notes established on a firm foundation, orders that henceforth the notes shall bear the following inscriptions in place of those they at present bear: "The State bank pays credit notes in gold coin without limitation of amount (one rouble = $\frac{1}{2}$ of an imperial and corresponds to 17 424 doli of pure gold)."

The inscription on the back to run as follows —

"1. The exchange of State credit notes for gold coin is guaranteed by all the resources of the State.

"2. State credit notes circulate throughout the Empire on a par with gold coin."

Paragraph 3 remains unaltered.

Thus the gold rouble, corresponding to 17424 doli, or 774 grammes of gold, has become the monetary unit instead of the silver rouble which used to correspond to 26136 doli or 1161 grammes of gold.

These are the legislative acts by which the change was effected. The ratio of 750 to 5 was fixed on the average for about the last 25 years, and on what had been the actual relation between the gold and the credit rouble for three years past, and the rouble now equals 25 37 d or 101. = 94.6 roubles. In 1837 the question was before the Committee of Finance in the Council of State as to whether it would be better to endeavour to get the credit rouble back to par or to fix it at its actual exchange value. The Committee decided in favour of the latter proceeding, and their decision had the Emperor's approval; but during the reign of that monarch any change was deferred, owing to his conservative spirit. The Council at the same time also decided that the increasing need for a circulating medium, due, if to no other cause, at least to the increase in the population, rendered it impossible to withdraw the notes issued during the war; otherwise, such a measure would have gone far to enhance the rouble note, and bring it nearly to its par value.

The principle embodied in the stamping of the new gold coin as "15 roubles" instead of "10 roubles" is blamed by many as being an arrangement established on a depreciated currency: they maintain that though the silver rouble was the legal monetary unit of the country, yet the silver rouble was linked to the gold imperial in the proportion of 10 roubles to an imperial, and that when the silver rouble was replaced by the credit rouble the bond was none the less maintained, more especially as the note-money bore a statement that the note was exchangeable for either gold or

silver, their deduction consequently is that each holder of 15 roubles paper has unjustly been deprived of five of these roubles.

This argument is in theory quite correct. Each holder of a 5 rouble note is entitled to receive for it 5 roubles' worth—1161—grammes of gold each—and the present law accords them only 774 grammes, but the rouble had never, from its very beginning, been a fixed quantity, and it is only necessary to look at the above list of exchanges to assure oneself that the possessors of the notes could hardly expect to see themselves paid in gold at par. And, whereas before it was quite uncertain to what point the rouble, from natural causes, might sink, the reform has placed it on an absolutely firm, and, as far as it would appear possible, equitable basis. The present Minister of Finance states with great truth that in making the reform it has been necessary to grapple with the actual facts, and not to lose oneself in theoretical considerations.

But, granted that the reform is wrong, what course would those who oppose it suggest to adopt?

There appear to be two alternatives: either to reimburse the 10-rouble note at 10 roubles gold, or, as the Russian Government might perfectly well have done, to resume a silver currency.

The amount of gold at present held by the Russian Government is sufficient to have enabled them to adopt the first of the alternatives, although they would have been hard pressed, despite their present enormous reserve, to maintain it; but the consequences would have been positively disastrous to trade. For instance, wheat is the chief produce of Russia, and the rouble would have suddenly made such a jump as would have put that article to an almost prohibitive price, and its export would have been almost entirely stopped; and it must be remembered that just as the decline of the paper rouble in foreign exchange was accompanied by no corresponding decline in its purchasing power in the country, so the purchasing power would not now increase in proportion to the rise in exchange value, the result being that the peasant would have about 50 per cent. less money for his exported produce than formerly, and would be to that extent poorer as far as his purchases inside the country were concerned.

Also those merchants with foreign connexions who were in possession of notes would suddenly find themselves at an advantage of 50 per cent., while those who were under engagements to deliver roubles would suffer a corresponding loss,—the most elaborate enactments could hardly meet such a case.

The Minister of Finance says with entire justice in his report on the Budget for 1896 that "by the reform no one should become richer or poorer; the re-organization ought to have no other effect than to put every reckoning, all property, all revenue, and all salaries on a firm and stable foundation on which all may rest without fear of shocks or apprehension of accidents."

Further such a measure would have done away with the well-intentioned effort of the new customs tariff, firstly, by causing all home industries to work on the basis of the new enhanced rouble note, and secondly, by putting all transactions on the gold standard on which at present only the customs dues are paid.

It is urged that the Russian Government might have waited until such time as the note had rehabilitated itself at par, which in time it might well do, especially in view of its recovery during the last few years. This is perhaps true, but the first of the above-mentioned objections would hold good, although the effect would have been spread over many years and thus be less felt. Besides, the need for some reform was urgent, and the Russian Government cannot fairly be blamed for taking what steps they found practicable at once instead of deferring their action to some indefinite future period.

Before examining the second alternative, it is necessary to know precisely what the silver rouble is. It contains 17.996 grammes of pure silver, and before 1886 its full weight was 20.73 grammes, its fineness being consequently $\frac{200}{207.3}$. In 1886 the full weight was reduced to 19.99 grammes while keeping the same amount of silver, the standard was thus made $\frac{200}{199.9}$ (English standard is $\frac{200}{196}$). In 1860 silver was worth about 60 pence an ounce, whereas it is now about 30. Consequently, by comparing the value of silver, the

rate of the rouble note, and the amount of silver in the rouble, the following statistics are obtained —

Year	Average price of silver per ounce in pence.	Exchange on London for 100 roubles.	Average price in Credit Notes of weight of silver contained in 100 R., calculated on basis of the two previous columns.	Average price in Credit Notes of 100 R. coined silver in Petersburg market.
1860	61 69	67·15	107 96	—
1880	52 21	95 73	132·62	136 73
1881	51·83	95·28	129·12	133·44
1882	51·72	99·21	133 73	136 58
1883	50 75	101 18	133·88	137·60
1884	50 63	98 46	129·92	129·78
1885	48·48	99 21	125·35	181·32
1886	45 34	102·74	121 41	126·51
1887	44 61	112·15	130 89	137·10
1888	42 71	107 49	119·65	127·68
1889	42 64	94 57	105·19	110·67
1890	47 71	85·82	106·71	109 08
1891	44 93	91·25	106·65	107·06
1892	39 58	99·07	102 20	110·82
1893	35 33	95 82	87 68	104·88
1894	28 80	93·02	69·82	—

Thus, in 1894 the amount of silver requisite for coining 100 roubles could be bought for 70 roubles credit.

If the Russian Government had been avaricious but unwise, they might have resumed a specie currency and have paid off their notes, which "circulate on a par with silver" in silver roubles, but in doing so, they would have depreciated their notes by a third of their value, lowered their credit, and so committed, in point of fact, a breach of faith, causing grave injustice and paralyzing trade.

But so far from their acting thus, an Ukase was issued on January 8-20, 1893, forbidding the coining of silver for individuals, and explaining that this was done, lest the silver should be set running concurrently with paper, and so cause a depreciation of the paper.

This limitation of the coining of silver brings about a condition of things similar to that called the "lumping system," which obtains in France and Germany.

Moreover, the wording of the new laws, as well as the inscription of the new notes, ordered by the Ukase of November 14th, 1897, does not leave to the bank even the theoretic faculty of paying the notes in silver. The silver rouble is no more the standard currency. There is, however, no law yet made as to the amount to which it is legal tender. When the reform was being discussed it was proposed to limit the amount to

50 roubles for any one payment. It is, however, received at par and in unlimited quantities at all public bureaux. Mr. Witte in his report on the Budget for 1893 says: "the next step in this direction will doubtless be the limiting of the coining of silver, and of the amount for which it will be legal tender, while, of course, it will be accepted as heretofore by the Government treasuries to an unlimited amount."

The actual limited issue of silver is at present a sufficient safeguard against a double standard, as is indeed proved in the foregoing table by the price at which coined roubles were sold in the money market, but a limitation of the legal tender would help to check false coining, which appears at present to be pretty rife.

It is hoped that enough has now been said to explain the reasons that prompted the reform, the steps preparatory to its execution, the manner in which it was carried out, and the calculations on which the basis of the new currency was fixed.

In the report on the Budget for 1898 the Minister lays stress on the necessity for disregarding theories and reckoning solely with actual facts in such reforms, and says that by them no person should be made either richer or poorer, nor should any artificial modification be introduced, as the monetary system is the foundation of all calculations and of all the interests of property and labour.

If the result had been contrary to these principles, one could hardly fail to hear complaints, but no interests appear to have been injured except of those whose business it was to buy and sell gold, customs agents, &c, whose opportunities of profit have been minimised by the fixation of the rouble through the entry into the market of the Government.

The next point of interest is to see what amount of gold Russia possessed in order to enable her to carry out the reform. The following is the statement given in the Report on the Budget for 1893 —

	Bank Notes issued (In new Roubles)	Gold in State Bank and Treasury	Percentage of Gold to Notes
End of 1896 -	1,191,800,000	1,206,000,000	107 5
End of 1897 -	999,000,000	1,315,000,000	131 6

The gradual increase of the amount of gold held is illustrated by the accompanying table of the notes issued and in circulation, and of the metallic resources of the Treasury and State Bank.

Year	In thousands of Credit Roubles.			In thousands of Gold Roubles.	In thousands of Credit Roubles.	In thousands of Gold Roubles.	In thousands of Credit Roubles.	In thousands of Gold Roubles.
	Total of authorised Issues.	In the State Bank.	Consequent Circulation in fact.	Total of Metallic Reserve of Bank	Treasury Bonds.	Gold at disposal of Treasury.	Total of Debt.	Total of Credit.
1881	1,133,515	48,464	1,085,051	189,063	216,000	108,049	1,801,051	291,112
1882	1,133,515	105,401	1,028,114	179,215	216,170	56,418	1,244,284	236,693
1883	1,133,515	160,833	972,682	179,215	216,000	37,180	1,189,182	216,695
1884	1,102,515	14,236	989,279	194,188	274,700	30,145	1,233,979	224,333
1885	1,072,515	173,754	899,761	191,717	239,997	81,469	1,139,758	273,186
1886	1,046,433	139,768	906,665	225,475	265,000	75,648	1,171,665	311,123
1887	1,046,433	105,409	941,024	240,597	240,000	40,949	1,181,024	291,346
1888	1,046,295	75,114	971,181	237,119	240,000	36,634	1,211,181	273,753
1889	1,046,295	78,150	973,145	250,058	240,000	47,052	1,213,145	297,119
1890	1,046,295	117,869	928,426	278,825	222,000	94,061	1,150,426	372,386
1891	1,046,295	198,879	907,416	354,877	216,000	128,940	1,128,416	483,817
1892	1,121,295	66,490	1,054,805	401,732	216,000	93,454	1,270,805	493,186
1893	1,196,295	122,214	1,074,081	487,045	216,000	94,505	1,290,081	581,559
1894	1,196,300	124,400	1,071,900	889,351	216,000	209,224	1,287,900	596,575
1895	1,121,300	92,900	1,028,400	403,620	—	242,111	—	645,731
1896	1,121,300	66,100	1,055,200	—	—	—	—	—
1897	1,121,300	—	—	—	—	—	—	—
1898	999,000	69,173	—	—	—	—	—	—

The figures given vary occasionally. It is impossible to analyse accurately the means by which the gold gradually increased year by year, but the official statistics for the export and import of the precious metals are appended in conjunction—for the period from 1857 onward—with the figures given by the Imperial Mint of the output of gold from Russian mines.

Year.	In thousands of Gold Roubles		
	Imports.	Exports.	Excess of Exports over Imports.
1871	6,845	15,861	10,516
1872	8,111	6,649	-1,462
1873	2,500	14,809	11,809
1874	6,532	17,054	10,502
1875	1,731	27,576	25,855
1876	1,458	101,845	100,357
1877	9,403	13,532	4,189
1878	10,249	6,806	-3,443
1879	7,868	5,322	-2,066
1880	7,046	25,876	18,830
1881	5,371	66,925	61,554
1882	4,489	68,196	63,647
1883	3,014	19,212	16,198
1884	2,412	3,034	622
1885	2,489	5,336	2,847
1886	2,401	14,293	11,892

For convenience of calculation the figures from 1887 on are given in pounds, coins being reckoned at 100 pounds = 90 pounds bar gold.

Year.	Exports.	Imports	Excess of Exports over Imports or vice versa.	Pro-duction of Russian Mines	Augmenta-tion of National Stock.
1887	1,195.7	188.6	1,037.1	1,845.7	788.6
1888	2,324.6	1,330.9	893.7	1,956.8	1,063.0
1889	1,942.6	191.4	1,051.2	2,128.5	1,077.4
1890	1,204.4	1,125.1	79.8	1,943.9	1,864.6
1891	43.9	5,149.5	-5,105.6	2,219.0	7,324.6
1892	16.5	7,431.0	-7,414.5	2,173.4	9,687.9
1893	12.2	939.5	-927.3	2,343.2	3,270.5
1894	2,672.0	7,769.9	-5,097.9	2,216.8	7,814.7
1895	14.4	1,649.2	-1,634.8	2,654.3	4,289.1
1896	15.0	6,050.2	-6,035.2	1,978.2	8,013.4
			Total		44,693.8

The figures of the output of gold vary in every list I have been able to find, and I have chosen those of the Imperial Mint as being most likely to be accurate.

It is interesting to see how that, whereas before the exports had almost unintermittently been in excess of the imports, in 1891 the balance swings completely round, 1891 was the year of the new customs tariff.

The last column is the result of the others, and may be termed the "increase of the national stock" as the figures represent all private transactions which would practically mean the balance of trade, and State transactions which would include exports for payments of coupons, &c., and imports derived, say, from loans; and they do not include the gold output, which, as the mines are mostly private property, is not a clear gain of so much wealth to the Government. All gold produced in Russia is, on its issue from the mine, taken to one of the Government refineries, which gives a receipt for it; this receipt is, on presentation at St. Petersburg, met with a corresponding amount of money, subject to a tax varying from 3 to 15 per cent according to the locality from which it comes.

It will be seen that since 1887 the increase of the national gold stock has reached a total of 36,804 pounds by 1895, which reckoning a pound at 21.150 roubles of the new stamp (or 14,104 roubles of the old) gives a total of 773,675,460 roubles.

The increase, however, of the reserve at the disposal of the treasury and the bank during the same period will be seen to have reached only 546,977,500 roubles (new). Gold was not in circulation during this time, and the State was the great holder of the metal. 225,000,000 roubles seems under the circumstances to

be a large sum to have been absorbed in the country under the circumstances in so short a space as ten years.

But if we reckon in the year 1896, the same figures come respectively to 943,153,870 roubles and 933,681,000 roubles, so that the amount belonging to the treasury and the bank almost catches up the amount of the increase of the national stock. It is possible that the figures given in the case of the latter are inaccurate.

In the report on the Budget for 1897, in enumerating the steps taken to ensure the success of the reform, the first of these measures is thus described:—"Il a été conclu un emprunt 3 pour cent or, dont le produit, porté à 100 millions de roubles or effectifs par un prélèvement sur la disponibilité du Trésor, est destiné à rembourser à la Banque de Russie une partie de la dette non productive d'intérêt du Trésor au chef de l'émission de billets de crédit." A footnote adds that the rate of interest on this loan is lighter than that on any other Russian loan.

One of the chief sources from which the Government has been supplied with gold is the customs, which have had to be paid in that metal since 1877, but the figures here below must not be considered as clear gain of gold to the State, as the State first sold the gold to the merchant, who then returned it in payment of his customs duties.

YIELD OF CUSTOMS DUTIES IN GOLD ROUBLES

1882	64,322,457
1883	66,640,887
1884	65,076,698
1885	64,441,686
1886	70,775,550
1887	64,170,467
1888	69,947,422
1889	80,298,459
1890	83,727,594
1891	79,567,858
1892	82,709,275
1893	97,175,007
1894	114,324,919
1895	113,068,222
1896	125,613,783

The sudden increase in the last few years is due to the new high tariff which came into force in 1891, and this has a far more important bearing than the mere increase of the dues.

The effect of the new tariff is to put a very heavy burden on imports into the country so that the quantity of imports tends to diminish, and the amount of gold previously sent out of the country in payment for the articles imported tends to diminish likewise. The tariff is thus one of the most important checks to a drainage of the gold, and it is alleged that this consideration was entertained by the Russian Government at the time when the tariff was under revision.

A result of the tariff has, as is well known, been that the rails for the Siberian Railway, for instance, are paid for to home manufacturers at a price three times exceeding that for which they might have been procured abroad. It seems that there is an extremely large and increasing demand and even a keenly-felt need in Russia for iron and machinery. At present foreign iron and steel, worked, and iron machinery pays a duty of one rouble and 40 kopecks, gold, per pound. It is apprehended that, if this were reduced, the country would be flooded with foreign machinery for which the people would of course have to pay in gold, and it is believed that this demand would assume such proportions as to threaten the parity of paper with gold, and, that once unsettled, it would be hard to say where the fall might stop. This argument is a weapon in the hands of the home manufacturers to oppose the diminution of the customs.

It seems quite possible however that the present enormous reserve could withstand such a drain until the imported machinery had had its results in the increased production of articles suitable for export.

It has been the policy of the Russian Government at the same time that they instituted the high tariff to encourage the export trade by granting various facilities such as lowering the railway rates, &c., &c., although more might with advantage have been done in this direction.

However, as a matter of fact, the above steps have been sufficient to turn, at least for the present, the balance of trade in favour of Russia.

As far as this aim had weight in the decision of the new tariff, so far the new circulation may be said to have had its share in laying on the people the high prices which they now have to pay for manufactured goods—for the prices of home industries have naturally risen just to the point where they can successfully compete with the imported article.

Mr Witke himself says à propos of the tariff that "having entered upon a course of protection of home industries, we ought to wait for some stable results of this policy. Abrupt changes in the established conditions of international barter would be exceedingly pernicious and unjust. They would cause undeserved loss to many investors in industrial undertakings, and would draw capital away from established branches of industry. The interference in the commercial and industrial operations thus caused would unfavourably affect all monetary transactions, which would create great difficulties in the preservation of the monetary standard."

It is beyond the scope of this report to endeavour to ascertain precisely the sources from which the present large stock of gold was obtained.

If it was produced by the improved economic condition of the country, the circulation may be regarded as settled on a firm basis which only would be shaken by such severe shocks to commerce as a war or some other great national disaster. If, however, it is assumed that this gold, either wholly or in part, is the product of loans, then the state which, though poor, is already heavily burdened with debts, has undertaken further obligations, and has more interest to pay, for the enjoy-

ment of a gold currency. It is possible that it may gain corresponding advantages, and that in future it may be able to issue new loans advantageously or to effect new conversions, on the strength of possessing a gold currency. The facilities for contracting engagements in gold will also, in the opinion of men of experience, tend to attract foreign capital to Russian enterprises, and these men maintain that the recent large influx of Belgian and French companies during the past year or two, is a proof of this argument. That the fixation of the rouble co-operated strongly to this end, there can be no doubt.

But, on the other hand, if this assumption is for the sake of argument admitted, then the gold stock has been raised artificially, and although with its help the Government is able to start payments in specie and to prevent the fluctuation of the rouble, and to secure the market against an adverse exchange, yet in time the payment of the coupons of the loans, which has to be effected in gold, will inevitably end by drawing from the country the gold which has been amassed with so much care and at the cost of such sacrifices.

Which of these alternatives is the case, is a question that can only be decided by those who have a thorough acquaintance with Russian finance, none can have this so well as the projectors of the reform, and they at least have shown their confidence that the advantages to be derived will outweigh any drawbacks that may be incurred.

The following are the figures showing the circulation for 1864 and 1881.

IN MILLIONS OF ROUBLES (GOLD), (OLD STAMP)

	Bank Reserve.	Amount in Actual Circulation.					Population
		Notes.	Gold.	Silver.	Fractional.	Total.	
1864 - - - -	55 7	636.5	—	20 ?	30*	686 5	78,400,000
1881 - - - -	171 5	1,085 0	—	20 ?	75*	1,180 0	96,200,000

The figures given in various official publications vary considerably, but the following are those given in the Report for 1898.

IN MILLIONS OF ROUBLES (NEW STAMP).

	Gold.		Standard Silver		Notes		Total.
	In State Bank and Treasury.	In Circulation	In State Bank and Treasury.	In Circulation	In State Bank and Treasury.	In Circulation	
End of 1896 - -	1,206	87.5	73	50	139.7	981.6	—
Total - - -	1,248.5		123		1,121.3		2,487.8
End of 1897 - -	1,315	155	63	99	69	930	—
Total - - -	1,470		162		999		2,631

Population, 125,000,000.

The notes circulating in these years were divided thus:—

Year	100 Rouble Notes.	50 Rouble Notes.	25 Rouble Notes.	10 Rouble Notes.	5 Rouble Notes.	3 Rouble Notes.	1 Rouble Notes.	Total.
1864 - - -	62.7	86.5	141.3	84.5	96.2	108.6	56.7	636.5
1881 - - -	376.8	0.7	198.4	147.4	154.5	147.4	108.2	1,139.6
1896 - - -	429.8	0.1	67.8	204.8	185.8	129.8	104.2	1,121.8

* Very doubtful figures.

The Ministry have stated that the small notes will be withdrawn from circulation gradually, and the present supply of silver, which amounts to 240 million roubles, will be sufficient to replace the notes of 1 and 3 roubles. It is calculated that 2 roubles 50 kopeks or 3 roubles small money per head of the population is sufficient, this would mean some 320 or 330 million roubles.

It is, of course, quite probable that the currency now successfully established would not be able to stand the strain of war. Russia would require all her enormous stock, and more, to purchase warlike stores, &c., as well as for the payment of her armies when once on foreign soil, though able to pay in notes for necessaries coming from home. But it is not probable that any country, except perhaps England, would attempt to carry on a serious war without immediately establishing a forced currency. If the war was not long, or terminated in success, Russia would not have any invincible difficulty to meet in paying off again in gold the new engagements and to resume a metallic currency.

As regards the emission into circulation of coin, many people are asking why the Government is taking such pains to issue it. They argue that, as far as external commerce is concerned, a fixed basis of exchange is all that is necessary, and that is now provided by the fixed rate; while, for all internal purposes, the note did perfectly well, and had the extra advantage of convenience and of being preferred among the people; that the fact of a certain amount of gold being in circulation is no real guarantee for the future, as, in the event of a war or any great public calamity, more notes would certainly be issued as a non-interest-bearing form of loan, and there would be great demand for gold, not only by individuals, but also by the State, and the very fact of that gold being in circulation would tend to depress, in comparison, the notes; and, finally, that the issue of gold has weakened the Government's resources by just the amount they have circulated.

The Minister of Finance, however, states that he "considers it very important that specie should be practically in circulation. If this does not take place, and if almost all the gold is concentrated in the bank and the Treasury, then, should the time come when specie flows out of the country, only the bank and the Treasury would feel this practically." "The population which has satisfied its requirements with the notes it has been used to, will scarcely be quick at paying attention to the change in the condition in monetary affairs, and, as has been found by experience, will look with distrust and even with hostility on the extra carefulness in bill-discounting and money-lending which becomes necessary under such circumstances. On the contrary, if gold coin forms an essential part of the currency, the flow of gold out of the country is not only from the safes of the bank, but from the specie in circulation. The scarcity of money is first of all felt by the population itself; it takes its own measures against this, of necessity trying to retrench its expenses or to increase the productiveness of labour, and thus takes the first step towards restoring the equilibrium of the monetary balance. This essentially lightens the task of the Government in preserving order in the monetary affairs of the country."

Such are Mr. Witte's arguments; the measure certainly could hardly be termed "introducing a gold currency" if the gold remained exclusively in the bank; the scheme would not be fully realised under such conditions. The Government is perfectly well able to hold the market under ordinary conditions, and,

though a serious crisis in any part of Europe might occasion such a demand for gold that the Russian Government could not, by the means it at present adopts, check the export of the metal, it could always in such a case revert to some extraordinary measure, such, for instance, as merely a prohibition of the export of gold.

There is, at present, no such prohibition, nor does there, indeed, seem to be need of one so long as the Government is ready to *buy or sell gold* at a certain rate—which rate varies every day—to meet the market. Thus, for instance, supposing gold to become dearer abroad than in St. Petersburg, the rate would be raised here in proportion, so that an individual would do better to sell to the Government here whatever gold he might buy in the market rather than to send it to the place where the rise in value had occurred, thus saving the expense and risk of transport.

This operation protects the gold already in circulation, and is one which the Government can perfectly well continue to carry out so long as it has anything approaching its present store of gold; and the knowledge that it is able to do so is enough to hinder people from trying speculative experiments. It is by these means that the Russian Government ensures itself against an adverse turn in the foreign exchanges, and secures the gold from demands for export, no general apprehension consequently is as yet expressed of a drain of the gold.

In former times when there was also no prohibition of the gold export, if an attempt was made to draw gold from the bank in large quantities for exportation, measures of various kinds were taken which caused the would-be exporter to understand that his proceedings were obnoxious, and to desist from repeating the attempt.

In the press, the French system of paying out a certain amount of silver together with the gold, has been much advocated, but the Russian Government had adopted a gold standard, and was unwilling to swerve from it in any degree.

The bank and the Treasury here represent, really, the same identity—the State. They are, in fact, merely departments of the Ministry of Finance. But it is the bank which is charged with the issue of notes, and with the payment of the same in coin (*vide* the Ukase of November 14, 1897), and therefore the bank ought at present to hold 699 millions in gold as reserve for the 999 millions of notes in circulation, in conformity with the Ukase of August 29, 1897. This leaves about 600 million roubles for the other needs of the bank and the Treasury, or to be a reserve in case of war, and this amount is increased, theoretically, by every rouble note that is destroyed.

However, the figures given above represent the amount of gold not only in the bank, but also in the Treasury. The bank indeed itself does not hold much; in accordance with the article which states that the notes are "guaranteed by all the resources of the State," the gold in the Treasury is counted as part of this guarantee.

The following are the balance sheets of the bank for December 23, 1897, to January 4, 1898, and March 1-13, 1898.

From these it follows that 59 millions of notes have been withdrawn, and while the coin in the bank has decreased by 6,661,786 roubles, the amounts in the branch offices and in the local treasuries have increased by 46,166,000 roubles and 10,536,000 roubles, the net result being an increase of 50,040,214 roubles.

BILAN DE LA BANQUE DE

ACTIF

	A St-Petersbourg	Aux autres comptoirs et succurs (1)	Aux Trésoreries (1)	TOTAL
1° Caisse-				
<i>a.</i> Billets de crédit - - - -	22,069,057 —	15,810,000	81,294,000	69,173,057 —
<i>b.</i> Or - - - - -	77,577,815 —	64,889,000	19,613,000	162,079,815 —
<i>c.</i> Argent de plein poids et titre - -	1,294,322 —	14,294,000	7,930,000	23,518,322 —
<i>d.</i> Billon d'argent et de cuivre - - -	241,284 03½	5,853,000	6,292,000	14,386,284 03½
Total - - - -	101,182,478 03½	100,846,000	67,129,000	269,157,478 03½
2° Découvert du Trésor du chef des émissions de billets de crédit	175,000,000 —	—	—	175,000,000 —
3° Or en monnaie russe d'ancienne frappe, monnaie étrangère, lingots et bons de l'administration des mines	985,347,812 27¼	2,884,000	—	998,231,812 27¼
4° Or monnayé servant de garantie au paiement des quittances métalliques en circulation	64,872 75	—	—	64,872 75
5° Or à l'étranger (2) - - - - -	18,896,368 64¼	—	—	18,896,368 64¼
6° Traités et chèques sur l'étranger appartenant à la Banque	297,780 52	—	—	297,780 52
7° Effets escomptés et autres valeurs à brève échéance.	15,779,889 86	131,702,000	—	147,481,889 86
8° Avances en comptes-courants spéciaux sur effets de commerce.	1,761,141 29	3,206,000	—	4,967,141 29
9° Avances en comptes-courants spéciaux sur titres.	11,548,630 67	15,801,000	—	27,349,630 67
10° Prêts sur titres - - - - -	6,885,368 90	27,111,000	—	33,996,368 90
11° Prêts sur marchandises - - - - -	58,460 25	22,199,000	—	22,257,460 25
12° Prêts sur warrants, connaissements, &c -	—	565,000	—	565,000 —
13° Prêts à des propriétaires fonciers - - -	816,046 70	12,959,000	—	14,775,046 70
14° Prêts à des entrepr. industrielles - - -	6,175,226 38	4,434,000	—	10,609,226 38
15° Prêts à des artisans (industrie domestique) -	531 50	651,000	—	651,531 50
16° Prêts destinés à faciliter l'acquisition de matériel agricole.	—	1,782,000	—	1,782,000 —
17° Compte des avances à des intermédiaires -	6,316 03	70,000	—	76,316 03
18° Prêts à des municipalités et à des assemblées provinciales (zemstvos)	—	50,000	—	50,000 —
19° Sommes dues par les Monts de-Piété de St- Petersbourg et de Moscou.	2,803,000 —	929,000	—	3,732,000 —
20° Effets en soufrance - - - - -	3,720 30	1,254,000	—	1,257,720 30
21° Prêts en soufrance sur immeubles - - -	262,984 39	2,840,000	—	3,102,984 39
22° Titres appartenant à la Banque - - - -	8,438,071 08	15,774,000	1,063,000	25,275,071 08
23° Titres en commission - - - - -	41,954 47	—	—	41,954 47
24° Soldes créditeurs des comptes avec la Banque de la Noblesse et celle des Paysans, ainsi qu'avec d'autres institutions de l'Etat	6,096,530 —	1,780,000	—	7,876,530 —
25° Dépenses de la Banque et divers - - - -	11,636,354 23	7,160,000	—	18,796,354 23
26° Compte de la Banque avec des comptoirs et des succursales.	126,137,078 51¼	—	—	126,137,078 51¼
27° Compte des Trésoreries avec des comptoirs et des succursales	—	—	65,845,000	65,845,000 —
	1,479,242,616 83¼	354,990,000	134,037,000	1,968,269,616 83¼

De plus dépôts en garde :

<i>a.</i> Appartenant à des particuliers et à des institutions privées :			
Or et argent, d'après l'évaluation des déposants - - - -	-	-	5,776,772 r. 40 c
Titres et documents - - - - -	-	-	2,702,642.248 r. 04¼ c
<i>b.</i> Valeurs publiques au prix nominal en commission - - - -	-	-	2,383,469 r. 60 c.

(1) Suivant renseignements télégraphiques en milliers de roubles

(2) Cet article comprend l'or à l'étranger appartenant seulement à la Banque de l'Etat, l'or à l'étranger appartenant au Trésor impérial ne figure pas dans le bilan.

L'ETAT AU 23 DÉCEMBRE 1897.

PASSIF.

	A St-Petersbourg.	Aux autres comptoirs et succurs (1).	Aux Trésoreries (1).	TOTAL.
1° Bilets de crédit en circulation - - -	999,000,000 —	—	—	999,000,000 —
2° Quittances métalliques en circulation - -	64,872 75	—	—	64,872 75
3° Traités tirés sur l'étranger par la Banque -	2,939,758 56	—	—	2,939,758 56
4° Capital de fondation - - - - -	50,000,000 —	—	—	50,000,000 —
5° Capital de réserve - - - - -	3,000,000 —	—	—	3,000,000 —
6° Capital destiné à construire des hôtels pour les succursales	331,872 18½	—	—	331,872 18½
7° Dépôts à terme - - - - -	3,167,841 76	26,396,000	—	29,563,841 76
8° Dépôts à vue - - - - -	8,065,948 37	53,626,000	—	61,691,948 37
9° Comptes-courants :				
a. Du Trésor - - - - -	266,434,676 42	—	—	266,434,676 42
b. De sommes spéciales et de dépôts - - -	—	—	134,037,000	134,037,000 —
c. De diverses institutions de l'Etat et administrations publiques.	80,244,497 35½	7,601,000	—	87,845,497 35½
d. De particuliers, d'établissements de crédit et de Sociétés par actions.	18,115,356 09½	42,523,000	—	61,638,356 09½
10° Compte de la section pour le règlement des comptes entre les Sociétés de chemins de fer.	16,380,582 70	—	—	16,380,582 70
11° Mandats à acquitter - - - - -	1,178,867 96½	6,212,000	—	7,390,867 96½
12° Intérêts perçus reportés à l'exercice 1897 -	3,579,339 21½	17,163,000	—	20,742,339 21½
13° Intérêts dus sur les dépôts, sommes transitoires et divers.	8,578,333 83	5,714,000	—	14,292,333 83
14° Bénéfices nets de l'exercice 1896 - - -	9,174,529 21	—	—	9,174,529 21
15° Compte des comptoirs et des succursales avec la Banque	—	142,518,000	—	142,518,000 —
16° Compte des comptoirs et des succursales avec des Trésoreries.	9,086,640 41½	52,237,000	—	61,323,640 41½
	1,479,242,616 83½	854,990,000	134,037,000	1,968,269,616 65½

Le gouverneur de la Banque de l'Etat . K. D. PLESKÉ.

Le chef de la Comptabilité Centrale : E. SLABSKY.

BILAN DE LA BANQUE DE

ACTIF

	A St-Pétersbourg	Aux autres comptoirs et succurs (1)	Aux Trésoreries (1)	TOTAL
1° Caisse:				
a. Billets de crédit - - -	26,712,449 —	22,137,000	81,966,000	80,815,449 —
b. Or - - - - -	66,988,295 —	108,152,000	25,783,000	195,933,295 —
c. Argent de plein poids et titre - -	499,642 —	15,297,000	10,898,000	20,194,642 —
d. Bilion d'argent et de cuivre - -	810,306 94½	6,426,000	9,518,000	16,254,306 94½
Total - - - - -	94,520,692 94½	147,012,000	77,665,000	319,197,692 94½
2° Découvert du Trésor du chef des émissions de billets de crédit	175,000,000 —	—	—	175,000,000 —
3° Or en monnaie russe d'anciennes frappes, monnaie étrangère, lingots et bons de l'ad- ministration des mines	938,493,854 30	2,799,000	—	941,292,854 30
4° Or à l'étranger (2) - - - - -	17,151,241 17½	—	—	17,151,241 17½
5° Traités et chèques sur l'étranger appartenant à la Banque.	68,996 74	—	—	68,996 74
6° Effets escomptés et autres valeurs à brève échéance	13,595,234 12	127,462,000	—	141,057,234 12
7° Avances en comptes-courants spéciaux sur effets de commerce	60,000 —	1,226,000	—	1,286,000 —
8° Avances en comptes-courants spéciaux sur titres	4,152,275 93½	13,207,000	—	17,359,275 93½
9° Prêts sur titres - - - - -	5,949,153 24	24,041,000	—	29,990,153 24
10° Prêts sur marchandises - - - - -	50,221 76	21,528,000	—	21,578,221 76
11° Prêts sur warrants, connaissements, etc -	—	645,000	—	645,000 —
12° Prêts à des propriétaires fonciers - - -	628,229 79	13,036,000	—	13,664,229 79
13° Prêts à des entrepr. industrielles - - -	7,567,574 26	4,750,000	—	12,317,574 26
14° Prêts à des artisans (industrie domestique) -	521 50	607,000	—	607,521 50
15° Prêts destinés à faciliter l'acquisition de matériel agricole	—	1,702,000	—	1,702,000 —
16° Compte des avances à des intermédiaires -	5,883 69	75,000	—	80,883 69
17° Prêts à des municipalités et à des assemblées provinciales (zemstvo)	—	58,000	—	58,000 —
18° Sommes dues par les Monts-de-Piété de St- Pétersbourg et de Moscou.	2,658,000 —	977,000	—	3,635,000 —
19° Effets en souffrance - - - - -	1,055 61	214,000	—	215,055 61
20° Prêts en souffrance sur immeubles - - -	237,933 48	2,980,000	—	3,217,933 48
21° Titres appartenant à la Banque - - - - -	9,213,036 38	18,077,000	5,442,000	32,737,036 38
22° Titres en commission - - - - -	385,054 91	—	—	385,054 91
23° Soldes créditeurs des comptes avec la Banque de la Noblesse et celle des Paysans, ainsi qu'avec d'autres institutions de l'Etat.	6,264,753 96	1,850,000	—	8,114,753 96
24° Dépenses de la Banque et divers - - - - -	3,585,646 05½	3,246,000	—	6,831,646 05½
25° Compte de la Banque avec des comptoirs et des succursales.	185,091,862 79½	—	—	185,091,862 79½
26° Compte des Trésoreries avec des comptoirs et des succursales	—	—	41,221,000	41,221,000 —
	1,464,086,332 64½	385,492,000	124,328,000	1,974,506,332 64½

De plus dépôts en garde:

Appartenant à des particuliers et à des institutions privés

Or et argent, d'après l'évaluation des déposants - - - - - 5,311,866 r 40 c

Titres et documents - - - - - 2,696,673,993 r 19 c.

(1) Suivant renseignements télégraphiques en milliers de roubles.

(2) Cet article comprend l'or à l'étranger appartenant seulement à la Banque de l'Etat; l'or à l'étranger appartenant au Trésor impérial ne figure pas dans le bilan.

L'ETAT AU 1^{er} MARS 1898.

PASSIF.

	A St-Petersbourg.	Aux autres comptoirs et succurs. (1).	Aux Trésoreries (1).	TOTAL.
1 ^o Billets de crédit en circulation - -	940,000,000 —	—	—	940,000,000 —
2 ^o Quitances métalliques en circulation -	18,830 25	—	—	18,830 25
3 ^o Traités tirés sur l'étranger par la Banque -	1,548,303 48	—	—	1,548,303 48
4 ^o Capital de fondation - - -	50,000,000 —	—	—	50,000,000 —
5 ^o Capital de réserve - - -	3,000,000 —	—	—	3,000,000 —
6 ^o Capital destiné à construire des hôtels pour les succursales.	267,356 58½	—	—	267,356 58½
7 ^o Dépôts à terme - - -	3,111,041 76	25,889,000	—	29,000,041 76
8 ^o Dépôts à vue - - -	10,427,082 71½	58,932,000	—	69,359,082 71½
9 ^o Comptes-courants.				
a. Du Trésor - - -	307,625,931 15	—	—	307,625,931 15
b. De sommes spéciales et de dépôts -	—	—	124,328,000	124,328,000 —
c. De diverses institutions de l'Etat et administrations publiques	87,878,049 55½	7,498,000	—	95,376,049 55½
d. De particuliers, d'établissements de crédit et de Sociétés par actions.	18,185,785 73½	60,561,000	—	78,746,785 73½
10 ^o Compte de la section pour le règlement des comptes entre les Sociétés de chemins de fer.	21,873,425 67½	—	—	21,873,425 67½
11 ^o Mandats à acquitter - - -	1,223,916 77	6,446,000	—	7,669,916 77
12 ^o Intérêts perçus reportés à l'exercice 1898 -	523,278 01½	4,708,000	—	4,626,278 01½
13 ^o Intérêts dus sur les dépôts, sommes transitoires et divers	9,589,057 04	6,312,000	—	15,901,057 04
14 ^o Compte des comptoirs et des succursales avec la Banque	—	196,074,000	—	196,074,000 —
15 ^o Compte des comptoirs et des succursales avec des Trésoreries.	9,914,373 90½	19,787,000	—	29,701,373 90½
	1,464,636,333 64½	385,492,000	194,328,000	1,974,506,332 64½

Le gouverneur de la Banque de l'Etat ED. PLESKEF.

Le chef de la Comptabilité Centrale: E. SLANSKY.

It must be remembered that in countries having a gold standard the amount of gold required for circulation is small in comparison with the other demands, under normal conditions. This is in great part due to the cheque system, which is almost entirely lacking in Russia, and great inconvenience is consequently felt, as heavy weights of cash have continually to be sent backwards and forwards. When once the Government have dispersed among the people as much gold as they think desirable, it seems likely that they may proceed to develop the cheque system, and thus at once lessen the amount of gold required for circulation and meet the public convenience.

A minor objection to the currency is that the half imperial, though equivalent to 20 francs, does not represent an *even* amount of Russian money (7 roubles 50 kopecks) or a multiple of five. At the discussion of the reforms it was proposed that a 10-rouble piece should be struck containing 7.742 grammes of gold, and that this should form the chief coin, but the proposal was rejected on the ground that it was necessary to adhere to the imperial in its old form, under the new denomination, that being sufficient change for the time.

The reform has lost to the Government one considerable source of profit, *i. e.*, gold is not subject like notes to destruction by fire or otherwise. On the other hand, the system of savings banks is not very widely developed here among the agricultural classes, and the hoarding of gold by the peasants will affect the Government quite differently to the hoarding of paper. The urban classes, however, deposit largely in the savings banks.

A notice has just appeared in the papers, both local and foreign, which is a corollary to the previous acts, stating that the interest on the internal loans (which were raised in credit roubles) will be paid to those that hold such stocks abroad at prices in any case not

lower than 100 roubles = 266 67 francs = 216 marks = 10*l.* 11*s.* 5*d.*

St. Petersburg, April 6, 1898.

T. B. HOHLER.

April 12, 1898.

P S—Since writing the above, the intention announced by Mr. Witte in his Budget Report for this year, in regard to the silver coinage, has been carried into effect. An Imperial Ukase, under date of March 30 (April 11), is published in to-day's papers, which, after referring to the establishment of the rouble as equivalent to one-fifteenth of an imperial, and to the free exchange of notes for cash, in virtue of the Ukases of 1897, enacts the following, in order to give complete sequence to those Ukases and to the decree of July 16, 1883, forbidding the free coinage of silver for private persons.

I. The total of silver issued and in circulation, whether of full value coins (roubles, half roubles, and 25 kopek pieces) or of token money (20, 15, 10, and 5-kopek pieces), is not to exceed three times the number of the total population of the empire.

II. The maximum amount of legal tender of silver, which private persons are bound to accept, is fixed at 25 roubles. The local treasures, however, and the public offices will receive it to any amount and for all payments, *excepting* for customs and other duties levied in gold, which must be paid in gold, unless the amount is less than five roubles (the smallest gold coin being of that denomination).

III. All calculations for all accounts, transactions, and business of whatever sort, are henceforth to be based on the rouble as the equivalent of one-fiftieth of an imperial.

T. B. H.

MISCELLANEOUS.

No. 60.

MEMORANDUM BY PROFESSOR EDUARD STUSS (VIENNA)
ON THE NEW GOLD DISCOVERIES

(Received and read at a meeting of the Manchester Literary and Philosophical Society, April 5th, 1898.)

Referred to in Question No 12,838

Reference has lately been made in the Proceedings of the Society to my small book on "The Future of Gold," published in 1877, and a desire has been expressed to learn my opinion on the present situation. My opinion is that the succession of rich discoveries and the energy of mining operations accelerate the exhaustion of the resources in gold offered by nature to mankind, and at the same time hasten the approach of a universal economic danger.

When Germany, after the war of 1870, adopted the gold standard, the Government was supported by distinguished men, of well-deserved renown in economical affairs, but without the necessary deference to the geological side of the question. That is why, in 1877, I ventured to remind them that the production of silver would not be reduced in the ratio of the fall in its value, that the source of available gold would not be sufficient to provide a gold standard for the whole world, and that the epoch was inevitable, probably after a few centuries, when the production of gold must diminish steadily and in a high degree, and this metal, with increasing rarity, would no longer be able to retain its present economic position.

The evidence seems very clear. The Greek philosophers knew that gold was only found on the utmost frontiers of civilisation, and Humboldt emphasized the fact that all subsequent centuries have proved the truth of this observation. The same experience has occurred, since Humboldt's time, in Eastern Siberia, in the Rand, in Western Australia and on the Yukon, up to the present day. The rich discoveries have always been dependent on geographical expansion. Each such discovery has yielded gold to mankind through a certain time, according to the richness of the deposit and the energy of working, and has then ceased. Now, as the extent of unexplored country is limited, and the distribution of gold-bearing rocks within these districts is

also limited, it must never be forgotten that the entire sum of gold still attainable by man is also a limited figure.

This constant displacement of mining operations forces them beyond the regions of congenial climate. The consequences are well shown in Mr Goodrich's description of gold-mining on the Yukon, contained in Spurr's excellent Alaskan Report to the U S Geological Survey. Firstly, we must remember that all gold from the Yukon comes from placers, and consequently cannot be compared to the gold won at the Treadwell Mine, Alaska, which is mined under wholly different and exceptionally happy circumstances on Douglas Island, near the entrance to Lynn channel. The Cassiar district, near Dease Lake, British Columbia, is of the same type as the Yukon placers. This district gave 1,000,000 dollars in 1874, then receded gradually to 22,000 dollars in 1897, and is now exhausted. Cassiar has given experienced prospectors and miners to the Yukon district. But here, on the banks of the Yukon, frost reigns through eight months of the year.

The prolonged and intense cold is a serious impediment to placer work and only the richest deposits can pay. Gold of coarse grain is, by the high specific gravity of the metal, much easier to separate from the wash dirt than the fine gold particles of even a rich silt. Therefore, the prospectors push up to the higher parts of the creeks, where frost and snow are even more excessive, food is wanting, and every sort of transport becomes extremely difficult. In some places, the miners melt the frozen ground by fire, sink shafts, and throw out the pay-dirt for washing during the short summer. But, as the number of persons who endure all these hardships is small, only the richest places are worked, and every new and better find causes the desertion of the old place.

In 1886 Stewart River was abandoned when Forty Mile Creek was discovered, and in 1896 Forty Mile Creek was quit for Klondike. The consequence is a very incomplete harvest. It is improbable that hydraulic arrangements in this severe climate will pay, and the establishment of quartz mining is likewise highly improbable by authorities.

The production from the placers of all the Alaskan river valleys in 1896, together with the Yukon creeks on British territory, but without those on Cook's Inlet on the seaboard, was estimated by the Alaskan Mining

Record at 2,170,000 dollars, and by Mr. Goodrich at 1,700,000 dollars, showing how difficult it is to obtain trustworthy figures from districts of this kind.

In comparing the various fluctuations which the world's production of gold shows since the early ages, I, in 1877, thought myself entitled to suppose that these fluctuations would continue during the next few centuries until the time of final exhaustion. This supposition was erroneous. The facilitation of every sort of communication which has taken place during these 21 years, the immense expansion of the white race, the magazine rifle, the increased experience of the prospector, the fabulous credulity of the mass risking thousands after thousands in 11 shares on enterprises with but the faintest spark of hope, and many other circumstances, combine to the effect that, in place of the continued fluctuations, presumed by me in 1877, the whole production of the world now tends to unite into one great wave, and, consequently, to hasten the end, and to increase the danger. It is a further consequence of this state of things, that the distance of this end may no longer be measurable by centuries.

But, along with this increase of the world's production, every sort of activity has increased all over the world, hundreds of new exigencies have arisen, and the question may be raised whether the production of gold and the new necessities have grown in a comparable manner during recent years.

Every figure in these matters can only be more or less rudely approximate. The figures of production, of export and import of gold, which I beg leave to cite below, are taken from the last excellent publication of the United States Director of the Mint, Mr. Preston. I am aware that in these figures the production of gold for the United States is given for the calendar year as for the rest of the world, and the figures of export and import are given for the United States fiscal year ending June 30th. This may displace a part of the figures, but cannot affect the general conclusion.

In 1877 the world's production had decreased to 218 millions sterling, and from that time the rise was constant, until in 1897 50 millions sterling was reached; the estimate for 1898 is 55 or 56 millions sterling.

Three-quarters of this sum is produced by four parts of the world: Australia, South Africa, Russia, and the United States. It is a very wide-spread delusion that these four countries really deliver up all their gold to the world's use. In reality, the case is very different.

Let us only consider the last four years, 1893-96, for which we possess the necessary figures.

The net export of gold from Australia during these four years teaches that one-half of the production (82 million dollars out of 167 million dollars) was retained for home purposes, and only one-half was exported.

South Africa, in the same time, retained about 31 per cent. of her production, and delivered up 69 per cent. (108 million dollars out of 158.2 million dollars).

Russia, during all these years, shows high figures of net import. We see that Russia retained all her own production, and continued to draw gold from other parts of the world.

The United States have, under the influence of economic changes, exported in some years a greater and in others a smaller part of their production; it has even happened that they have exported more gold than was produced. But since the middle of 1890 the current has wholly changed. Since that time they also have retained all their production, and drawn on the rest of the world.

If you will take the trouble to subtract the production of these four countries from the production of the world, and add their net export to the rest (always basing on Mr. Preston's figures), you may obtain the approximate sum of new gold really left to the disposal of the rest of the world during this time.

These figures are:—

1893, world's production 330 millions sterling

reduced to 168 millions sterling.

1894, world's production 380 millions sterling

reduced to 141 millions sterling.

1895, world's production 418 millions sterling

reduced to 207 millions sterling.

1896, world's production 486 millions sterling

reduced to 177 millions sterling.

This means a world's production of 357 millions sterling per annum, out of which only 145 millions sterling per annum were at the disposal of the world, excepting the four countries named. At the same

time the variability of the reduced figures may be seen (one of them showing even a negative result), and the treacherous character of averages. But, although the production varies, the variability of demand is incomparably greater, having regard to quantity as well as to origin. It may be said that the bad harvest in Europe, and Russia's preparations for a gold currency, are claims of a temporary and passing character which give abnormal figures. But the demands are very often of a temporary character, and it is a justifiable requirement that the disposable quantity of gold should be adequate even to meet much stronger claims; let us not speak of war.

In 1897 the position was no better, and it is hard to assume that it will be much improved in 1898.

In Australia the export of agricultural products is rather retrograde, English capital has also been withdrawn, and therefore Australia gives more gold, the export of gold to Europe has been strong in 1897 and is expected to be considerable in 1898 (say 11 to 13 millions sterling).

South Africa delivers up a great part of her increasing production, but part of the outcrop mines on the Rand have already closed up; the life of others is reckoned approximately to last four or five years longer. The life of the deep levels is estimated by mining authorities at about 25 years. Let us accept these figures. South Africa is now not only one of the very first producers, but also delivers up the greatest part of her gold, and let us ask, What after 25 years?

Russia has continued her gold policy, she has retained her own produce (65 millions sterling or more) and has continued to import foreign gold. Mr. Witte's last report says that in 1897, 10.9 million dollars have been added to the Government's gold treasure, besides very large sums of gold which entered into commerce.

The United States in 1897 likewise retained their own production (11 millions sterling), and continued to draw on the rest of the world. Their net export in trade in 1897 amounted to about 70 millions sterling. During recent years a certain amount of American railway securities seems to have returned homewards, thus narrowing one of the channels by which Europe received American gold.

Besides these variable contingencies, and besides the hoarding of gold treasure by Austria-Hungary and Japan, there appear a great number of exigencies which are not temporary but are constantly increasing. I first mention the consumption of gold in the arts and industries, which for the world (excepting the said four countries) is estimated at about nine millions sterling per annum. Then comes the increasing demand for circulation in the very few parts of Europe which possess a gold currency. Everybody feels the necessity of reinforced metallic reserves for banking institutions to face the quite incalculable quantity of paper values and the manifold kinds of habits. Let me call to your mind that the increase of business of the Deutsche Reichsbank in 1897 alone amounted to 500 millions sterling, that the demands for new capital at London were 491 millions sterling in 1893 and rose to 918, 1047, 1528 in the three succeeding years respectively, and in 1897 to 1572. I do not add more figures, as we all live in the midst of the bee-hive ourselves.

The effect of all this is that, although the world's production of gold is more than twice as great as it was ten years ago, still the struggle for gold is, to say the least, quite as sharp as it was then.

But all this is only one side of this disastrous affair. Now come the consequences of the yearly increasing difference in the relative values of gold and silver. I do not intend to speak of the influence of this fact on prices, nor on different branches of industrial and agricultural activity, but I wish to say a few words on Asia.

India has from 1893 to 1896 produced 18.55 millions sterling of gold. Exports and imports of gold have been extremely variable; still India had a net import of 2.29 millions sterling for these years, so that the Indian production also was not delivered up to Europe. But this home production is of small account for the country. India, deeply and innocently injured by the fall of silver, now hardly strong enough to bear the burden of her debts amounting already to about 18 millions sterling in gold per annum, loaded with new gold debts to pay old interest and with new experiments; the same India to which in 1893 an eminent Indian statesman thought to assure a gold circulation by means of merely 10 millions sterling, and which is now, six years later and after the great increase of the world's production, haunted by the spectre of a gold

standard without gold: this vast and rich empire, blessed by nature and sprinkled with the blood of so many of England's noblest children, is at this moment a deterring way-mark on the path which China is being forced to enter. Can any earnest man, casting his eye over the world's increasing traffic, and over this great and increasing gold monetary movement, which we are witnessing, I say, can anyone believe that this process may be called upon by a modern Joshua to stand still at 1s. 4d. ? But is not this forced application of a foreign standard the resurrection of that colonial policy of past times, condemned by history and by civilisation? Does advanced Europe, proud of her Christianity, indeed think of subduing foreign nations by giving to each of their liabilities an ulcerating character? Do enlightened statesmen not perceive, that in Asia, that ocean of mankind, no reasonable policy of whatever direction is compatible with a gold standard?

These are the conditions under which we float towards a great monetary crisis. Yukon will not be the last of the rich discoveries. Some others probably are still reserved for the near future, be it on the north of the Kuenlun Range, or in Central Africa, in Siberia, or in any other distant part of the world. Other sources will decline but, *in toto*, the world's production will for some time continue to increase. The necessities of mankind will also continue to increase, and probably even in a higher degree. Then the apex of the wave of production will be attained, the final decrease of gold will begin, but the necessities of mankind will continue to increase. Perhaps America will in the meantime decide upon the free coinage of silver, and, setting up a monetary barrier right across the traffic of the world, will deter the final crisis of gold. We cannot foresee the single events, but we can see the line of drift.

Germany has loosened the old tie of gold and silver, without anticipating the consequences. In the long run the profits have, without any merit, fallen to the bondholders, and the losses, without any fault, to the debtors. The holders of foreign securities in England are actually in the first line responsible to the world for the continuation of this state of monetary affairs, so perilous also for themselves.

I know well that personal interest is a very strong item, but national interest is a stronger item, and, when national interest speaks, personal interest must rest silent. But the interest of humanity is a stronger item still, and, even if national interest should eventually point another way, which I contend is not here the case for England, the common interest of humanity must prevail. A great nation, claiming to be a leading member of mankind, must feel this as a duty.

No. 61.

LETTER from Mr. ROBERT BARCLAY with reference to Questions 11,666 and 12,016.

Sedgley Hall, Prestwich,
Manchester.

DEAR SIR HENRY, April 25, 1899.

I observe in Volume 2 of Minutes of the Evidence taken by the Currency Committee that Mr. O'Connor, in answer to 12,016, states that some newspaper or publication quoted a telegram purporting to be addressed by Mr. Forbes Mitchell, of Calcutta, to the President of the Indian National Congress, to the effect that "Mr. Barclay, Chairman of the Manchester Chamber of Commerce, hopes the National Congress will protest against a gold standard," and he stated further that this was an illustration of attempts made from England to excite dissatisfaction, though he admitted that a resolution of protest had been passed before receipt of such telegram.

I desire to give an unqualified contradiction to the suggestion put forward by Mr. O'Connor, or that I was concerned in this matter. As I mentioned when I informed the Committee (11,666) that I had received a telegram from the President of the Indian National Congress, I do not know that gentleman, and my correspondents in India have no connexion with the

Congress—and to these facts I would add that I made no communication whatever to Mr. Forbes Mitchell upon the subject.

I feel it due to myself to address you on this matter, and, in order to prevent any misconception, I would ask that you will kindly allow this letter to appear in the Appendix.

I remain, &c.

ROBERT BARCLAY

The Right Hon.

Sir H. H. Fowler, G.C.S.I., M.P.

No. 62.

LETTER from Sir W. WEDDERBURN, Bart., M.P., with reference to Questions 12,015-6.

Office of the British Committee,
Indian National Congress,
8, Palace Chambers,
Westminster, S.W.

SIR,

The statements contained in Mr. J. E. O'Connor's replies to Questions Nos. 12,015 and 12,016 in the Evidence of the Indian Currency Committee, have excited much comment in India, and I have been requested by Mr. D. E. Wacha, Hon. Joint General Secretary of the Indian National Congress, to point out to your Committee that Mr. O'Connor is under a misapprehension as regards the origin of the Currency Resolution passed last Christmas by the Indian National Congress. Mr. O'Connor appears to be under the impression that this Resolution was prompted by a telegram sent by the Chairman of the Manchester Chamber of Commerce, expressing a hope that the Congress would protest against the gold standard. Had this telegram been received while the Congress was preparing or discussing the Resolution, the communication would, no doubt, have received the respectful attention due to so high an authority. But such was not the case. As a matter of fact the telegram did not reach the hands of the President of the Congress until some time after the speeches on the Currency question had been made, and the resolution carried.

But irrespective of the date on which the telegram reached the Congress, it is evident that Mr. O'Connor was ignorant of the procedure according to which resolutions are drafted for submission to the Congress. Before any resolution is submitted to the Congress the draft is circulated for approval to the different Congress circles in all parts of India. This is done about two months before the date of the Congress, and the opinions thus obtained are considered by the Subjects' Committee, and the draft is revised and, if necessary, amended before submission to the Congress. This was exactly what was done in the case of the Currency resolution. The topic had become inevitable owing to the proceedings of the London Currency Committee, and the whole subject had been freely discussed in the Indian community and the press months before the date of the Congress. Looking to these facts it is evident that Mr. O'Connor's suggestion, that the Congress Resolution was prompted by a telegram received from Manchester at the last moment, could not possibly have been true, and it is much to be regretted that a gentleman who holds the office of Director General of Statistics, and appeared as a witness on behalf of the Indian Government should have permitted himself to make such a reflection upon an important representative body without first ascertaining the correctness of the facts upon which his inference was based.

Such being the case, Mr. Wacha is naturally anxious that the real circumstances should be known, and I shall esteem it a favour if you will communicate this letter to your committee with a view to its appearing as an appendix to the final proceedings of that body.

I have, &c.,

W. WEDDERBURN,

Chairman, British Committee,
Indian National Congress.

The Right Hon.

Sir H. H. Fowler, G.C.S.I., M.P.

APPENDIX II.

FINANCIAL AND STATISTICAL TABLES.

A. Tables and Diagrams received from the India Office.

1. EXPORTS OF MERCHANDISE, GOLD, and SILVER, on PRIVATE and on GOVERNMENT ACCOUNT (so far as this is distinguished), 1850-51 to 1898-99

2. IMPORTS for the same period.

3. NET TRADE on PRIVATE ACCOUNT for the same period.

4. IMPORTS OF STORES on account of the GOVERNMENT, distinguishing Railway Materials from other STORES, 1872-73 to 1898-99.

5. NET IMPORTS OF GOLD and SILVER, showing the Weight and Value, 1887-88 to 1898-99

6. AVERAGE RATE OF EXCHANGE for BILLS and TELEGRAPHIC TRANSFERS on INDIA, 1850-51 to 1898-99.

7. NET AMOUNT OF REGISTERED DEBT in INDIA, borrowed, paid-off, and encased for payment of Interest in London, 1850-51 to 1899-1900

8. AMOUNT OF CAPITAL PAID by Railway or Irrigation Companies into the Government Treasuries in India or raised by Railway Companies in India, 1850-51 to 1899-1900.

9. NET DISBURSEMENTS in ENGLAND from 1850-51 to 1899-99, inclusive, and the mode in which those disbursements were provided for.

9A. GOVERNMENT REMITTANCES from INDIA, RECEIPTS from IMPERIAL GOVERNMENT, &c.

9B. CAPITAL RAISED and WITHDRAWN in LONDON by Guaranteed Railway and Irrigation Companies.

9C. DEBT INCURRED in LONDON (excluding debt incurred for Purchase of Railways or Canals, or to pay off Debentures issued by Railway and Irrigation Companies); also CAPITAL OUTLAY in ENGLAND on RAILWAYS and IRRIGATION WORKS for which no specific debt has been incurred in London.

10. INDIAN STERLING DEBT, 1878-99, showing Debt assumed to have been incurred for Railways and Irrigation Works.

11. Sterling payments, 1878-99, on account of INTEREST on DEBT and ANNUITIES created in PURCHASE of RAILWAYS.

12. PRICE of SILVER; RATE of EXCHANGE, CHARGE for EXCHANGE; SURPLUS or DEFICIT in the ACCOUNTS of the INDIAN GOVERNMENT for the Years 1872-73 to 1898-99.

13. DIAGRAM showing RATE of DISCOUNT at PRESIDENCY BANK of BENGAL from 1861 to 1899

14. AVERAGE MINIMUM RATE of INTEREST at BANK of BENGAL for each half-year from 1854 to 1898.

15. DATES of CHANGES in the MINIMUM RATE of INTEREST of the BANK of BENGAL from 1874.

16. DIAGRAM showing the INTRINSIC and EXCHANGE VALUES of the RUPEE and the LONDON PRICE of SILVER, 1892-99.

17. PRICE of BAR SILVER in BOMBAY from 1893 to 1899.

18. PRICE of BAR GOLD in INDIA from June 1893.

19. COINAGE of SILVER in INDIA from 1850-51 to 1898-99.

20. GOVERNMENT CASH BALANCES in INDIA on the last day of each month, 1876-77 to 1898-99.

21. Monthly CASH BALANCES held in INDIA by GOVERNMENT and by PRESIDENCY BANKS, 1858-99.

22. CAPITAL RAISED in ENGLAND by INDIAN RAILWAY COMPANIES not GUARANTEED by the SECRETARY OF STATE, 1870 to 1898.

23. QUANTITY of SILVER ACCEPTED and PASSED into MINTS by NATIVE STATES, 1891 to 1893.

24. NET CIRCULATION of CURRENCY NOTES, 1887-88 to 1898-99.

25. RATES of REMITTANCE to and from INDIA, 1893-99.

B. Tables and Diagrams prepared by Mr J E O'Connor, C.I.E.

26. Indian and Sterling PRICES of certain COMMODITIES from 1888.

27. VARIATIONS in WHOLESALE PRICES of EXPORTS at CALCUTTA, BOMBAY, and BANGSPOON.

28. VARIATIONS in WHOLESALE PRICES of IMPORTS at CALCUTTA.

29. Diagram illustrating the two preceding Tables.

30. VARIATIONS in the RETAIL PRICE of RICE since 1861.

31. VARIATIONS in the RETAIL PRICE of WHEAT since 1861.

32. VARIATIONS in the RETAIL PRICE of JAWAR since 1861

33. VARIATIONS in the RETAIL PRICE of BAJRA since 1861

34. VARIATIONS in the RETAIL PRICE of RAGI since 1861.

35. VARIATIONS in the RETAIL PRICE of GRAM since 1861.

36. VARIATIONS in the RETAIL PRICE of BARLEY since 1861.

37. VARIATIONS in the RETAIL PRICE of the SEVEN FOOD-GRAINS mentioned in Nos. 30 to 36.

38. Diagram illustrating No. 37.

39. VARIATIONS in WAGES of SKILLED and UNSKILLED LABOUR

40. Abstract of No. 39

41. WAGES of POSTAL RUNNERS and POSTMEN.

42. Diagrams illustrating the comparative levels of PRICES and WAGES in India

43 and 44. WAGES in COTTON MILLS at CANNINGPORT.

45. WAGES in the ARMY EQUIPMENT FACTORY, CANNINGPORT.

46. WAGES in the BREWERY at RAWAL PINDI.

47. REVENUE and EXPENDITURE of INDIA, 1873-74 to 1899-99; Amount of DEBT and CAPITAL OUTLAY on PUBLIC WORKS at end of 1873-74 compared with AMOUNT at end of 1898-99.

48. RAILWAY REVENUE and EXPENDITURE, 1875-76 to 1898-99.

49. OFFENCES AGAINST THE COINAGE, 1889 to 1897.

50. IMPORTS and EXPORTS of GOVERNMENT RUPEES from October 1883

51. EXPORTS OF MERCHANDISE (Values) and RATE of EXCHANGE, 1876-77 to 1898-99.

52. EXPORTS of STAPLE ARTICLES of TRADE (Quantities) and RATE of EXCHANGE, 1885-86 to 1898-99.

53. REVENUE from each SOURCE of TAXATION in INDIA, 1865-66 to 1899-1900.

54. Diagram illustrating No. 51.

55. Diagram illustrating No. 52.

56. Diagram illustrating No. 53.

C. Tables and Diagrams handed in by Witnesses and others.

57. Figures relating to EXPORT of TEA from CHINA (Sir A. Dent)

58. IMPORTS and DELIVERIES of TEA, 1866 to 1898 (Mr. W. J. Thompson).

59. Mr. Sauerbeck's Index Numbers of Commodities and Silver (Mr. Cheetham).

60. EXPORTS from INDIA and RATE of EXCHANGE (Mr. Orzechowski)

61. PRICES in INDIA, 1892 to 1895 (Mr. Dutt).

62. Diagram showing BANK of BENGAL RATES and IMPORTS of SILVER, 1870 to 1897 (Mr. Cheetham).

63. Diagram of PRICES of certain GRAINS at MEERUT, 1861-98 (Sir A. P. MacDonnell).

64. Diagram of PRICES in INDIA and ENGLAND: GENERAL COMMODITIES (ENGLAND) (gold and silver prices) from 1846 to 1897; SILVER in LONDON from 1846 to 1897; GENERAL COMMODITIES and WAGES in INDIA from 1861 to 1896; INDIAN IMPORTS from 1873 to 1898; INDIAN EXPORTS from 1873 to 1894 (Professor Marshall).

65. Diagram showing FOOD PRICES in INDIA from 1861 to 1895; RAINFALL in INDIA from 1861 to 1896; RATE of DISCOUNT in CALCUTTA (Bank of Bengal) from 1860 to 1897; and RATE of INDIAN EXCHANGE on ENGLAND from 1861 to 1898 (Professor Marshall).

66. Diagram showing NET IMPORTS of GOLD and SILVER into INDIA, RATE of INDIAN EXCHANGE on ENGLAND, and LONDON PRICE of SILVER, from 1860 to 1897 (Professor Marshall).

67. Diagram showing RATE of INDIAN EXCHANGE on ENGLAND from 1870 to 1897; IMPORTS of COTTON FIBRE Goods into INDIA from 1870 to 1896; and EXPORTS of WHEAT from INDIA from 1873 to 1897 (Professor Marshall).

68. Diagram showing the PRICE of JAWAR from 1861 to 1896 (Professor Marshall).

69. Diagram showing course of WAGES and PRICES in UNITED STATES from 1860 to 1891 (Professor Marshall).

No 1.

EXPORTS OF MERCHANDISE, GOLD, and SILVER, on PRIVATE and on GOVERNMENT ACCOUNT (so far as this is distinguished), 1850-51 to 1898-99.

Year.	On Private Account.				On Government Account				Total.			
	Merchandise.	Gold.	Silver.	Total.	Stores.	Gold.	Silver.	Total.	Merchandise.	Gold.	Silver.	Total.
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
1850-51	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1851-52	—	—	—	—	—	—	—	—	18,164,150	2,016	636,273	19,798,439
1852-53	—	—	—	—	—	—	—	—	19,879,254	71,165	847,928	20,794,342
1853-54	—	—	—	—	—	—	—	—	20,464,638	168,805	885,208	21,518,641
1854-55	—	—	—	—	—	—	—	—	19,295,141	17,365	1,464,899	20,777,395
1855-56	—	—	—	—	—	—	—	—	15,927,223	151,431	1,115,537	20,164,191
1856-56	—	—	—	—	—	—	—	—	23,030,268	2,108	598,418	23,630,794
1856-57	—	—	—	—	—	—	—	—	25,338,463	84,788	1,104,448	26,527,699
1857-58	—	—	—	—	—	—	—	—	27,456,056	47,011	708,384	28,269,451
1858-59	—	—	—	—	—	—	—	—	29,862,971	10,986	651,350	30,525,107
1859-60	—	—	—	—	—	—	—	—	37,909,303	3,863	921,363	38,834,539
1860-61	—	—	—	—	—	—	—	—	32,970,805	9,872	1,106,627	34,087,104
1861-62	—	—	—	—	—	—	—	—	36,317,042	6,097	873,080	36,996,138
1862-63	47,854,700	33,410	—	—	4,825	—	—	—	47,860,545	33,410	1,077,244	49,970,209
1863-64	66,611,603	27,106	—	—	13,846	—	—	—	66,625,449	27,106	1,340,450	68,033,005
1864-65	68,013,442	35,098	—	—	13,574	—	—	—	68,027,016	35,098	1,400,522	69,471,606
1865-66	63,466,681	648,418	—	—	24,142	—	—	—	65,401,123	648,418	1,515,734	67,565,275
1866-67 (11 months)	41,859,094	730,144	1,211,291	43,510,429	—	—	481,068	481,068	41,359,094	730,144	1,092,359	44,201,497
1867-68	66,670,035	166,468	802,264	67,639,337	3,431	—	543,234	546,665	66,874,065	166,468	1,405,488	68,446,021
1868-69	58,062,166	17,624	768,463	58,838,247	—	—	619,468	619,468	58,062,166	17,624	1,377,966	59,457,756
1869-70	62,471,376	98,283	997,108	63,466,762	—	—	10,067	10,067	62,471,376	98,283	944,070	63,513,729
1870-71	53,331,855	500,463	1,086,727	54,919,005	4,361	—	838,585	837,346	53,336,186	500,463	1,720,312	55,556,961
1871-72	63,185,848	8,434	1,612,739	64,807,021	23,434	—	54,921	78,365	63,989,582	8,434	1,407,640	65,405,276
1872-73	55,235,205	73,609	1,194,970	56,510,274	14,468	—	24,100	38,568	55,263,763	73,609	1,219,670	56,548,412
1873-74	64,960,766	260,109	1,612,503	66,833,375	35,224	—	35,000	70,224	64,990,910	260,109	1,647,802	66,811,681
1874-75	66,312,241	216,701	1,377,020	67,905,962	46,979	—	32,588	79,567	66,350,264	216,701	1,469,008	67,944,749
1875-76	58,045,405	291,348	1,833,896	60,166,549	46,090	2	86,090	131,182	58,091,495	291,348	1,908,986	60,291,731
1876-77	60,961,632	1,236,302	2,706,218	64,904,152	62,359	—	87,313	139,577	61,013,801	1,236,302	2,793,536	64,043,789
1877-78	65,185,713	1,110,798	1,044,338	67,340,849	36,615	—	55,860	92,475	65,222,328	1,110,798	1,190,198	67,463,224
1878-79	60,893,611	2,359,223	1,538,322	64,789,156	43,902	—	86,683	130,585	60,897,513	2,359,223	1,625,005	64,919,741
1879-80	67,173,168	289,889	1,628,938	69,101,996	39,205	—	106,329	146,525	67,212,363	289,889	1,735,259	69,247,511
1880-81	74,631,282	16,859	1,392,544	75,940,685	49,320	—	81,033	90,308	74,580,602	16,859	1,423,582	76,021,043
1881-82	61,901,660	12,409	1,084,979	62,999,347	66,461	—	2,500	68,351	61,968,451	12,409	1,087,339	63,068,198
1882-83	63,400,686	164,294	815,005	64,380,185	84,268	—	61,200	145,468	63,486,123	164,294	1,577,965	64,227,182
1883-84	68,121,286	6,862	974,620	69,102,768	64,794	—	23,735	83,529	68,176,060	6,862	1,063,255	69,246,207
1884-85	83,206,638	106,236	1,781,094	85,093,968	54,764	—	83,300	138,064	83,256,292	106,236	1,864,394	85,226,922
1885-86	83,527,840	328,606	760,238	84,615,679	53,424	—	20,400	73,824	83,981,264	328,606	770,632	84,989,202
1886-87	88,428,069	656,463	1,028,078	90,113,171	41,457	—	36,005	77,462	88,470,117	656,463	1,064,023	90,190,633
1887-88	90,471,462	243,572	1,270,282	91,985,316	72,168	—	90,670	162,863	90,543,655	243,572	1,361,052	92,148,279
1888-89	96,978,171	805,154	1,308,343	99,091,668	71,361	—	80,850	152,311	97,040,532	805,154	1,479,163	98,835,749
1889-90	103,996,868	456,724	1,282,196	105,234,788	63,536	—	64,402	127,938	103,999,398	456,724	1,430,598	105,566,720
1890-91	100,138,722	884,600	1,207,246	102,230,574	61,626	—	51,272	142,898	100,227,246	884,600	1,338,519	102,360,365
1891-92	108,636,010	1,705,137	1,438,640	111,779,790	137,582	—	143,500	281,082	108,173,549	1,705,137	1,891,540	111,450,278
1892-93	106,535,997	4,564,472	2,334,522	113,464,991	59,478	—	23,930	89,408	106,385,475	4,594,172	2,364,462	113,254,209
1893-94	106,447,500	2,506,284	1,319,453	110,472,927	55,779	—	75,465	131,234	106,803,309	2,506,284	1,294,098	110,903,791
1894-95	108,514,909	6,730,374	1,457,843	116,713,010	98,779	—	68,055	166,334	108,913,778	6,730,374	1,493,608	117,149,820
1895-96	114,263,140	2,563,377	1,728,984	118,595,501	71,598	—	27,510	90,108	114,334,738	2,563,317	1,756,494	118,594,549
1896-97	103,014,237	2,200,141	2,725,746	106,840,187	69,799	—	11,606	81,405	103,084,096	2,200,141	2,737,355	108,021,592
1897-98	97,137,273	2,372,733	4,761,486	104,671,492	95,506	—	14,478	106,986	97,633,781	2,372,733	4,778,914	104,787,428
1898-99	112,722,023	2,336,646	5,071,535	120,130,204	78,282	—	3,240	81,492	112,801,181	2,336,646	5,074,773	120,212,602

The transactions on account of the Government are not recorded separately before 1882-83, and but imperfectly before 1879-71.

No. 2.

IMPORTS OF MERCHANDISE, GOLD, AND SILVER, ON PRIVATE AND ON GOVERNMENT ACCOUNT (SO FAR AS THIS IS DISTINGUISHED), 1850-51 TO 1898-99

Year.	On Private Account.				On Government Account				Total.				
	Merchandise.	Gold.	Silver.	Total.	Stores.	Gold.	Silver.	Total.	Merchandise.	Gold.	Silver.	Total.	
	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.
	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.	Ex.
1850-51	—	—	—	—	—	—	—	—	—	11,558,780	1,155,310	2,666,498	15,370,587
1851-52	—	—	—	—	—	—	—	—	—	12,940,490	1,333,778	3,713,360	17,987,628
1852-53	—	—	—	—	—	—	—	—	—	10,070,562	1,341,106	5,400,227	16,802,195
1853-54	—	—	—	—	—	—	—	—	—	11,122,659	1,078,708	3,770,843	15,972,210
1854-55	—	—	—	—	—	—	—	—	—	12,742,070	883,721	1,145,127	14,770,928
1855-56	—	—	—	—	—	—	—	—	—	13,943,404	3,208,363	8,702,703	25,854,470
1856-57	—	—	—	—	—	—	—	—	—	14,194,587	3,176,002	12,327,805	29,698,394
1857-58	—	—	—	—	—	—	—	—	—	15,277,029	2,830,084	11,686,332	31,093,445
1858-59	—	—	—	—	—	—	—	—	—	21,739,578	4,437,339	3,370,092	30,546,610
1859-60	—	—	—	—	—	—	—	—	—	24,205,140	4,238,037	12,006,923	40,652,108
1860-61	—	—	—	—	—	—	—	—	—	23,403,716	4,242,441	6,434,030	34,170,798
1861-62	—	—	—	—	—	—	—	—	—	22,320,433	5,190,438	9,761,546	37,372,409
1862-63	22,286,074	6,881,500	—	—	346,410	—	—	—	—	22,632,484	6,881,506	13,627,401	43,141,351
1863-64	27,607,700	6,925,413	—	—	537,690	—	—	—	—	27,146,890	8,936,419	14,037,109	60,108,171
1864-65	27,715,193	9,875,082	—	—	425,737	—	—	—	—	28,169,928	9,875,082	11,468,320	49,613,276
1865-66	29,105,180	6,373,204	—	—	464,078	—	—	—	—	29,599,228	6,373,204	30,184,407	56,156,839
1866-67	29,614,741	4,831,472	6,648,061	42,244,274	23,974	—	—	—	7,379	29,638,715	4,831,472	8,655,493	43,275,020
1867-68	35,664,390	4,775,924	6,909,460	47,438,084	41,463	—	—	—	—	35,705,748	4,775,924	6,909,460	47,481,137
1868-69	35,931,374	6,178,376	9,189,613	50,300,068	53,708	—	—	—	789,966	35,930,143	5,176,976	9,073,978	51,144,068
1869-70	32,379,848	5,000,400	8,334,407	45,714,655	47,577	—	—	—	—	32,927,020	5,000,400	8,294,407	46,221,827
1870-71	33,246,346	2,782,574	2,662,240	38,738,089	1,159,873	—	—	—	1,159,873	34,468,119	2,782,574	3,662,240	39,013,943
1871-72	30,610,770	3,373,778	3,000,035	42,384,583	1,231,074	—	—	—	1,231,074	32,081,895	3,373,778	8,000,035	43,455,698
1872-73	30,473,069	3,022,371	1,934,214	35,008,064	1,401,566	—	—	—	1,401,566	31,874,623	3,022,371	1,034,214	36,491,210
1873-74	31,029,407	1,648,808	4,143,736	37,461,031	2,161,331	—	—	—	2,161,331	33,819,828	1,648,808	4,143,736	39,612,308
1874-75	34,045,308	2,030,236	6,051,511	42,796,989	1,676,551	—	—	—	1,676,551	36,223,113	3,069,236	6,051,511	45,344,860
1875-76	37,112,683	1,839,381	3,464,341	42,416,389	1,778,988	—	—	—	1,778,988	38,891,066	1,839,381	3,464,341	44,164,786
1876-77	35,387,177	1,443,713	9,002,466	45,833,356	3,073,454	—	—	—	3,073,454	37,440,631	1,443,713	9,002,466	48,767,761
1877-78	39,326,003	1,578,927	16,776,832	56,681,562	2,138,182	—	—	—	2,138,182	41,464,185	1,578,927	15,776,593	58,819,644
1878-79	38,066,194	1,403,050	5,938,090	45,422,944	1,334,400	—	—	—	1,334,400	37,800,694	1,403,050	5,503,939	44,707,683
1879-80	39,742,108	2,050,328	9,003,002	51,307,651	1,423,837	—	—	—	1,423,837	41,156,003	2,050,328	9,003,002	52,212,332
1880-81	40,808,334	3,072,083	6,210,150	49,380,618	3,807,030	—	—	—	3,807,030	43,110,770	3,072,083	5,210,150	51,393,003
1881-82	46,029,054	4,856,328	4,468,359	55,311,841	3,121,850	—	—	—	3,121,850	49,113,374	4,856,328	6,468,359	60,438,061
1882-83	50,003,041	5,045,136	8,368,022	63,460,199	3,002,670	—	—	—	3,002,670	52,003,711	5,045,136	8,368,022	65,416,869
1883-84	52,703,801	5,439,467	7,408,606	65,551,864	3,373,467	—	—	—	3,373,467	55,270,244	5,439,467	7,408,606	68,137,311
1884-85	53,140,311	4,778,172	9,100,878	67,098,158	2,563,761	—	—	—	9,300	52,563,111	5,708,073	4,778,172	63,049,264
1885-86	51,811,636	3,091,541	12,266,240	67,280,327	3,844,320	—	—	—	—	54,444,329	6,555,805	3,091,541	64,091,675
1886-87	55,081,463	3,333,658	6,210,701	64,714,781	3,113,630	—	—	—	3,113,630	61,777,351	3,333,658	8,210,701	73,321,710
1887-88	62,364,813	3,230,053	10,088,303	75,611,089	3,619,709	—	—	—	—	65,044,612	3,230,053	10,088,303	78,362,968
1888-89	66,570,313	3,119,088	10,725,873	80,415,278	3,870,140	—	—	—	—	69,446,467	3,119,088	10,725,873	83,287,427
1889-90	60,600,121	5,071,027	12,338,274	78,016,622	3,637,363	—	—	200	2,637,363	65,197,489	5,071,027	12,338,274	82,603,053
1890-91	60,034,000	6,809,632	13,416,634	80,260,266	3,940,470	—	—	15,000	3,955,470	71,975,370	6,809,632	12,453,654	81,238,626
1891-92	63,687,457	4,118,039	10,603,783	81,311,119	3,844,926	—	—	—	—	73,444,096	4,118,039	10,603,783	88,166,924
1892-93	63,036,030	1,781,769	16,228,021	81,045,820	3,630,247	—	—	—	—	75,366,277	1,781,769	16,228,021	93,376,067
1893-94	73,966,037	3,146,330	16,278,726	93,391,093	3,064,475	—	—	30,000	3,100,475	77,021,423	3,146,330	15,314,726	95,482,479
1894-95	70,107,433	1,786,380	7,022,727	78,916,540	3,361,535	—	—	23,200	3,384,735	73,538,993	1,786,380	7,022,727	82,348,020
1895-96	69,216,306	3,029,270	8,229,716	80,475,292	3,080,233	—	—	9,000	3,089,233	73,558,753	3,029,270	8,229,716	84,817,739
1896-97	71,914,037	4,461,179	6,534,173	82,909,389	4,187,251	—	—	—	9,211	71,904,826	4,461,179	6,534,173	82,900,179
1897-98	69,423,130	7,261,223	13,166,064	89,840,417	4,840,340	—	—	—	54,331	70,478,671	7,261,223	13,200,305	91,139,277
1898-99	63,473,243	8,640,054	9,043,503	81,156,800	3,637,463	—	—	—	11,066	72,110,716	8,640,054	9,043,503	90,804,279

The transactions on account of the Government are not recorded separately before 1862-63, and but imperfectly before 1870-71.

In these years the Government stores are, apparently, much understated.

No. 7.

NET AMOUNT OF REGISTERED DEBT IN INDIA borrowed, paid off, and faced for Payment of Interest in London, 1850-51 to 1899-1900.

Year.	Total Debt Registered on the last day of each Year.	Net Amount Borrowed during the Year.	Net Amount Paid off during the Year.	Net Amount of Rupee Paper en faced for Payment of Interest in London.*	Year.	Total Debt Registered on the last day of each Year.	Net Amount Borrowed during the Year.	Net Amount Paid off during the Year.	Net Amount of Rupee Paper en faced for Payment of Interest in London.*
1850-51	Rx. 45,428,755	Rx. 1,007,275	—	—	1877-78	Rx. 74,954,520	Rx. 3,031,394	—	—
1851-52	45,216,854	—	211,901	—	1878-79	76,838,926	3,884,406	—	1,361,859
1852-53	45,855,422	688,568	—	—	1879-80	82,872,509	4,033,583	—	3,377,791
1853-54	48,048,502	2,193,060	—	—	1880-81	85,959,746	3,087,237	—	262,932
1854-55	42,379,767	—	5,668,735	—	1881-82	88,653,162	2,693,416	—	2,392,810
1855-56	44,181,133	1,801,366	—	—	1882-83	90,688,766	2,095,604	—	74,822
1856-57	45,498,332	1,817,199	—	—	1883-84	93,191,384	2,502,618	—	493,614
1857-58	53,245,637	7,747,305	—	—	1884-85	93,183,660	—	7,724	247,661
1858-59	58,655,294	5,409,657	—	—	1885-86	92,703,932	—	479,678	1,127,479
1859-60	63,546,402	4,891,108	—	2,708,310	1886-87	92,653,636	—	50,346	1,562,807
1860-61	63,445,810	—	100,522	445,190	1887-88	98,089,862	5,436,226	—	1,569,330
1861-62	63,430,845	—	24,965	413,570	1888-89	100,879,742	2,739,880	—	895,181
1862-63	63,821,106	400,261	—	-786,620	1889-90	102,761,173	1,881,433	—	150,019
1863-64	63,408,832	—	—	-45,960	1890-91	102,746,555	—	14,620	5,137,246
1864-65	63,366,684	—	37,148	723,250	1891-92	102,692,317	—	54,238	774,546
1865-66	62,381,077	—	985,607	908,517	1892-93	102,397,552	245,235	—	1,571,960
1866-67	62,978,423	597,346	—	3,049,571	1893-94	105,546,078	2,608,526	—	1,768,320
1867-68	63,765,002	786,579	—	-341,416	1894-95	104,373,740	—	1,172,388	539,575
1868-69	68,410,691	—	354,311	331,899	1895-96	103,786,928	—	584,812	1,724,786
1869-70	63,593,422	2,182,731	—	864,479	1896-97	109,115,053	5,326,125	—	1,284,090
1870-71	66,809,657	1,216,235	—	1,401,919	1897-98	111,695,634	2,580,581	—	2,535,300
1871-72	67,968,942	1,159,385	—	-4,083,228	1898-99	112,650,434	954,800	—	92,360
1872-73	66,458,369	—	1,510,573	-316,152	(Revised Estimate)	—	—	—	—
1873-74	66,417,251	—	41,078	224,434	1899-1900	112,460,434	—	190,000	—
1874-75	69,849,339	3,482,668	—	784,975	(Budget Estimate.)	—	—	—	—
1875-76	72,773,991	2,923,023	—	1,400,528	—	—	—	—	—
1876-77	71,923,126	—	849,855	-1,247,542	—	—	—	—	—

* The figures relating to the encasement of Rupee Paper, for the years from 1859-60 to 1868-69, are taken from a Statement compiled by the Bank of Bengal. The amount for 1898-99 represents the reduction registered at the Bank of England.

No. 8.

AMOUNT OF CAPITAL PAID by Railway or Irrigation Companies into the Government Treasuries in India, or raised by Railway Companies in India, 1850-51 to 1899-1900.

Year.	Capital raised in India and paid into the Government Treasuries.	Year.	Capital raised in India and paid into the Government Treasuries.	Capital raised in India but not paid into the Government Treasuries.	Capital raised in England but paid into the Government Treasuries in India.	Total.
1850-51	Rx. 86,063	Brought forward }	Rx. 1,479,949	Rx. —	Rx. —	1,479,949
1851-52	63,589		1879-80	—	140,000	140,000
1852-53	22,381	1880-81	81,019*	—	—	81,019*
1853-54	25,189	1881-82	—	87,500	—	87,500
1854-55	134,887	1882-83	—	85,000	—	87,370
1855-56	188,643	1883-84	—	20,000	—	20,360
1856-57	71,153	1884-85	—	187,000	—	180,932
1857-58	36,283	1885-86	—	—	—	2,010
1858-59	39,489	1886-87	—	840	—	840
1859-60	20,711	1887-88	—	631	—	831
1860-61	38,344	1888-89	—	10,000	—	10,000
1861-62	30,524	1889-90	—	12,500	—	12,500
1862-63	11,530	1890-91	—	7,500	20,000	27,500
1863-64	23,810	1891-92	—	—	223,420	223,420
1864-65	22,673	1892-93	—	—	77,500	77,500
1865-66	16,579	1893-94	—	15,000	67,500	82,500
1866-67	20,080	1894-95	—	—	—	—
1867-68	44,544	1895-96	—	—	—	—
1868-69	26,016	1896-97	63,800	—	100,000	163,800
1869-70	37,580	1897-98	273,200	74,100	50,000	409,300
1870-71	404,751	1898-99	380,654	24,950	280,000	685,604
1871-72	31,030	1899-99	923,800	713	155,000	1,078,513
1872-73	10,626	(Revised Estimate.)	—	—	—	—
1873-74	1,373	1899-1900	460,100	—	65,500	525,600
1874-75	—	(Budget Estimate.)	—	—	—	—
1875-76	—	—	—	—	—	—
1876-77	99,362	—	—	—	—	—
1877-78	637	—	—	—	—	—
1878-79	301	—	—	—	—	—
Carried forward }	1,479,949		8,676,866	614,263	1,038,930	5,289,049

* Includes Rx 80,931, contribution by Casualty Fund of the Great Indian Peninsula Railway Company to Capital, treated as Capital not bearing interest, a Y 4073.

STATEMENT showing the NET DISBURSEMENTS in ENGLAND in each Year from 1850-51 to 1898-99 inclusive, and the mode in which those Disbursements were provided for.

Year	Net Disbursements (excluding Discharge of Debt and all Capital Transfers.)	Capital Outlay on Railways and Irrigation Works (see Statement C.)	Discharge in England of Rupee Debt	Total.	Total Remittances from India (see Statement A)	Net Receipts from, or Withdrawals (-) by Railways, &c. Companies on Capital Account (see Statement B)	Net Money raised in London on Loans, or discharged (-), excluding specific Debt for Railways and Canals (see Statement C.)	Money raised under Act of 51 Vict. c. 5. for Advances to Railway Companies	Sale of Investments or Money invested (-) in the Public Funds.	Total.	Balance Increased or Decreased (-).
	£	£	£	£	£	£	£	£	£	£	£
1850-51	3,861,882	—	625	3,862,507	4,117,024	856,017	-100	—	-800,000	4,811,941	949,434
1851-52	3,510,579	—	230	3,510,809	2,963,105	187,112	—	—	—	3,120,217	-790,592
1852-53	3,795,802	—	—	3,795,802	3,432,282	298,029	—	—	—	3,641,311	-154,491
1853-54	4,369,009	—	—	4,369,009	4,180,156	378,778	—	—	—	4,569,932	190,923
1854-55	4,198,009	—	81,589	4,279,598	4,173,052	2,467,540	-5,000	—	—	6,624,592	2,347,093
1855-56	4,683,648	—	352,870	5,036,518	1,898,634	2,002,180	-275	—	—	3,790,489	-1,246,029
1856-57	4,061,333	—	2,518	4,983,840	3,004,304	1,589,545	—	—	—	4,594,349	-589,510
1857-58	7,363,695	—	—	7,363,695	1,303,489	1,638,240	4,788,173	—	941,440	6,674,351	7,309,650
1858-59	10,467,423	—	530	10,467,952	-2,186,268	4,388,399	6,238,314	—	—	8,036,750	-1,288,208
1859-60	9,494,498	—	—	9,494,498	-3,266,960	3,275,621	10,685,630	—	—	10,871,191	1,376,693
1860-61	9,325,489	—	—	9,325,489	639,460	3,454,508	3,798,405	—	—	7,782,458	-1,543,031
1861-62	9,204,079	—	—	9,204,079	1,590,389	7,002,561	3,063,787	—	—	12,246,737	3,042,658
1862-63	9,166,937	—	—	9,166,937	6,948,514	3,429,322	-1,766,800	—	—	8,622,136	-484,801
1863-64	8,850,482	—	—	8,850,482	9,039,733	4,685,593	-5,227,000	—	—	8,107,846	-642,636
1864-65	9,263,561	—	—	9,263,561	6,890,354	1,002,325	-1,660,000	—	—	8,612,179	-651,382
1865-66	10,391,040	—	—	10,391,040	7,265,221	1,176,598	854,100	—	—	9,294,929	-1,096,111
1866-67	10,834,951	—	—	10,834,951	6,635,623	2,897,427	2,641,000	—	—	12,114,920	1,279,969
1867-68	12,081,106	—	—	12,081,106	5,891,006	4,860,423	1,163,907	—	—	11,418,336	-1,662,770
1868-69	12,806,327	369,655	—	13,175,982	8,232,471	4,087,914	1,031,639	—	—	13,322,024	196,042
1869-70	12,837,017	1,171,622	—	14,008,639	8,450,753	1,886,276	5,638,112	—	—	13,875,141	-123,498
1870-71	13,471,734	51,748	—	13,523,472	9,244,460	2,268,060	2,423,856	—	—	13,936,306	412,834
1871-72	13,324,135	147,677	—	13,471,812	10,308,441	1,190,986	1,408,400	—	—	12,899,828	-471,984
1872-73	13,428,170	399,547	—	13,827,717	7,437,693	-220,622	—	—	—	14,009,071	177,354
1873-74	13,803,178	1,016,605	—	14,819,783	13,423,026	57,563	18,458	—	—	13,929,087	-944,696
1874-75	13,346,411	1,133,283	—	14,479,694	14,374,185	-795,508	5,060,889	—	—	16,262,376	782,732
1875-76	13,608,690	747,908	—	14,356,598	12,484,003	-1,810,176	1,206,299	—	—	12,480,127	-1,876,471
1876-77	14,477,158	619,214	—	15,096,372	12,827,610	-1,523,838	5,718,168	—	—	16,990,440	1,794,068
1877-78	14,767,862	1,146,928	—	15,914,790	10,241,160	-318,966	4,339,141	—	—	14,267,375	-1,647,415
1878-79	14,672,343	692,869	—	15,365,212	16,659,684	-925,446	873,140	—	—	15,406,479	41,237
1879-80	14,778,133	785,581	—	15,563,714	17,916,739	-434,879	-716,144	—	—	16,715,716	1,132,132
1880-81	14,395,493	1,263,375	—	15,658,868	16,013,784	-1,264,466	2,764,191	—	—	17,516,510	1,857,642
1881-82	14,709,868	802,816	—	15,592,684	19,179,510	-1,266,194	-2,249,478	—	—	14,092,843	-1,506,841
1882-83	14,312,613	2,210,998	—	16,523,611	16,451,481	675,396	6,929	—	—	27,323,878	10,800,265
1883-84	15,672,700	791,209	—	17,463,909	15,971,899	-869,808	-48,894	—	—	18,147,256	683,347
1884-85	14,629,693	1,082,163	—	15,711,856	14,393,518	-869,806	-298,670	—	—	13,745,013	-1,966,843
1885-86	14,830,346	1,793,796	—	16,624,142	11,878,769	4,643,796	2,978,787	—	—	19,101,332	2,477,197
1886-87	14,800,066	1,323,083	1,123,973	17,300,122	12,328,576	741,369	4,796,423	—	—	17,865,364	565,242
1887-88	15,698,410	1,115,946	2,812	17,017,168	16,546,146	2,091,892	—	—	—	17,637,687	619,519
1888-89	15,214,309	776,378	—	16,020,687	14,392,794	-1,168,923	393,052	—	—	13,649,923	-2,370,764
1889-90	15,693,638	969,661	—	16,663,299	16,622,322	-667,808	-231,863	3,525,277	—	18,238,129	1,574,831
1890-91	16,636,017	1,079,693	—	17,715,710	16,130,916	-867,007	-86,777	1,641,926	—	15,169,887	-1,545,823
1891-92	16,144,286	874,985	—	17,019,271	16,253,468	-1,795,874	935,738	—	—	17,391,497	372,226
1892-93	16,617,287	1,044,054	—	17,661,341	15,983,006	-10,343	-1,091,340	335,700	—	16,907,113	-1,254,228
1893-94	16,624,070	725,370	—	17,349,440	16,990,340	9,077,661	7,283,028	32,218	—	20,222,516	2,873,076
1894-95	16,636,796	894,354	—	17,531,150	17,053,394	-687,957	1,975,717	—	—	18,044,704	1,202,554
1895-96	15,099,367	688,174	—	15,787,541	17,335,471	-560,666	-1,660	—	—	17,273,215	890,674
1896-97	15,838,690	1,146,404	—	16,985,094	15,789,497	1,465,205	-249,999	—	—	18,424,899	1,436,805
1897-98	16,236,200	815,683	—	17,051,883	9,017,194	-642,086	8,279,407	—	—	16,782,673	-269,210
1898-99 (subject to audit)	19,508,616	770,160	—	20,278,776	18,494,195	-1,443,582	413,678	—	—	17,864,543	-1,414,233
	807,414,698	28,271,292	1,267,164	837,953,154	500,536,638	66,130,530	74,406,156	7,207,727	741,440	828,230,500	1,276,352

No. 9.—STATEMENT A.

TOTAL AMOUNT drawn by the SECRETARY OF STATE, whether by Sale of Bills of Exchange and Telegraphic Transfers on India, by Purchase in India of Bills of Exchange on England, by Remittance of Bullion, or in any other way.

Year.	Bills of Exchange and Telegraphic Transfers on India.	Average Rate of Exchange obtained.	Bills of Exchange on England purchased in India.	Bullion Remittances from and to (-) India.	Repayment of Advances made in India on Security of Goods.	Repayment by the Imperial Government in respect of Disbursements in India on account of Expeditions.	Grant in Aid of the Afghan War.	Repayment of Miscellaneous Advances made in India on account of the Imperial Government.	Total Remittances from India.
	£	s. d.	£	£	£	£	£	£	£
1855-51	3,238,458	2 0 286	—	—	694,533	—	—	126,033	4,117,054
1851-53	2,777,533	2 0 144	—	—	28	—	—	205,556	2,983,105
1853-55	3,317,122	1 11 904	—	—	—	—	—	116,160	3,433,282
1855-54	3,850,505	2 0 146	—	—	60	—	—	389,531	4,190,166
1854-55	3,069,678	1 11 141	—	(Gold) 412,622	—	—	—	90,352	4,172,062
1855-56	1,484,040	2 0 159	—	(Gold) 7,202	—	—	—	207,392	1,698,534
1856-57	2,813,710	2 0 178	—	—	—	—	—	184,984	3,004,594
1857-58	628,469	2 0 584	—	(Silver) - 4,091,028	—	1,480,653	—	277,330	1,305,489
1858-59	25,901	2 1 710	—	(Silver) - 2,348,765	—	—	—	136,501	- 2,095,263
1859-60	4,684	2 2 028	—	(Silver) - 2,555,028	—	443,595	—	100,532	- 3,005,956
1860-61	797	2 2 035	—	(Silver) - 254,497	—	217,601	—	85,559	650,460
1861-62	1,102,738	1 11 507	120,000	(Silver) - 735,005	—	946,461	—	64,205	1,500,339
1862-63	6,641,376	1 11 920	—	—	—	242,400	—	64,538	6,948,514
1863-64	8,979,521	1 11 008	—	—	—	—	—	60,232	9,039,753
1864-65	6,780,473	1 11 877	—	—	—	—	—	106,831	6,886,354
1865-66	6,998,896	1 11 836	—	(Gold) 159,263	—	—	—	106,555	7,205,331
1866-67	5,613,746	1 11 005	—	{ (Gold) 221,654 (Silver) 600,603 }	—	—	—	102,675	6,035,023
1867-68	4,137,285	1 11 189	—	—	—	1,000,000	—	253,721	5,391,006
1868-69	3,705,741	1 11 197	—	—	—	4,398,059	—	126,501	8,232,471
1869-70	6,989,122	1 11 867	—	—	—	1,354,134	—	116,507	8,450,763
1870-71	8,443,800	1 10 466	—	(Silver) 671,193	—	127,620	—	102,129	9,244,420
1871-72	10,310,330	1 11 120	—	—	—	1,072	—	87,050	10,398,441
1872-73	13,039,095	1 10 764	403,040	—	—	51,239	—	144,319	14,537,093
1873-74	13,285,078	1 10 351	—	—	—	51,492	—	115,556	13,453,023
1874-75	10,841,615	1 10 156	—	—	—	—	—	132,670	10,974,136
1875-76	12,389,613	1 9 623	—	—	—	15,387	—	79,003	13,434,003
1876-77	12,605,800	1 8 508	—	—	—	600	—	131,210	12,827,510
1877-78	10,134,435	1 8 791	—	—	—	—	—	160,738	10,241,196
1878-79	13,948,505	1 7 794	1,510,103	—	—	407,261	—	87,765	15,969,834
1879-80	15,261,810	1 7 901	—	(Gold) 486,947	—	50,885	2,000,000	116,067	17,218,739
1880-81	15,220,677	1 7 956	—	—	—	—	500,000	274,107	16,013,784
1881-82	13,412,429	1 7 895	—	—	—	—	600,000	267,081	13,179,510
1882-83	15,120,521	1 7 625	—	—	—	—	500,000	330,060	16,451,481
1883-84	17,399,593	1 7 636	—	—	—	—	34,690	326,594	18,071,599
1884-85	13,758,909	1 7 303	—	—	—	7,778	230,000	876,833	14,803,518
1885-86	10,292,692	1 6 354	—	—	—	634,716	250,000	401,361	11,578,769
1886-87	12,136,279	1 5 441	—	—	—	78,875	—	113,422	12,228,576
1887-88	11,353,577	1 4 898	—	—	—	30,160	—	150,408	15,545,145
1888-89	14,362,620	1 4 379	—	—	—	604	—	129,241	14,302,794
1889-90	15,474,496	1 4 896	—	—	—	—	—	148,039	15,622,535
1890-91	15,989,034	1 4 689	—	—	—	—	—	161,889	16,150,916
1891-92	16,093,664	1 4 733	—	—	—	—	—	158,032	16,252,458
1892-93	16,533,215	1 3 985	—	—	—	—	—	150,790	16,683,000
1893-94	9,830,235	1 3 847	—	—	—	—	—	147,296	9,677,561
1894-95	16,908,102	1 1 101	—	—	—	—	—	148,262	17,053,364
1895-96	17,064,499	1 1 038	—	—	—	—	—	170,979	17,235,471
1896-97	15,523,547	1 3 451	—	—	—	141,374	—	121,496	15,789,407
1897-98	(Net) 2,836,683	1 3 254	—	—	—	22,200	—	151,566	2,917,134
1898-99 (subject to audit)	18,092,377	1 3 978	—	—	—	26,394	—	178,234	18,294,136
	477,513,344	—	2,032,233	- 3,556,557	694,619	12,982,239	5,000,000	8,033,071	600,395,695

INDIAN CURRENCY COMMITTEE:

No 9.—STATEMENT B.

AMOUNT OF CAPITAL RAISED IN LONDON BY INDIAN RAILWAY OR IRRIGATION COMPANIES GUARANTEED BY THE SECRETARY OF STATE, AND THE WITHDRAWALS BY THOSE COMPANIES IN LONDON ON CAPITAL ACCOUNT

Year.	Capital Receipts.	Discharge of Debentures.	Net Capital Receipts	Withdrawals.	Refunds, &c.	Net Withdrawals	Net Receipts or Withdrawals (-)
	£	£	£	£	£	£	£
1850-51	456,180	—	456,180	61,263	100	61,163	395,017
1851-52	291,324	—	291,324	154,215	3	154,212	137,112
1852-53	382,949	—	382,949	175,016	96	174,920	208,023
1853-54	631,259	—	631,259	252,856	373	252,483	378,776
1854-55	3,418,718	—	3,418,718	976,311	15,433	960,878	2,457,840
1855-56	3,936,878	—	3,936,878	1,971,681	36,983	1,934,748	2,002,130
1856-57	3,342,658	—	3,342,658	1,782,888	30,075	1,752,813	1,589,845
1857-58	2,968,618	5,500	2,963,113	1,342,054	17,181	1,324,873	1,638,240
1858-59	6,824,878	—	6,824,878	1,946,924	10,945	1,935,979	4,888,899
1859-60	6,005,751	218,300	5,787,451	2,601,347	89,517	2,511,830	3,275,621
1860-61	5,842,372	—	5,842,372	2,464,808	57,929	2,407,779	3,434,593
1861-62	8,615,159	—	8,615,159	1,717,474	104,866	1,612,608	7,002,551
1862-63	5,293,689	2,500	5,291,189	1,874,513	13,146	1,861,367	3,429,822
1863-64	6,185,805	21,000	6,114,805	1,460,619	31,400	1,429,219	4,685,593
1864-65	3,938,175	632,630	3,305,545	1,413,550	10,330	1,403,220	1,902,325
1865-66	4,192,435	788,070	3,404,365	2,237,326	8,469	2,228,857	1,175,508
1866-67	6,780,755	359,300	6,421,455	3,660,271	46,243	3,614,028	2,807,427
1867-68	9,485,444	178,850	9,256,594	4,429,959	33,788	4,396,171	4,860,423
1868-69	6,443,581	225,400	6,218,181	2,189,191	58,924	2,130,267	4,087,914
1869-70	5,051,455	656,250	4,395,205	2,546,299	37,370	2,508,929	1,886,276
1870-71	7,599,464	3,346,750	4,252,714	1,999,276	15,222	1,984,054	2,268,660
1871-72	3,694,616	1,500,015	2,094,601	945,628	41,107	904,516	1,190,085
1872-73	804,472	640,100	164,372	854,291	161,297	692,994	-528,622
1873-74	1,213,682	226,100	987,582	1,044,168	114,154	930,029	57,553
1874-75	766,749	373,500	393,249	1,197,848	22,951	1,174,897	-781,638
1875-76	1,673,472	1,720,150	-46,678	1,176,927	13,430	1,163,497	-1,210,175
1876-77	870,475	1,200,870	-330,395	1,242,062	19,219	1,222,843	-1,553,238
1877-78	2,259,377	779,850	1,479,527	1,802,241	10,358	1,792,483	-312,956
1878-79	860,690	—	860,690	1,799,344	13,109	1,786,235	-923,545
1879-80	785,238	—	785,238	1,315,649	45,532	1,270,117	-484,879
1880-81	203,261	—	203,261	1,501,640	36,914	1,464,726	-1,261,465
1881-82	558,493	200,000	358,493	1,725,729	39,042	1,686,687	-1,328,194
1882-83	2,839,826	143,600	2,696,226	1,850,863	30,003	1,820,860	875,366
1883-84	1,898,489	373,300	1,525,189	2,341,087	7,046	2,334,041	-808,552
1884-85	2,836,111	1,032,700	1,803,411	2,177,812	21,566	2,156,246	-352,835
1885-86	7,327,007	285,500	7,041,507	2,521,092	23,351	2,497,741	4,543,766
1886-87	4,135,372	1,417,800	2,717,572	1,981,622	5,412	1,976,210	741,362
1887-88	5,564,158	426,000	5,138,158	3,076,901	30,640	3,046,261	2,091,892
1888-89	1,705,701	200	1,705,501	2,828,555	17,131	2,811,424	-1,105,923
1889-90	1,736,651	500,000	1,236,651	1,910,020	15,561	1,894,459	-657,808
1890-91	86,400	898,100	-811,700	1,754,410	9,109	1,745,307	-2,557,007
1891-92	1,082,605	1,424,900	-342,295	1,451,713	10,794	1,440,919	-1,783,274
1892-93	1,570,567	—	1,570,567	1,594,898	13,519	1,581,379	-10,312
1893-94	88,688	—	88,688	1,167,348	7,411	1,159,937	-1,071,249
1894-95	364,048	—	364,048	1,355,951	6,506	1,349,445	-983,397
1895-96	940,733	—	940,733	1,515,958	14,569	1,501,389	-560,656
1896-97	4,442,093	871,200	3,570,893	2,100,218	14,580	2,085,638	1,485,205
1897-98	1,782,997	24,123	1,758,874	2,410,097	7,295	2,402,802	-643,928
1898-99 (subject to audit)	1,388,569	205,500	1,183,069	2,651,537	45,140	2,606,397	-1,423,328
	151,068,077	20,773,058	130,290,019	86,553,553	1,414,073	85,139,480	45,150,539

No. 9.—STATEMENT C.

NET AMOUNT OF MONEY raised by DEBT incurred in LONDON (excluding Debt incurred for purchase of Railways or Canals or to pay of Debentures issued by Railway or Irrigation Companies), also the Capital Outlay in England on State Railways and Irrigation Works for which no specific Debt has been incurred in London

Year.	Money raised by Debt incurred in London.	Sterling Debt discharged.	Net.	Deductions.			Net Money raised excluding specific Debt incurred for Railways and Canals.	Capital Outlay on Railways and Irrigation Works for which no specific Debt has been incurred in London.		
				Specific Debt incurred for purchase of Railways and Canals.	Money raised under Act 51 Vic. c. 5. for Advances to Railway Companies.	Total Deductions.		Railways.	Irrigation.	Total.
	£	£	£	£	£	£	£	£	£	£
1850-51	—	100	—100	—	—	—	—100	—	—	—
1851-52	—	—	—	—	—	—	—	—	—	—
1852-53	—	—	—	—	—	—	—	—	—	—
1853-54	—	—	—	—	—	—	—	—	—	—
1854-55	—	5,000	—5,000	—	—	—	—5,000	—	—	—
1855-56	—	875	—875	—	—	—	—875	—	—	—
1856-57	—	—	—	—	—	—	—	—	—	—
1857-58	5,688,173	900,000	4,788,173	—	—	—	4,788,173	—	—	—
1858-59	6,887,114	653,800	6,233,314	—	—	—	6,233,314	—	—	—
1859-60	12,805,680	2,123,000	10,682,680	—	—	—	10,682,680	—	—	—
1860-61	4,664,608	956,300	3,708,308	—	—	—	3,708,308	—	—	—
1861-62	4,996,387	1,501,600	3,494,787	—	—	—	3,494,787	—	—	—
1862-63	—	1,768,200	—1,768,200	—	—	—	—1,768,200	—	—	—
1863-64	2,441,000	7,065,500	—4,624,500	—	—	—	—4,624,500	—	—	—
1864-65	—	183,500	—183,500	—	—	—	—183,500	—	—	—
1865-66	882,800	28,700	854,100	—	—	—	854,100	—	—	—
1866-67	2,731,900	90,000	2,641,900	—	—	—	2,641,900	—	—	—
1867-68	1,164,407	508	1,163,907	—	—	—	1,163,907	—	—	—
1868-69	1,834,130	602,500	1,231,630	—	—	—	1,231,630	336,655	14,000	350,655
1869-70	4,039,412	801,300	3,238,112	—	—	—	3,238,112	79,213	1,692,409	1,771,622
1870-71	2,423,856	—	2,423,856	—	—	—	2,423,856	50,468	1,281	51,749
1871-72	1,413,406	6,000	1,407,406	—	—	—	1,407,406	146,833	824	147,657
1872-73	—	—	—	—	—	—	—	259,407	4,140	263,547
1873-74	1,037,468	1,019,000	18,468	—	—	—	18,468	964,480	56,245	1,020,725
1874-75	5,070,839	1,000	5,069,839	—	—	—	5,069,839	1,114,654	18,679	1,133,333
1875-76	1,306,269	—	1,306,269	—	—	—	1,306,269	743,639	4,989	748,628
1876-77	6,216,168	600,000	5,616,168	—	—	—	5,616,168	616,118	3,066	619,184
1877-78	4,339,141	—	4,339,141	—	—	—	4,339,141	1,146,649	274	1,146,923
1878-79	3,746,640	3,374,500	372,140	—	—	—	372,140	683,406	9,463	692,869
1879-80	11,469,268	2,809,500	8,659,768	9,065,939	—	9,065,939	—706,171	728,175	3,266	731,441
1880-81	5,300,168	2,444,911	2,855,257	—	—	—	2,855,257	1,265,376	—	1,265,376
1881-82	2,466,156	5,717,338	—3,251,182	894,300	—	894,300	—2,356,882	808,516	—	808,516
1882-83	6,743,147	6,356,738	386,409	480,333	—	480,333	6,262	448,416	1,763,882	2,212,308
1883-84	1,841,001	1,390,031	450,970	696,261	—	696,261	—115,291	769,625	21,284	790,909
1884-85	4,895,800	3,849,734	1,046,066	1,314,746	—	1,314,746	—268,680	1,077,706	4,463	1,082,169
1885-86	5,971,032	1,006,300	4,964,732	1,086,045	—	1,086,045	2,978,787	1,787,175	6,894	1,794,069
1886-87	10,121,369	411,090	9,710,279	4,914,546	—	4,914,546	4,795,733	1,331,074	2,009	1,333,083
1887-88	—	—	—	—	—	—	—	1,109,027	6,919	1,115,946
1888-89	14,366,727	3,497,626	10,869,101	10,336,049	—	10,336,049	533,052	772,021	4,367	776,388
1889-90	4,186,277	914,803	3,271,474	—	3,326,277	3,326,277	—54,803	897,288	1,263	900,551
1890-91	6,864,491	584,978	6,279,513	4,992,557	1,861,293	6,853,850	—41,663	1,673,267	7,766	1,681,033
1891-92	4,345,647	1,507,362	2,838,285	—	1,842,547	1,842,547	996,738	963,359	10,676	974,035
1892-93	1,866,000	1,921,640	—55,640	—	336,760	336,760	—1,000,240	1,634,673	9,291	1,643,964
1893-94	12,417,410	6,001,215	6,416,195	—	33,318	33,318	7,333,986	711,971	13,299	725,270
1894-95	8,980,717	7,006,000	1,974,717	—	—	—	1,974,717	750,811	4,543	755,354
1895-96	2,006,000	3,061,500	—1,055,500	—	—	—	—1,055,500	679,063	3,612	682,675
1896-97	3,963,898	4,818,290	—854,392	—	—	—	—854,392	1,146,548	2,261	1,148,809
1897-98	8,352,306	1,002,808	7,349,498	—	—	—	7,349,498	900,010	6,573	906,583
1898-99 (subject to audit)	8,797,654	9,383,976	—586,322	—	—	—	—586,322	766,339	3,321	769,660
	124,613,387	84,888,328	39,725,059	33,546,773	7,397,727	40,944,500	74,406,166	25,191,646	3,679,634	28,871,280

No. 10.

STATEMENT SHOWING THE AMOUNT OF INDIAN STERLING DEBT at the commencement and close of each of the 21 Years from 1878-79 to 1898-99, the Increase or Decrease in each Year, and the portion of that Debt contracted for Railways and Irrigation Works on the assumption that the Amount of all Capital Outlay in England on such Works has been borrowed in this country

	Debt assumed to have been incurred for Railways and Irrigation Works.				Total	Remaining or Ordinary Debt.	Total Debt in England.
	Debt equal to Amount of Capital Outlay on Railways and Irrigation Works and certain Railway Companies' Debentures discharged.	Specific Debt incurred for Purchase of Railways.	Debt created under Act 51 Vict. c. 5. for Advances to Railway Companies				
1st April 1878 - - - -	£ 6,685,087	—	—	£ 6,685,087	52,991,946	59,677,038	
Increase or Decrease (-)	692,869	—	—	692,869	-340,765	352,064	
31st March 1879 - - - -	7,377,956	—	—	7,377,956	52,651,161	60,029,117	
Increase or Decrease (-)	785,381	9,565,989	—	10,351,320	-1,524,884	8,824,439	
31st March 1880 - - - -	8,163,337	9,565,989	—	17,729,276	51,126,280	68,853,556	
Increase or Decrease (-)	2,265,375	-1,095,796	—	1,326,958	1,326,958	2,573,577	
31st March 1881 - - - -	10,428,712	8,547,183	—	18,975,895	52,453,278	71,429,173	
Increase or Decrease (-)	802,816	561,895	—	1,364,711	-4,651,897	-3,287,180	
31st March 1882 - - - -	11,281,528	9,109,078	—	20,340,606	47,801,341	68,141,947	
Increase or Decrease (-)	4,150,598	-1,289,068	—	2,861,530	-2,217,781	443,747	
31st March 1883 - - - -	15,382,126	7,620,010	—	23,002,136	45,583,558	68,585,694	
Increase or Decrease (-)	801,609	521,618	—	1,323,227	-1,500,084	-176,577	
31st March 1884 - - - -	16,183,785	8,141,638	—	24,325,363	43,783,474	68,108,837	
Increase or Decrease (-)	1,384,618	1,074,314	—	2,358,927	-1,196,676	1,162,251	
31st March 1885 - - - -	17,468,318	9,215,042	—	26,684,290	42,586,798	69,271,088	
Increase - - - -	1,793,969	1,044,152	—	2,838,121	1,697,412	4,535,533	
31st March 1886 - - - -	19,262,317	10,260,094	—	29,522,411	44,284,210	73,806,621	
Increase - - - -	1,792,783	4,428,956	—	6,161,739	4,259,617	10,421,556	
31st March 1887 - - - -	20,995,100	14,689,050	—	35,684,150	49,544,027	84,228,177	
Increase or Decrease (-)	1,115,946	-80,566	—	1,035,380	-1,123,409	-85,029	
31st March 1888 - - - -	22,111,046	14,608,484	—	36,719,530	47,420,618	84,140,148	
Increase or Decrease (-)	776,378	10,537,859	—	11,314,237	-420,775	10,893,462	
31st March 1889 - - - -	22,887,424	25,146,343	—	48,033,767	46,999,843	95,033,610	
Increase or Decrease (-)	999,551	-81,898	3,500,000	4,117,653	-1,258,974	3,158,781	
31st March 1890 - - - -	23,886,975	25,064,445	3,500,000	52,451,420	45,740,971	98,192,391	
Increase or Decrease (-)	1,079,663	4,635,103	1,674,489	7,389,255	-1,179,438	6,215,817	
31st March 1891 - - - -	24,966,638	29,699,548	5,174,489	59,840,675	44,567,533	104,408,208	
Increase or Decrease (-)	874,985	971,819	1,949,489	3,795,292	-800,357	2,995,935	
31st March 1892 - - - -	25,841,623	30,671,366	7,123,978	63,636,967	43,767,176	107,404,143	
Increase or Decrease (-)	1,044,064	-1,058,300	347,506	333,270	-1,659,646	-720,576	
31st March 1893 - - - -	26,885,687	29,618,066	7,471,484	63,970,237	42,713,530	106,683,767	
Increase or Decrease (-)	725,370	-74,228	32,686	683,708	6,746,317	7,430,025	
31st March 1894 - - - -	27,610,957	29,538,818	7,504,170	64,653,945	49,459,847	114,113,792	
Increase or Decrease (-)	804,354	-94,347	—	710,007	1,182,027	1,892,034	
31st March 1895 - - - -	28,415,311	29,444,471	7,504,170	65,363,952	50,641,874	116,005,826	
Increase or Decrease (-)	683,174	-92,099	—	591,075	-693,169	-102,094	
31st March 1896 - - - -	29,098,485	29,352,372	7,504,170	65,955,027	49,948,705	115,903,732	
Increase or Decrease (-)	1,149,404	-107,854	—	1,041,550	-2,068,679	-1,026,129	
31st March 1897 - - - -	30,247,889	29,250,518	7,504,170	67,002,577	47,880,656	114,883,233	
Increase or Decrease (-)	815,583	-96,925	—	718,658	7,672,789	8,391,147	
31st March 1898 - - - -	31,063,473	29,153,593	7,504,170	67,721,235	55,553,445	123,271,680	
Increase or Decrease (-)	770,160	-32,607	—	717,553	276,372	993,925	
31st March 1899 - - - -	31,833,632*	29,100,986	7,504,170	68,433,788	55,829,817	124,263,605	
Increase in 21 years - - -	25,148,545	29,100,986	7,504,170	61,753,701	2,837,871	64,591,572	

*India Finance and Revenue Accounts 1897-98, page 198	£	24,425,009
1898-99. Railways and Irrigation Works	{	8,076,113
East Indian Railway Debentures	-	770,160
Eastern Bengal Railway Debentures	-	2,950,000
	-	612,350
	£	31,833,612

No. 11.

STATEMENT showing the TOTAL AMOUNT of the STERLING PAYMENTS made in this COUNTRY in each of the 21 years from 1878-79 to 1898-99 on account of Interest and Annuities; the apportionment of those Payments to Railways and Irrigation Works and to Interest on Ordinary Debt, on the assumption that the Amount of all Capital Outlay in England on such Works has been Borrowed in this Country; also their equivalent in R_x as the average Drawing Rate of the Year.

Year.	Interest on Debt assumed to have been incurred for Railways and Irrigation Works, including Annuities in Purchase of Railways							Interest on remaining or Ordinary Debt.	Equivalent in R _x of Sums in preceding Column at the average Drawing Rate of the Year.	Total Sterling Payments on account of Interest and Annuities.	Equivalent in R _x of Sums in preceding Column at the average Drawing Rate of the Year.
	Interest on Debt equal to Amount of Capital Outlay on Railways and Irrigation Works and certain Railway Companies' Debentures discharged.	Interest on Specific Debt for Purchase of Railways.	Interest charged against Railway Companies on Advances made to them out of Debt created under Act 51 Vict. c. 5.	Annuities in Purchase of Railways.	Interest guaranteed to Railway, &c. Companies.	Total Interest and Annuities in respect of Railways and Irrigation Works.	Equivalent in R _x of Sums in preceding Column at the average Drawing Rate of the Year.				
1878-79	£ 265,766	—	—	—	£ 4,789,259	£ 5,005,025	R _x 6,068,495	£ 2,327,346	R _x 2,821,861	£ 7,892,871	R _x 8,890,356
1879-80	290,186	84,897	—	—	4,752,462	5,077,045	6,104,372	2,298,949	2,764,186	7,375,994	8,866,508
1880-81	316,197	348,669	—	998,298	3,304,487	4,957,851	5,962,468	2,025,021	2,485,353	6,982,872	8,897,815
1881-82	409,483	852,652	—	1,389,446	3,319,097	5,320,878	6,418,581	2,102,445	2,586,182	7,423,823	8,954,763
1882-83	463,983	348,092	—	1,216,735	3,348,408	5,376,816	6,610,223	2,017,564	2,480,379	7,894,889	9,090,602
1883-84	603,967	811,593	—	1,303,118	3,312,042	5,480,730	6,671,697	1,838,248	2,358,801	7,268,968	8,929,098
1884-85	642,638	353,826	—	1,330,582	3,258,685	5,470,181	6,799,390	1,782,865	2,316,087	7,253,046	9,015,477
1885-86	693,948	366,135	—	1,324,031	3,376,821	5,760,755	7,574,076	1,735,000	2,281,128	7,495,755	9,855,204
1886-87	780,843	566,049	—	1,677,700	3,040,607	6,065,199	8,346,111	1,816,132	2,499,117	7,881,881	10,845,288
1887-88	1,016,537*	552,080	—	1,688,456	3,168,856	6,415,929	9,111,964	2,848,685*	3,335,625	8,764,614	12,447,589
1888-89	846,943*	631,812	—	1,688,538	3,331,870	6,499,183	9,523,141	1,815,118*	2,659,654	8,814,296	12,182,795
1889-90	787,127	861,500	52,522	1,687,780	3,007,615	6,396,544	9,266,988	1,615,176	2,389,988	8,011,719	11,606,971
1890-91	848,661	865,842	122,845	1,690,632	3,023,388	6,550,738	8,691,197	1,623,762	2,184,328	8,174,500	10,845,525
1891-92	856,697	1,005,052	157,919	1,693,388	2,795,917	6,509,873	9,386,867	1,528,238	2,191,894	8,088,111	11,628,761
1892-93	867,473	1,017,099	203,099	1,696,651	2,804,648	6,610,962	10,588,284	1,502,084	2,405,776	8,118,046	12,094,080
1893-94	918,264	997,463	216,948	1,695,547	2,834,355	6,662,577	10,992,355	1,568,435	2,587,706	8,231,012	13,880,061
1894-95	929,190	983,312	218,884	1,702,669	2,834,234	6,668,188	12,216,015	1,663,447	3,047,409	8,331,635	15,263,424
1895-96	943,030	980,020	218,884	1,705,396	2,843,482	6,690,812	11,774,288	1,679,665	2,955,823	8,370,477	14,730,111
1896-97	962,752	975,589	218,884	1,712,600	2,883,494	6,759,319	11,236,104	1,661,952	2,760,226	8,421,271	13,986,390
1897-98	991,445	971,045	218,884	1,712,419	2,939,563	6,833,356	10,681,353	1,769,979	2,766,689	8,603,835	13,446,042
1898-99	1,006,622	966,906	218,884	1,714,016	2,974,409	6,880,837	10,335,170	1,799,244	2,702,505	8,680,081	13,037,675

* In 1887-88 and 1888-89 special payments were made in connexion with the conversion of India 4 per cent. into 3½ per cent. Stock, as explained at page 85 of the Home Accounts laid before Parliament in 1889.

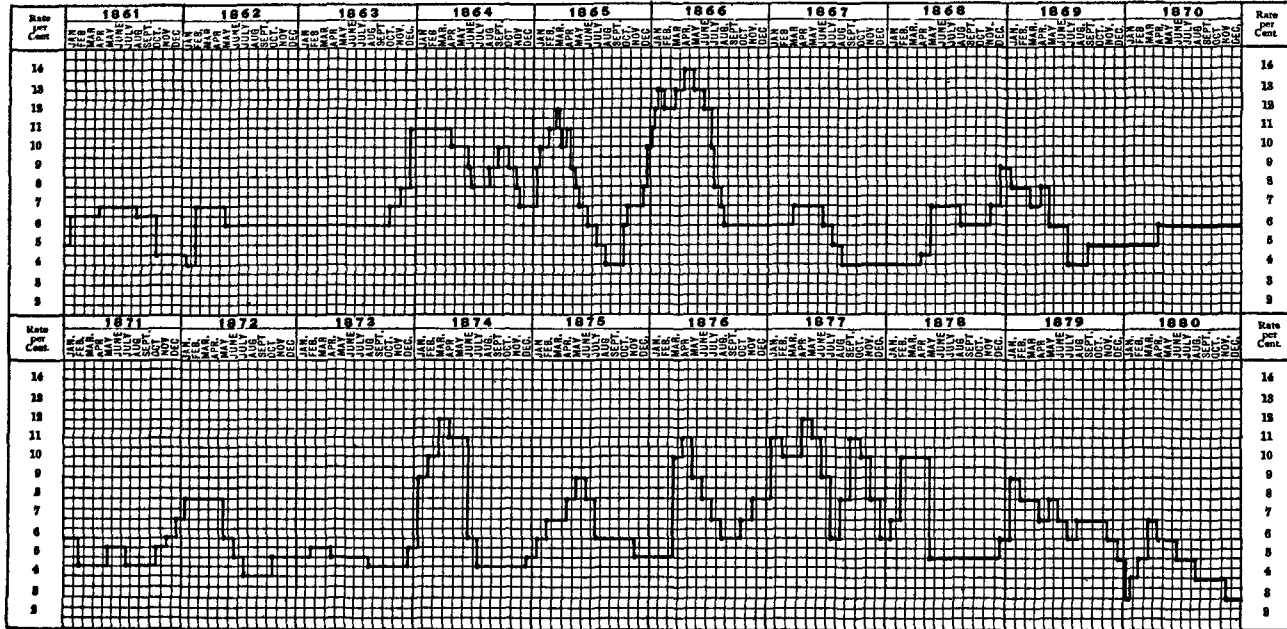
No. 12.

PRICE OF SILVER, RATE OF EXCHANGE; CHARGE FOR EXCHANGE; SURPLUS OR DEFICIT IN ACCOUNTS OF GOVERNMENT OF INDIA, 1872-73 to 1898-99.

Year.	Average Price of Silver in London, per oz.	Average Rate per Rupee at which Bills and Telegraphic Transfers on India were sold by the Secretary of State	Charge for Exchange.					Excess in Total Charge for Exchange, over Charge in previous Year.	Surplus or Deficit (-) of the Year.	Remarks.
			On net Sterling Expenditure	On Remittance Transactions	Additional Payment to European Soldiers on Account of Exchange.	Compensation to Officers.	Total.			
1872-3	60½	22 754	Rs. 686,668	Rs. —	Rs. —	Rs. —	Rs. 686,668	Rs. —	Rs. 1,765,672	Commencement of decline in price of silver
1873-4	59½	23 351	904,878	Not shown in the accounts under the form now adopted.	—	—	904,878	218,510	-1,807,668	
1874-5	58½	22 186	1,046,230	—	—	—	1,046,230	140,361	519,197	Famine in India.
1875-6	57½	21 090	1,377,498	57,028	—	—	1,434,466	389,247	1,580,255	
1876-7	59½	20 508	2,252,611	205,423	—	—	2,458,034	1,023,548	-2,084,176	
1877-8	54½	20 791	2,123,030	147,106	—	—	2,270,136	-487,899	-4,866,040	
1878-9	53½	19 794	2,891,902	225,869	—	—	3,117,861	847,720	2,134,098	
1879-80	51½	19 901	2,878,129	79,075	—	—	2,957,244	-460,647	-1,887,898	Suspension of sales of silver by the German Government
1880-1	52½	19 986	2,264,848	7,502	—	—	2,272,410	-684,846	-8,651,894	Diminution in production of Californian mines.
1881-2	51½	19 805	2,421,409	91,240	—	—	2,512,739	240,329	5,595,451	Monetary conference in Paris.
1882-3	51½	19 525	3,050,923	64,840	—	—	3,115,663	602,824	874,287	
1883-4	50½	19 536	3,379,138	-50,847	46,000	—	3,369,341	244,778	1,879,477	Great depression in trade.
1884-5	50½	19 308	3,368,986	-18,223	184,500	—	3,535,963	175,562	-826,446	
1885-6	49½	18 254	4,320,888	-254,279	224,500	—	4,289,810	758,907	-2,204,786	
1886-7	46½	17 441	5,389,714	26,202	275,500	—	5,681,816	1,344,008	178,427	Suspension of coinage of the Bland dollar recommended by the President of the United States.
1887-8	44½	16 808	6,350,939	-744,474	436,900	—	6,043,365	417,552	-2,028,258	
1888-9	42½	16 379	6,517,539	-951,438	517,000	—	6,383,146	333,778	37,018	Purchases of silver by the United States Treasury raised to 24,000,000 ounces a year
1889-90	42½	16 566	6,512,767	-265,744	631,900	—	6,787,923	374,777	2,613,033	
1890-1	47½	18 089	4,960,055	-78,198	587,200	—	5,469,057	-1,289,866	3,688,171	Indian mints closed to free coinage of silver. Repeal of purchasing clauses of Sherman Act in the United States.
1891-2	45½	17 733	6,285,209	-81,289	407,200	—	7,200,880	1,732,823	487,636	
1892-3	39½	14 985	9,694,776	-19,686	612,200	—	10,287,290	3,086,410	-233,412	Monetary conference in Brussels
1893-4	35½	14 547	10,159,877	-106,920	852,200	618,468	11,528,325	1,236,036	-1,246,998	
1894-5	28½	13 101	13,890,068	-227,673	1,134,300	1,239,275	15,044,968	3,621,948	693,110	Duty of 5 per cent imposed on most imports into India, including silver. War between China and Japan.
1905-6	29½	13 638	11,885,223	-178,206	1,156,400	1,327,632	13,900,949	-1,024,049	1,533,998	Election in the United States, and defeat of the free silver candidate. Extensive coinage of silver by Russia.
1896-7	30½	14 461	10,222,256	-144,838	1,108,200	935,176	12,116,809	-1,874,650	-1,706,088	
1897-8	27½	15 354	9,012,506	-43,070	907,900	686,825	10,568,301	-1,254,098	-8,209,814	Famine in India, and war with tribes on the North-West Frontier.
1898-9	26½	15 978	8,048,600	-84,000	778,400	488,600	9,258,600	-1,808,701	4,089,400	

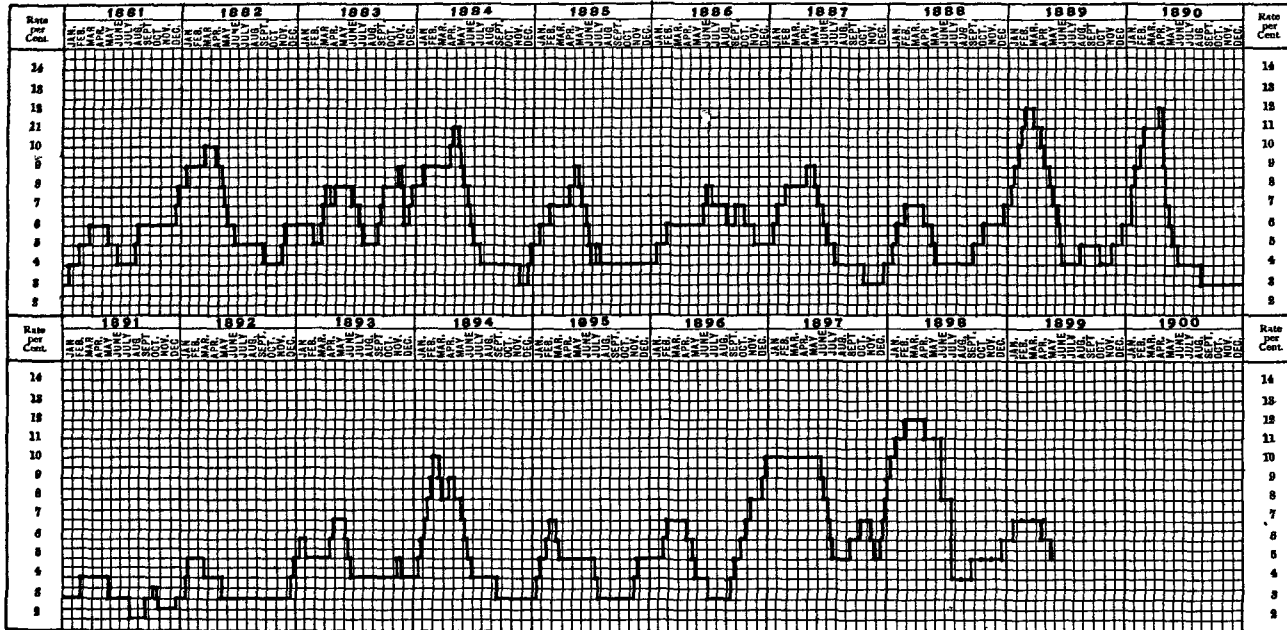
* The average price of silver is given for the calendar year ending on the 31st December preceding the end of the official year.

Rate of Discount at the Presidency Bank of Bengal.



No 1a (continued).

Rate of Discount at the Presidency Bank of Bengal.



No 14.

BANK OF BENGAL.

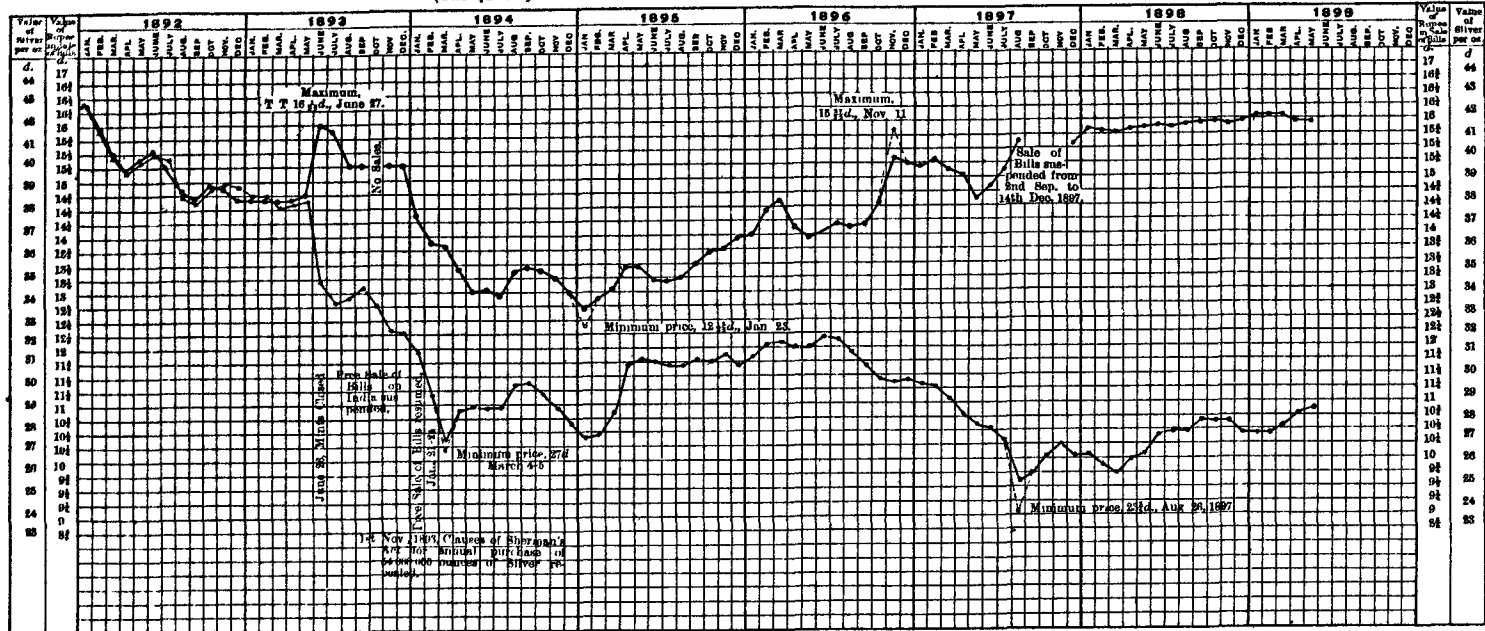
AVERAGE MINIMUM RATE OF INTEREST FROM 1854.

Half year ending	Average Rate per Cent per Annum for the Half-year.	Average Rate for the Year.	Half year ending	Average Rate per Cent. per Annum for the Half-year.	Average Rate for the Year.
1854.—30th June	4 375	4 033	1876.—30th June	7 383	6 656
31st December	3 491		31st December	6 600	
1855.—30th June	9 159	9 704	1877.—30th June	9 500	8 416
31st December	10 250		31st December	7 833	
1856.—30th June	9 515	6 312	1878.—30th June	6 530	5 430
31st December	3 510		31st December	4 831	
1857.—30th June	6 707	6 994	1879.—30th June	7 355	6 384
31st December	7 282		31st December	5 413	
1858.—30th June	7 602	6 143	1880.—30th June	5 384	4 645
31st December	4 684		31st December	3 913	
1859.—30th June	5 679	4 874	1881.—30th June	4 862	5 289
31st December	4 070		31st December	5 717	
1860.—30th June	5 466	4 233	1882.—30th June	8 177	6 599
31st December	3 000		31st December	5 022	
1861.—30th June	4 364	4 171	1883.—30th June	6 994	6 770
31st December	3 978		31st December	6 546	
1862.—30th June	5 447	5 139	1884.—30th June	8 813	6 379
31st December	4 831		31st December	5 945	
1863.—30th June	4 500	5 508	1885.—30th June	6 757	5 378
31st December	6 516		31st December	4 000	
1864.—30th June	9 697	8 652	1886.—30th June	5 922	6 036
31st December	7 608		31st December	6 150	
1865.—30th June	8 712	6 940	1887.—30th June	7 470	5 630
31st December	5 168		31st December	3 800	
1866.—30th June	12 022	9 144	1888.—30th June	5 730	5 450
31st December	6 266		31st December	5 180	
1867.—30th June	6 000	5 048	1889.—30th June	9 809	6 991
31st December	4 097		31st December	4 674	
1868.—30th June	5 000	5 833	1890.—30th June	8 298	5 906
31st December	6 666		31st December	8 315	
1869.—30th June	7 250	5 958	1891.—30th June	3 500	3 061
31st December	4 666		31st December	2 622	
1870.—30th June	5 500	5 750	1892.—30th June	3 884	3 496
31st December	6 000		31st December	3 108	
1871.—30th June	5 000	4 750	1893.—30th June	5 685	4 880
31st December	4 500		31st December	4 076	
1872.—30th June	6 666	5 083	1894.—30th June	7 315	5 339
31st December	3 500		31st December	3 364	
1873.—30th June	4 143	3 904	1895.—30th June	5 060	4 326
31st December	3 666		31st December	3 592	
1874.—30th June	8 666	6 166	1896.—30th June	5 775	5 691
31st December	3 666		31st December	5 608	
1875.—30th June	6 500	5 666	1897.—30th June	9 884	7 925
31st December	4 833		31st December	5 967	
			1898.—30th June	11 000	8 048
			31st December	5 097	

DATES OF CHANGES in the MINIMUM RATE of INTEREST of the BANK of BENGAL from 1874.

Date	Rate	Date.	Rate.	Date	Rate	Date.	Rate.
1874.	Per cent	1879	Per cent	1886	Per cent	1893.	Per cent
January 2	5½	May 1	7	January 28	5	January 5	6
" 7	7	" 15	6	February 4	6	February 2	5
" 15	8	" 29	7	June 5	7	April 13	6
February 7	9	June 19	6	" 10	8	" 27	7
March 10	10	July 10	5	July 22	7	June 1	6
" 17	11	August 14	6	August 5	6	" 15	5
April 16	10	November 12	5	September 20	7	" 29	4
May 21	9	December 11	4	October 21	6	November 16	5
June 4	7	December 31	3	November 13	5	" 30	4
" 11	6						
" 18	5	1880		1887.		1894	
July 9	4	January 22	4	January 6	6	January 11	5
" 16	3½	February 19	5	" 19	7	" 18	6
November 20	4	February 26	6	February 10	8	February 1	7
		March 4	7	April 7	9	" 6	8
1875.		April 15	6	May 12	8	" 8	9
January 7	5	June 3	5	" 26	7	" 27	10
February 25	6	August 19	4	June 2	6	March 15	9
March 25	7	October 28	3	" 23	5	April 10	9
April 29	8			July 21	4	May 3	8
May 18	9	1881.		October 13	3	" 24	7
" 27	8	January 20	4	December 8	4	" 31	6
June 8	7	February 17	5			June 14	5
July 1	6	March 3	6	1888		" 28	4
" 22	5	May 12	5	January 12	5	September 6	3
November 11	4	June 2	4	" 26	6		
		August 18	3	February 9	7	1895	
1876.		" 20	6	April 26	6	January 17	4
January 6	5	December 5	7	May 10	5	" 25	5
March 2	7	" 20	8	" 25	4	February 14	7
" 9	8	1882.		September 13	5	" 19	7
" 30	9	January 5	9	October 4	6	March 7	6
April 6	10	March 27	10	December 13	7	" 21	5
" 13	10	April 13	9			July 4	4
" 27	10	May 4	8	1889		November 14	4
May 11	9	" 18	7	January 8	8	" 28	5
" 18	8	" 25	6	" 17	10		
June 22	6	June 8	5	February 7	11	1896.	
July 20	6	September 28	4	March 21	12	February 6	6
August 8	5	November 9	5	April 4	10	" 20	7
September 21	6	" 16	6	" 11	9	April 30	6
November 16	7	1883		May 23	8	May 21	5
December 28	8	February 1	5	June 30	7	July 2	3
		March 2	6	June 6	6	September 8	4
1877.		" 8	7	" 20	5	" 17	5
January 8	9	" 15	8	" 27	4	October 8	6
" 11	10	April 7	7	August 22	5	October 17	7
February 8	9	" 19	8	October 17	4	November 3	8
April 12	11	June 28	7	November 14	5	December 8	9
" 19	11	July 26	6	December 12	6	" 23	10
May 10	12	September 18	5			1897.	
" 24	10	" 20	7	1890		June 17	9
" 31	9	" 27	8	January 9	8	" 24	8
June 14	8	November 22	6	" 16	9	July 1	7
" 21	7	December 13	7	February 10	10	" 7	7
" 28	6	" 29	8	" 27	11	" 15	6
July 5	5	1884.		April 14	12	September 9	6
August 2	6	January 21	9	" 17	11	October 7	7
" 23	7	April 8	10	" 24	9	November 18	6
" 30	8	" 22	11	May 1	7	" 25	5
September 6	9	May 10	10	" 8	6	December 16	6
" 27	10	" 15	9	" 30	5	" 21	7
October 25	9	" 29	8	June 5	4	" 23	8
November 8	8	September 18	6	August 28	3	" 30	9
" 29	7	" 20	7				
December 6	6	" 27	8	1891.		1898.	
13	5	November 23	6	January 26	4	January 5	10
		December 12	7	May 28	3	" 11	11
1878.		" 29	8	August 6	2	February 24	12
January 24	6	1885.		September 24	3	April 28	11
February 6	7	January 15	6	October 8	3½	June 2	10
" 14	8	February 26	7	" 29	3	" 16	9
" 21	9	April 9	8	" 29	2½	" 30	8
April 25	7	May 5	9	December 23	3	July 7	7
May 2	6	June 12	8			" 13	6
" 9	5	" 19	7	1892		" 21	5
" 16	4	" 26	6	January 21	4	" 28	4
" 23	3	July 17	5	" 28	5	September 8	5
November 7	2	November 6	3	March 17	4	December 8	6
" 16	1	December 11	4	May 12	3		
" 28	0	" 23	5	December 15	2	1899.	
December 5	4	1886.		" 29	1	January 5	7
		January 15	6	December 23	3	April 13	6
1879		February 26	7			May 24	5
January 2	6	April 9	8				
" 9	7	May 5	9				
January 16	8	" 21	8				
February 18	7	" 28	7				
March 27	8	June 4	6				
April 8	9	" 18	5				
" 24	8	July 2	4				

This Diagram shows the Intrinsic and Exchange values of the Rupee, together with the London price of Silver per ounce standard.
(The quantity of fine Silver contained in a Rupee is 165 grains)



Y 2785.-

INDIA COUNCIL BILLS (Black)

BAR SILVER (Red)

The values are taken at the mean price between the Highest and Lowest Minimum accepted rate in each month.

The values are taken at the mean price between the Highest and lowest in each month.

The average exchange value of the Rupee realized by sale of Council Bills was in

	d.
1899-3	14 765
1899-4	14 547
1894-5	15 104
1896-5	15 056
1896-7	14 451
1897-5	15 354
1898-9	15 976

No. 17.

PRICE (IN RUPEES) OF BAR SILVER IN BOMBAY, 1893 to 1899.

	Price of Bar Silver in Bombay. Rupees per 100 Tolas.					
	1893-94.	1894-95.	1895-96.	1896-97.	1897-98.	1898-99.
	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
April - - - -	—	89 11 ¹ / ₂	97 5 ¹ / ₂	93 4 ¹ / ₂	81 7 ¹ / ₂	70 6 ¹ / ₂
May - - - -	—	96 4 ¹ / ₂	99 8 ¹ / ₂	94 10 ¹ / ₂	81 5 ¹ / ₂	70 10 ¹ / ₂
June - - - -	106 4	95 13 ¹ / ₂	95 6 ¹ / ₂	95 5 ¹ / ₂	80 11 ¹ / ₂	78 0 ¹ / ₂
July - - - -	99 0 ¹ / ₂	95 12 ¹ / ₂	98 6 ¹ / ₂	95 7 ¹ / ₂	78 1 ¹ / ₂	73 14 ¹ / ₂
August - - - -	99 14	94 13 ¹ / ₂	98 6 ¹ / ₂	94 10 ¹ / ₂	70 9 ¹ / ₂	74 0 ¹ / ₂
September - - - -	95 6 ¹ / ₂	93 5 ¹ / ₂	96 8 ¹ / ₂	91 14 ¹ / ₂	79 1 ¹ / ₂	75 2 ¹ / ₂
October - - - -	91 12 ¹ / ₂	93 5 ¹ / ₂	96 5 ¹ / ₂	88 7 ¹ / ₂	73 7 ¹ / ₂	75 0 ¹ / ₂
November - - - -	88 8 ¹ / ₂	93 9 ¹ / ₂	95 15 ¹ / ₂	84 9 ¹ / ₂	74 0 ¹ / ₂	74 8 ¹ / ₂
December - - - -	93 4 ¹ / ₂	92 7 ¹ / ₂	93 14 ¹ / ₂	84 3 ¹ / ₂	76 9	73 13 ¹ / ₂
January - - - -	89 1 ¹ / ₂	92 9 ¹ / ₂	93 10 ¹ / ₂	83 7 ¹ / ₂	72 3 ¹ / ₂	72 8 ¹ / ₂
February - - - -	87 3 ¹ / ₂	92 14 ¹ / ₂	93 7 ¹ / ₂	84 6 ¹ / ₂	71 13 ¹ / ₂	73 2 ¹ / ₂
March - - - -	84 11 ¹ / ₂	91 12	92 9 ¹ / ₂	83 9 ¹ / ₂	71 3	73 15 ¹ / ₂

NOTE.—The figures represent the monthly average of daily quotations.

No. 18.

PRICE OF BAR GOLD IN INDIA FROM JUNE 1893.

Price per tola of Bar Gold of 100 touch (one tola of Gold containing 180 grains fine)

	1893.	1894.	1895.	1896.	1897.	1898.	1899.
	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.	Rs. a.
January - - - -	—	25 12	29 15	27 3 ¹ / ₂	25 4	24 5	23 15
February - - - -	—	27 12	29 10	26 15	25 6	24 3	24 1
March - - - -	—	27 8	29 5	26 6	25 11	24 4	24 0
April - - - -	—	28 0	28 10	27 1	25 11	24 5	24 0 ¹ / ₂
May - - - -	—	29 7 ¹ / ₂	28 14	27 13 ¹ / ₂	26 9	24 5 ¹ / ₂	
June - - - -	25 13	29 6	28 12 ¹ / ₂	27 0 ¹ / ₂	26 3	24 6	
July - - - -	Nom.	29 15	29 0 ¹ / ₂	27 0 ¹ / ₂	25 8	24 5	
August - - - -	25 2	29 9	28 11 ¹ / ₂	27 0	24 14	24 3	
September - - - -	25 10	28 8	28 13 ¹ / ₂	27 1	24 10	24 0	
October - - - -	25 7	28 10 ¹ / ₂	27 15	26 13	24 10	24 2	
November - - - -	25 3	28 10	27 15 ¹ / ₂	24 14	24 10	24 1 ¹ / ₂	
December - - - -	25 7	29 4 ¹ / ₂	27 11 ¹ / ₂	25 7	25 2	23 15	

NOTE.—The figures are taken at or about the end of the first fortnight in each month.

No. 19
COINAGE OF SILVER IN INDIA.

1.	2.	3.	4.	5.	
Year.	Value of Total Coinage	Value of Old Rupees re-coined, included in Total Coinage	Value of Bar Silver received at the Mints for Coinage	Country Silver and Ornaments.	Remarks on Column 5
	Rx	Rx.	Rx		
1850-51	2,616,417	941,488	3,249,872	—	
1851-52	4,248,491	929,518	4,655,458	—	
1853-53	5,509,965	392,684	5,886,441	—	
1853-54	5,253,437	646,610	4,056,536	—	
1854-55	1,865,901	531,359	1,084,916	—	
1855-56	6,973,659	349,212	8,640,815	—	
1856-57	10,779,286	440,721	11,379,145	—	
1857-58	12,551,303	452,682	11,758,545	—	
1858-59	6,542,267	123,561	6,058,291	—	
1859-60	10,677,924	2,068,314	11,426,990	—	
1860-61	5,192,328	105,468	4,130,533	—	
1861-62	7,070,830	783,079	8,887,248	—	
1862-63	9,251,468	103,908	11,357,047	—	
1863-64	11,477,425	77,035	9,633,271	—	
1864-65	10,358,423	425,455	9,320,698	—	
1865-66	14,507,049	132,277	14,500,171	—	
1866-67	6,118,857	64,354	5,814,153	—	
1867-68	4,313,283	71,796	4,321,036	—	
1868-69	4,207,031	62,275	3,842,846	—	
1869-70	7,473,560	91,664	6,732,378	—	
1870-71	1,718,197	89,993	1,071,549	—	
1871-72	1,690,394	36,014	4,209,526	—	
1872-73	3,980,927	64,739	1,964,525	—	
1873-74	2,370,007	36,048	2,703,147	—	
1874-75	4,896,844	55,891	4,750,076	—	
1875-76	2,550,218	32,423	2,041,368	—	
1876-77	6,271,129	21,731	7,887,732	Bombay 851,799 tolas.	
1877-78	16,180,326	89,483	17,328,578	" 124 lakhs.	
1879-79	7,210,770	67,581	6,624,940	" 116 "	
1879-80	10,256,968	84,933	9,556,719	" 92 "	
1880-81	4,249,673	160,984	3,346,194	" 10 "	
1881-82	2,186,274	738,073	2,952,230	" 4 "	
1882-83	6,508,457	830,272	5,967,761	" 5 "	
1883-84	3,663,400	234,586	3,773,209	" 1 "	
1884-85	5,794,232	252,306	6,696,759	{ Calcutta 18,67,751 tolas	
1885-86	10,383,566	462,441	9,432,009	{ Bombay 3,19,382 tolas.	
1886-87	4,616,137	100,649	4,860,948	{ Calcutta 12½ lakhs.	
1887-88	10,788,425	653,272	11,178,651	{ Bombay 2½ "	
1888-89	7,312,253	738,788	7,545,518	" 10 "	
1889-90	8,531,158	619,042	8,666,579	" 8 73 "	
1890-91	13,163,474	305,193	12,929,515	" 7-18 "	
1891-92	5,558,974	217,296	6,455,969	" 7 03 "	
1892-93	12,691,526	206,018	12,346,935	{ Calcutta 0 09 "	
1893-94	4,812,500	282,893	4,488,129	{ London silver ornaments 0-18 lakhs.	
1894-95	94,595	66,795‡	—	—	Mints closed for free coinage of silver, 26th June 1893.
1895-96	292,714‡	294,160‡	—	—	
1896-97	573,358‡	698,040‡	—	—	
1897-98	499,219‡	666,281‡	—	—	
1898-99	280,405‡	551,979‡	—	—	

‡ Value of old rupees received for re-coinage.

§ These figures do not include the British dollars which, under an agreement between the Secretary of State for India on the one side and the Hong Kong and Shanghai Banking Corporation and the Chartered Bank of India, Australia, and China on the other side, are coined at the Bombay Mint for circulation in Hong Kong and the Straits Settlements. The number of British dollars coined was as follows: 1895-96, 3,316,063; 1896-97, 6,183,617; 1897-98, 21,286,427; 1898-99, 21,545,564. For native states there was in 1897-98, a coinage of Rx. 486,473, and in 1898-99 a coinage of Rx. 417,960.

The Mint Report for 1876-77, says: "In transmitting accounts for 1875-76 no reference was made to country silver and ornaments tendered for coinage by native merchants. This was because the quantity tendered was not so excessive as to render any special remarks necessary." The Report then gives the monthly receipts from April 1876 to July 1877, and remarks that these bring the total amount tendered under the pressure of famine since November 1876 to about half a crore of rupees.

Report for 1877-78, says "A distinguishing feature of the year's work was the enormous number of small country silver tenders * * * Before 1876 the tenders of native silver may be said to have been nil, but towards the close of that year the silver began to pour in; in November, 3½ lakhs was tendered; in December, 1 lakh; in January, February, March, April, May, and June 1877, 1, 2, 3, 6, 8, and 11½ lakhs, respectively, were tendered, until in September the maximum of 19 lakhs was reached."

Report for 1880-81, says: "In former years, before the great famine of 1877-78, the amount of silver thus tendered was very trifling in amount, scarcely affecting the Mint work."

Report for 1881-82, says "The diminished tenders of local silver ornaments and coins probably afford some proof of the revival of wealth in those districts which had been impoverished by famine."

* Cake silver from ornaments, &c.
Country silver, chiefly ornaments

† Burmese ornaments from Mandalay Prize Committee.

GOVERNMENT CASH BALANCES IN INDIA on the last Day of each MONTH.

YEARS.	April.	May.	June.	July.	August.	September.	October.	November.	December.	January	February.	March.	Adjusted Balance for the last Month of the Official Year.
1876-77 - -	Rx. 16,644,433	Rx. 17,183,729	Rx. 17,210,353	Rx. 15,706,498	Rx. 13,648,356	Rx. 11,769,784	Rx. 11,693,032	Rx. 10,839,738	Rx. 10,250,687	Rx. 11,969,970	Rx. 12,002,730	Rx. 12,895,200	Rx. 12,750,608
1877-78 - -	12,414,700	12,157,600	13,023,000	13,616,600	11,608,000	9,893,500	8,785,600	9,386,600	10,020,200	13,451,600	13,780,300	14,802,900	14,498,302
1878-79 - -	13,308,700	12,720,600	13,526,200	14,408,100	12,569,800	10,801,800	9,391,800	9,862,600	10,149,300	12,492,400	12,927,400	19,674,400	12,792,153
1879-80 - -	12,056,600	14,189,100	15,949,100	16,973,700	15,593,100	14,567,700	12,617,100	11,573,900	12,064,500	13,594,100	13,080,200	13,029,500	13,029,894
1880-81 - -	11,852,800	10,933,800	13,470,600	14,643,200	12,646,900	11,814,000	9,275,400	9,196,300	9,674,200	11,781,300	11,720,000	13,371,100	13,371,101
1881-82 - -	11,927,200	11,532,800	13,078,000	13,184,900	13,935,200	12,872,000	11,464,000	12,161,700	12,200,600	14,093,100	14,404,500	14,522,800	14,522,913
1882-83 - -	13,049,600	13,129,900	14,787,700	15,257,000	14,031,700	12,754,200	11,938,200	14,383,700	13,779,200	14,863,600	14,386,300	14,821,600	14,821,550
1883-84 - -	13,171,300	12,992,900	15,066,200	13,511,800	12,910,100	12,734,600	11,422,700	10,788,500	11,134,700	12,781,100	12,100,800	13,199,900	13,199,926
1884-85 - -	11,445,000	11,336,400	13,111,100	12,284,500	10,751,600	10,066,300	9,447,200	9,111,400	10,001,400	12,673,100	12,109,400	12,540,600	12,540,532
1885-86 - -	10,510,600	10,966,200	12,645,200	12,363,800	11,173,800	10,868,600	9,171,400	7,949,700	8,059,000	11,862,800	11,812,900	12,754,500	12,754,478
1886-87 - -	11,650,200	12,577,900	14,082,900	14,372,100	12,503,800	11,625,100	10,718,000	10,309,600	10,671,900	11,990,400	12,009,600	13,195,700	13,195,785
1887-88 - -	11,074,800	10,706,100	12,026,100	11,329,600	11,829,400	10,780,300	10,375,500	10,558,000	10,298,700	13,322,300	13,219,000	13,883,700	13,883,701
1888-89 - -	12,118,300	11,813,300	13,428,300	15,412,500	13,278,400	12,719,200	10,379,700	9,349,600	9,870,400	11,418,200	11,313,300	13,305,100	13,305,189
1889-90 - -	12,941,200	12,589,300	13,372,300	12,702,200	12,814,400	11,073,400	9,333,300	9,006,100	9,853,700	12,393,600	13,486,400	14,748,900	14,748,821
1890-91 - -	12,328,900	12,798,900	13,883,800	13,589,000	12,255,100	11,480,700	10,142,900	9,666,900	11,095,800	15,153,400	16,207,000	17,876,100	17,876,244
1891-92 - -	16,192,700	15,915,100	16,294,400	14,966,500	13,699,400	12,593,500	10,445,300	10,010,700	10,589,300	14,210,100	15,044,100	17,297,000	17,297,005
1892-93 - -	15,415,500	16,023,300	16,198,300	14,911,300	13,280,400	11,489,200	10,209,300	9,100,000	9,543,400	12,700,600	13,434,800	15,274,500	15,271,756
1893-94 - -	13,910,100	13,947,800	14,873,900	14,068,000	13,458,400	11,684,000	10,940,300	15,398,100	15,268,700	23,802,100	25,019,900	25,565,700	25,565,589
1894-95 - -	24,472,800	23,286,600	25,016,200	23,581,900	22,128,900	19,906,300	17,518,500	16,335,400	17,104,200	20,770,200	20,947,500	22,329,400	22,329,488
1895-96 - -	20,477,000	20,059,900	21,202,700	19,140,200	16,824,000	13,731,700	11,260,300	10,766,800	10,669,200	13,873,100	14,705,400	16,496,700	16,500,610
1896-97 - -	15,954,800	14,953,100	14,535,700	15,636,200	14,211,000	12,569,500	9,796,700	7,453,800	9,620,700	11,943,600	11,825,300	13,364,000	13,373,752
1897-98 - -	13,413,200	11,800,400	11,184,700	9,253,000	8,504,300	7,620,000	8,079,300	8,076,400	9,971,000	12,946,400	14,143,500	15,983,400	15,922,443
1898-99 - -	13,724,100	12,806,300	13,188,400	14,978,200	14,370,600	13,997,200	11,843,200	11,272,900	11,534,200	14,194,800	14,225,000	16,761,000	

STATEMENT of the MONTHLY CASH BALANCES held in INDIA by GOVERNMENT and by PRESIDENCY BANKS, (distinguishing, as far as practicable, the BALANCES in the HEAD OFFICES of the PRESIDENCY BANKS and those held elsewhere.

End of	Government Balances.				Balances of the Presidency Banks.				
	In the Head Offices of the Presidency Banks	In the Reserve Treasuries	In the District and other Treasuries.	Total.	Bengal.		Madras.	Bombay.	
					Head Office.	Branches.			
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	
1888									
April	1,723,300	1,418,100	8,976,300	12,118,300	857,509	1,616,705	787,518	1,531,115	
May	1,768,000	998,900	9,048,400	11,813,300	1,555,953	1,526,526	807,975	1,949,814	
June	2,072,900	1,052,700	10,172,800	13,498,300	1,642,017	2,089,183	853,749	1,696,676	
July	1,952,300	8,645,100	9,815,100	15,112,500	1,370,869	1,899,011	739,188	1,465,200	
August	1,664,600	2,798,800	8,815,000	11,278,400	1,484,452	1,805,462	805,893	1,529,428	
September	1,934,500	2,297,900	8,486,800	12,719,200	822,318	1,637,602	743,894	1,275,601	
October	1,491,700	1,502,000	7,386,000	10,379,700	1,024,066	1,830,560	704,037	897,604	
November	1,300,200	790,400	7,259,900	9,349,600	911,936	1,357,343	736,500	861,845	
December	1,712,400	587,700	7,570,300	9,870,400	877,055	1,011,790	780,619	797,331	
1889.									
January	1,529,900	692,400	9,195,900	11,418,200	819,473	1,272,919	590,919	851,025	
February	1,618,200	588,600	9,106,500	11,813,300	651,451	991,027	634,822	856,871	
March	1,428,400	1,838,700	10,598,000	13,305,100	775,601	639,863	635,126	1,079,547	
April	1,768,700	1,435,400	9,747,100	12,941,300	714,563	975,630	616,794	845,056	
May	1,621,400	824,300	10,145,600	12,589,300	927,355	1,046,986	702,987	846,979	
June	1,531,000	1,927,100	10,594,800	13,372,900	872,419	1,614,585	815,924	1,129,951	
July	1,719,400	875,500	10,107,300	12,702,200	1,161,140	2,350,160	746,671	1,475,203	
August	1,640,500	1,726,000	9,447,900	12,814,400	944,953	1,516,960	719,212	1,159,190	
September	2,044,700	869,800	8,158,900	11,073,400	1,057,119	1,501,261	784,221	1,815,476	
October	1,399,100	1,036,400	6,897,800	9,333,300	1,181,454	1,414,939	839,100	1,732,200	
November	1,640,100	987,600	6,378,100	9,006,100	912,784	962,590	813,034	1,878,583	
December	1,798,300	754,700	7,299,700	9,852,700	905,773	995,121	771,914	819,261	
1890									
January	1,682,600	1,415,900	9,195,100	12,293,600	763,256	1,012,696	752,808	839,708	
February	1,629,100	1,884,600	9,972,700	13,486,400	528,002	873,681	814,905	768,146	
March	1,758,900	1,316,600	11,673,400	14,748,900	679,954	785,561	795,154	810,889	
April	1,606,400	1,381,700	9,340,800	12,328,900	1,366,975	796,462	781,931	1,284,908	
May	1,539,400	2,134,700	9,124,700	12,798,800	1,114,361	1,019,868	694,544	1,090,470	
June	1,536,700	2,097,200	10,235,900	14,888,800	1,829,900	1,534,070	856,741	1,129,951	
July	1,572,300	2,398,700	9,623,000	11,599,000	3,184,451	1,748,492	913,278	1,696,910	
August	1,526,600	1,794,900	8,934,600	12,255,100	2,476,611	2,194,752	1,245,077	2,335,184	
September	1,571,700	1,318,400	8,340,600	11,430,700	3,191,279	2,893,444	1,389,300	4,195,268	
October	1,562,200	1,746,600	6,834,100	10,142,900	3,338,010	2,339,531	1,329,274	5,045,546	
November	1,777,600	1,358,600	6,532,700	9,668,900	4,484,012	2,064,584	1,326,175	5,822,614	
December	2,003,900	1,124,600	7,897,300	11,025,800	4,043,335	2,218,798	1,402,926	5,836,156	
1891.									
January	1,609,300	3,783,700	9,760,400	15,153,400	2,586,110	2,193,126	1,842,261	5,277,682	
February	1,637,000	4,437,800	10,112,200	16,207,000	2,651,737	1,912,822	1,646,917	3,052,378	
March	1,446,100	4,311,100	12,118,900	17,876,100	2,594,726	1,482,179	1,148,655	2,354,844	
April	1,434,500	4,806,100	10,159,100	16,192,700	2,460,993	1,902,775	1,311,953	2,587,121	
May	1,517,700	4,159,500	10,111,900	15,816,100	3,104,390	2,214,198	1,444,814	2,437,191	
June	1,630,500	3,070,700	11,593,200	16,284,400	3,636,151	2,650,700	1,493,997	2,898,322	
July	1,545,100	3,078,500	10,352,600	14,966,500	4,101,951	2,540,986	1,748,056	3,126,799	
August	1,488,500	2,347,200	9,863,700	13,699,400	4,269,441	2,744,163	1,623,759	3,564,102	
September	1,836,400	1,869,900	8,873,200	12,593,500	2,751,507	2,339,862	1,525,026	4,464,783	
October	1,572,400	1,567,900	7,306,900	10,445,200	2,386,482	2,791,126	1,482,457	3,287,990	
November	1,539,400	1,524,400	6,946,900	10,010,700	2,074,158	3,066,840	1,590,793	3,671,985	
December	1,247,700	1,177,000	8,164,600	10,589,300	1,885,908	2,568,031	1,413,455	3,266,019	
1892									
January	1,461,200	2,350,900	10,398,000	14,210,100	1,456,185	2,458,489	1,208,858	1,811,483	
February	1,509,700	2,344,200	11,190,800	15,044,100	1,899,398	1,524,805	928,133	1,370,070	
March	1,380,100	3,609,900	12,297,900	17,287,900	1,575,834	1,420,947	978,154	1,671,988	
April	1,745,200	2,889,900	10,786,400	15,415,500	996,429	1,322,368	1,161,863	1,910,170	
May	1,651,600	3,497,900	10,874,000	16,023,500	1,312,003	1,511,224	1,290,269	1,929,386	
June	1,398,000	3,519,200	11,281,800	16,198,500	1,647,976	1,791,065	1,386,010	2,087,987	
July	1,436,800	4,401,900	10,072,600	14,911,300	2,019,571	2,532,225	1,667,874	2,548,487	
August	1,418,500	3,065,800	8,776,100	13,280,400	2,749,142	2,677,062	1,679,281	3,302,645	
September	1,478,200	1,940,900	8,070,300	11,489,400	2,425,281	2,482,202	1,723,827	3,887,044	
October	1,452,700	1,219,500	7,537,100	10,209,300	2,373,575	3,014,148	1,611,663	3,794,462	
November	1,499,700	1,442,000	6,158,300	9,100,000	1,959,125	2,851,416	1,178,944	3,418,985	
December	1,692,800	781,800	7,068,800	9,543,400	1,148,851	2,497,134	1,329,410	2,411,425	
1893									
January	1,661,800	1,878,200	9,160,600	12,700,600	1,657,392	2,438,178	1,301,378	1,814,624	
February	1,770,000	1,896,400	9,767,800	13,434,800	1,833,970	1,665,559	1,034,704	1,238,347	
March	1,680,300	2,143,400	11,158,100	15,371,800	1,618,926	1,399,847	916,724	1,519,498	
April	1,561,900	1,923,600	9,822,600	13,110,100	698,729	1,410,133	1,111,163	1,075,324	
May	1,800,700	8,211,100	8,906,000	13,947,800	893,128	1,417,660	1,931,584	1,865,708	
June	1,914,600	8,390,700	9,570,600	14,875,900	1,169,774	1,593,113	1,256,837	2,172,939	
July	1,691,000	3,308,100	9,068,900	14,068,000	1,633,042	2,467,552	1,321,859	2,917,848	
August	1,911,600	4,726,200	8,820,600	15,458,400	1,100,994	2,155,699	1,167,985	3,666,834	
September	1,656,000	5,994,200	9,034,800	16,484,000	1,174,399	1,614,028	1,021,569	4,408,131	

STATEMENT of the MONTHLY CASH BALANCES held in INDIA by GOVERNMENT and by PRESIDENTY BANKS, distinguishing, as far as practicable, the BALANCES in the HEAD OFFICES of the PRESIDENTY BANKS and those held elsewhere—continued.

End of	Government Balances.				Balances of the Presidency Banks			
	In the Head Offices of the Presidency Banks.	In the Reserve Treasuries	In the District and other Treasuries	Total.	Bengal		Ma'tras	Bombay.
					Head Office.	Branches	Head Office and Branches	Head Office and Branches.
	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.	Rx.
1893.								
October	1,662,900	6,804,700	7,852,700	16,340,300	1,227,278	1,889,081	1,133,657	2,487,036
November	1,572,800	5,819,500	7,845,800	15,238,100	1,813,756	1,943,012	1,232,520	2,248,453
December	1,560,800	7,554,500	9,158,400	18,266,700	1,180,484	2,191,963	1,267,085	2,830,725
1894.								
January	1,499,600	10,213,600	12,148,900	23,802,100	827,852	1,598,520	1,331,029	1,097,618
February	1,452,200	10,923,700	12,643,300	25,019,200	561,360	1,464,947	1,121,893	1,213,562
March	1,836,300	10,125,800	14,103,400	25,565,500	676,236	1,634,826	1,200,046	1,847,456
April	1,647,400	10,741,900	12,083,500	24,472,300	592,113	988,846	1,159,832	1,036,650
May	1,529,300	9,677,500	12,080,800	23,286,600	1,034,139	1,197,549	1,112,527	1,549,740
June	1,568,000	9,887,500	13,560,700	25,016,200	1,222,259	1,604,375	1,181,882	1,739,158
July	1,543,200	8,725,000	13,318,700	23,581,900	1,551,168	1,935,953	1,050,809	2,126,036
August	1,819,900	8,505,400	11,803,600	22,128,900	1,239,616	1,921,169	1,683,429	2,716,600
September	1,812,800	6,773,800	11,320,300	19,906,900	1,692,025	1,731,395	1,633,095	3,785,975
October	1,678,500	5,993,700	9,946,300	17,518,500	1,930,649	1,950,037	1,577,745	3,864,740
November	1,564,300	5,008,500	9,762,700	16,335,400	2,506,291	1,928,155	1,725,676	4,613,487
December	1,672,200	4,284,300	11,147,700	17,104,200	2,194,526	2,214,082	1,290,409	3,655,479
1895.								
January	1,650,000	4,767,600	14,352,600	20,770,200	917,487	2,463,457	1,293,221	2,221,245
February	1,569,000	6,515,500	13,859,000	20,943,500	1,268,027	1,890,610	966,638	1,531,709
March	1,582,900	6,830,000	14,116,700	22,529,600	1,325,895	1,666,813	1,123,814	2,161,353
April	1,613,400	6,997,400	11,867,200	20,477,000	1,200,879	1,349,788	1,149,587	1,903,925
May	1,805,100	7,002,900	11,945,900	20,059,900	958,339	1,381,772	1,332,967	807,988
June	1,531,300	7,381,500	12,289,900	21,202,700	1,201,479	1,416,778	1,188,317	1,858,142
July	1,434,600	5,982,600	11,703,930	19,140,200	2,246,395	2,094,054	1,427,441	2,571,442
August	1,734,000	4,253,200	10,836,800	16,824,000	1,899,863	2,314,443	1,599,107	4,003,268
September	1,562,500	1,967,400	10,321,800	13,731,700	1,215,973	2,236,169	1,591,195	5,072,052
October	1,505,300	1,922,900	8,864,100	11,260,300	1,267,520	2,528,469	1,812,642	4,922,245
November	1,569,900	1,129,800	8,067,100	10,766,800	1,324,899	2,145,161	1,980,641	2,902,825
December	1,412,000	8,725,600	8,384,700	10,669,200	2,056,403	2,392,941	1,448,834	3,079,495
1896.								
January	1,573,800	1,409,900	10,888,500	13,872,100	1,711,542	2,131,148	1,476,940	2,068,733
February	1,560,600	1,878,800	11,256,000	14,705,400	1,193,021	1,323,027	1,108,249	1,223,911
March	1,582,500	2,175,100	12,743,600	16,500,600	1,241,683	1,552,864	1,308,088	1,331,849
April	1,536,600	2,249,900	11,273,800	15,054,300	1,051,424	1,519,624	1,228,022	1,220,585
May	1,678,100	2,842,700	10,442,300	14,953,100	1,610,202	1,286,714	1,024,563	1,552,208
June	1,602,000	1,865,400	11,010,300	14,533,700	2,008,677	1,598,713	1,894,870	2,370,351
July	2,231,400	3,769,200	9,635,600	15,636,200	2,319,169	2,165,074	1,937,765	2,863,583
August	1,963,800	2,960,600	9,286,600	14,211,000	1,330,245	2,261,544	1,676,326	2,436,933
September	1,767,400	2,352,600	8,629,500	12,669,500	938,577	1,978,922	1,568,648	2,355,493
October	1,632,800	871,200	7,272,900	9,796,700	1,121,138	1,286,751	1,380,087	1,300,646
November	1,071,800	1,053,700	5,308,300	7,433,800	934,220	1,439,728	1,207,303	1,539,707
December	1,753,000	1,294,600	5,943,100	9,620,700	1,036,476	1,485,790	1,238,270	1,228,287
1897.								
January	1,558,000	1,553,300	8,898,400	11,949,600	1,030,948	1,408,803	1,336,751	1,270,569
February	1,631,300	929,800	9,284,800	11,865,300	1,351,558	1,230,577	975,580	1,400,981
March	1,860,900	949,800	11,243,700	13,873,800	1,401,308	1,195,328	1,067,399	1,103,884
April	1,655,400	1,315,400	9,242,400	19,413,200	961,900	1,425,392	785,652	1,133,037
May	1,662,600	1,566,400	8,351,400	11,800,400	843,345	1,238,742	920,405	1,006,752
June	1,508,100	604,600	9,077,000	11,184,700	1,489,393	1,080,171	1,007,927	1,508,514
July	1,346,800	652,100	7,254,700	9,253,000	2,030,983	1,873,038	1,042,687	9,273,457
August	1,660,500	630,700	6,213,100	8,504,300	1,804,835	1,306,950	1,306,946	9,237,937
September	1,194,400	1,148,900	5,276,700	7,620,000	1,342,281	1,337,639	1,051,850	1,986,362
October	1,374,500	1,874,900	5,329,900	8,079,300	1,226,758	1,608,539	743,715	1,726,774
November	1,637,200	816,700	5,602,500	8,076,400	1,210,342	1,701,081	1,054,579	1,957,030
December	1,732,900	1,605,600	6,642,600	9,971,000	768,656	1,498,505	906,556	1,027,071
1898.								
January	1,445,300	2,386,500	9,114,600	13,946,400	773,975	1,330,466	1,085,606	1,163,540
February	1,576,400	3,410,000	9,162,100	14,148,500	697,924	1,918,735	930,558	914,207
March	1,498,500	3,155,200	11,329,700	15,984,400	837,643	997,535	1,018,596	1,044,236
April	1,667,500	2,362,000	9,674,600	13,724,100	1,107,205	939,819	1,008,093	1,346,965
May	1,533,700	1,646,600	19,606,200	13,806,500	1,001,427	1,359,328	917,811	877,262
June	1,594,700	8,198,000	10,407,700	15,183,400	1,131,608	1,634,993	897,885	1,438,980
July	1,494,400	2,330,600	10,353,200	14,378,200	1,777,690	1,582,098	1,253,504	1,494,771
August	1,988,200	3,117,900	10,264,500	14,370,600	2,072,484	1,377,218	1,295,934	2,088,588
September	1,740,700	2,029,800	10,936,700	13,897,200	1,191,489	1,465,513	1,449,473	2,263,423
October	1,309,900	1,681,600	8,638,700	11,642,200	899,395	1,773,989	1,461,173	2,460,273
November	1,527,400	1,358,700	8,386,800	11,272,900	1,496,375	1,520,114	1,405,708	1,849,574
December	1,671,700	1,338,700	8,493,800	11,524,200	1,365,160	1,781,045	1,364,570	1,330,873
1899.								
January	1,503,100	1,977,200	10,713,600	14,192,900	1,107,370	1,809,014	1,300,434	1,464,049
February	1,614,800	1,929,100	10,628,300	14,225,000	1,295,570	1,316,666	1,049,017	1,605,357
March	1,699,100	8,160,200	11,901,700	16,761,000	1,267,031	1,105,421	1,131,630	1,110,073

CAPITAL RAISED IN ENGLAND BY INDIAN RAILWAY

Railway Company.		1870.	1871 to 1880	1881	1882.	1883.	1884.	1885.	1886.	
Railways in British India.	Assam Railways and Trading Company*	Share capital †	—	—	—	160,822‡	188,404‡	774‡	60,000‡	34,721
		Debentures	—	—	—	—	19,400‡	230,600‡	—	—
		Total	—	—	—	160,822‡	207,804‡	231,374‡	60,000‡	34,721
	Barsi Light Railway Company	Share capital	—	—	—	—	—	—	—	—
	Bengal and North-Western Railway Company	Share capital	—	—	—	—	659,790¶	660,210	330,000	375,100
		Debentures	—	—	—	—	—	—	—	—
	Delhi-Umballa-Kalka	Share capital	—	—	—	—	—	—	—	—
		Debentures	—	—	—	—	—	—	—	—
		Total	—	—	—	—	—	—	—	—
	Bengal Doouars Railway Company	Share capital	—	—	—	—	—	—	—	—
Nilgiri Railway Company	Debentures	—	—	—	—	—	—	—	—	
Rohilkund and Kumaon Railway Company	Share capital	—	—	—	40,000††	120,000††	20,000††	—	20,000	
	Debentures	—	—	—	—	—	—	—	—	
	Total	—	—	—	40,000††	120,000††	20,000††	—	20,000	
South Behar Railway Company	Share capital	—	—	—	—	—	—	—	—	
	Debentures	—	—	—	—	—	—	—	—	
	Total	—	—	—	—	—	—	—	—	
Southern Punjab Railway Company	Share capital	—	—	—	—	—	—	—	—	
	Debentures	—	—	—	—	—	—	—	—	
	Total	—	—	—	—	—	—	—	—	
Railways in Native States and Foreign Territory.	Nizam's Guaranteed States Railway Company (guaranteed by the Government of H.H. the Nizam)	Share capital	—	—	—	—	1,600,525	329,670	69,805	
		Debentures	—	—	—	—	—	—	689,985	
		Total	—	—	—	—	1,600,525	329,670	759,790	
	Pondicherry Railway Company	Share capital	7,000†	—	—	—	—	—	—	—
		Debentures	—	—	—	—	—	—	—	—
	West of India Portuguese Railway Company* (guaranteed by the Portuguese Government)	Share capital	—	—	142,368	177,877	69,735	273,232	101,906	34,862
		Debentures	—	—	—	—	—	—	232,000	265,000
		Total	—	—	142,368	177,877	69,735	273,232	336,906	299,862
	GRAND TOTAL		7,000	—	142,368	378,699	1,027,329	2,785,341	1,0566	1,389,979

* Part of the capital raised by the Assam Railways and Trading Company, and the West of India Portuguese Railway Company, has been used for other than railway purposes.

† It is not known exactly in what year this sum was raised. The Company was registered in December 1869.

‡ Excluding deferred shares of the nominal value of 43,750l. issued partly to vendors of concessions and partly to ordinary shareholders.

§ Figures ending 30th June.

COMPANIES not guaranteed by the SECRETARY OF STATE.

1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.	Total
£	£	£	£	£	£	£	£	£	£	£	£	£
55,279	—	—	65,000	10,000	25,000	25,000	10,000	40,000	25,000	50,000	—	650,000
—	—	—	65,000	10,000	25,000	—	—	—	—	18,000	—	369,000
55,279	—	—	65,000	10,000	25,000	25,000	10,000	40,000	25,000	68,000	—	1,018,000
—	—	—	—	—	—	—	—	75,000	—	—	—	75,000
245,953	10,470	869	12,277	5,431	—	—	458,322	225	687,860	115,936	73,728	3,566,032
—	—	556,034†	243,966††	—	—	—	—	—	—	—	32,288	832,228
—	—	—	200,000	100,000	—	—	—	—	—	—	—	300,000
—	—	556,034	443,966	100,000	—	—	—	—	—	—	32,288	1,132,283
—	—	—	—	—	90,120	44,880	7,705	7,995	—	—	250,000	400,000
—	—	192,500	—	—	—	—	—	—	150,000	3,570	6,500	352,500
—	—	—	—	—	—	—	—	—	—	—	—	200,000
—	—	—	—	(147,000)**	—	—	—	—	—	—	—	(147,000)
—	—	—	—	(147,000)**	—	—	—	—	—	—	—	347,000
—	—	—	—	—	—	—	—	113,658	156,197	80,145	—	350,000
—	—	—	—	—	—	—	—	—	250,000	—	40,000	290,000
—	—	—	—	—	—	—	—	113,658	406,197	80,145	40,000	640,000
—	—	—	—	—	—	—	—	202,592	490,002	273,406	—	966,000
—	—	—	—	—	—	—	—	239,615	240,385	—	—	500,000
—	—	—	—	—	—	—	—	469,207	730,387	273,406	—	1,466,000
—	—	—	—	—	—	—	—	—	—	—	—	2,000,000
68,415	—	—	—	187,033	12,967	—	—	—	—	1,025,000	—	1,983,400
68,415	—	—	—	187,033	12,967	—	—	—	—	1,025,000	—	3,983,400
—	—	—	—	—	—	—	—	—	—	—	—	7,000
—	—	—	—	—	—	—	—	—	—	—	—	800,000
25,000	25,000	—	—	—	—	—	—	—	—	—	—	550,000
25,000	25,000	—	—	—	—	—	—	—	—	—	—	1,350,000
394,647	35,470	749,403	521,243	449,464	124,087	69,880	475,927	698,385	1,999,441	1,536,047	402,516	14,337,220

† Raised partly in 1882
 †† Now guaranteed by the Secretary of State, although raised without the guarantee
 ††† Interest guaranteed for period of construction (i.e., to end of 1884).

No. 23.

QUANTITY OF SILVER (in Toles) accepted and passed into MINTS IN NATIVE STATES from 1891 to 1898.

Mints	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898	Remarks
<i>1.—Mints in Rajputana.</i>									
Bharatpur - - -	—	—	—	—	—	—	—	—	Silver is received freely from the public, but no silver has actually been coined since 1893.
Bundi - - -	1,060,663	1,180,105	1,212,940	—	—	43,467	483,167	69,169	Silver is freely received from the public.
Jaisalmer - - -	18,700	27,825	209,122	59,978	78,950	104,261	84,319	—	Mint closed to the public since September 1893; but the Darbar coins its own silver.
Jajpur - - -	1,396,643	1,669,161	1,717,749	1,375,819	1,642,803	1,677,498	1,617,917	164,508	Mint closed from 27th December 1893 to 10th March 1894, but open throughout the years 1895, 1896, and 1897. The State buys the silver from bankers who are authorised to import silver on account of the Darbar; the bankers receive only the market value of the silver plus transit charges. So that the coinage is on account of the State.
Kishengarh - - -	34,476	34,637	82,074	139,497	125,948	42,799	60,980	54,456	Mint closed to the public during July, August, and September 1893. Reopened in October under certain restrictions, in view of suppression of speculative coinage. Remained open throughout the years 1895, 1896, and 1897.
Jhalawar - - -	86,749	309,913	279,385	474,724	498,988	—	—	—	Mint closed on 1st September 1893 to free coinage, and silver admitted only by special permission given solely for silver purchased for importation into the State prior to closing of the mint, and for ornaments brought for conversion into coin. Reopened on 1st April 1894 to free coinage, a seignorage of 10 per cent being imposed on bar silver. In July 1894 rate reduced to 6 per cent, but again raised to 10 per cent in September 1894. The mint has remained closed since 1896.
Karowli - - -	15,826	21,820	207,523	41,927	12,147	97,849	48,191	15,169	Closed since 30th December 1893 to free coinage, coming only for the State when necessary.
Kota - - -	466,910	123,759	257,156	27,555	17,198	21,268	20,316	18,029	Mint closed on 7th August 1893. On 21st December 1893 permission given to coin broken silver ornaments, subject to a limit of Rs. 20,000 in the year.
Jodhpur - - -	12,300	228	1,458,562	441,095	189,378	729	6,715	14,374	Silver is freely received from the public.
Pal - - -	30,004	20,252	1,056,707	507,444	46,539	2,432	306		
Nagore - - -	—	—	231,471	79,194	—	—	—		
Kuchawan - - -	—	—	157,639	84,753	21,590	—	—		
Udaipur - - -	416	1,544	46,078	10,755	53,640	60,116	58,498	195,392	No silver imported or purchased locally by the State since June 1893. Coinage of small silver from old stock of silver possessed by the State continues to meet requirements of State.
Pratabgarh - - -	3,804	8,598	1,045,687	975,778	1,948	—	88,749	—	Mint closed since 1st May 1894, except for the coinage of small silver and copper. The coinage in 1897 was for State requirements.
Tonk and Sironj - - -	48,601	126,470	113,147	3,749	—	—	32,157	—	These mints are at present closed. The coinage of 1897 represents re-coinage of Mahamed Khan rupees into Chahaur Bahai rupees.
TOTAL FOR RAJ- PUTANA - - -	3,174,592	3,524,307	8,025,240	4,162,268	2,684,119	2,050,489	2,501,310	531,097	

QUANTITY of SILVER (in Toles) accepted and passed into MINTS in NATIVE STATES from 1891 to 1898—*continued.*

Mints.	1891.	1892.	1893	1894.	1895.	1896.	1897.	1898.	Remarks.
<i>2.—Mints in Central India.</i>									
Indore - - -	3,590,568	3,108,356	3,078,667	1,555,949	380,966	4,314,170	1,091,530	—	The Darbar purchases the silver for coinage when necessary. Does not coin for the public. Mint closed in October 1893. Coin struck for the use of the State only when necessary.
Bilsa - - -	169,023	302,376	570,102	145,594	—	—	—	—	
Gwalior { Ujjain - - -	133,084	66,786	1,152,319	1,152,927	977,449	1,451,212	1,343,229	170,129	
{ Laslikar - - -	226,351	628,323	228,865	5,650	—	—	—	—	
Bhopal - - -	631,588	719,114	11,820	—	—	—	—	—	Coin not supplied to the public since 10th April 1893. Coin struck for the use of the State only when necessary.
Orchha - - -	489,388	475,968	404,090	49,698	—	800	3,969	4,331	Mint closed on 26th November 1891, coin for the use of the State only struck when necessary.
TOTAL FOR CENTRAL INDIA - }	5,240,447	5,800,832	5,445,863	3,909,213	1,358,415	5,766,182	2,438,728	174,460	Mint closed on 4th August 1893, closure being complete both as regards public and State. The British rupee has been introduced as the sole legal tender from 1st February 1893, and the State has undertaken not to coin any silver at its mint.
<i>3.—Mint in Hyderabad.</i>									
Hyderabad - - -	2,185,178	2,188,354	2,333,118	705	299,971	418,007	168,945	356,505	Mint closed since 1st July 1893, but some coin struck in October 1893 and February 1894, from silver obtained by washing crucibles. The coinage of 1895, 1896, and 1897 consisted mainly of re-coinage of Hah Sica rupees.
<i>4.—Mints in Bombay.</i>									
Junagad - - -	—	—	—	—	—	88,729	61,037	2,540	The mint coins only State silver. The coinages of 1896 and 1897 were undertaken to replenish the supply of the State coin. The mint is open to public coinage, but the State has option to refuse or accept a tender.
Camboy - - -	721	—	—	—	17,920	57,680	88,084	—	
Kutch Bhoj - - -	354	134	2,324	704,665	1,467,371	492,360	1,113,639	991,400	
Radhanpur - - -	—	—	—	94,199	—	—	—	—	
Navanagar - - -	44,199	378,633	1,144,124	343,614	—	—	—	—	Prior to 1894 the State had abstained from coining for some time, and there was a scarcity of coin. The coinages of recent years have been undertaken to replenish supply. The State does not appear to coin for the public.
TOTAL FOR BOMBAY - }	45,174	378,807	1,144,448	1,141,408	1,465,291	638,769	1,263,760	994,240	Radhanpur buys its silver in the market, and coins when necessity arises. Navanagar Darbar also purchases silver from local merchants when it sees that an issue of coins from the State mint can be made with profit, and the coins are issued to the merchants in payment of the silver brought from them. Radhanpur and Navanagar proposed currency reforms, but nothing has as yet been settled.

No. 24.
CURRENCY NOTES.

TABLE showing the NUMBERS and VALUE of NOTES of each DENOMINATION in NET CIRCULATION* on the 31st of MARCH in each of the YEARS from 1887-88 to 1908-09.

Year.	Notes for Rupees.																	
	5.		10.		20.		50.		100.		500.		1,000.		10,000.		Total.	
	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.	No.	Value. Rs.
1887-88	450,727	223,364	2,671,031	2,671,031	275,045	550,090	194,808	974,015	372,938	3,729,330	35,915	1,795,750	41,818	4,181,800	2,297	2,297,000	4,044,569	16,424,380
1888-89	429,093	214,832	2,722,663	2,722,663	264,642	529,284	183,611	918,055	364,918	3,649,180	32,962	1,648,100	40,327	4,032,700	1,949	1,949,000	4,100,835	15,797,814
1889-90	449,468	224,732	2,816,258	2,816,258	270,939	541,878	181,819	909,095	366,222	3,662,220	34,716	1,735,800	39,398	3,939,800	1,742	1,742,000	4,180,556	15,771,781
1900-01	529,768	264,884	3,800,390	3,800,390	311,755	623,510	205,938	1,029,665	465,685	4,656,850	44,988	2,249,150	58,425	5,849,500	7,724	7,724,000	4,929,668	25,990,449
1901-02	480,735	240,367	3,571,058	3,571,058	318,609	637,218	216,135	1,080,675	503,924	5,039,240	45,668	2,282,650	60,032	6,003,200	5,302	5,302,000	5,208,348	24,076,408
1902-03	495,456	247,728	3,917,336	3,917,336	330,083	660,166	232,482	1,162,410	568,068	5,680,680	50,648	2,532,400	67,981	6,798,100	5,408	5,408,000	5,667,457	26,401,820
1903-04	499,652	249,826	3,744,839	3,744,839	332,028	664,048	219,828	1,099,140	519,348	5,193,480	42,390	2,119,500	58,818	5,881,800	11,960	11,960,000	5,423,758	30,411,631
1904-05	568,015	284,007	4,328,358	4,328,358	364,900	729,800	240,275	1,201,375	617,192	6,171,920	47,665	2,393,260	61,168	6,116,800	9,477	9,477,000	6,232,260	30,700,010
1905-06	625,552	312,776	4,600,900	4,600,900	368,089	736,178	247,689	1,238,195	622,786	6,227,850	49,214	2,460,700	66,491	6,649,100	3,715	3,715,000	6,584,885	25,940,699
1906-07	609,612	304,806	4,699,678	4,699,678	362,899	725,798	230,818	1,154,085	605,206	6,052,060	47,604	2,380,200	55,611	5,561,100	2,877	2,877,000	6,018,900	23,753,807
1907-08	641,368	320,684	4,702,524	4,702,524	358,428	716,856	226,068	1,130,315	584,222	5,842,220	45,428	2,271,150	48,292	4,829,200	4,981	4,981,000	6,002,501	24,764,049
1908-09	720,865	360,432	4,899,301	4,899,301	387,301	774,602	240,814	1,204,070	674,742	6,747,420	51,829	2,596,450	56,911	5,691,100	5,960	5,960,000	7,037,123	28,303,275

Note.—On 31st March 1898 the Assets of the Currency Department were as follows:—(i.) Silver coin, Rs. 14,536,634; (ii.) Gold, Rs. 255,420; (iii.) Government Securities, Rs. 9,999,994. On 31st March 1899 the Assets were, (i.) Silver coin, Rs. 15,150,109; (ii.) Gold, Rs. 3,058,172; (iii.) Government Securities, Rs. 9,999,994.
* Net Circulation.—A note is in "gross circulation" when it is not yet returned to the original office of issue; but if it has meantime been paid off by another office of issue, and is held by it pending return to the original office of issue, then it has ceased to be in "net circulation," though it is still part of the "gross circulation." "Net circulation" includes the value of notes held by Government in the Reserve and other treasuries.

STATEMENT comparing the RATE for TELEGRAPHIC TRANSFERS telegraphed from INDIA on each WEDNESDAY, with the MINIMUM RATE at which TENDERS for BILLS on INDIA and TELEGRAPHIC TRANSFERS were accepted at the Public Sale on the same day, since 1st April 1893.

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.		Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.		Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1893.					1894.				
April 5	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	Sept. 26	1 1 $\frac{3}{4}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—
" 12	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	Oct. 8	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 19	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 10	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 26	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 17	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$
May 8	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 24	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 10	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	Nov. 7	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 17	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 14	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 24	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 21	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$
June 7	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 28	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 14	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	Dec. 5	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$
" 21	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 12	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 28	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 19	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
July 5	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 26	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	1 1 $\frac{3}{4}$	—
" 12	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	1895.				
" 19	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	Jan. 2	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
" 26	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 9	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
Aug 2	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 16	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
" 9	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 23	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$
" 16	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	Feb. 6	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
" 23	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 13	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$
" 30	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 20	1 1	1 1	1 1	1 1
Sept. 6	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	—	" 27	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 1
" 13	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	—	Mar. 6	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
" 20	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	—	" 13	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—
" 27	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 20	1 1 $\frac{1}{2}$	1 1	1 1	—
Oct. 4	1 2 $\frac{1}{2}$	1 2	—	—	" 27	1 1 $\frac{1}{2}$	1 1	1 1	—
" 11	1 2 $\frac{1}{2}$	1 2	—	—	April 3	1 1 $\frac{1}{2}$	1 1	1 1	—
" 18	Holiday	1 2 $\frac{1}{2}$	—	—	" 10	1 1 $\frac{1}{2}$	1 1	1 1	—
" 25	Holiday	1 2 $\frac{1}{2}$	—	—	" 17	1 1 $\frac{1}{2}$	1 1	1 1	—
Nov. 1	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 24	1 1 $\frac{1}{2}$	1 1	1 1	—
" 8	Holiday	Holiday	—	—	May 1	1 1 $\frac{1}{2}$	1 1	1 1	—
" 15	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	—	" 8	1 1 $\frac{1}{2}$	1 1	1 1	—
" 22	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	1 3 $\frac{1}{4}$	" 15	1 1 $\frac{1}{2}$	1 1	1 1	—
" 29	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	1 3 $\frac{1}{4}$	" 22	1 1 $\frac{1}{2}$	1 1	1 1	—
Dec. 6	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 3 $\frac{1}{4}$	—	" 29	1 1 $\frac{1}{2}$	1 1	1 1	—
" 13	1 2 $\frac{1}{2}$	1 2	—	—	June 5	1 1	1 1	1 1	—
" 20	1 2 $\frac{1}{2}$	1 2	—	—	" 12	1 1 $\frac{1}{2}$	1 1	1 1	—
" 27	1 2 $\frac{1}{2}$	1 2	—	—	" 19	1 1 $\frac{1}{2}$	1 1	1 1	—
1894.					" 26	1 1 $\frac{1}{2}$	1 1	1 1	—
Jan. 8	1 3 $\frac{1}{2}$	1 3 $\frac{1}{2}$	—	—	July 3	1 1 $\frac{1}{2}$	1 1	1 1	—
" 10	1 2	1 2 $\frac{1}{2}$	—	—	" 10	1 1 $\frac{1}{2}$	1 1	1 1	—
" 17	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 17	1 1 $\frac{1}{2}$	1 1	1 1	—
" 24	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	" 24	1 1 $\frac{1}{2}$	1 1	1 1	—
" 31	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	—	—	Aug. 7	1 1 $\frac{1}{2}$	1 1	1 1	—
Feb 7	1 2 $\frac{1}{2}$	1 2	1 2 $\frac{3}{4}$	1 2 $\frac{3}{4}$	" 14	1 1 $\frac{1}{2}$	1 1	1 1	—
" 14	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 21	1 1 $\frac{1}{2}$	1 1	1 1	—
" 21	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 28	1 1 $\frac{1}{2}$	1 1	1 1	—
" 28	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	Sept. 4	1 1 $\frac{1}{2}$	1 1	1 1	—
Mar 7	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2	1 2	" 11	1 1 $\frac{1}{2}$	1 1	1 1	—
" 14	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 18	Holiday	1 1 $\frac{1}{2}$	—	—
" 21	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 25	"	1 1 $\frac{1}{2}$	—	—
" 28	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	Oct. 2	1 1 $\frac{1}{2}$	1 1	1 1	—
April 4	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 9	1 1 $\frac{1}{2}$	1 1	1 1	—
" 11	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 16	1 1 $\frac{1}{2}$	1 1	1 1	—
" 18	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	" 23	1 1 $\frac{1}{2}$	1 1	1 1	—
" 25	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—	—	Nov. 6	1 1 $\frac{1}{2}$	1 1	1 1	—
May 2	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—	—	" 13	1 1 $\frac{1}{2}$	1 1	1 1	—
" 9	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1	1 1	" 20	1 1 $\frac{1}{2}$	1 1	1 1	—
" 16	1 1 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	" 27	1 1 $\frac{1}{2}$	1 1	1 1	—
" 23	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	Dec. 4	1 1 $\frac{1}{2}$	1 1	1 1	—
" 30	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	" 11	1 1 $\frac{1}{2}$	1 1	1 1	—
June 6	1 1	1 0 $\frac{1}{2}$	—	—	" 18	1 1 $\frac{1}{2}$	1 1	1 1	—
" 13	Holiday	1 1	1 1	1 1	" 25	Holiday	Holiday	24th 1 1 $\frac{1}{2}$	—
" 20	1 1	1 0 $\frac{1}{2}$	—	—	1896.				
" 27	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	Jan. 1	—	—	1 2 $\frac{1}{2}$	—
July 4	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	" 8	1 1 $\frac{1}{2}$	1 2	1 1 $\frac{1}{2}$	—
" 11	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	" 15	1 0 $\frac{1}{2}$	1 2	1 2 $\frac{1}{2}$	—
" 18	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	" 22	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—
" 25	1 1	1 0 $\frac{1}{2}$	—	—	" 29	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—
Aug. 1	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	Feb. 5	1 1 $\frac{1}{2}$	1 2	1 1 $\frac{1}{2}$	—
" 8	1 0 $\frac{1}{2}$	1 0 $\frac{1}{2}$	—	—	" 12	1 1 $\frac{1}{2}$	1 2	1 1 $\frac{1}{2}$	—
" 15	1 1	1 1	—	—	" 19	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$
" 22	1 1 $\frac{1}{2}$	1 1	—	—	" 26	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$
" 29	1 1 $\frac{1}{2}$	1 1 $\frac{1}{2}$	—	—	Mar. 4	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$	1 2 $\frac{1}{2}$
Sept. 5	1 1 $\frac{1}{2}$	1 1	—	—					
" 12	1 1 $\frac{1}{2}$	1 1	—	—					
" 19	1 1 $\frac{1}{2}$	1 1	—	—					

STATEMENT comparing the RATES for TELEGRAPHIC TRANSFERS telegraphed from INDIA on each WEDNESDAY, with the MINIMUM RATES at which TENDERS for BILLS on INDIA and TELEGRAPHIC TRANSFERS were accepted at the Public SALE on the same day, since 1st April 1833—continued.

Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.		Date.	Rate for Telegraphic Transfers in		Minimum Rate at which Tenders were accepted.	
	Calcutta.	Bombay.	Bills.	Telegraphic Transfers.		Calcutta.	Bombay.	Bills.	Telegraphic Transfers.
1896.					1897.				
Mar. 11	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	Sept. 29	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 18	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	Oct. 6	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 25	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 13	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
April 1	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 20	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 8	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 27	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 15	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	Nov. 3	Holiday	—	—	—
" 22	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 10	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 29	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 17	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
May 6	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 24	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 13	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	Dec 1	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 20	Holiday	Holiday	1 1 ¹ / ₂	1 1 ¹ / ₂	" 8	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 27	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	" 15	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—
June 3	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1 ¹ / ₂	" 22	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 10	1 2	1 1 ¹ / ₂	1 2	1 2 ¹ / ₂	" 29	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 17	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	1898.				
" 24	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	Jan. 5	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
July 1	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 12	1 4 ¹ / ₂	1 4 ¹ / ₂	—	1 4 ¹ / ₂
" 8	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 19	1 4 ¹ / ₂	1 4 ¹ / ₂	—	—
" 15	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 26	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—
" 22	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	Feb. 2	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 29	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 9	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
Aug 5	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 16	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 12	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 23	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 19	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	Mar. 2	1 4	1 4	1 4	1 4
" 26	1 3	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 9	1 4 ¹ / ₂	1 4	1 3 ¹ / ₂	1 4
Sept. 3	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 16	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 9	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 23	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 16	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 30	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 23	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	April 6	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 30	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 13	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
Oct. 7	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 20	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
" 14	Holiday	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 27	1 4 ¹ / ₂	1 4	1 3 ¹ / ₂	1 4
" 21	"	1 2 ¹ / ₂	1 1 ¹ / ₂	1 2 ¹ / ₂	May 4	1 4	1 4	1 3 ¹ / ₂	1 4
" 28	"	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 11	1 4	1 4	1 3 ¹ / ₂	1 4
Nov 4	Holiday	Holiday	—	—	" 18	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4	1 4 ¹ / ₂
" 11	1 3 ¹ / ₂	1 3 ¹ / ₂	—	1 3 ¹ / ₂	" 25	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 18	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	June 1	1 4	1 4	1 3 ¹ / ₂	1 4
" 25	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	" 8	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
Dec. 2	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	" 15	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 4
" 9	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	" 22	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 16	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	" 29	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 23	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	July 6	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 30	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 13	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
1897.					" 20	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
Jan. 6	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	" 27	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 13	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—	Aug. 3	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 20	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 10	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 27	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 17	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
Feb. 3	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 24	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 10	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 31	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 17	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	Sept. 7	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 4
" 24	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 14	1 4	Holiday	1 4	1 4
Mar. 3	1 2 ¹ / ₂	1 2 ¹ / ₂	—	—	" 21	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 4
" 10	1 3	1 3	1 3	1 3	" 28	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂
" 17	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3	1 3 ¹ / ₂	Oct. 5	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 24	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 12	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 31	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	" 19	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
April 7	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3	—	" 26	1 4	1 4	1 3 ¹ / ₂	1 4
" 14	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3	—	Nov. 2	1 4	1 4	1 4	—
" 21	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3	1 3 ¹ / ₂	" 9	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 28	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3	—	" 16	1 3 ¹ / ₂	Holiday	1 3 ¹ / ₂	1 3 ¹ / ₂
May 5	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 23	Holiday	—	1 3 ¹ / ₂	—
" 12	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 30	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 19	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	Dec. 7	1 3 ¹ / ₂	1 3 ¹ / ₂	1 3 ¹ / ₂	—
" 26	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 14	1 4	1 4	1 4	—
June 3	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	" 21	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
" 9	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 28	1 4	1 4	1 4	—
" 16	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	1899.				
" 23	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	Jan. 4	1 4 ¹ / ₂	2 4 ¹ / ₂	1 4 ¹ / ₂	—
" 30	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 11	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
July 7	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2 ¹ / ₂	—	" 18	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
" 14	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—	" 25	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
" 21	1 3 ¹ / ₂	1 3 ¹ / ₂	—	—	Feb. 1	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4 ¹ / ₂
" 28									

No. 26

ENGLISH AND INDIAN PRICES of Principal Articles of IMPORT from, and EXPORT to, INDIA, from 1888

(i.) *Sauerbeck's Sterling Prices of Commodities.*

(Average Prices of 1867-77 = 100.)

—	English Gazette Wheat.	Rice	Sugar (Java)	Coffee	Tea	Cotton	Jute	Wool	Silk	Hides.	Linseed	Indigo	Timber	Nitrate of Soda. *
1888 - -	58	71	56	56	50	58	70	72	57	73	63	66	74	71
1889 - -	55	72	67	114	50	61	79	82	59	70	69	62	84	68
1890 - -	59	72	54	123	51	58	70	76	61	70	73	59	79	61
1891 - -	66	79	54	118	56	48	68	70	57	66	70	66	73	63
1892 - -	56	77	56	118	51	45	79	61	53	63	64	62	74	63
1893 - -	48	62	61	128	53	53	68	60	54	65	69	76	71	66
1894 - -	41	58	48	117	47	39	66	55	43	64	65	69	70	66
1895 - -	42	55	42	115	47	41	58	57	43	84	64	59	69	59
1896 - -	48	62	41	100	46	16	64	62	46	77	56	59	74	57
1897 - -	55	67	39	86	45	45	58	59	45	75	53	55	77	55
1898 - -	62	72	41	78	46	37	58	64	46	82	59	48	78	55

* Nitrate of Soda is taken as equivalent to Saltpetre

(ii) *Prices of certain Staple Commodities in Calcutta and London.*

NOTE.—The Table is based on Prices of 1873 = 100

(a) Prices in Calcutta (in Rangoon for rice and in Bombay for cotton).

(b) Prices in London.

—	Rice		Wheat		Cotton		Jute		Linseed.		Rapeseed		Tea.		Indigo	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1888 - -	154	76	81	54	29	62	126	79	93	65	84	56	72	73	85	93
1889 - -	156	79	83	51	104	66	151	90	104	69	95	74	66	64	81	89
1890 - -	143	79	81	54	95	67	122	81	99	71	98	73	55	63	79	93
1891 - -	173	86	92	63	84	52	127	75	99	70	102	72	65	67	77	109
1892 - -	191	84	95	52	86	46	153	96	113	65	84	62	71	44	91	85
1893 - -	150	67	86	45	100	51	154	82	117	69	103	61	62	39	106	101
1894 - -	140	65	75	39	89	43	158	83	121	64	91	51	79	85	101	104
1895 - -	143	60	88	39	91	42	141	67	119	61	100	50	71	35	102	92
1896 - -	169	65	112	45	90	48	155	75	97	54	95	55	66	38	90	86
1897 - -	177	75	120	51	86	43	132	76	94	51	113	62	54	30	80	81
1898 - -	144	78	92	58	71	37	121	70	87	59	91	58	48	31	67	70

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No. 27.—VARIATIONS IN WHOLESALE PRICES OF EXPORTS AT CALCUTTA, BOMBAY, and RANGOON.

	Cotton, Broach.	Opum.		Rice		
		Bengal.	Malwa.	Ballam (Calcutta).	* Ngatsan (Rangoon)	Ngakynuk (Rangoon).
1861-65 - - - - -	128	104	113	88	} Not available	
1866-70 - - - - -	112	100	114	120		
1871-75 - - - - -	87	102	100	115	97	113
1876-80 - - - - -	86	98	116	154	126	187
1881-85 - - - - -	88	100	101	122	122	151
1886-90 - - - - -	90	87	93	134	135	164
1891 - - - - -	84	82	87	143	156	194
1892 - - - - -	75	95	89	169	173	214
1893 - - - - -	107	91	88	180	142	178
1894 - - - - -	84	99	93	188	117	148
1895 - - - - -	70	113	105	147	123	154
1891-95 - - - - -	84	96	92	165	142	178
1896 - - - - -	94	104	103	151	125	156
1897 - - - - -	76	88	94	204	146	183
1898 - - - - -	68	80	85	185	119	151
1899 - - - - -	59	89	84	153	123	153

	WHEAT.		LINSSEED		JUTE.	
	Calcutta.	Bombay.	Calcutta.	Bombay.	Picked.	Ordinary
1861-65 - - - - -	82	—	85	90	103	88
1866-70 - - - - -	101	108	107	104	110	108
1871-75 - - - - -	85	79	104	98	128	123
1876-80 - - - - -	94	108	104	103	153	144
1881-85 - - - - -	84	77	95	97	132	123
1886-90 - - - - -	82	94	104	104	163	153
1891 - - - - -	87	93	97	103	126	115
1892 - - - - -	103	118	112	110	236	231
1893 - - - - -	97	106	128	129	192	183
1894 - - - - -	79	95	123	121	241	237
1895 - - - - -	82	106	127	131	175	169
1891-95 - - - - -	90	104	117	119	194	187
1896 - - - - -	100	94	115	112	175	166
1897 - - - - -	150	153	98	101	203	180
1898 - - - - -	104	170	94	100	156	130
1899 - - - - -	84	106	92	101	170	161

	Jute Gunny Bags.	Tea, good Souchong.	Cotton Yarns, 20s.	Cotton T-cloth, 44-inch, 24 yards, 8 lbs.	Indigo, good.	Hides, Cow, slaughtered.
1866-70 - - - - -	103	—	—	—	102	67
1871-75 - - - - -	100	100 ⁽¹⁾	— ⁽²⁾	— ⁽²⁾	108	96
1876-80 - - - - -	94	94	81	83	103	96
1881-85 - - - - -	105	69	77	81	110	99
1886-90 - - - - -	110	54	74	77	86	81
1891 - - - - -	93	50	70	77	86	65
1892 - - - - -	132	41	65	77	74	66
1893 - - - - -	119	59	78	78	114	124
1894 - - - - -	109	38	71	80	108	121
1895 - - - - -	110	64	67	81	105	126
1891-95 - - - - -	113	50	70	79	97	100
1896 - - - - -	108	48	74	79	105	125
1897 - - - - -	99	43	73	77	84	100
1898 - - - - -	85	43	63	78	84	109
1899 - - - - -	87	39	52	74	57	106

(1) Four years average.
 (2) No prices available before 1874. The level is based on the price of 1874 = 100. In 1875 the level was 81.
 (3) No price available before 1874. The level is based on the price of 1874 = 100. In 1875 the level was 86.

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No. 28 — VARIATIONS IN WHOLESALE PRICES OF IMPORTS AT CALCUTTA.

	Grey Shirts, 8½ lbs	Mule Twist, White, No 40	Mule Twist, Turkey Red, No 40	Copper, Braziers'	Iron, Flat, Bolt, Bar.	Total
1861-65	145	146	128	99	64	577
1866-70	128	122	117	88	69	524
1871-75	98	92	104	92	89	470
1876-80	79	83	83	88	67	400
1881-85	78	77	69	78	61	356
1886-90	80	71	57	76	62	346
1891	74	70	56	72	62	334
1892	74	64	57	72	64	331
1893	77	74	62	75	97	385
1894	70	69	62	73	94	368
1895	71	70	62	83	106	392
1891-95	73	69	60	75	85	362
1896	69	77	62	82	111	401
1897	70	66	62	78	110	386
1898	64	61	62	83	111	381
1899	62	57	42	87	111	359

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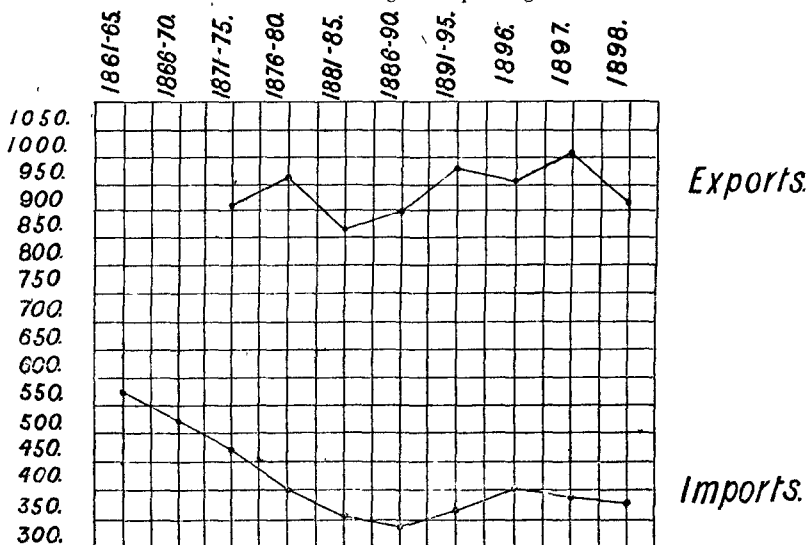
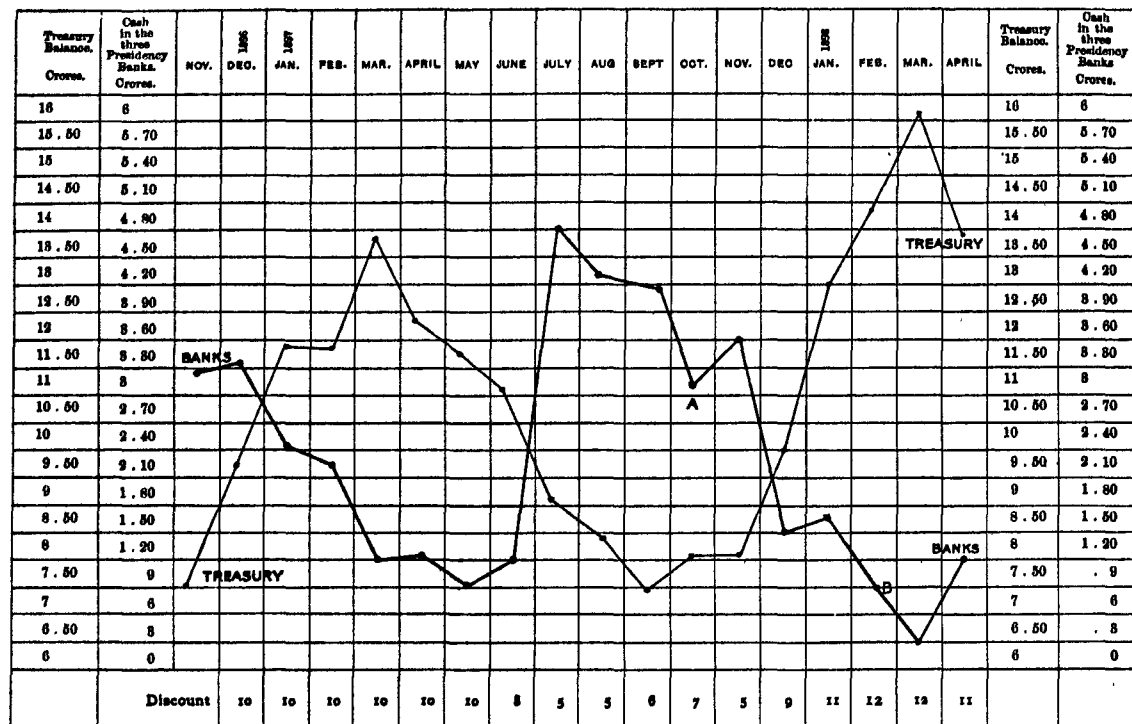
No. 29.
DIAGRAM illustrating the two preceding Tables

DIAGRAM illustrating the LEVELS of PRICES of IMPORTS and EXPORTS at the PORTS of CALCUTTA and BOMBAY
 The line of imports represents the totals of the prices of grey cotton shirtings, mule twist (grey and red), copper, and iron (Level of 1873 = 100.)
 The line of exports represents the totals of cotton, rice, wheat, linseed, jute gunny bags, tea, cotton yarn, and indigo. (Level of 1873 = 100)

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(Diagram by Mr. J. A. Anderson and Mr. H. M. Ross referred to in No. 30).

The position of the Indian money market is directly regulated by the amount looked up in the Treasury. As taxes are collected cash is withdrawn from private hands, and when the Treasury balance is reduced, the accumulations of private money in the hands of the three Presidency Banks increase proportionately.



A. 1 Crore of Bills bought on India, put into the Treasury, and paid out again at once, so hardly shows in the Treasury balance. It took six weeks to filter back into the Banks' hands, their cash rising to 4 crores on 20 Nov. B. 25 lakhs of gold paid into the note reserve, Treasury setting free the same amount of rupees. (Note.—Treasury balance includes the Reserve balance and cash and notes of the public deposits in the Presidency Banks. Cash in the three Presidency Banks consists of the cash and notes after deducting said public deposits.)

No. 30—VARIATIONS in the RETAIL PRICE of RICE since 1861—(Price of 1873 = 100).

Years.	Calcutta	Patna	Rangpur	Beckerganj.	Rapur	Bellary.	Madras.	Salen.	Bangoon	Toungtoo
1861	69	62	61	89	114	98	—	183	128	151
1862	69	50	61	97	54	101	—	185	81	171
1863	63	47	67	105	67	108	—	122	81	135
1864	80	50	71	112	121	152	—	127	92	122
1865	96	76	134	119	221	167	—	148	92	143
Average	73	57	79	104	115	125	—	133	94	144
1866	106	101	166	238	250	157	—	164	81	177
1867	72	77	117	122	156	217	—	211	102	198
1868	81	50	82	132	144	145	—	160	102	161
1869	80	86	92	186	313	114	—	152	112	151
1870	77	66	84	115	134	109	104	135	122	166
Average	88	76	106	149	199	148	104	164	104	171
1871	61	77	85	123	138	85	—	86	—	—
1872	64	79	87	93	99	88	—	91	79	100
1873	100	100	100	100	100	100	100	100	100	100
1874	102	111	145	171	111	95	125	119	128	117
1875	85	74	105	130	107	90	107	104	86	131
Average	82	88	104	123	111	92	111	100	98	112
1876	99	100	100	131	123	116	142	135	81	130
1877	103	97	107	170	119	133	139	242	95	173
1878	115	120	140	212	191	178	190	202	122	151
1879	116	117	170	209	173	119	147	163	127	197
1880	85	93	107	125	154	94	121	134	109	180
Average	104	105	125	169	152	138	158	175	107	166
1881	72	74	94	84	99	97	105	108	97	142
1882	76	80	94	95	93	97	101	108	92	131
1883	77	99	121	121	117	98	100	105	105	177
1884	103	125	170	151	159	98	104	115	106	219
1885	122	107	162	174	157	104	122	137	90	215
Average	90	97	123	125	125	99	106	115	98	177
1886	85	94	112	159	173	105	110	122	95	215
1887	69	78	101	133	212	95	113	115	104	232
1888	73	94	111	140	212	96	117	118	110	279
1889	90	117	155	190	245	98	119	126	110	321
1890	90	101	155	183	210	102	136	131	113	206
Average	81	97	127	161	210	99	119	122	106	231
1891	91	100	167	162	207	116	145	157	123	227
1892	111	125	200	222	269	142	164	174	129	246
1893	121	106	192	248	241	124	150	167	99	199
1894	120	110	183	225	219	121	133	144	90	170
1895	100	95	158	150	228	120	138	141	90	144
Average	109	107	130	202	233	125	146	157	106	205
1896	111	115	186	232	280	126	142	132	95	205
1897	152	172	272	273	405	156	155	158	128	225
1898	118	111	173	184	246	143	170	177	93	186

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No. 31—VARIATIONS in the RETAIL PRICE of WHEAT since 1861—(Price of 1873 = 100)

Years.	Calcutta	Patna.	Cawnpore.	Fyzabad	Meerut	Delhi	Amritsar	Rawalpindi.	Karachi.	Belgaum	Ahmadnagar.	Bombay	Ahmadabad.	Jabalpur	Nagpur	Rampur
1861	69	69	96	61	126	129	140	64	78	74	97	92	100	79	75	88
1862	62	98	60	54	60	72	170	69	101	61	116	97	95	68	103	51
1863	56	50	58	56	61	75	128	62	108	145	138	121	156	86	136	69
1864	77	98	84	69	85	89	93	78	150	198	180	147	209	64	181	132
1865	77	94	99	92	98	129	99	68	133	166	171	137	237	99	167	192
Average	68	82	79	66	86	99	126	67	113	129	140	119	159	79	132	106
1866	99	151	118	111	86	98	98	67	131	229	171	179	172	152	241	211
1867	54	105	99	65	94	90	104	76	116	116	153	130	125	94	241	117
1868	69	52	83	87	79	91	135	146	111	61	124	114	166	132	163	117
1869	80	122	144	111	153	163	200	139	118	79	118	137	188	180	215	282
1870	80	133	107	80	129	147	168	122	150	222	206	130	183	132	164	184
Average	76	113	110	91	108	118	141	110	124	141	167	138	167	138	205	182
1871	72	67	69	62	83	87	104	103	132	128	126	114	140	86	116	88
1872	82	80	86	93	83	91	108	98	108	120	186	106	112	91	112	101
1873	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1874	93	94	96	95	98	99	99	78	107	74	77	94	94	96	91	102
1875	72	68	71	62	91	89	97	64	120	64	103	98	82	74	86	91
Average	84	82	84	82	91	93	102	89	113	97	108	102	106	89	101	96
1876	67	63	66	59	78	77	98	57	120	85	106	100	86	74	95	79
1877	88	83	103	92	102	103	97	65	130	166	190	142	142	97	114	99
1878	97	110	120	120	135	135	142	103	164	168	242	177	175	171	167	217
1879	94	113	117	108	135	135	172	200	195	207	236	168	177	174	182	213
1880	88	80	90	84	109	109	148	169	149	136	154	130	98	118	126	166
Average	87	90	99	93	112	112	131	119	152	152	186	143	136	127	137	155
1881	75	70	81	81	99	98	119	141	118	70	112	106	85	94	105	108
1882	87	82	89	89	109	102	98	91	117	62	128	112	99	107	110	134
1883	88	83	89	86	112	100	101	74	116	67	128	113	110	99	108	180
1884	72	76	75	77	99	95	93	60	110	64	113	104	95	84	91	145
1885	75	75	74	72	91	84	92	65	108	75	113	102	84	93	94	123
Average	79	77	82	81	102	96	101	86	114	68	119	107	95	95	102	138
1886	76	76	84	81	110	100	119	88	130	71	127	112	93	120	115	159
1887	81	85	101	101	134	129	152	133	138	75	146	117	126	125	127	194
1888	84	90	102	103	135	129	144	127	133	78	140	121	130	133	128	196
1889	89	96	99	104	119	110	117	97	131	77	137	117	119	129	134	208
1890	86	93	107	106	123	116	128	98	129	71	131	111	112	123	130	196
Average	84	88	99	99	124	117	132	109	132	74	136	116	116	126	127	191
1891	98	99	114	117	145	135	168	126	143	90	148	120	122	146	147	249
1892	103	107	117	116	143	131	180	149	155	131	175	138	133	149	182	313
1893	95	97	106	107	136	114	148	125	129	98	138	119	107	128	140	230
1894	87	91	93	92	103	93	96	74	98	71	105	106	94	135	131	201
1895	98	94	102	106	128	110	129	90	111	66	98	88	107	152	144	253
Average	95	96	106	108	128	117	144	113	127	91	132	114	113	142	149	249
1896	109	127	143	138	166	161	189	148	141	87	141	98	138	169	172	307
1897	143	156	167	151	199	192	235	185	177	158	247	175	187	209	242	468
1898	102	99	110	95	138	132	148	115	139	125	182	153	132	145	178	310

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No. 32.—VARIATIONS IN THE RETAIL PRICE OF JAWAR SINCE 1861—(PRICE OF 1873 = 100)

Years	Cawnpore.	Fyzabad.	Meerut.	Delhi	Aunrisar.	Rawalpudi.	Karachi.	Belgaum.	Ahmadnagar.	Bombay.	Ahmadabad.	Jabalpur	Nagpur.	Bellary.	Satem
1861 - -	102	75	170	158	246	90	88	92	98	103	100	130	81	98	110
1862 - -	71	68	72	74	144	83	92	82	156	103	143	74	116	96	110
1863 - -	69	63	92	73	79	67	76	215	209	148	187	86	127	119	100
1864 - -	102	91	111	87	71	67	192	201	206	172	271	144	194	208	86
1865 - -	103	119	125	104	132	66	203	172	116	150	163	96	194	196	110
Average - -	89	88	114	99	134	75	130	152	157	134	173	106	142	142	103
1866 - -	102	131	114	87	99	105	154	209	129	176	120	152	242	225	142
1867 - -	85	73	112	88	123	75	112	91	179	170	136	100	208	264	199
1868 - -	67	73	122	96	198	168	112	56	119	130	127	144	224	125	140
1869 - -	140	121	219	169	237	178	118	82	190	168	226	173	182	85	123
1870 - -	94	99	117	107	187	100	140	112	152	128	232	152	168	88	108
Average - -	98	99	137	109	169	125	127	110	154	154	168	144	206	157	141
1871 - -	91	68	-	83	125	79	139	84	139	120	150	112	137	70	52
1872 - -	74	89	126	100	148	101	114	104	155	122	110	116	118	75	50
1873 - -	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1874 - -	102	115	114	105	113	96	99	82	75	88	98	135	70	83	102
1875 - -	79	70	105	100	115	82	112	87	86	93	91	79	77	105	91
Average - -	89	88	111	98	120	92	113	91	111	105	110	106	100	87	79
1876 - -	57	56	96	83	108	60	128	106	129	105	101	86	110	140	126
1877 - -	100	97	120	108	94	83	171	188	301	182	167	114	130	304	278
1878 - -	150	115	185	174	194	152	233	145	295	191	212	177	155	212	205
1879 - -	107	108	143	135	208	200	161	146	291	172	193	159	184	147	145
1880 - -	77	96	109	103	143	156	130	93	186	118	94	96	137	86	111
Average - -	98	94	131	121	148	131	165	136	240	154	153	126	143	178	173
1881 - -	78	70	115	109	145	135	131	65	88	88	80	76	99	63	85
1882 - -	78	70	101	97	107	84	117	63	106	100	116	106	100	69	33
1883 - -	75	78	94	96	86	65	119	86	125	105	123	97	90	59	73
1884 - -	74	84	107	110	93	51	118	89	171	113	109	97	102	78	85
1885 - -	73	75	94	91	111	66	118	95	145	106	108	109	109	103	108
Average - -	76	74	102	101	108	80	128	80	127	102	107	97	100	74	87
1886 - -	95	86	110	106	138	123	124	90	125	109	107	121	117	89	97
1887 - -	104	135	157	156	199	153	126	78	123	110	134	133	139	85	80
1888 - -	122	145	144	143	177	139	135	83	166	122	143	141	152	74	86
1889 - -	94	137	115	116	139	86	146	89	153	116	136	145	146	84	88
1890 - -	111	143	134	136	160	71	130	86	165	113	131	142	135	86	100
Average - -	105	129	132	131	163	114	132	85	154	114	130	136	138	84	90
1891 - -	117	165	172	157	226	120	138	88	130	116	131	157	132	97	122
1892 - -	97	115	130	111	195	137	155	104	177	142	118	143	163	141	145
1893 - -	98	110	111	90	158	102	132	89	157	146	118	130	154	111	125
1894 - -	92	114	98	94	116	78	122	85	141	145	100	138	145	102	113
1895 - -	112	127	140	113	165	92	130	77	121	132	123	156	158	82	105
Average - -	103	126	130	113	172	104	135	89	145	136	118	145	150	107	122
1896 - -	160	166	203	196	256	146	160	81	154	133	149	177	166	91	106
1897 - -	162	178	229	228	338	220	203	146	335	206	202	191	262	208	144
1898 - -	93	99	144	123	173	100	136	102	194	146	119	121	146	123	143

No. 33.—VARIATIONS in the RETAIL PRICE of BAJRA since 1861—(Price of 1873 = 100).

Years.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Aurizsar.	Rawalpindi.	Karschi.	Belgaum.	Ahmednagar.	Bombay.	Ahmedabad.	Jabalpur.	Bellary.	Madras.	Salem.
1861 - -	96	70	144	128	109	64	91	97	88	111	106	86	111	—	123
1862 - -	59	96	69	68	101	67	97	85	129	106	98	69	107	—	115
1863 - -	57	78	83	67	96	61	109	225	172	141	216	96	129	—	100
1864 - -	107	127	111	84	127	70	229	231	170	197	272	91	212	—	89
1865 - -	103	117	138	98	132	80	235	174	96	178	177	123	214	—	112
Average	84	98	109	89	113	68	152	162	130	147	174	98	155	—	108
1866 - -	101	134	124	85	112	85	161	223	106	186	110	157	247	—	148
1867 - -	90	99	108	87	121	102	132	95	147	152	133	123	237	—	195
1868 - -	89	100	115	100	186	178	133	75	98	147	132	123	143	—	140
1869 - -	145	141	248	185	225	181	157	99	156	157	205	157	96	—	120
1870 - -	88	131	111	104	161	106	191	127	126	138	197	115	99	81	100
Average	108	121	141	112	161	130	155	124	127	156	155	135	174	81	141
1871 - -	81	79	87	95	199	90	151	84	160	124	155	—	—	—	—
1872 - -	90	101	117	113	124	111	129	122	166	129	115	133	125	—	71
1873 - -	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
1874 - -	95	117	121	109	121	83	109	76	78	84	88	113	91	118	105
1875 - -	76	90	100	88	106	63	128	84	87	89	89	85	111	88	96
Average	88	97	105	101	116	89	123	93	118	105	109	108	85	102	93
1876 - -	57	65	86	77	101	54	135	106	136	108	101	82	147	135	121
1877 - -	105	82	127	98	114	66	180	196	249	152	179	117	286	221	325
1878 - -	159	144	185	158	156	142	270	155	235	169	209	133	222	132	211
1879 - -	117	122	145	134	146	219	248	155	229	155	183	132	167	121	149
1880 - -	78	95	104	101	138	187	169	97	171	120	95	95	117	101	122
Average	103	102	129	114	131	134	199	142	204	141	153	124	188	152	186
1881 - -	78	76	120	110	129	154	123	66	22	87	86	75	81	91	95
1882 - -	77	81	110	103	116	92	121	72	108	98	123	93	93	84	99
1883 - -	80	86	114	104	104	56	124	37	136	104	129	88	82	86	87
1884 - -	71	78	110	101	106	48	136	94	158	111	106	91	119	88	97
1885 - -	72	74	97	82	115	54	141	105	145	110	111	77	111	101	122
Average	76	79	110	100	114	81	129	85	128	102	111	85	96	90	100
1886 - -	92	83	115	108	141	79	144	90	132	109	118	—	102	104	114
1887 - -	95	100	142	134	199	149	149	79	135	117	130	—	92	95	89
1888 - -	128	136	152	143	185	149	162	89	165	123	146	—	106	95	98
1889 - -	98	111	126	122	174	113	166	97	166	125	130	—	117	122	104
1890 - -	103	104	132	129	164	90	140	92	143	116	112	—	107	122	101
Average	103	107	139	127	173	116	152	89	152	118	127	—	105	107	101
1891 - -	122	143	163	151	211	133	138	92	140	117	122	—	120	140	126
1892 - -	102	109	141	118	227	154	165	112	165	129	128	—	—	—	159
1893 - -	100	99	131	92	172	133	149	88	131	120	116	—	—	—	144
1894 - -	95	89	122	103	179	79	151	93	148	117	121	—	—	—	124
1895 - -	138	111	145	122	144	90	150	84	118	118	134	—	—	—	109
Average	105	110	140	117	187	118	151	94	140	120	124	—	—	—	132
1896 - -	165	165	193	191	264	169	178	102	153	130	155	—	—	—	122
1897 - -	166	184	208	208	313	238	237	177	290	183	191	—	—	—	133
1898 - -	92	90	135	110	173	116	153	113	156	127	121	—	—	—	177

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No. 34.—VARIATIONS in the RETAIL PRICE of RAGI since 1861—(Price of 1873 = 100).

Years.	Bellary.	Madras.	Salem.	Years.	Bellary.	Madras.	Salem.
1861 - - - - -	136	—	142	1881 - - - - -	97	100	101
1862 - - - - -	119	—	140	1882 - - - - -	163	94	98
1863 - - - - -	146	—	122	1883 - - - - -	96	99	94
1864 - - - - -	228	—	105	1884 - - - - -	114	95	99
1865 - - - - -	225	—	124	1885 - - - - -	127	109	118
Average - - - - -	171	—	127	Average - - - - -	107	99	102
1866 - - - - -	279	—	171	1886 - - - - -	113	104	112
1867 - - - - -	334	—	246	1887 - - - - -	100	98	96
1868 - - - - -	164	—	130	1888 - - - - -	94	97	97
1869 - - - - -	104	—	151	1889 - - - - -	101	102	100
1870 - - - - -	106	96	120	1890 - - - - -	114	109	106
Average - - - - -	197	96	174	Average - - - - -	104	102	102
1871 - - - - -	80	—	57	1891 - - - - -	134	139	141
1872 - - - - -	85	—	53	1892 - - - - -	186	170	174
1873 - - - - -	100	100	100	1893 - - - - -	146	144	149
1874 - - - - -	98	116	114	1894 - - - - -	189	129	131
1875 - - - - -	122	114	110	1895 - - - - -	113	124	120
Average - - - - -	97	110	88	Average - - - - -	144	141	143
1876 - - - - -	191	160	157	1896 - - - - -	181	127	125
1877 - - - - -	359	272	364	1897 - - - - -	214	172	162
1878 - - - - -	274	226	251	1898 - - - - -	171	174	177
1879 - - - - -	187	145	174				
1880 - - - - -	120	119	141				
Average - - - - -	226	184	217				

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No 35.—VARIATIONS in the RETAIL PRICE of GRAM since 1861—(Price of 1873 = 100)

Years.	Cawnpore.	Hyabad	Meerut.	Delhi.	Amritsar	Rawalpundh.	Karachi	Jabalpur	Nagpur.	Raipur.
1861	107	76	170	151	150	89	67	74	63	41
1862	73	56	77	74	75	65	61	69	77	47
1863	68	55	63	75	59	69	75	86	105	65
1864	93	65	89	90	73	78	83	71	197	104
1865	109	100	105	99	94	98	114	126	137	101
Average	89	71	101	98	90	80	80	85	116	72
1866	120	127	92	99	89	131	110	178	197	249
1867	107	59	116	177	117	136	74	102	197	190
1868	73	78	97	129	150	206	97	119	148	147
1869	152	139	217	234	280	281	113	178	161	231
1870	124	102	164	148	152	204	146	153	116	249
Average	115	101	137	157	157	192	108	146	164	213
1871	—	—	—	118	116	147	109	80	104	122
1872	90	94	105	177	154	88	102	88	117	118
1873	100	100	100	100	100	100	100	100	100	100
1874	103	107	99	94	84	74	98	95	85	95
1875	76	66	93	90	96	72	84	66	79	83
Average	92	92	99	104	110	96	96	86	97	104
1876	62	54	77	70	71	71	89	63	75	68
1877	95	86	98	88	77	106	110	101	102	81
1878	160	153	161	160	165	211	142	194	189	234
1879	150	184	164	157	185	257	141	179	195	236
1880	102	92	126	122	148	206	113	99	121	171
Average	114	104	125	119	129	170	119	127	136	158
1881	91	80	117	116	127	154	80	70	80	146
1882	81	82	107	109	83	106	87	75	85	106
1883	75	74	101	105	81	80	86	81	90	119
1884	77	83	100	103	76	66	80	80	86	151
1885	77	77	90	83	86	75	81	79	84	165
Average	80	79	103	103	92	96	83	77	85	137
1886	76	67	92	86	97	90	83	100	101	168
1887	88	80	121	114	132	125	102	110	109	162
1888	106	97	121	116	139	132	107	110	106	200
1889	93	92	109	104	108	104	90	126	109	221
1890	105	104	129	122	125	113	96	116	110	183
Average	94	88	114	108	120	118	96	112	107	187
1891	123	114	139	131	148	134	107	122	104	172
1892	102	96	121	112	151	136	105	126	117	204
1893	93	89	103	95	117	112	92	119	118	208
1894	92	84	92	84	88	79	76	114	98	187
1895	106	99	114	101	116	107	87	139	121	220
Average	103	96	114	105	124	114	93	124	112	193
1896	149	128	172	166	188	168	121	163	140	247
1897	226	184	259	254	279	253	175	230	210	393
1898	111	96	149	140	146	141	114	118	128	204

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No. 36—VARIATIONS in the RETAIL PRICE of BARLEY since 1861—(Price of 1873 = 100).

Years.	Panna.	Cawnpore.	Fyzabad.	Meerut.	Delhi.	Auniser.	Rawalpindi.	Kersohi.
1861	53	97	56	145	163	118	68	75
1862	54	58	47	59	64	81	37	102
1863	44	52	51	59	63	94	49	68
1864	41	77	56	88	82	121	63	124
1865	90	95	88	93	97	116	69	151
Average	56	76	60	89	94	106	57	104
1866	130	108	102	93	89	94	73	92
1867	70	76	55	99	89	131	73	87
1868	68	72	83	83	89	185	133	85
1869	121	140	109	157	169	268	107	87
1870	80	90	85	115	114	173	113	129
Average	93	97	87	109	110	163	100	96
1871	85	70	59	83	90	106	105	136
1872	82	88	95	87	90	125	118	109
1873	100	100	100	100	100	100	100	100
1874	116	99	96	104	98	99	82	111
1875	74	71	61	93	90	107	79	96
Average	91	86	82	93	94	107	96	110
1876	70	54	54	80	77	101	69	108
1877	87	90	85	101	88	91	75	123
1878	133	116	121	141	136	146	105	148
1879	123	103	95	141	139	208	222	175
1880	86	81	76	108	107	150	196	133
Average	100	89	86	114	109	138	133	137
1881	64	76	69	99	97	121	131	117
1882	68	78	76	110	102	91	81	115
1883	83	77	75	100	100	97	66	119
1884	107	71	78	110	102	100	56	114
1885	92	68	71	85	76	102	55	113
Average	83	74	74	101	95	102	78	116
1886	83	74	69	93	91	108	72	120
1887	83	96	87	123	134	163	125	136
1888	103	105	100	132	135	175	139	136
1889	119	97	100	113	114	130	76	133
1890	116	110	108	135	133	141	78	123
Average	101	96	93	120	121	143	97	130
1891	110	118	113	148	141	180	103	137
1892	120	105	106	134	129	191	133	143
1893	114	96	95	116	101	144	112	—
1894	112	90	90	102	90	94	67	—
1895	105	107	107	126	114	126	90	—
Average	112	103	102	125	114	147	101	—
1896	133	156	139	191	190	223	161	—
1897	195	169	166	229	212	281	189	—
1898	106	91	87	133	118	146	93	—

No. 37.—VARIATIONS in the RETAIL PRICE of the SEVEN FOOD-GRAINS mentioned in Nos. 30 to 36—
(Price of 1973 = 100).

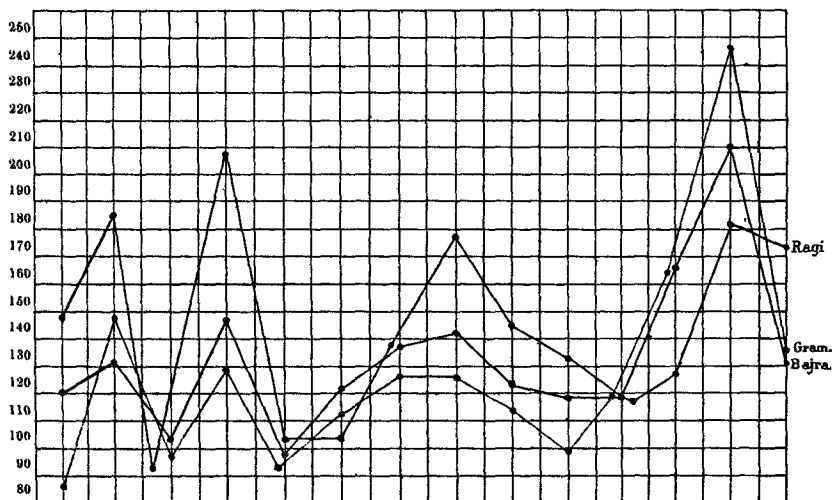
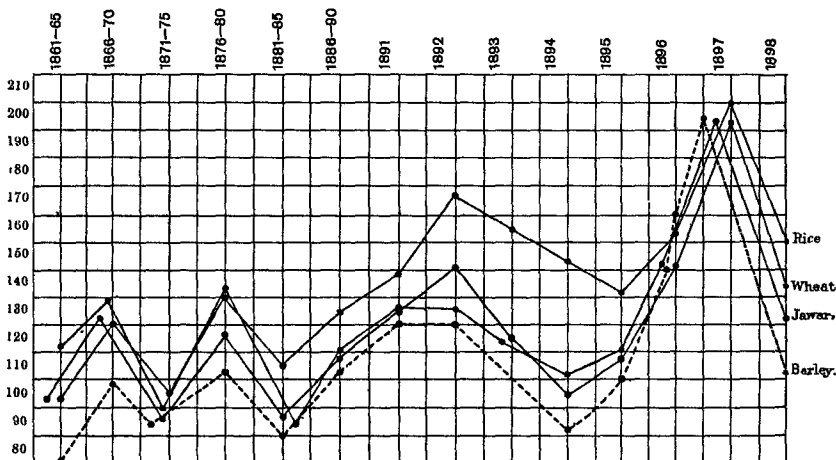
[NOTE.—In this table the average has been taken of the prices at the stations mentioned in the foregoing tables in regard to each grain. This average may be taken to represent the general level of price of each grain in the tracts where it is most largely produced and consumed.]

Year.	Rice.	Wheat.	Jawar.	Bajra.	Ragi.	Gram.	Barley.	Total.
1861-65	103	103	122	120	149	88	80	765
1866-70	130	133	140	131	185	149	108	976
1871-75	102	95	100	102	92	98	95	684
1876-80	140	127	146	147	209	130	118	1,012
1881-85	116	96	96	99	103	93	90	693
1886-90	135	117	122	122	108	114	118	826
1891	149	135	138	137	138	129	131	957
1892	178	151	138	142	177	127	180	1,048
1893	164	125	122	123	146	115	111	906
1894	152	104	112	118	133	99	92	810
1895	141	117	121	119	119	121	111	849
1891-95	157	126	126	128	143	118	115	913
1896	162	152	154	166	128	164	170	1,096
1897	210	206	203	211	183	246	206	1,465
1898	160	144	131	130	174	135	111	985

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No. 38.

Diagram illustrating No. 37 (Variations in the Retail Price of Seven Food Grains).



NOTE.—The first quinquennium (1861-65) was normal
 The second " (1866-70) included the great famine of 1866
 The third " (1871-75) included the Behar famine of 1874 and a year of inflated prices
 The fourth " (1876-80) included the great famine of 1877-78 (1878).
 The remaining period until 1896 was normal
 The years 1896 and 1897 were years of intense famine

There was but little indication of a permanent rise in prices until 1886. For nine years (a normal period) from 1886 prices continued on a comparatively high level. In 1894 and 1895 there was a tendency to a fall, which was checked by the failure of the harvests in 1896 and 1897

No. 39.

VARIATIONS in WAGE RATES of SKILLED and UNSKILLED LABOUR in the PROVINCES of INDIA.

No 39.—VARIATIONS IN WAGE RATES OF SKILLED and UNSKILLED LABOUR in the PROVINCES of INDIA

Second half of each Year	CALCUTTA	PATNA		BANGPUR		BACKERGANJ	
	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith.
1873	100	100	100	100	100	100	100
1874	126	100	100	100	99	100	96
1875	177	100	100	97	110	100	96
1876	178	100	100	109	111	100	96
1877	177	100	100	109	114	100	100
1878	137	100	100	--	—	100	100
1879	131	100	100	136	154	100	100
1880	137	100	100	136	154	100	100
AVERAGE	152	100	100	123	133	100	99
1881	137	100	104	136	154	100	100
1882	137	100	99	136	154	100	100
1883	137	100	104	136	154	100	100
1884	137	107	104	136	154	100	100
1885	171	129	107	136	154	100	100
AVERAGE	144	107	103	136	154	100	100
1886	171	129	107	136	154	107	100
1887	199	136	197	136	154	107	117
1888	171	129	107	136	154	100	109
1889	171	129	114	136	143	100	109
1890	171	129	114	123	171	100	122
AVERAGE	177	130	110	133	155	103	111
1891	171	129	114	123	257	100	122
1892	171	129	114	123	257	80	117
1893	177	129	99	127	257	53	109
1894	177	129	99	127	257	120	87
1895	177	129	99	127	229	167	100
AVERAGE	175	129	105	125	231	104	107
1896	177	129	99	136	200	167	100
1897	217	129	99	136	257	167	100
1898	217	129	99	136	171	167	100

the RATES for the SECOND HALF of 1873 being taken as = 100.

CAWNPORE.		FYZARAD		MERRUT.		DELHI.		Second half of each Year.
Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith.	
—	—	100	100	100	100	100	100	1873
100	100	70	94	111	100	100	100	1874
100	100	87	94	111	100	89	100	1875
103	100	87	108	111	100	89	120	1876
103	100	70	105	111	111	89	112	1877
100	100	70	105	111	111	89	120	1878
103	100	81	94	111	109	89	120	1879
103	100	82	105	111	100	89	112	1880
102	100	78	102	111	104	89	117	AVERAGE.
103	100	82	102	100	100	89	112	1881
103	117	70	105	122	100	89	60	1882
103	103	59	105	122	89	89	112	1883
103	103	70	105	122	100	89	112	1884
93	147	70	102	100	122	100	133	1885
101	114	70	104	113	102	91	106	AVERAGE.
107	133	70	105	122	111	114	127	1886
120	133	70	105	122	150	100	125	1887
107	133	70	105	122	106	100	129	1888
107	133	70	105	122	150	100	122	1889
107	133	70	105	122	106	100	122	1890
110	133	70	105	122	125	103	125	AVERAGE.
120	120	70	105	122	150	100	119	1891
80	112	70	105	122	150	100	122	1892
120	112	70	105	122	122	100	122	1893
120	112	70	105	122	122	133	125	1894
120	112	70	105	122	122	100	125	1895
112	114	70	105	122	133	107	123	AVERAGE.
94	112	70	94	96	111	100	127	1896
120	112	73	89	100	117	133	131	1897
112	112	70	89	100	117	100	131	1898

No. 39.—VARIATIONS IN WAGE RATES OF SKILLED and UNSKILLED LABOUR in the PROVINCES of INDIA.

Second half of each Year	AMRITSAR		RAWALPINDI		KARACHI		BELGAUM.	
	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.
1873	100	100	100	100	100	100	100	100
1874	97	90	100	92	84	100	87	100
1875	100	104	109	104	88	122	100	114
1876	100	101	109	92	88	122	100	92
1877	100	112	109	125	88	100	103	92
1878	100	104	109	92	88	100	80	97
1879	100	104	145	117	88	100	90	94
1880	100	101	145	117	88	100	80	85
AVERAGE	100	104	123	108	88	104	91	92
1881	100	100	145	97	76	103	80	92
1882	100	104	145	94	88	100	107	78
1883	100	101	145	94	88	122	80	92
1884	100	101	145	104	108	122	80	92
1885	100	101	145	142	92	156	93	92
AVERAGE	100	101	145	106	90	121	88	89
1886	109	120	109	94	92	156	93	109
1887	92	108	109	93	128	156	93	87
1888	117	114	145	94	128	156	82	79
1889	117	114	109	123	128	156	82	79
1890	117	114	109	187	128	156	80	68
AVERAGE	110	114	116	118	121	156	86	84
1891	117	114	109	187	128	144	87	87
1892	117	114	109	187	120	123	89	73
1893	117	114	127	187	112	133	91	76
1894	117	114	136	187	112	133	86	74
1895	117	114	111	199	108	167	100	91
AVERAGE	117	114	118	189	116	142	91	80
1896	133	118	119	182	120	178	89	68
1897	133	118	119	193	108	167	80	68
1898	133	118	127	203	120	167	77	68

the RATES for the SECOND HALF of 1873 being taken as = 100—continued.

AHMADNAGAR.		BOMBAY.		AHMADABAD.		JUBBULPORE.		Second half of each Year.
Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	
100	100	100	100	100	100	100	100	1873
128	104	106	97	92	100	100	100	1874
107	95	106	97	99	114	100	100	1875
107	116	106	97	99	114	125	100	1876
128	101	106	97	115	114	125	108	1877
113	104	106	97	115	114	125	108	1878
107	89	106	97	123	114	125	100	1879
107	89	106	97	115	152	125	100	1880
112	100	106	97	113	122	125	10.	AVERAGE.
107	89	106	97	123	114	125	100	1881
149	110	114	113	115	114	125	100	1882
128	100	122	103	123	127	125	103	1883
160	111	124	103	123	127	100	100	1884
160	93	122	103	123	127	100	90	1885
141	101	117	104	121	122	115	93	AVERAGE.
171	141	122	103	123	127	87	83	1886
149	144	122	106	123	127	100	83	1887
160	124	122	103	123	95	87	83	1888
160	130	122	104	123	95	87	83	1889
160	130	122	93	123	95	87	67	1890
160	134	122	103	123	103	90	80	AVERAGE.
160	130	122	93	123	95	125	83	1891
160	124	122	93	93	95	87	83	1892
160	122	122	93	93	95	87	88	1893
171	119	122	93	115	95	87	83	1894
171	133	122	93	115	95	87	82	1895
164	126	122	93	110	95	95	83	AVERAGE.
96	124	122	93	115	114	87	67	1896
128	133	122	93	115	114	87	67	1897
107	133	122	93	123	114	87	67	1898

No 39—VARIATIONS IN WAGE RATES of SKILLED and UNSKILLED LABOUR in the PROVINCES of INDIA,

Second half of each Year.	NAGPUR.		RAIPUR.		BELLARY.	
	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith
1873 - - - -	100	100	100	100	100	100
1874 - - - -	80	125	133	55	100	100
1875 - - - -	60	125	133	73	100	75
1876 - - - -	80	117	133	100	100	75
1877 - - - -	80	125	133	91	150	91
1878 - - - -	80	125	133	93	100	83
1879 - - - -	80	125	133	82	100	75
1880 - - - -	80	125	133	136	100	75
AVERAGE - - - -	80	123	133	100	110	80
1881 - - - -	80	125	133	136	100	100
1882 - - - -	80	125	167	136	100	100
1883 - - - -	80	125	133	164	105	97
1884 - - - -	100	125	133	164	107	89
1885 - - - -	100	100	117	100	100	92
AVERAGE - - - -	88	120	136	140	103	95
1886 - - - -	100	125	133	100	100	100
1887 - - - -	80	125	125	102	133	100
1888 - - - -	80	125	167	136	133	100
1889 - - - -	80	125	133	109	133	100
1890 - - - -	80	125	133	91	133	100
AVERAGE - - - -	84	135	138	108	126	100
1891 - - - -	80	125	133	114	133	112
1892 - - - -	80	125	217	105	156	131
1893 - - - -	100	125	137	150	156	131
1894 - - - -	100	125	167	182	156	131
1895 - - - -	80	125	133	91	156	131
AVERAGE - - - -	88	125	167	128	151	127
1896 - - - -	80	125	167	123	156	131
1897 - - - -	100	125	133	136	156	131
1898 - - - -	100	125	133	91	156	119

the RATES for the SECOND HALF of 1873 being taken as = 100—concluded.

MADRAS.		SALEM.		RANGOON.		TOUNGOO.		Second half of each Year.
Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer.	Common Mason, Carpenter, or Blacksmith.	Able-bodied Agricultural Labourer	Common Mason, Carpenter, or Blacksmith.	
100	100	100	100	100	100	100	100	1873
88	100	100	125	104	106	100	100	1874
100	98	100	111	—	—	100	100	1875
83	80	100	125	100	106	80	100	1876
92	80	100	125	187	88	80	—	1877
100	98	100	108	187	88	—	—	1878
83	80	100	108	187	88	—	—	1879
83	80	100	122	167	71	67	150	1880
88	83	104	117	166	88	73	125	AVERAGE.
83	97	90	104	125	71	67	150	1881
88	97	90	104	167	71	67	150	1882
83	97	80	104	167	71	—	—	1883
88	96	93	108	133	71	67	225	1884
83	97	107	125	125	71	100	225	1885
88	97	92	109	148	71	75	187	AVERAGE.
83	97	93	111	167	71	100	225	1886
83	87	160	102	125	71	100	225	1887
83	100	160	102	125	71	100	200	1888
104	101	147	95	125	71	80	200	1889
104	101	147	98	92	88	80	200	1890
92	97	141	102	127	74	92	210	AVERAGE.
100	102	133	85	92	88	100	125	1891
100	103	150	90	108	88	93	150	1892
100	103	150	90	125	65	93	150	1893
100	103	150	90	125	65	93	150	1894
100	103	153	90	125	65	93	150	1895
100	103	147	89	115	74	94	145	AVERAGE.
100	103	153	90	125	106	93	150	1896
100	103	153	91	125	106	93	150	1897
100	103	168	92	125	106	93	150	1898

No. 40.—ABSTRACT OF TABLE No. 39, showing the AVERAGE WAGE RATES, for INDIA generally, of SKILLED and UNSKILLED LABOUR.

	Unskilled. Agricultural Labour.	Skilled. Common Mason, Carpenter, or Blacksmith.		Unskilled. Agricultural Labour.	Skilled Common Mason, Carpenter, or Blacksmith.
1873 - - -	100	100	1891-95 - - -	116	133
1878-80 - - -	105	107	1896 - - - - -	116	121
1881-85 - - -	107	113	1897 - - - - -	119	127
1886-90 - - -	113	120	1898 - - - - -	118	121

J. E. O'CONNOR.

No. 41.—WAGES of POSTAL RUNNERS and POSTMEN. (In Rupees and decimals of a Rupee.)

Province.	1860.	1870	1875.	1880.	1885.	1890	1896	1897.	1898
POSTAL RUNNERS									
Bengal - - -	3.7	4.4	4.4	4.5	5.1	5.3	5.0	5.55	5.55
Punjab - - -	4.1	4.75	5.0	5.0	5.0	5.0	5.25	5.25	5.25
Sind - - - - -	5.0	5.75	6.5	6.5	7.0	7.0	7.0	7.0	7.0
Bombay - - -	5.0	8.0	7.0	7.0	6.5	7.0	7.0	7.0	7.0
Central Provinces -	—	—	5.0	5.0	5.5	5.5	6.0	6.0	6.0
Madras - - -	3.87	6.5	6.25	6.25	6.25	6.5	6.75	6.5	6.5
POSTMEN.									
Assam - - - - -	5.0	10.5	10.0	10.0	11.5	12.25	12.25	12.25	12.25
Bengal - - - - -	6.7	8.7	9.0	10.0	10.8	10.25	10.5	10.5	10.53
Rajputana - - -	5.75	8.4	8.25	8.25	9.25	9.5	9.25	9.25	9.25
Central India - -	6.0	8.6	8.0	8.0	9.2	9.2	9.2	9.2	9.2
Punjab - - - - -	7.3	9.12	8.1	8.1	9.2	10.3	9.42	9.42	9.42
Sind - - - - -	7.3	9.12	9.75	10.5	11.6	11.6	11.95	11.95	11.95
Bombay - - - - -	6.5	11.2	11.3	11.5	11.7	11.55	11.18	11.13	11.13
Central Provinces -	5.75	8.6	7.75	7.75	9.6	9.3	9.3	9.3	9.3
Madras - - - - -	6.6	9.3	8.65	8.9	9.9	9.6	9.7	10.0	10.0

J. E. O'CONNOR.

No. 43.—WAGES in a COTTON MILL at CAWNPORE.

	1883.	1884.	1885.	1890	1897.	1898	1899		1883	1884	1885	1890	1897.	1898	1899.
Card Room								Finishing Department							
Head mistry	17	17	17	34.8	32.1	33.9	37.4	Washing and bleaching man	—	5	5	5.5	6.15	5.72	5.82
Card cleaner	5	5	5	5.25	7.5	7.8	8.3	Finishing man	—	5	5	5.5	6.37	6.15	6
Spare hands	4.5	4.5	5	5.25	5.5	5.6	5.9	Engineering Shop							
Mule Room								Boiler mistry	6	6	6	9	8.6	8.4	8.1
Head mistry	9	9	8.5	10.6	38.8	34.7	37.5	Engine man	6	6	8	11	13.3	10.9	10.3
Minder	5	5	5	6.37	6.38	6.58	6.84	Oilman	5	5	6	6	6.33	6.33	6.21
Spare hands	4.5	4.5	5	5	5.4	5.7	5.8	Boiler man	5	5	6	6	7.17	7.17	6.91
Weaving Department								Carpenter	10	10	10	10	10.79	10.99	11.0
Mistry	8	12	13.5	18	10.8	21.3	28.6	Blacksmith	10	10	11.5	13.5	13.5	13.5	15.4
Header	4.5	4.5	5	5.5	7.5	7.12	9.5								

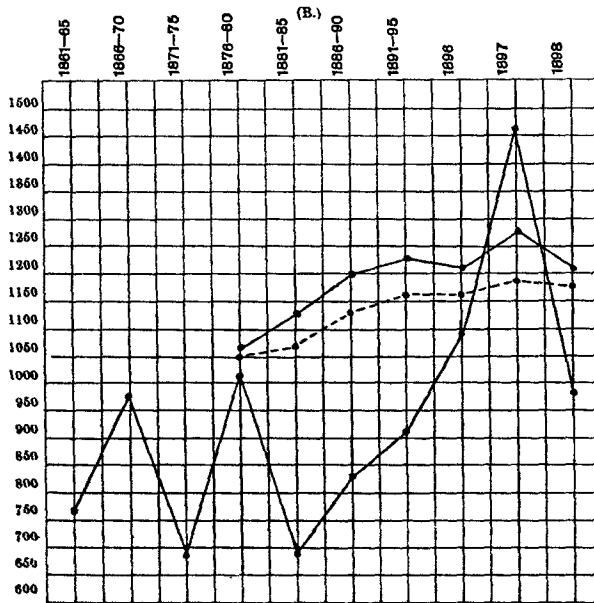
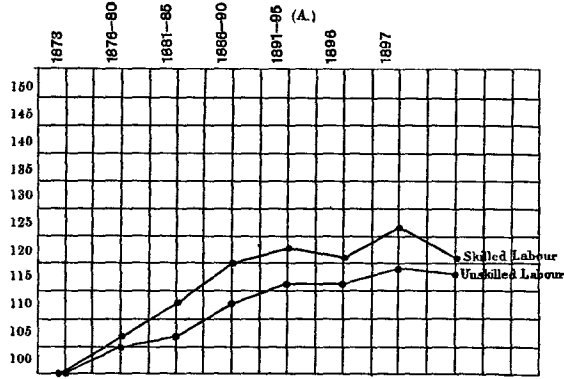
J. E. O'CONNOR.

No. 44.—WAGES in another COTTON MILL at CAWNPORE.

	1878.	1880.	1885.	1890	1897.	1898	1899 Jan.		1878.	1880.	1885	1890	1897	1898.	1899. Jan.
Card Room								Throstle Room							
Men	5	5.5	5.5	5.5	6.12	6.12	6.12	Men	3.5	4	4.25	4.75	5	5	5
Children	2.5	2	2.5	3	4.25	4.25	4.25	Children	2	2	3	3	4.25	4.25	4.25
Mule Room								Weaving Room							
Men	4	4	4.25	6.25	5	5	5	Men	4.75	4.75	5.75	6.5	6.43	6.43	6.43
Children	3	2.75	3	3.5	4.25	4.25	4.25	Children	2.5	3	3	3.5	4	4	4

J. E. O'CONNOR.

No. 42.
Diagrams illustrating the Comparative Levels of
Prices and Wages in India.



Black Unbroken Line Prices of the principal Food Grains. ———
 Black Broken Line Wages of Unskilled (agricultural) Labour. - - - -
 Red Line Wages of Skilled Labour (common Mason, Carpenter, or Blacksmith). ———

No. 45.—WAGES in the ARMY EQUIPMENT FACTORY, CALCUTTA.

	1880.	1880.	1882.	1884.	1887.	1888.	1889.		1880.	1889.	1892.	1894.	1897.	1898.	1899.
Mistry	12	16	23	30	30	30	30	Cutters	6'5	6'5	6'5	-	6'12	7	7
Carpenters	9	9'5	11'5	13	13	13	13	Carriers	5'5	6'5	6	6	7	7	7
Machine Operatives	7	8	10	14	16'45	17	17	Storemen	5	5'5	5'5	5'25	6'25	6'25	6'25
Saddlers	7	7'5	8	12	13	14	14	Tanners	4'6	5'5	5'5	6'12	5'25	6	6
Work Distributors	5'5	6	6'5	7	7	7	7	Peons	5	5'5	5'5	5'25	5'33	5'4	5'4

J. E. O'CONNOR.

No. 46.—WAGES in the BREWERY at RAWAL PINDI, PUNJAB.

	1873.	1880.	1883.	1882.	1887.	1898.	1899.		1873.	1880.	1885.	1882.	1897.	1898.	1899.
Head Cooper	17	25	20	23	23'5	25	25'5	Coolies	6'75	8'85	6'27	6'5	6'5	6'5	6'5
Coopers	12'13	13'29	13'26	14'75	14'86	14'79	14'82	Coolies	6'5	6	7	6'5	6'5	6'5	6'5
Smiths	9	15'33	15'75	17'75	20	22'5	19'3	Head Maltmen	7	7	8	8	8'25	8'25	8
Masons	12	18'85	16'22	17	15'42	16'07	15'32								

J. E. O'CONNOR.

No. 47.—REVENUE and EXPENDITURE of INDIA, and SURPLUS and DEFICIT, each Year, from 1873-74 to 1898-99; also AMOUNT of DEBT and of CAPITAL OUTLAY on RAILWAYS and IRRIGATION WORKS at End of 1873-74, compared with DEBT and OUTLAY at End of 1898-99.

Year	Revenue.	Expenditure.	Surplus.	Deficit	
1873-74	56,412,370	58,220,038	—	1,807,668	
1874-75	58,011,148	57,691,951	319,197	—	DEBT.
1875-76	58,965,159	57,375,904	1,589,255	—	
1876-77	58,631,907	61,339,073	—	2,587,166	England.
1877-78	61,972,481	66,234,521	—	4,262,040	Sterling £.
1878-79	63,189,077	63,054,979	2,134,098	—	India
1879-80	69,433,085	69,660,978	—	1,227,893	End of 1873-74 - 41,117,617
1880-81	74,890,112	77,921,506	—	3,031,394	" 1898-99 - 124,268,605
1881-82	75,694,987	72,089,536	3,595,451	—	112,650,434
1882-83	70,978,337	69,603,500	674,837	—	Much of the Debt incurred, other than that
1883-84	71,842,090	69,962,313	1,879,707	—	which was spent on public works, was due
1884-85	70,690,681	71,077,127	—	386,446	to the suppression of the Mutiny, to Wars,
1885-86	74,464,197	77,265,923	—	2,801,726	and to Famines.
1886-87	77,387,134	77,158,707	178,427	—	
1887-88	78,759,744	80,788,576	—	2,028,832	OUTLAY ON RAILWAYS AND IRRIGATION.
1888-89	81,696,678	81,659,660	37,018	—	
1889-90	85,085,302	82,473,170	2,612,032	—	Rx.
1890-91	85,741,649	82,058,478	3,683,171	—	At end of 1873-74 - 11,973,487
1891-92	89,143,283	88,673,748	467,535	—	" 1898-99 - 143,163,444
1892-93	90,172,438	91,005,850	—	833,412	
1893-94	90,565,214	92,112,219	—	1,546,998	
1894-95	95,127,429	94,494,219	693,110	—	The Outlay on Railways and Irrigation
1895-96	98,370,167	96,876,169	1,493,998	—	does not include Outlay charged against
1896-97	94,129,741	95,834,763	—	1,705,022	Revenue.
1897-98	96,442,004	101,801,215	—	5,359,211	
1898-99	101,566,100	97,506,700	4,059,400	—	
(Revised Estimate).					

The total Surplus and Deficit was.—

	SURPLUS.	DEFICIT.
To end of 1893-93	17,175,739	19,566,577
" 1898-99	22,462,237	28,177,808
	NET DEFICIT.	
At end of 1892-93	2,390,348	
" 1898-99	4,715,571	

J. E. O'CONNOR.

No. 48—RAILWAY REVENUE AND EXPENDITURE for the 24 Years ending 1898-99.

Year	Revenue	Expenditure	Expenditure more than Revenue	Year.	Revenue.	Expenditure	Expenditure more than Revenue
	Rx	Rx	Rx.		Rx	Rx	lx
1875-76	4,574,507	6,133,267	1,558,760	1889-90	16,605,601	18,458,202	1,852,601
1876-77	5,484,802	6,641,009	1,146,207	1890-91	17,235,078	17,923,269	687,291
1877-78	7,249,730	7,893,880	150,150	1891-92	19,338,046	20,253,910	915,864
1878-79	6,255,612	8,331,307	2,075,695	1892-93	19,077,103	20,924,155	1,847,052
1879-80	7,849,004	8,919,482	1,070,478	1893-94	20,296,973	21,822,476	1,525,503
1880-81	9,435,336	10,479,386	1,044,050	1894-95	21,244,160	23,592,649	2,348,489
1881-82	10,885,483	11,171,067	285,584	1895-96	21,859,189	23,479,457	1,620,268
1882-83	10,978,030	12,278,890	1,305,860	1896-97	20,297,820	22,975,801	2,677,981
1883-84	11,960,157	13,265,069	1,304,912	1897-98	21,260,886	22,693,002	1,432,116
1884-85	11,898,131	12,949,682	1,051,551	1898-99	22,736,400	23,614,500	878,100
1885-86	13,684,084	14,415,797	731,713	(Revised Estimate)			
1886-87	14,477,753	15,655,427	1,177,674				
1887-88	14,538,360	16,655,746	2,117,386	TOTAL -	344,837,847	376,785,218	31,947,371
1888-89	15,520,696	17,754,088	2,233,392				

J. E. O'CONNOR

No. 49—TABLE OF OFFENCES against the COINAGE from 1889 to 1897.

YEAR.	Counterfeiting Coins (Secs. 231 and 232, I.P.C.).			Making, buying, or selling Instruments for Counterfeiting Coins (Secs. 233 and 234, I.P.C.)			Possessing Instruments or Materials for Counterfeiting Coins (Sec. 235, I.P.C.).			Abetting in India the Counterfeiting of Coins (Sec. 236, I.P.C.).			Importing or Exporting Counterfeited Coins (Secs. 237 and 238, I.P.C.).			Possessing and Delivering Counterfeited Coin (Secs. 239, 240, 241, 242, and 243, I.P.C.)		
	Number of cases brought to trial	Number of persons tried.	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted	Number of cases brought to trial	Number of persons tried.	Number of persons convicted	Number of cases brought to trial	Number of persons tried.	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted, etc.
1889	29	43	21	1	1	1	28	43	19	1	1	1	1	1	1	459	548	294
1890	18	28	13	2	—	—	27	48	27	1	2	1	2	3	—	467	832	304
1891	23	40	23	1	2	—	22	37	17	4	4	3	2	4	—	521	630	354
1892	28	48	—	—	—	—	21	29	19	—	—	—	—	—	—	567	676	415
1893	24	13	29	3	3	2	17	21	9	—	—	—	7	10	4	420	556	305
1894*	27	53	39	1	4	1	19	40	21	1	1	—	10	15	13	536	633	386
1895	27	55	39	3	8	7	23	48	20	—	—	—	12	2	1	594	676	421
1896	26	47	22	1	2	—	47	91	42	—	—	—	3	3	2	584	690	380
1897	39	68	47	11	13	7	47	80	43	—	—	—	4	4	1	707	798	518

YEAR.	Causing Coins to be of different Weight or Composition from that fixed by Law (Secs. 244, 246, and 247, I.P.C.).			Taking Coining Instruments from a Mint (Sec. 245, I.P.C.)			Fraudulently altering Appearance of any Coin (Secs. 248 and 249, I.P.C.).			Possessing and Delivering altered Coin (Secs. 250, 251, 252, 253, and 254, I.P.C.).			Total		
	Number of cases brought to trial	Number of persons tried.	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted	Number of cases brought to trial	Number of persons tried	Number of persons convicted, etc.
1889	1	1	—	1	1	—	55	66	49	195	213	161	771	918	550
1890	8	10	7	1	1	—	49	51	34	195	203	142	769	880	528
1891	1	1	1	—	—	—	50	54	42	168	195	132	792	968	578
1892	8	10	7	1	1	—	46	51	40	175	190	156	846	1,005	650
1893	6	13	8	—	—	—	31	45	28	—	—	—	746	893	493
1894*	7	9	8	—	—	—	47	58	40	—	—	—	187	131	990
1895	5	6	3	—	—	—	46	57	39	—	—	—	187	134	858
1896	4	4	2	—	—	—	46	55	29	164	180	112	875	1,072	589
1897	2	3	2	—	—	—	76	86	62	215	243	173	1,101	1,295	852

* The figures for 1894 and the three following years include figures for the Native States, which were received for the first time in 1894.

J. E. O'CONNOR.

No. 50.—IMPORTS AND EXPORTS OF GOVERNMENT OF INDIA RUPEES INTO AND FROM BRITISH INDIA BY SEA FROM AND TO FOREIGN COUNTRIES SINCE OCTOBER 1893 (INCLUDING GOVERNMENT TRANSACTIONS).

Month.	1893-94.				1894-95.			
	Imports		Exports		Imports		Exports.	
	Quantity	Value.	Quantity	Value	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	*	*	*	*	277,543	7,40,119	529,924	14,13,132
May	*	*	*	*	235,666	6,28,449	473,246	12,61,990
June	*	*	*	*	196,427	5,23,812	699,937	18,66,500
July	*	*	*	*	271,407	7,23,754	631,867	16,84,980
August	501,636	13,35,085	*	*	269,647	7,19,058	759,731	20,25,950
September	283,564	7,55,480	*	*	205,884	5,48,894	131,418	3,50,450
October	301,428	6,03,777	888,611	23,56,300	221,361	5,30,295	744,075	19,84,300
November	219,377	5,84,474	77,055	2,05,477	202,179	5,39,147	258,506	6,89,850
December	408,404	10,75,743	103,574	2,76,199	270,957	7,23,552	333,567	6,23,700
January	504,097	13,44,264	87,087	2,33,100	801,004	8,02,679	186,637	4,97,700
February	498,430	13,29,158	273,300	7,28,800	224,001	5,97,326	137,175	3,65,800
March	459,728	12,25,943	205,827	5,42,825	461,410	12,30,427	350,198	9,33,862
Total	3,171,662	84,53,919	1,630,404	43,41,701	3,137,436	83,66,522	5,136,601	1,36,97,614

Month.	1895-96.				1896-97.			
	Imports.		Exports.		Imports.		Exports.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	236,587	5,30,902	466,613	12,41,300	169,362	4,51,636	483,838	12,88,900
May	343,782	9,16,758	30,225	60,600	309,137	5,49,253	353,062	9,41,500
June	105,654	2,81,743	534,525	14,25,400	152,126	4,05,668	966,449	25,77,200
July	176,592	4,70,912	502,181	13,39,150	181,369	4,83,651	1,201,239	32,03,308
August	848,580	9,29,546	740,048	19,73,450	194,349	5,18,267	922,033	24,58,758
September	72,436	1,93,165	801,937	21,88,500	161,717	4,31,343	648,769	17,30,053
October	197,788	5,27,434	332,350	8,86,000	225,238	6,00,687	745,444	19,87,853
November	138,378	3,69,013	267,750	7,14,000	214,517	5,73,048	394,566	10,32,175
December	140,551	3,74,807	99,037	2,64,100	324,675	8,65,805	77,662	2,07,100
January	359,869	6,92,985	245,625	6,55,000	879,549	23,45,470	8,124	21,663
February	335,013	8,93,373	12,375	33,000	474,915	12,65,419	120,637	3,21,700
March	438,264	11,55,373	76,875	2,05,000	641,470	17,10,590	183,500	3,56,000
Total	2,788,494	74,36,006	4,109,436	1,09,58,500	3,828,424	1,02,01,387	6,054,823	1,61,46,210

Month.	1897-98.				1898-99.			
	Imports.		Exports.		Imports.		Exports.	
	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.	Quantity.	Value.
	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.	Oz.	Rs.
April	372,148	9,92,400	1,231,875	33,85,000	200,508	5,84,362	760,368	20,27,650
May	355,289	9,47,440	630,000	16,80,000	217,639	5,80,739	368,594	9,66,550
June	408,860	10,90,999	316,312	8,44,500	350,049	9,32,057	914,945	24,26,520
July	323,092	8,61,582	693,469	18,49,256	330,670	5,88,352	631,236	16,28,270
August	240,654	6,41,743	652,881	17,41,015	95,310	2,54,763	982,347	26,19,530
September	203,341	5,39,378	133,690	3,29,842	99,995	2,66,306	881,712	10,17,900
October	464,677	12,39,149	681,131	18,16,350	64,698	1,72,528	729,749	19,46,000
November	305,198	8,18,687	490,650	13,08,400	76,381	2,03,222	603,637	16,03,700
December	205,418	5,47,739	166,424	4,43,800	64,863	1,72,968	1,141,312	30,43,560
January	562,042	14,96,327	57,600	1,53,600	120,585	3,21,569	184,875	4,93,000
February	354,651	14,73,615	423,799	11,30,131				
March	148,517	8,96,054	299,617	7,99,980				
Total	4,143,067	1,10,48,263	5,767,448	1,63,79,874				

* Figures not available

J. K. O'Connor.

No. 51.—TOTAL VALUE of the EXPORTS of MERCHANDISE (INDIAN) from INDIA, and RATE of EXCHANGE, from 1876-77 to 1898-99.

Year.	Value	Increase (+) or Decrease (-) per cent	Exchange.		Increase (+) or Decrease (-) per cent	Year.	Value	Increase (+) or Decrease (-) per cent	Exchange.		Increase (+) or Decrease (-) per cent
			s	d					s	d	
1876-77	Rx. 58,930,069	—	1	8 49	—	1888-89	Rx. 92,642,735	+ 7 2	1 4 38	- 3 08	
1877-78	63,143,738	+ 7 1	1	8 79	+ 1 4	1889-90	99,101,055	+ 7 0	1 4 56	+ 1 09	
1878-79*	58,707,928	- 7 0	1	7 79	- 4 8	1890-91	95,902,193	- 3 2	1 6 09	+ 9 2	
1879-80	64,950,833	+ 10 6	1	7 96	+ 0 8	1891-92	103,550,881	+ 7 9	1 4 73	- 7 9	
1880-81	71,974,068	+ 10 8	1	7 95	- 0 04	1892-93	101,943,707	- 1 5	1 2 98	- 10 8	
1881-82	79,255,243	+ 10 1	1	7 89	- 0 3	1893-94	102,015,615	+ 0 07	1 2 54	- 2 9	
1882-83	80,598,155	+ 1 7	1	7 52	- 1 9	1894-95	103,757,585	+ 1 7	1 1 1	- 9 0	
1883-84	85,085,720	+ 5 5	1	7 51	+ 0 1	1895-96	109,545,624	+ 5 6	1 1 64	+ 4 1	
1884-85	80,318,208	- 5 6	1	7 31	- 1 1	1896-97*	99,880,660	- 8 8	1 2 45	+ 5 9	
1885-86	80,734,781	+ 0 5	1	6 25	- 5 5	1897-98*	93,786,101	- 6 1	1 3 40	+ 6 5	
1886-87	84,908,994	+ 5 2	1	5 44	- 4 4	1898-99	109,351,738	+ 15 6	1 3 98	+ 3 8	
1887-88	86,870,022	+ 1 7	1	4 90	- 3 0						

* Famine years

J. E. O'CONNOR

No 52.—TABLE showing the FLUCTUATIONS in the EXCHANGE VALUE of the RUPEE and in the QUANTITIES EXPORTED of the STAPLE ARTICLES of TRADE (omitting 000 in figures relating to quantities)—1887-88 to 1897-98

Exchange	Wheat	Rice	Cotton	Seeds	Indigo	Jute	Cotton yarn		Tea	Jute Sacks
							Lbs	lbs		
1887-88	18 4	22,303	27,814	4,190	17,280	132	7,782	78,242	68,784	29,793
1888-89	17 4	22,303	26,460	5,133	15,866	134	8,997	81,804	78,793	61,570
1889-90	16 9	23,898	28,149	5 7 5	16,900	140	9,648	111,451	87,514	74,808
1890-91	16 4	17,010	22,708	5,331	15,570	142	10,573	128,907	92,011	80,791
1891-92	16 5	15,799	26,774	6,430	15,795	157	10,250	144,359	105,760	85,415
1892-93	18	13,320	34,474	5,614	14,799	118	11,988	109,275	107,015	98,749
1893-94	20 9	20,908	32,740	4,425	19,134	125	8,532	101,253	120,149	106,251
1894-95	18	14,978	27,805	4,780	16,500	127	10,637	180,176	174,742	129,072
1895-96	14 5	12,135	24,020	4,780	24,230	127	8,690	184,066	138,432	141,267
1896-97	13 1	16,887	33,722	5,388	20,897	166	12,977	158,854	129,099	144,444
1897-98	15 6	19,068	35,056	5,248	13,672	137	12,267	166,462	177,718	168,247
1898-99	14 4	1,910	27,820	5,218	11,398	170	11,404	193,946	148,908	185,040
1897-98	15 4	2,908	26,272	3,222	12,552	134	15,923	199,719	151,452	197,620
1898-99	16	19,524	37,508	5,411	19,280	155	9,964	219,624	167,471	180,896

J. E. O'CONNOR

No. 53.—REVENUE (in Millions of Rx) from each SOURCE of TAXATION IN INDIA

Year	Land Revenue	Salt.	Opium	Excise.	Stamps	Customs	Provincial Rates	Assessed Taxes.	Registration.
1885-86	22 592	6 34	8 94	4 15	3 66	1 20	2 96	0 50	0 21
1886-87	23 035	6 66	8 94	4 37	3 75	1 25	2 99	1 35	0 30
1887-88	23 189	6 67	8 41	4 53	3 87	1 35	3 03	1 43	0 31
1888-89	23 016	7 67	8 56	4 70	3 93	1 33	3 05	1 52	0 33
1889-90	23 981	8 19	8 58	4 89	4 09	1 51	3 41	1 59	0 35
1890-91	24 045	8 52	7 88	4 95	4 07	1 74	3 49	1 62	0 36
1891-92	23 966	8 63	8 01	6 12	4 26	1 70	3 50	1 65	0 40
1892-93	24 905	8 65	7 99	5 24	4 45	1 62	3 71	1 68	0 43
1893-94	25 589	8 28	6 62	5 39	4 51	1 68	3 51	1 74	0 44
1894-95	25 498	8 66	7 32	5 53	4 62	1 85	3 54	1 81	0 42
1895-96	26 200	8 86	7 12	5 72	4 73	2 02	3 71	1 88	0 42
1896-97	23 974	8 42	6 41	5 61	4 78	4 49	3 53	1 87	0 48
1897-98	25 684	8 59	5 18	5 49	4 84	4 64	3 72	1 89	0 49
1898-99	27 679	9 05	5 68	5 73	4 84	4 90	3 95	1 93	0 45
(Revised Estimate) 1899-1900	27 643	8 76	6 00	5 78	4 89	4 65	3 95	1 95	0 46
(Budget Estimate)									

NOTE.—The following additional taxation has been imposed since 1884, the approximate amounts of gross revenue realisable from each source being shown against each —

I. Income Tax (including that in Burma)	-	1,800,000
II. Duty on Petroleum	-	155,000
III. Enhancement of Duty on Salt	-	1,600,000
IV. Increase of Duty on Imported Spirits	-	100,000
V. General Import Duties (including additional Duty on Petroleum and Duty on Silver)	-	1,600,000
VI. Import Duty on Cottons	-	900,000
VII. Increase of Kohat Salt Duty	-	50,000
VIII. Re-imposition of the Patwari Cess in the North-Western Provinces	-	200,000
Total	-	6,405,000

(1) The income tax was imposed in 1885, replacing a provincial license tax, which yielded in the last year of its operation about a third of the yield of the income tax in the first year of its operation.

(2) A duty was imposed in 1888 on imported petroleum, and the duty was doubled in 1894; non-illuminating petroleum, which had always been exempt, being also taxed at 5 per cent. in that year.

(3) The salt duty was raised in 1888 in India from Rs 2 to Rs 2½, and in Burma from 3 annas to 1 rupee, per maund.

(4) The rates of duty on imported spirit were raised in 1890

(5) An import duty of 6 annas per maund was levied on salted fish in 1898

(6) The import duties generally were abolished in 1882, only arms and ammunition, liquors, opium, and salt being retained on the list of dutiable imports. As stated above (4), the duty on spirit was raised in 1890, and in 1894 the whole of the customs duties taken off in 1882 were re-imposed, with the addition of a duty on silver.

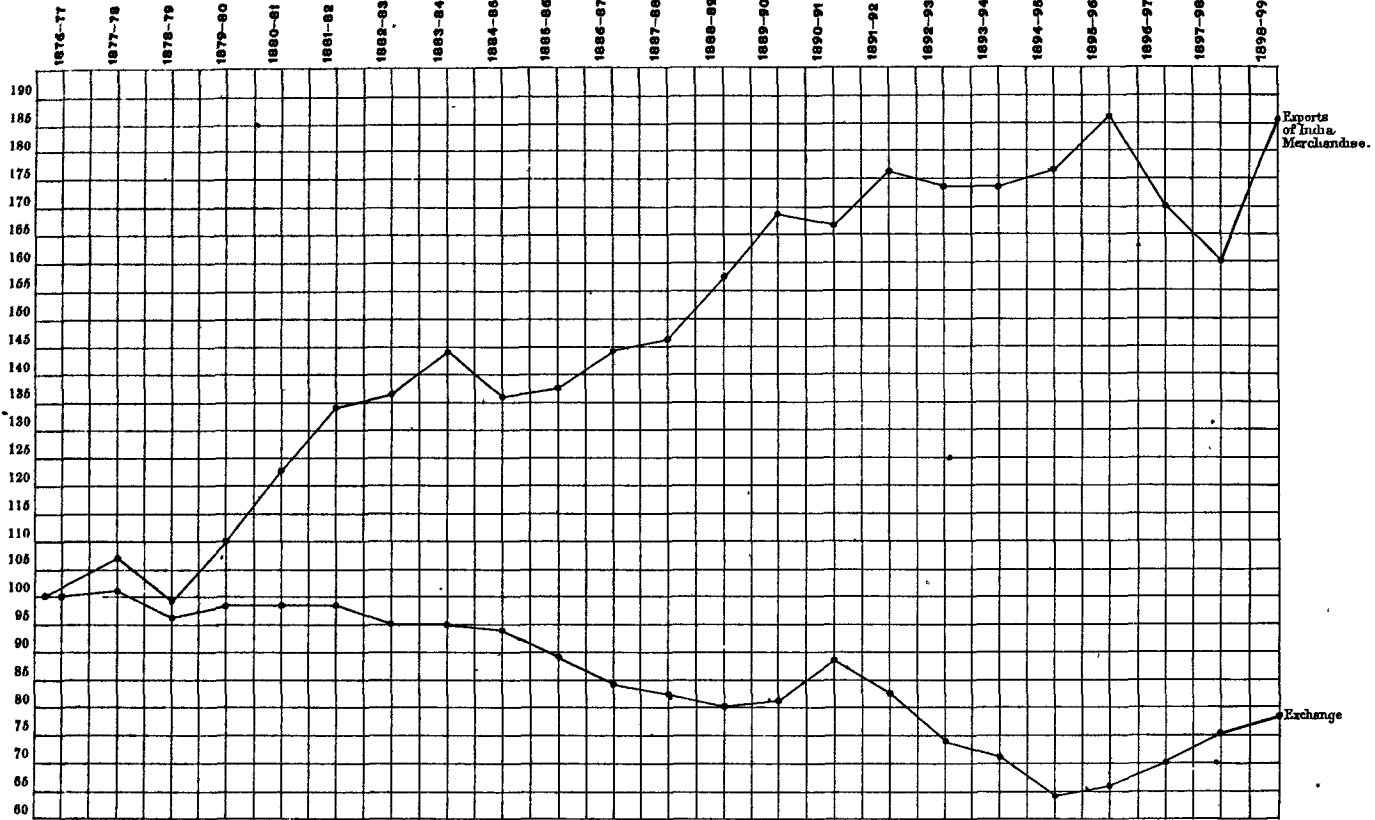
(7) The excise duties on spirit were raised when the duty on imported spirit was increased, and in every province additions have been made to the rates from time to time since. An excise duty has also been imposed on malt liquor.

(8) The Patwari Cess in the North-Western Provinces was repealed in 1882, but was re-imposed in 1888

(9) No remissions or reductions of taxation can be noted as a set off against the taxation which has been imposed since 1886. The additional taxation would not have been necessary but for the fall in exchange.

J. E. O'CONNOR.

No. 54.—Diagram illustrating No. 51 (Exports and Exchange).



No. 55

Diagram illustrating No. 52 (Exports of Staple Articles of Trade and Exchange).

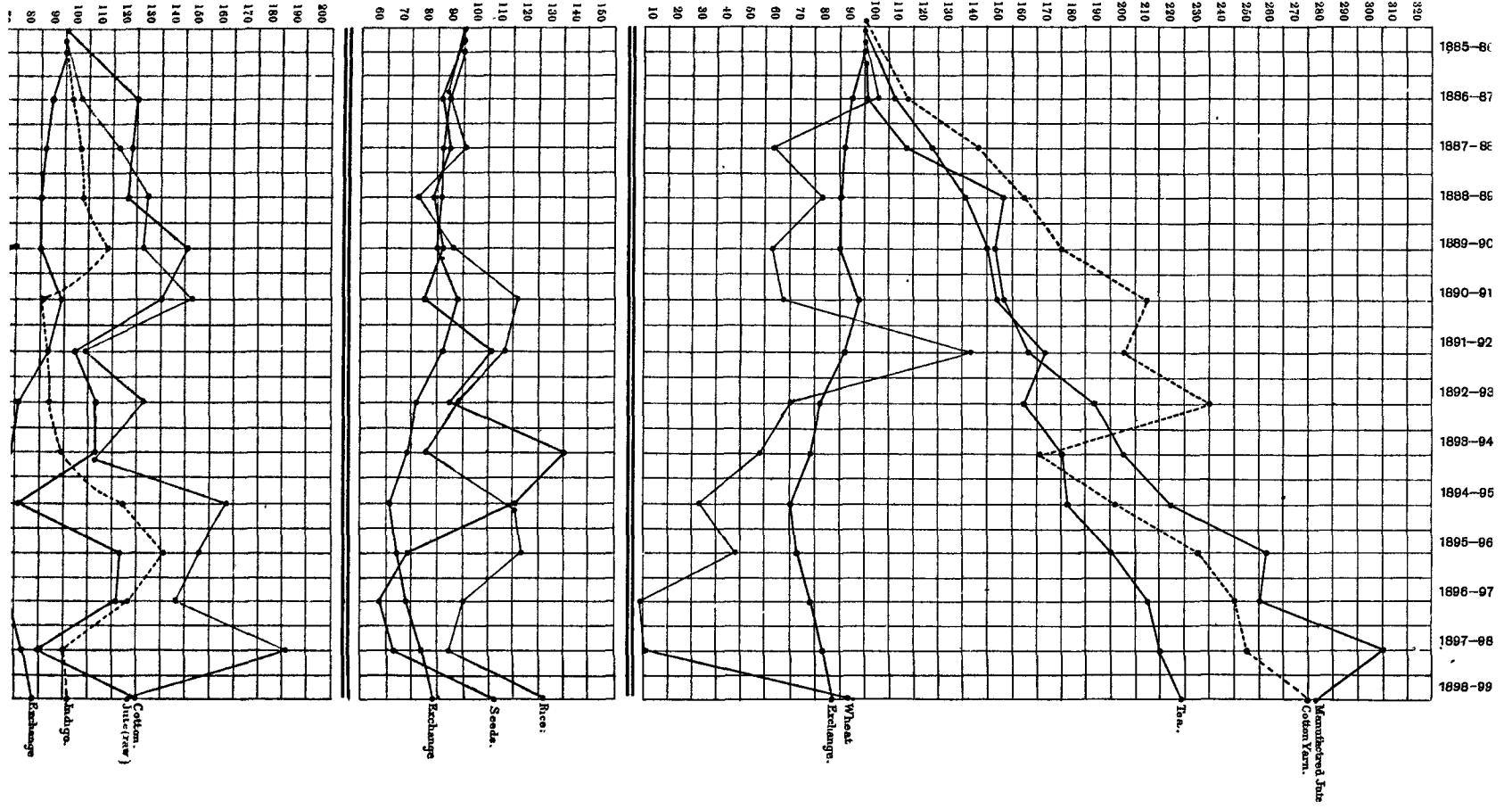
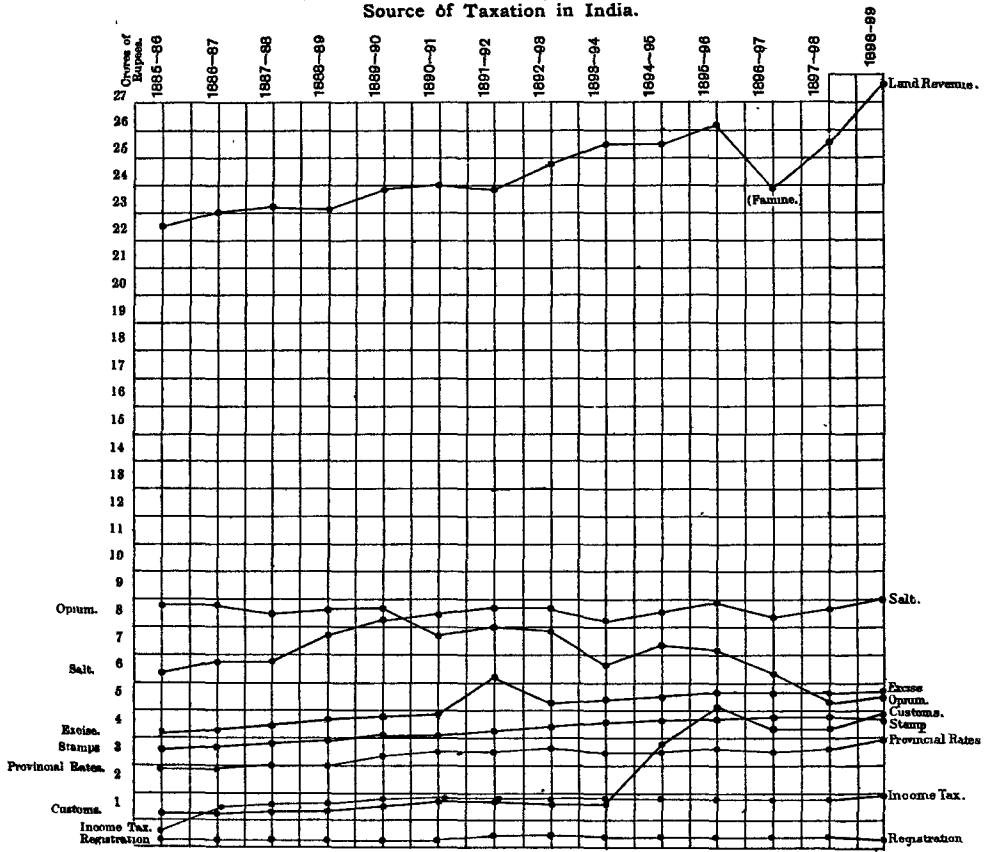


Diagram illustrating No. 53 (Revenue from each Source of Taxation in India.



CHINA TEA; PARTICULARS OF EXPORTATION DIRECT TO FOREIGN COUNTRIES for 1897 (prepared by Sir Alfred Dent, K.C.M.G.).

(Extracted from the "Imperial Maritime Customs Trade Reports, 1897, Part 1," Returns made in Piculs, which have been converted into lbs. avoirdupois—1 picul = 133½ lbs.)

Destination.	BLACK.											GREENS.					—				GRAND TOTAL		
	Coucou.	Oolong.	Bou-chong.	Pou-chong.	Flowery Pekoe.	Orange Pekoe.	Scented (aper.	Mixed.	Preverh.	Leaf.	Stalk.	Total Black.	Young Hyson.	Hyson.	Imperial.	Green Powder.	Total Green.	Dust.	Brick Black.	Brick Green.		Tablet.	
Great Britain	Lbs. 17,509,133	Lbs. 59,800	Lbs. 942,495	Lbs. 19,400	Lbs. 85,200	Lbs. 294,535	Lbs. 953	Lbs. 3,466	Lbs. 68,000	Lbs. 21,806	Lbs. 19,783	Lbs. 15,202,133	Lbs. 1,975,306	Lbs. 1,871,533	Lbs. 49,600	Lbs. 1,505,998	Lbs. 5,185,403	Lbs. 159,298	Lbs. 8,365,466	Lbs. —	Lbs. —	Lbs. —	Lbs. 82,597,533
Hong Kong	4,179,533	1,988,500	717,300	216,400	599,133	99,933	—	61,898	—	—	—	7,014,533	91,300	82,933	1,500	112,400	398,183	3,253	—	—	—	—	7,908,000
India	3,400	—	—	—	—	—	—	—	—	—	—	3,500	146,833	967,733	3,333	403,500	1,821,866	—	—	—	—	—	1,525,406
Singapore and Straits	9,496	207,800	9,333	106,400	—	591	—	509	—	—	—	455,000	—	61,200	—	—	61,200	—	—	—	—	—	516,800
Australasia	4,165,500	535	603	—	—	302,000	—	1,469	—	—	—	4,444,800	—	—	—	—	—	—	—	—	—	—	4,443,969
New Zealand	34,000	—	—	—	—	—	—	—	—	—	—	29,000	—	—	—	—	—	—	—	—	—	—	28,000
North Africa, including Mauritius	161,496	—	381,133	—	—	400	—	512,133	—	—	—	1,259,543	400	—	—	—	400	—	—	—	—	—	1,259,943
British America	494,808	33,600	—	—	—	12,204	—	133	—	—	—	832,006	123,333	131,533	4,966	691,000	940,133	—	—	—	—	—	1,478,800
U.S.A.	8,942,000	3,909,548	13,533	—	208	22,238	—	10,366	—	—	—	15,874,543	3,461,800	2,630,000	124,534	6,508,806	14,850,936	—	—	—	—	—	27,718,400
South America	11,000	—	—	—	—	—	—	—	—	—	—	11,000	—	—	—	—	—	—	—	—	—	—	11,000
Continent of Europe, Russia excepted	2,201,253	1,499	2,800,000	2,133	79,500	8,993	—	2,938	—	—	—	4,566,000	899,533	271,800	1,000	132,266	614,266	10,933	2,133	—	—	—	5,196,533
Russia (Odessa, &c., by sea)	10,018,805	—	4,966	—	9,333	2,500	—	—	—	40,133	—	19,976,600	787,600	1,468,864	13,066	679,066	2,823,910	—	—	—	—	—	22,801,200
Russia (Khabarovsk)	16,734,533	—	—	—	—	—	—	—	—	—	—	16,734,533	—	—	—	—	—	—	50,076,206	3,992,133	—	—	70,428,966
Russian Manchuria	9,814,000	22,066	—	—	—	—	—	—	—	—	—	8,337,006	1,000	—	—	—	1,008	—	5,514,000	3,168,800	694,133	—	16,538,000
China	4,583	—	—	—	—	—	—	—	—	—	—	4,583	—	—	—	—	—	—	—	—	—	—	4,583
Japan	34,500	58,206	—	—	—	—	—	—	—	—	—	94,000	83,600	198,000	933	67,400	239,000	—	—	—	—	—	328,600
Philippine Islands	2,033	61,466	4,000	2,200	—	—	—	—	—	—	—	67,733	—	—	—	—	—	—	—	—	—	—	67,733
Cochin China, Tonkin, and Annam	—	479,466	534	—	—	—	—	—	—	58,533	—	539,900	—	—	4,400	9,338	—	—	—	—	—	—	550,533
Niua	—	874,800	—	10,533	—	—	—	—	—	—	—	290,733	—	2,206	—	—	2,206	—	—	—	—	—	292,900
Java	—	130,000	1,000	152,500	—	—	—	—	—	—	—	283,200	—	—	—	—	—	—	—	—	—	—	283,200
Turkey in Asia, Persia, Egypt, and Aden	6,583	—	—	—	—	—	—	—	—	—	—	6,583	17,806	80,133	—	4,800	—	—	—	—	—	—	99,200
Other places	—	46,586	133	—	—	—	—	—	—	—	—	46,400	—	—	—	—	—	—	—	—	—	—	46,400
TOTAL	70,483,400	6,729,538	4,537,753	850,133	300,133	697,738	28,900	672,933	120,538	62,000	21,400	90,168,466	6,874,266	7,239,866	208,600	12,130,000	30,852,800	170,533	67,538,800	6,880,933	819,800	—	102,146,400
Hong Kong from Kowloon by Junk	—	—	—	—	—	—	—	—	—	—	—	8,309,000	—	—	—	—	269,466	—	—	—	—	—	8,307,000
Macao from Lays by Junk	—	—	—	—	—	—	—	—	—	—	—	3,431,800	—	—	—	—	—	46,533	—	—	—	—	3,483,266
GRAND TOTAL												101,989,966					30,882,400	217,066	67,608,800	6,880,933	819,800		204,287,733†

* Besides the leaf and brick teas forwarded via Tientsin and Khabits to Siberia and Russia, considerable quantities are sent from Hankow and vicinity up the Han River to Fan-ch'ang, where overland carriage is resorted to. During the past 10 years the following quantities were thus forwarded to Siberia and Mongolia:—

Year.	Leaf.	Brick.	Stalk.	Dust.
1888	Lbs. 90,981,200	Lbs. 1,743,200	Lbs. —	Lbs. —
1889	846,733	6,639,466	351,466	120,866
1890	7,343,733	—	316,206	29,066
1891	6,135,466	973,866	942,033	—
1892	2,218,000	2,508,866	131,033	98,033
1893	2,938,900	4,919,600	284,900	285,733
1894	9,884,353	49,200	309,533	3,600
1895	1,705,600	5,582,666	371,033	74,033
1896	10,439,600	745,333	610,533	32,000
1897	7,518,000	1,813,733	768,533	31,466

† For the Exports in 1895, see Note on page 134.

No. 57—continued.

The TOTAL EXPORT of CHINA TEA direct to FOREIGN COUNTRIES for the past Ten Years is shown in the following table —

Year	Black	Green	Dust.	Brick	Tablet	Total
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
1888 - - -	205,539,866	27,917,066	431,066	55,018,933	—	289,006,933
1889 - - -	180,879,866	25,643,466	1,385,333	41,357,066	1,051,066	250,310,800
1890 - - -	153,478,933	26,600,533	981,200	39,622,400	1,369,733	222,052,800
1891 - - -	160,435,466	27,568,000	470,800	43,843,133	965,466	233,337,866
1892 - - -	146,830,333	25,125,333	114,000	43,081,600	1,206,000	216,357,166
1893 - - -	158,694,133	31,498,266	169,733	50,981,466	1,433,866	242,777,466
1894 - - -	162,295,333	31,128,666	423,066	52,734,133	1,727,066	248,308,266
1895 - - -	149,860,260	32,560,266	43,666	64,185,600	2,108,533	248,757,333
1896 - - -	121,655,600	28,933,200	38,933	75,586,533	2,164,533	228,378,800
1897 - - -	101,988,666	26,822,400	217,066	74,439,733	819,866	204,287,733

NOTE.—The "Imperial Maritime Customs Trade Report" just issued for 1898 shows, approximately, an Export of Tea direct from China to foreign countries of 205 millions of pounds, against 204 millions in 1897.

The principal changes in destination comparing 1897 with 1898 are as follows:—

	Increase	Decrease.
To Great Britain - - - - -	—	6 million lbs.
Hong Kong - - - - -	1 million lbs.	—
India - - - - -	—	$\frac{1}{2}$ million lbs.
Australia - - - - -	1 million lbs.	—
British America - - - - -	$\frac{1}{2}$ "	—
U S of America - - - - -	—	7 million lbs.
Continent of Europe, Russia excepted	$\frac{1}{2}$ million lbs.	—
Russia. Odessa, &c., by sea	6 "	—
Russia and Siberia, via Kiakhta	5 "	—
Russia, Manchuria	1 "	—
Cochin China, Tonkin, and Annam	$\frac{1}{2}$ "	—
By junk to Hong Kong	—	1 million lbs.
Totals - - - - -	15 $\frac{1}{2}$ millions	14 $\frac{1}{2}$ millions

TEA IMPORTS AND DELIVERIES FOR 13 YEARS, 1886 to 1898. (*Handed in by Mr. W. J. Thompson.*)

Compiled by the Tea Brokers Association, for London only.

(From January to December.)

IMPORTS.

From	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
China - -	140,610,749	116,378,813	105,544,889	89,768,541	73,304,770	65,525,778	55,424,389	56,029,656	44,382,930	42,875,810	36,776,947	28,762,437	29,939,749
Ceylon - -	6,874,900	11,824,960	20,324,706	31,202,754	40,011,184	59,708,920	63,612,906	68,891,954	72,892,374	78,738,814	89,892,970	93,447,084	94,319,899
India - -	76,585,038	85,216,384	92,387,026	96,692,886	101,557,623	110,812,381	111,924,903	118,589,209	115,323,648	119,806,191	125,412,214	134,885,588	136,874,490

DELIVERIES.

	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
China - -	142,484,878	119,195,099	112,730,480	90,478,554	86,592,550	74,235,879	60,063,408	56,307,872	44,996,927	45,368,459	39,675,408	35,147,557	31,898,543
Ceylon - -	6,244,740	9,941,610	18,552,560	30,166,256	37,652,770	53,486,610	66,818,116	66,686,820	74,180,486	78,687,232	85,451,026	95,172,540	93,488,012
Indian - -	68,419,878	88,112,414	87,310,842	98,955,558	102,845,480	101,194,440	111,246,870	109,557,429	117,425,718	115,098,294	124,651,885	127,886,894	139,089,180

W. J. THOMPSON.

No 59—cont TEA IMPORTS FOR 13 YEARS, 1886 TO 1898

CHINA

	1886	1887	1888	1889	1890	1891.	1892.	1893.	1894	1895.	1896.	1897	1898
	Lbs.	Lbs	Lbs.	Lbs.	Lbs.	Lbs.	Lbs	Lbs.	Lbs.	Lbs	Lbs	Lbs	Lbs.
January	11,662,468	7,481,415	8,157,723	8,111,872	8,576,812	5,666,322	4,186,753	3,849,574	3,094,638	6,113,561	3,924,583	1,248,039	3,630,469
February	7,896,869	6,773,411	10,173,016	6,429,041	7,243,329	4,225,355	3,324,409	2,906,390	2,230,368	1,951,314	1,722,472	1,159,111	1,327,437
March	4,909,315	3,532,355	4,835,318	3,265,732	2,079,317	3,734,403	1,859,779	1,180,541	1,089,371	707,188	938,779	480,639	1,264,040
April	1,451,575	4,030,848	1,069,692	285,583	600,539	1,276,239	28,845	59,672	116,185	80,625	440,380	75,320	202,016
May	451,315	2,732,774	1,152,239	397,399	201,186	176,849	225,600	219,990	298,294	165,420	112,016	409,825	783,724
June	8,594,122	4,041,565	6,696,377	507,766	452,658	274,291	463,029	530,529	334,384	95,051	285,547	528,753	528,753
July	31,061,000	19,074,681	22,784,848	12,274,999	9,844,074	12,117,078	10,373,987	11,653,623	9,322,511	8,626,024	6,600,037	6,851,340	5,712,701
August	20,789,368	17,875,066	15,011,927	13,238,866	12,973,001	10,530,789	14,377,629	11,266,590	6,585,800	7,909,199	8,310,483	5,551,208	4,988,340
September	19,305,971	10,644,560	8,650,669	11,087,069	5,979,268	9,334,986	5,904,683	8,522,588	5,326,029	4,931,024	3,899,602	2,122,489	3,569,125
October	15,243,966	15,259,165	7,728,095	11,777,494	6,934,180	7,116,444	4,022,963	7,297,797	4,662,404	3,877,624	3,794,808	3,647,690	3,103,062
November	9,213,574	14,566,284	8,909,070	10,436,247	8,961,079	5,341,722	4,993,760	5,298,990	6,028,633	4,031,998	4,146,593	4,169,004	2,412,123
December	10,031,706	10,261,689	10,425,415	12,556,480	9,462,127	5,261,131	5,707,292	2,866,943	4,697,968	4,103,249	2,792,143	2,762,225	3,018,059
Total - Lbs.	140,610,749	116,373,813	105,544,889	89,763,541	73,304,770	65,595,773	55,424,339	56,029,656	44,382,330	42,875,810	36,776,947	28,762,437	29,939,749

CEYLON.

January	226,160	578,250	1,356,784	2,660,244	2,578,914	2,885,804	5,070,238	4,672,600	8,000,272	7,256,276	3,096,234	7,037,460	8,189,462
February	394,470	713,490	1,261,230	1,971,772	8,051,404	4,726,960	5,349,238	5,124,536	5,591,114	5,744,980	6,897,286	8,097,412	7,849,644
March	399,480	746,280	1,243,966	2,489,802	3,008,554	4,765,364	5,475,372	6,509,896	5,434,714	6,629,448	7,361,338	6,500,920	7,874,612
April	705,180	679,000	1,106,462	3,257,796	3,408,832	5,941,264	6,005,394	5,610,596	5,866,568	5,849,572	6,674,008	8,860,124	8,290,210
May	692,730	886,780	2,015,920	2,681,694	4,067,074	5,178,902	6,090,614	6,562,588	7,322,202	7,887,298	7,466,348	8,142,682	6,507,484
June	623,560	1,330,240	2,139,242	3,642,922	3,693,204	6,480,184	6,107,122	7,089,392	6,780,746	8,622,542	10,153,358	10,709,464	9,776,978
July	880,820	1,650,270	2,040,094	2,988,564	5,142,768	5,728,946	5,736,178	7,100,956	9,144,250	7,948,218	10,344,880	10,380,636	9,424,972
August	813,870	1,178,610	2,412,362	1,716,928	3,508,780	6,419,994	7,563,884	6,486,564	7,008,940	8,375,476	6,899,668	8,854,174	9,301,936
September	661,400	781,570	1,452,408	2,673,498	3,244,302	4,713,190	4,128,412	4,411,904	4,606,838	5,242,122	6,314,700	6,866,558	6,640,096
October	427,160	815,170	1,691,792	1,993,320	2,371,260	4,596,598	3,482,408	4,466,144	4,072,386	5,683,336	3,370,392	5,320,072	6,250,790
November	499,750	872,530	1,588,964	2,519,050	3,056,866	3,915,472	3,939,446	5,498,776	4,844,490	4,498,626	7,019,558	5,601,246	6,509,646
December	530,320	1,193,030	2,015,462	2,746,054	2,868,626	4,736,240	4,734,650	5,168,002	4,520,114	4,799,520	7,387,200	6,386,886	6,904,009
Total - Lbs.	6,874,900	11,324,960	20,324,706	31,202,754	40,011,184	59,708,920	63,612,906	68,891,954	72,892,374	78,738,814	89,992,970	98,447,034	94,319,833

INDIA.

January	10,619,664	9,998,134	11,273,718	12,282,363	13,367,724	13,258,320	13,684,409	13,698,123	14,742,331	13,512,334	12,414,491	14,093,048	15,390,633
February	4,689,664	6,311,226	7,264,772	8,669,113	8,912,076	10,098,365	8,294,502	8,610,007	7,415,229	7,297,944	7,667,660	10,302,366	9,672,379
March	6,499,650	5,439,484	5,495,313	5,456,388	6,684,923	5,953,848	7,574,724	4,794,282	5,814,489	6,673,908	5,619,483	7,059,163	6,688,567
April	1,802,076	2,141,443	2,474,169	2,449,266	4,214,773	2,381,283	2,656,002	315,957	821,124	2,137,449	1,052,332	1,297,422	1,560,967
May	125,010	1,014,054	199,866	419,967	453,384	263,049	415,860	435,600	369,359	269,805	235,797	493,949	426,578
June	817,683	1,041,896	1,397,829	825,546	457,587	1,641,734	1,644,297	1,151,400	1,612,269	1,827,783	2,077,521	2,092,837	2,050,696
July	1,825,783	2,001,690	3,235,743	3,438,990	4,084,877	4,276,543	4,743,852	5,245,905	4,976,028	5,244,696	6,310,617	5,814,912	6,147,205
August	4,329,078	6,799,812	9,822,483	5,639,145	6,468,591	8,988,165	12,029,655	12,744,960	11,550,294	12,059,525	12,649,203	12,479,925	13,350,924
September	9,162,834	13,132,536	10,674,126	12,220,416	12,844,764	14,149,404	11,892,198	13,995,818	18,801,699	14,612,550	19,436,881	21,134,917	19,208,167
October	11,182,974	12,953,928	15,368,913	13,396,243	15,236,823	16,094,865	16,146,606	16,995,999	17,724,387	19,028,613	23,707,662	19,880,092	22,072,278
November	11,860,028	10,636,998	11,437,035	16,823,379	14,526,522	18,870,030	15,508,656	15,399,074	17,688,036	15,842,949	15,693,705	19,173,738	22,792,458
December	14,118,590	13,097,658	13,459,039	15,376,883	14,354,883	14,416,506	17,352,912	19,152,999	13,808,490	17,305,803	12,512,314	21,061,194	20,213,612
Total - Lbs.	76,585,032	86,218,884	92,387,026	96,692,886	101,557,623	110,912,331	111,924,903	113,539,209	115,323,648	119,806,191	125,412,314	134,885,588	138,874,490

No 58.—cont. TEA DELIVERIES FOR 13 YEARS, 1886 to 1898.

CHINA.

	1886.	1887.	1888.	1889.	1890.	1891.	1892.	1893.	1894.	1895.	1896.	1897.	1898.
	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.	Lbs.
January	12,870,980	11,042,740	9,693,002	8,836,844	7,186,443	6,435,795	5,072,848	5,017,417	3,999,748	4,311,468	3,259,981	3,621,466	3,073,377
February	12,025,795	9,145,845	9,613,416	7,399,105	6,898,941	6,207,911	5,222,483	4,555,166	3,715,726	3,606,449	3,223,762	3,846,582	2,901,988
March	11,632,428	10,148,510	9,155,756	7,934,091	6,519,764	5,806,656	5,332,879	5,218,971	3,483,019	3,998,093	3,281,055	3,030,438	2,683,415
April	9,941,443	9,679,242	9,354,391	7,565,386	4,681,758	6,907,056	5,001,084	4,625,845	3,766,355	3,806,566	3,209,776	2,446,396	2,664,442
May	10,972,939	9,177,795	8,390,708	7,905,287	11,494,064	6,080,154	5,034,188	4,858,293	3,681,159	4,489,062	2,929,082	3,478,793	2,347,637
June	10,927,818	8,874,008	8,481,990	5,871,038	6,047,080	5,974,843	3,861,705	3,827,400	3,354,584	3,383,908	2,894,205	2,569,158	2,259,085
July	13,242,699	10,182,628	10,192,491	7,335,418	7,811,708	6,428,827	4,502,944	4,163,679	3,620,437	3,476,434	3,084,692	2,664,311	2,538,383
August	11,921,772	10,976,288	10,201,523	5,929,379	7,811,749	7,105,555	5,366,668	5,011,042	4,363,646	3,929,471	3,399,588	3,036,547	2,922,352
September	12,172,661	10,180,700	9,114,904	7,231,957	9,665,563	6,199,231	5,604,599	5,505,453	3,545,142	3,565,324	3,265,324	2,675,551	2,307,551
October	14,967,055	11,020,197	11,484,279	9,477,065	7,419,351	6,775,864	5,637,071	5,489,262	4,351,807	4,201,032	4,145,458	3,859,406	2,708,720
November	12,033,055	9,599,113	9,008,332	8,409,457	6,714,058	5,668,321	5,249,371	4,388,834	3,578,510	3,728,760	3,801,264	2,938,479	2,367,141
December	9,646,238	9,168,038	6,771,743	6,583,527	5,192,379	4,643,818	4,437,434	3,647,230	3,385,806	3,103,079	3,176,413	2,580,579	2,303,952
Total - Lbs.	142,484,878	119,195,099	112,730,480	90,478,554	86,592,550	74,235,379	60,063,403	56,807,872	44,996,927	45,866,459	39,875,408	35,147,557	31,898,543

CYLON.

January	295,400	535,280	1,029,318	1,945,932	2,215,670	3,565,962	4,729,196	4,756,486	5,765,576	5,419,184	6,442,100	7,375,306	7,501,176
February	285,390	494,590	1,060,546	1,915,114	2,126,498	2,884,300	4,760,178	4,108,652	3,333,284	4,849,776	5,844,062	6,975,894	6,871,704
March	316,790	616,330	1,084,850	2,137,838	2,081,078	2,769,972	5,158,508	4,635,290	5,131,622	5,589,600	6,309,692	7,023,358	8,095,844
April	816,340	657,420	1,238,420	2,105,016	1,334,678	3,942,342	4,968,026	4,847,814	5,978,094	5,806,032	6,408,184	6,676,358	7,603,006
May	429,380	779,130	1,305,960	2,893,198	5,019,890	4,578,406	5,974,922	6,994,986	6,459,654	8,191,908	6,749,652	8,919,756	6,438,390
June	569,710	780,570	1,594,208	2,667,890	3,613,763	5,480,372	5,487,676	6,506,140	6,895,574	6,933,554	7,333,190	7,688,446	7,599,712
July	766,310	998,590	2,266,106	3,677,728	3,032,286	5,420,842	6,166,080	6,910,922	6,926,318	8,369,522	8,211,622	8,962,636	9,739,848
August	817,780	1,341,790	2,116,702	3,200,918	3,793,038	5,156,082	6,502,412	6,447,566	7,126,798	7,645,822	8,015,420	8,330,674	8,385,722
September	786,520	1,197,220	1,878,396	2,900,718	3,960,440	5,277,420	6,663,206	6,229,500	7,102,198	7,342,080	7,884,308	8,366,066	8,468,892
October	689,770	1,008,950	1,685,440	2,655,488	3,640,690	5,840,192	6,188,156	5,922,714	6,920,174	7,122,178	8,118,134	8,517,792	8,431,730
November	568,240	790,010	1,689,480	2,177,092	3,162,432	4,787,596	5,500,258	5,929,518	5,929,458	6,361,108	7,144,488	8,270,390	7,779,500
December	471,210	741,900	1,408,134	1,889,334	2,772,302	4,232,324	4,202,028	4,301,632	4,811,696	5,505,918	6,990,274	7,286,814	6,732,498
Total - Lbs.	6,244,740	9,941,610	18,532,580	30,166,236	37,652,770	53,486,510	66,618,116	66,686,320	74,180,486	78,637,232	85,451,026	93,172,540	93,489,012

INDIAN.

January	5,867,016	7,409,838	8,105,118	8,931,927	8,831,223	10,570,794	9,967,647	9,677,760	11,192,130	11,101,872	12,141,602	12,136,271	11,592,565
February	5,997,516	6,886,680	7,393,314	8,007,009	8,187,298	9,031,506	9,899,400	8,889,410	9,861,240	9,260,259	10,854,125	10,981,048	11,063,461
March	5,807,910	7,151,364	7,432,224	8,143,899	7,141,953	7,223,670	10,042,986	8,727,468	9,056,607	9,002,760	10,380,378	11,194,511	11,717,357
April	5,085,024	6,765,972	7,470,750	7,726,908	5,155,941	6,061,642	9,163,735	8,197,569	10,304,148	7,606,551	10,456,709	9,618,118	11,154,641
May	5,468,616	6,717,806	7,036,278	8,786,885	14,492,028	6,783,228	9,590,598	9,301,361	10,405,853	11,028,024	9,331,097	11,232,391	11,671,025
June	4,329,898	5,599,612	5,360,919	7,358,436	8,630,442	6,769,319	7,937,089	7,979,457	9,037,900	7,717,234	8,567,849	9,018,317	10,371,915
July	5,039,568	5,661,804	5,923,545	7,378,119	7,291,524	7,144,722	7,848,098	7,876,302	7,732,635	8,128,797	8,366,610	9,450,723	9,967,116
August	4,844,314	5,704,200	6,440,949	6,030,897	6,861,027	7,269,349	7,949,004	7,710,091	8,259,267	8,682,885	8,155,395	9,311,815	10,377,965
September	5,413,998	7,014,668	7,434,951	7,914,804	7,870,338	8,539,988	9,755,509	9,929,145	8,980,667	9,111,313	9,918,294	10,161,519	11,354,452
October	6,619,704	8,294,094	8,926,065	10,384,121	9,822,003	10,520,448	10,096,808	10,862,332	11,471,646	11,373,375	11,995,619	11,532,528	13,184,637
November	7,158,468	8,602,286	8,622,891	9,699,849	9,606,153	10,041,987	10,590,878	11,123,640	11,932,704	12,146,466	12,589,333	12,589,333	13,855,893
December	6,394,546	7,305,242	7,003,338	8,745,714	8,955,555	9,283,922	9,595,328	9,691,834	9,320,913	9,938,268	11,584,879	11,859,577	12,778,113
Total - Lbs.	68,419,878	83,112,414	87,210,342	98,955,558	102,841,480	101,194,440	111,246,370	109,557,429	117,425,718	115,098,294	124,651,885	127,866,894	139,089,130

W. J. THOMPSON

FINANCIAL AND STATISTICAL TABLES.

No 58—cont.

INDIAN and CEYLON TEA IN MARKETS outside the UNITED KINGDOM.

The following figures show the progress of Indian and Ceylon tea trade with Australasia, six years (in millions of lbs.):—

Imported.	1892	1893	1894.	1895.	1896	1897.
Indian - - -	3½	6½	4½	6½	6	6½
Ceylon - - -	5½	7	7½	9½	11	13½
	9	13½	12½	16	17	20

The following figures show the transference from China tea to Indian and Ceylon in Australasia, three years (in millions of lbs.) —

Imported.	1895.	1896.	1897
China - - - -	12½	7½	6
Indian - - - -	6½	6	6½
Ceylon - - - -	9½	11	13½
	28½	24½	26

The following figures show the progress of Indian and Ceylon tea trade with North America, six years (in millions of lbs.) —

Imported.	1892	1893	1894.	1895	1896	1897.
Indian - - -	1½	2	2½	4	5½	5½
Ceylon - - -	1½	2	2½	3½	4½	5
	3	4	4½	7½	9½	11½

The following figures show the total quantities of Indian and Ceylon tea taken by external markets, outside the home consumption of United Kingdom, five years (in millions of lbs.) —

Imported	1893.	1894.	1895	1896.	1897
Indian, - - -	14	14	16½	19½	22
Ceylon - - -	13	14½	20	23½	29
	27	28½	36½	42½	51

Estimate for 1898 - 59 or 60 million lbs.

The following figures show the progressive movement of Indian and Ceylon teas re-exported from the United Kingdom to foreign parts, during ten months of 1896, 1897, 1898 (in millions of lbs) —

	1896.	1897.	1898.
Of Indian tea - - -	3	4½	6
Of Ceylon tea - - -	6½	8½	10
Of China and Java - - -	16½	17½	14½
	26½	30½	30½

The following figures show the percentages of the different kinds of tea (A) used at home, and (B) shipped abroad from the United Kingdom during the past seven years —

	1891	1892	1893	1894
Used at home				
Indian - - -	46 75	52 00	51 00	54 50
Ceylon - - -	25 00	30 50	30 00	33 50
China and Java - - -	36 25	16 50	19 00	12 00
	100 00	100 00	100 00	100 00
Shipped abroad				
Indian - - -	10 00	9 90	9 80	11 00
Ceylon - - -	6 40	9 45	12 20	16 40
China and Java - - -	83 60	80 65	78 000	72 60
	100 00	100 00	100 00	100 00

	1895.	1896	1897
Used at home			
Indian - - -	52 50	53 85	53 60
Ceylon - - -	33 50	35 25	36 90
China and Java - - -	14 00	10 90	9 50
	100 00	100 00	100 00
Shipped abroad			
Indian - - -	13 20	12 90	15 10
Ceylon - - -	23 30	24 70	28 70
China and Java - - -	63 50	62 40	56 29
	100 00	100 00	100 00

No. 59.

MR. SAUERBECK'S INDEX NUMBERS OF COMMODITIES AND SILVER.

(Handed in by Mr. Chatham. See Q. 8755)

Years.	Index No. of 45 Commodities.	Index No. of Silver.	Years.	Index No. of 45 Commodities	Index No. of Silver
1874	102	95.8	1885	72	79.9
1875	96	98.8	1886	69	74.3
1876	95	86.7	1887	63	73
1877	94	90.2	1888	70	70.4
1878	87	86.4	1889	73	70.2
1879	89	84.2	1890	72	78.4
1880	88	85.9	1891	72	74.1
1881	85	85	1892	68	65.4
1882	84	84.9	1893	68	58.6
1883	82	83.1			
1884	76	83.3		1609	1603.1

No. 60.

STATEMENT relating to EXPORTS from INDIA and the RATES of EXCHANGE.
 [Handed in by Mr. David Cruickshank. See Q. 9527.]

A.—EXPORTS OF WHEAT.

Year.	Exchange.		Average Rate for Secretary of State's Bills for Financial Year.	Prices in Calcutta per B. md.		Prices in England per 492 lbs.		Average Price for British grown Wheat, for the Year.	Freight by Steamer, Calcutta to London, per ton, May to August.		Total Exports from India.
	Rates for Bills 3 Months D/ Payment, May to August.			From	To	From	To		From	To	
1873	1 10 ³ / ₄	1 10 ³ / ₄	1 10·85	8 1 0	8 2 0	—	—	58·8	2 7 6	3 0 0	14,865
1874	1 10	1 11 ¹ / ₂	1 10·16	8 2 0	8 8 0	—	—	55·9	1 0 0	2 0 0	87,797
1875	1 10	1 10 ³ / ₄	1 9·64	8 2 0	2 11 0	—	—	45·2	2 2 6	3 0 0	53,458
1876	1 6 ¹ / ₂	1 8 ¹ / ₂	1 8·49	8 3 0	2 7 0	40	42	46·2	3 0 0	3 7 6	124,909
1877	1 9	1 9 ¹ / ₂	1 8·81	8 0 0	8 6 0	48	62	56·9	2 17 6	3 0 0	279,166
1878	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·93	8 6 0	8 9 0	44	47	46·5	0 12 6	1 8 0	317,007
1879	1 7 ¹ / ₂	1 8 ¹ / ₂	1 7·89	8 6 0	8 7 0	41	46	43·10	1 2 6	1 7 6	52,335
1880	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·96	2 10 0	2 12 6	45	50	44·4	2 12 6	3 5 0	109,777
1881	1 7 ¹ / ₂	1 8 ¹ / ₂	1 7·88	8 8 0	2 12 0	40	49	45·4	2 12 6	3 2 6	372,318
1882	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·57	8 14 3	8 1 0	40	49	45·1	2 1 3	2 7 6	993,176
1883	1 7 ¹ / ₂	1 7 ¹ / ₂	1 7·58	2 12 9	2 13 0	35	42	41·7	1 17 6	2 2 6	707,250
1884	1 7 ¹ / ₂	1 6 ¹ / ₂	1 7·84	2 8 0	2 8 6	28	38	35·8	1 5 0	1 7 6	1,047,824
1885	1 7	1 7 ¹ / ₂	1 6·82	3 0 0	2 10 0	31	33	32·10	1 2 6	1 17 6	791,587
1886	1 4 ¹ / ₂	1 5 ¹ / ₂	1 5·46	2 8 6	2 11 0	80	81	31·0	1 2 6	1 10 0	1,063,025
1887	1 4 ¹ / ₂	1 5 ¹ / ₂	1 4·92	3 12 0	2 15 0	80	83	32·6	1 1 3	1 8 9	1,113,166
1888	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4·38	2 11 6	2 14 6	32	34	31·10	1 5 0	1 6 8	676,908
1889	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4·56	3 0 0	3 2 0	81	89	39·9	1 5 0	1 6 8	880,504
1890	1 6 ¹ / ₂	1 5 ¹ / ₂	1 5·99	2 11 0	2 14 0	33	34	31·11	1 0 0	1 7 6	689,961
1891	1 5 ¹ / ₂	1 5 ¹ / ₂	1 4·88	3 2 0	3 3 0	36	38	37·0	1 7 6	2 1 3	716,024
1892	1 2 ¹ / ₂	1 3 ¹ / ₂	1 3·02	3 5 0	3 6 2	30	32	30·3	0 10 0	0 17 6	1,515,171
1893	1 2 ¹ / ₂	1 3 ¹ / ₂	1 2·55	2 15 6	2 13 0	27	29	26·4	0 17 6	1 0 0	748,672
1894	1 0 ¹ / ₂	1 1 ¹ / ₂	1 1·10	3 7 6	2 11 0	22	23	22·10	0 17 6	1 5 0	607,827
1895	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1·84	2 14 6	3 2 0	23	25	23·1	0 17 6	1 0 0	344,389
1896	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2·45	3 5 0	3 12 0	23	26	26·2	0 7 6	0 12 6	500,145
1897	1 2 ¹ / ₂	1 3 ¹ / ₂	1 3·40	4 4 0	4 9 0	27	32	30·3	say 10 0	0 15 0	95,528

B.—EXPORTS OF LINED

Year.	Exchange		Average Rate for Secretary of State's Bills for Financial Year.	Price in Calcutta per B. md.		Price in England per 410 lbs.		Freight by Steamer, Calcutta to London, per ton, May to August.		Total Exports from India.
	Rates for Bills 3 Months D/ Payment, May to August.			From	To	From	To	From	To	
1873	1 10 ³ / ₄	1 10 ³ / ₄	1 10·85	4 6 6	4 11 0	61	66	3 5 0	3 17 6	111,371
1874	1 10	1 11 ¹ / ₂	1 10·16	4 9 6	4 14 6	60	62	2 7 6	2 17 6	141,013
1875	1 10	1 10 ³ / ₄	1 9·64	4 0 0	4 3 6	52	59	3 17 6	3 5 0	179,789
1876	1 6 ¹ / ₂	1 8 ¹ / ₂	1 8·49	3 9 6	4 0 0	48	55	3 0 0	3 5 0	183,286
1877	1 9	1 9 ¹ / ₂	1 8·81	4 7 0	4 12 0	54	55	3 0 0	3 5 0	280,730
1878	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·93	4 8 6	4 15 0	52	53	1 7 6	1 10 0	353,945
1879	1 7 ¹ / ₂	1 8 ¹ / ₂	1 7·89	4 14 6	5 2 0	52	53	1 5 0	1 12 6	175,189
1880	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·96	4 7 0	4 9 0	53	54	2 15 0	3 7 6	155,332
1881	1 7 ¹ / ₂	1 8 ¹ / ₂	1 7·88	4 4 6	4 9 0	51	56	2 17 6	3 7 6	299,558
1882	1 8 ¹ / ₂	1 8 ¹ / ₂	1 7·57	3 11 6	3 14 6	42	48	2 5 0	0 12 6	257,555
1883	1 7 ¹ / ₂	1 8 ¹ / ₂	1 7·58	3 11 6	3 15 0	41	44	2 0 0	2 2 6	326,855
1884	1 7 ¹ / ₂	1 7 ¹ / ₂	1 7·34	4 0 0	4 4 0	43	44	1 8 9	1 12 6	297,129
1885	1 7	1 7 ¹ / ₂	1 6·82	4 0 0	4 4 0	40	49	1 5 0	1 17 6	437,339
1886	1 4 ¹ / ₂	1 5 ¹ / ₂	1 5·46	4 5 0	4 13 0	39	43	1 2 6	1 12 6	475,506
1887	1 4 ¹ / ₂	1 5 ¹ / ₂	1 4·92	4 3 0	4 6 0	37	38	1 5 0	1 10 0	432,345
1888	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4·38	4 1 0	4 5 0	35	37	1 6 3	1 13 9	421,135
1889	1 4 ¹ / ₂	1 4 ¹ / ₂	1 4·56	4 11 0	5 6 0	39	43	1 5 0	1 12 6	423,068
1890	1 6 ¹ / ₂	1 5 ¹ / ₂	1 5·99	4 7 6	4 13 0	41	43	1 3 9	1 7 6	357,244
1891	1 5 ¹ / ₂	1 5 ¹ / ₂	1 4·88	4 8 0	4 10 0	41	45	1 10 0	2 2 6	408,865
1892	1 2 ¹ / ₂	1 3 ¹ / ₂	1 3·02	5 5 0	5 9 0	38	40	0 11 3	1 0 0	543,399
1893	1 2 ¹ / ₂	1 3 ¹ / ₂	1 2·55	5 5 0	5 9 0	39	42	0 10 0	1 5 0	390,877
1894	1 0 ¹ / ₂	1 1 ¹ / ₂	1 1·10	5 9 0	5 13 6	36	38	1 3 9	1 7 6	519,258
1895	1 1 ¹ / ₂	1 1 ¹ / ₂	1 1·84	5 1 0	5 14 6	36	39	1 0 0	1 2 6	450,319
1896	1 2 ¹ / ₂	1 2 ¹ / ₂	1 2·45	4 5 0	4 13 0	33	33	0 7 6	0 15 0	321,426
1897	1 2 ¹ / ₂	1 3 ¹ / ₂	1 3·40	4 6 0	4 11 0	30	34	0 11 3	0 15 0	267,508

No. 61.

STATEMENT relating to PRICES in INDIA from 1892 to 1895

(Handed in by Mr. Bamesh C. Dutt, C.I.E. See Q 10,668)

PUNJAB			N.W. PROVINCES AND OUDH.			BENGAL.		
Wheat (page 19, "Prices and Wages," 1897)			Wheat (page 17, "Prices and Wages," 1897.)			Rice (pages 3, 5, "Prices and Wages," 1897.)		
Quantities sold per Rupee, in Seers.			Quantities sold per Rupee, in Seers.			Quantities sold per Rupee, in Seers		
—	Average of 1892 and 1893	Average of 1894 and 1895	—	Average of 1892 and 1893	Average of 1894 and 1895	—	Average of 1892 and 1893	Average of 1894 and 1895
Southern Punjab, 2 districts -	15.30	20.76	N.W. Provinces, Eastern, 5 districts -	13.07	13.81	East Bengal, 5 districts -	11.38	13.92
Central Punjab, 2 districts -	14.81	23.09	N.W. Provinces, Central, 6 districts -	15.23	15.94	Deltaic Bengal, 7 districts -	11.54	13.98
South Eastern Punjab, 3 districts -	15.58	19.01	N.W. Provinces, Western, 5 districts -	15.05	17.55	Central Bengal, 7 districts -	12.56	15.36
Submontane Punjab, 6 districts -	15.77	22.14	East Submontane, N.W.P., 3 districts -	13.81	13.29	Northern Bengal, 2 districts -	11.86	13.64
Northern Punjab, 2 districts -	13.09	21.69	West Submontane, N.W.P., 9 districts -	14.59	16.70	Orissa, 3 districts -	14.08	18.31
Western Punjab, 4 districts -	14.24	22.61	Southern Oudh, 5 districts -	14.91	15.22	Chota Nagpur, 4 districts -	24.30	16.57
			Northern Oudh, 5 districts -	15.05	15.34	South Behar, 4 districts -	13.51	15.65
						North Behar, 5 districts -	13.65	15.75

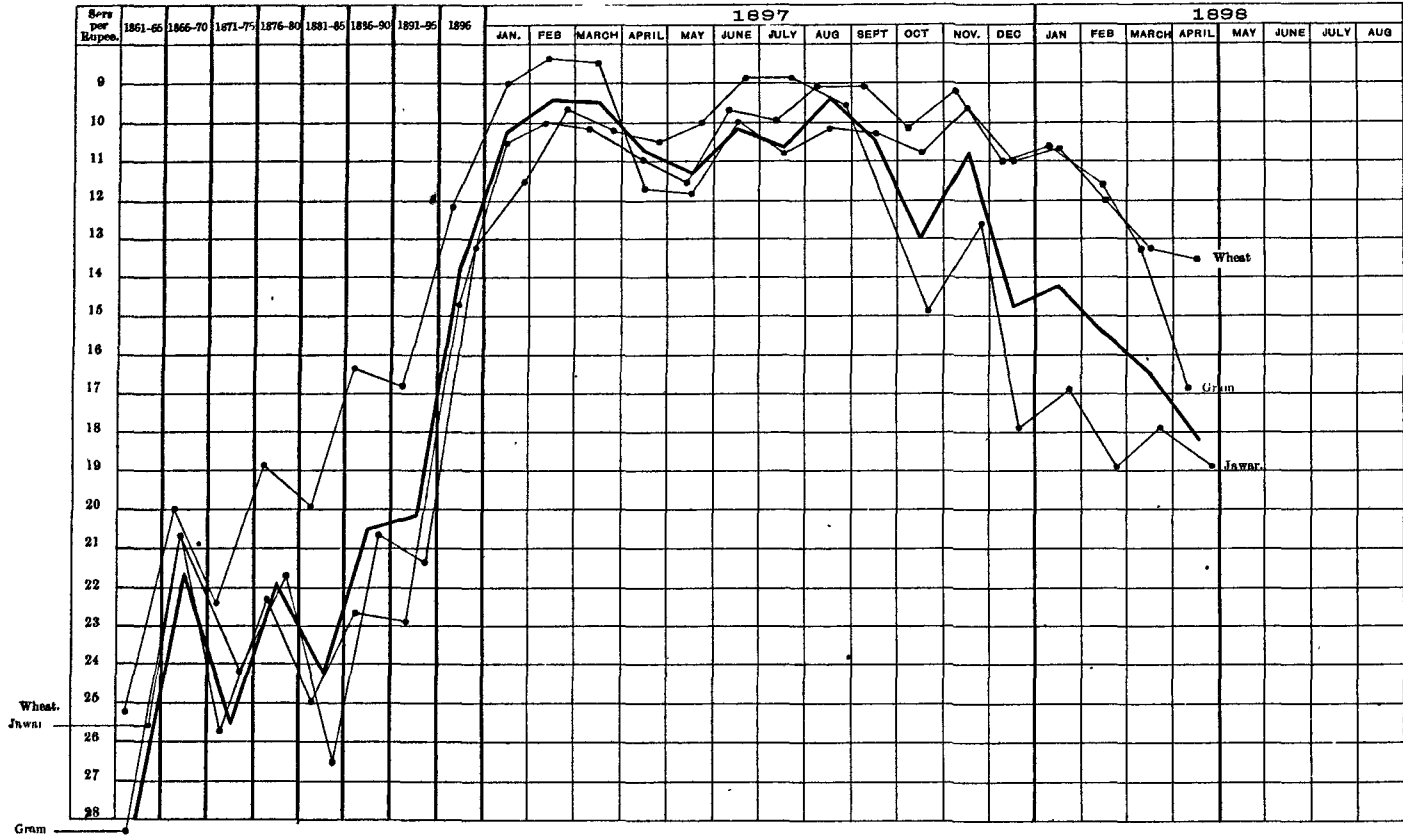
MADRAS				BOMBAY.					
Quantities sold per Rupee, in Seers				Quantities sold per Rupee, in Seers.					
—	Jwar (p 37 "Prices and Wages," 1897.)		Ragi (p 49 "Prices and Wages," 1897)		—	Bajra (p 43 "Prices and Wages," 1897)		Jwar (p 35 "Prices and Wages," 1897)	
	Average of 1892 and 1893	Average of 1894 and 1895	Average of 1892 and 1893.	Average of 1894 and 1895.		Average of 1892 and 1893.	Average of 1894 and 1895	Average of 1892 and 1893	Average of 1894 and 1895
South Central, 2 districts -	16.60	20.32	18.26	23.25	Konkan, 3 districts -	12.55	14.27	13.87	14.78
Central, 4 districts -	17.90	24.66	18.64	25.67	Deccan, 6 districts -	17.94	19.22	17.75	21.32
South, 1 district -	14.52	19.07	16.50	21.39	Khandesh, 3 districts -	17.59	18.51	20.21	22.83
East Coast, North, 1 district -	16.70	19.26	19.94	25.08	Gujrat, 7 districts -	14.49	14.64	16.80	17.35
East Coast, Central, 2 districts -	16.32	20.57	19.59	25.96					
East Coast, South, 3 districts -	15.11	19.74	17.17	23.32					

ASSAM			CENTRAL PROVINCES AND BERRAR.		
Rice (p. 3, "Prices and Wages," 1897)			Jwar, (p. 35 and 37 "Prices and Wages," 1897)		
Quantities sold per Rupee, in Seers.			Quantities sold per Rupee, in Seers		
—	Average of 1892 and 1893	Average of 1894 and 1895.	—	Average of 1892 and 1893.	Average of 1894 and 1895.
Surma Valley, 2 districts -	11.10	13.21	Western, 7 districts -	18.33	20.91
Brahmaputra Valley, 4 districts -	10.96	12.61	Central, 4 districts -	18.05	17.60
			Berrar, 6 districts -	18.10	20.32

Diagram of Prices of certain Grains at Meerut, 1861—1898 (Q. No. 5,900).

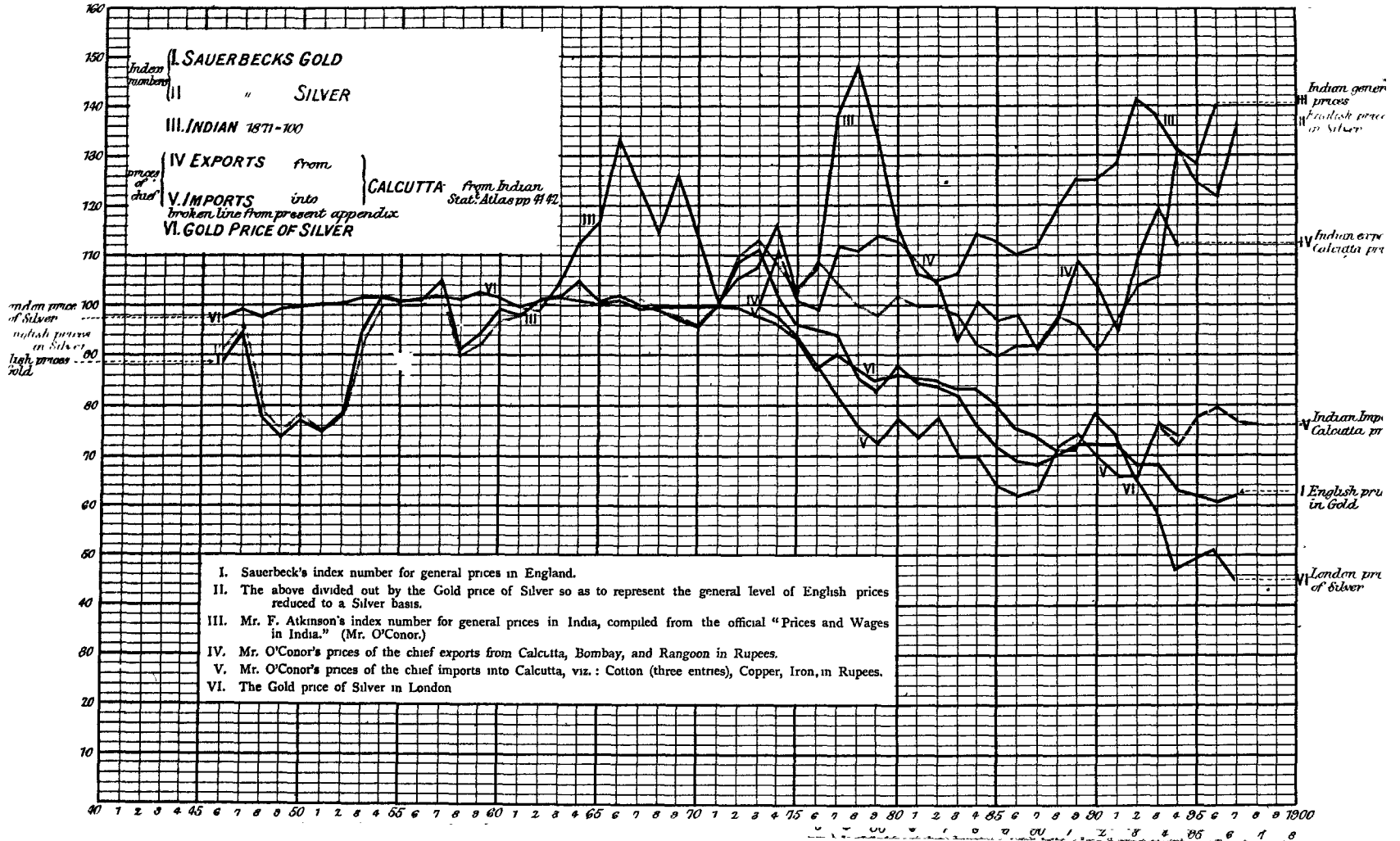
Averaged Average Prices of Five Grains (Wheat, Jawar, Bajra, Barley, and Gram)

Average Price of (i) Wheat _____
 " " (ii) Gram _____
 " " (iii) Jawar _____

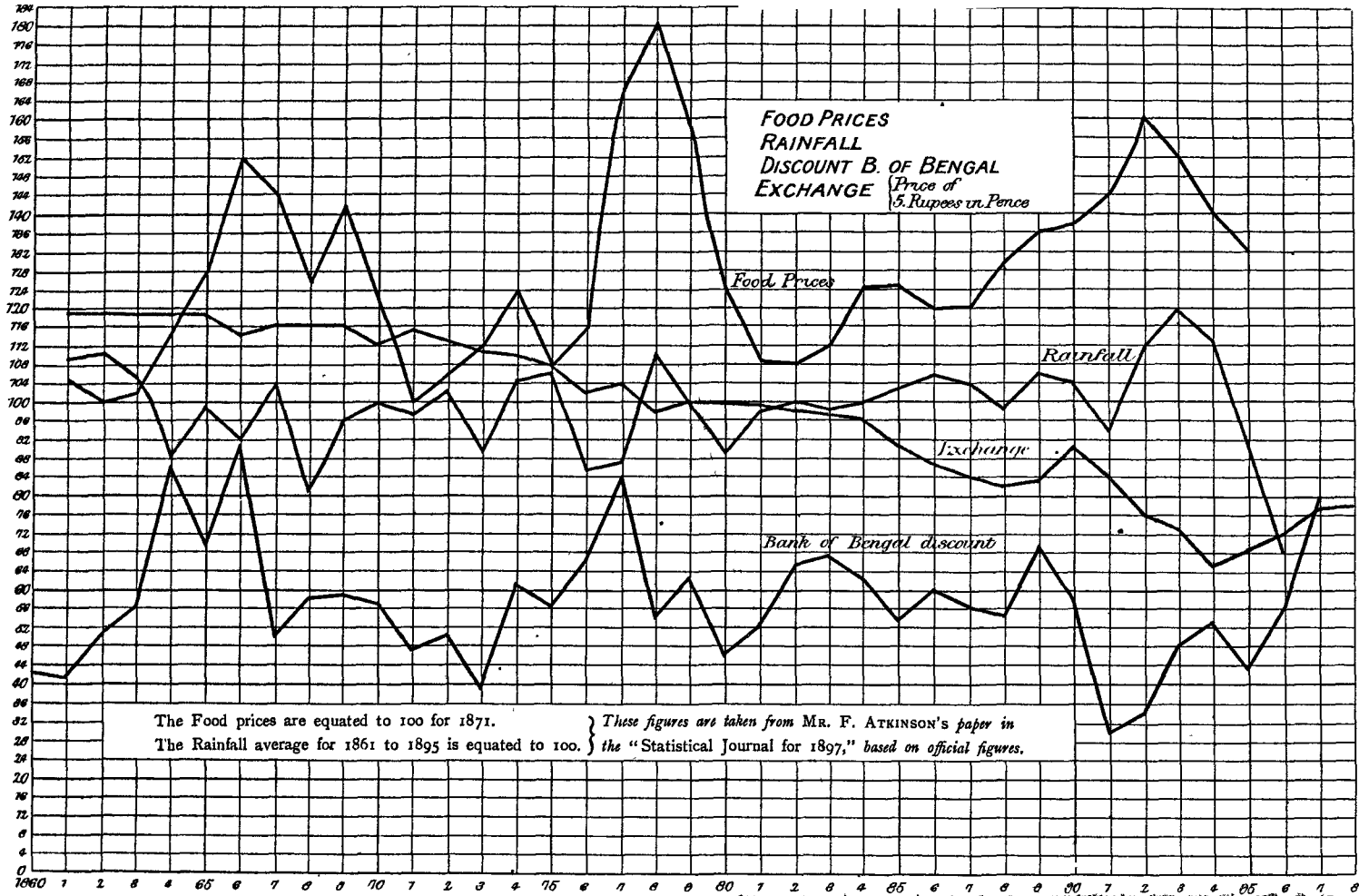


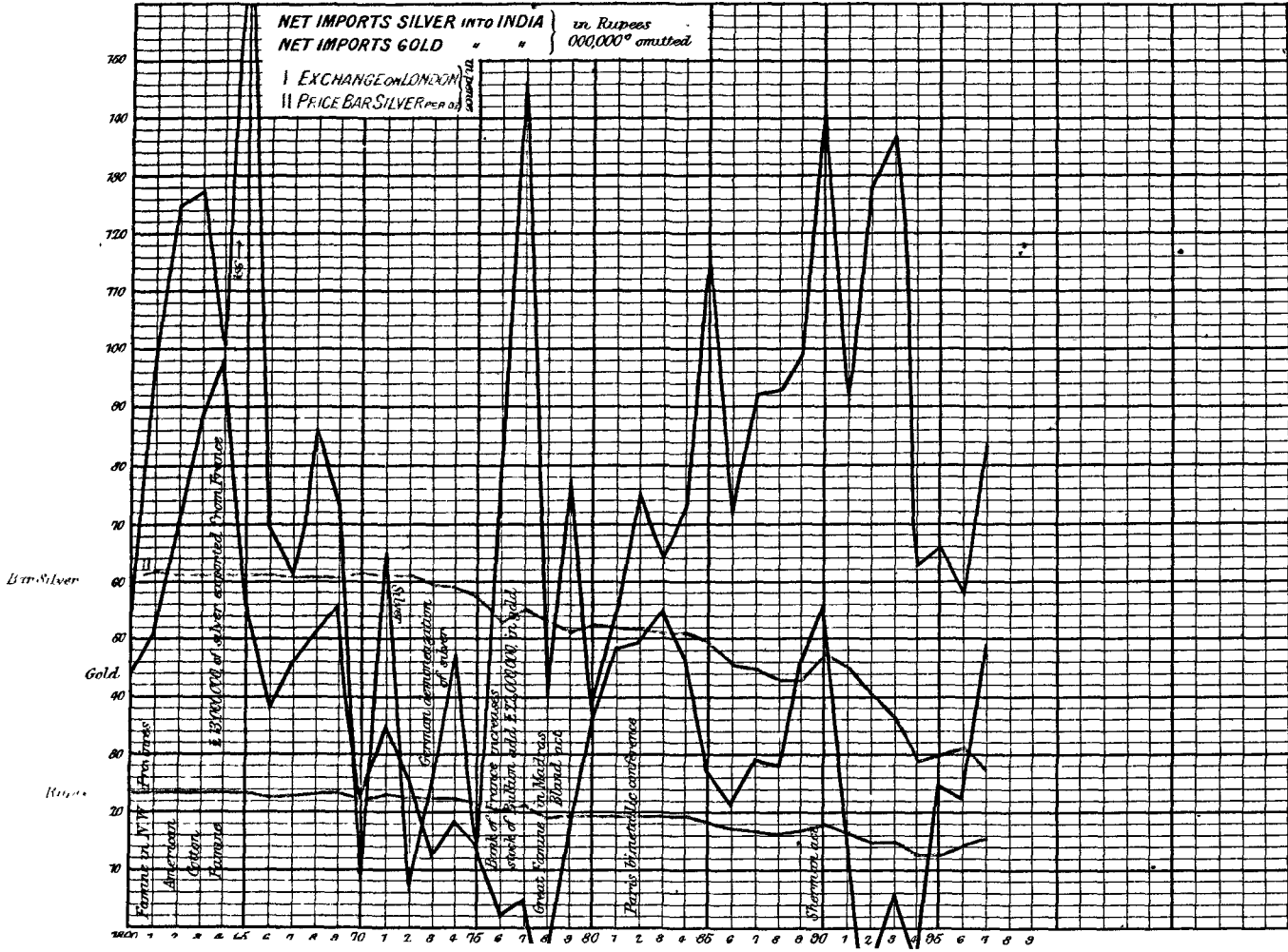
NOTE—The Diagram is based (a) up to the end of 1896, upon the figures at page 165 of the 14th issue of "Prices and Wages in India," and (b) from the beginning of 1897, upon figures taken from the Gazettes.

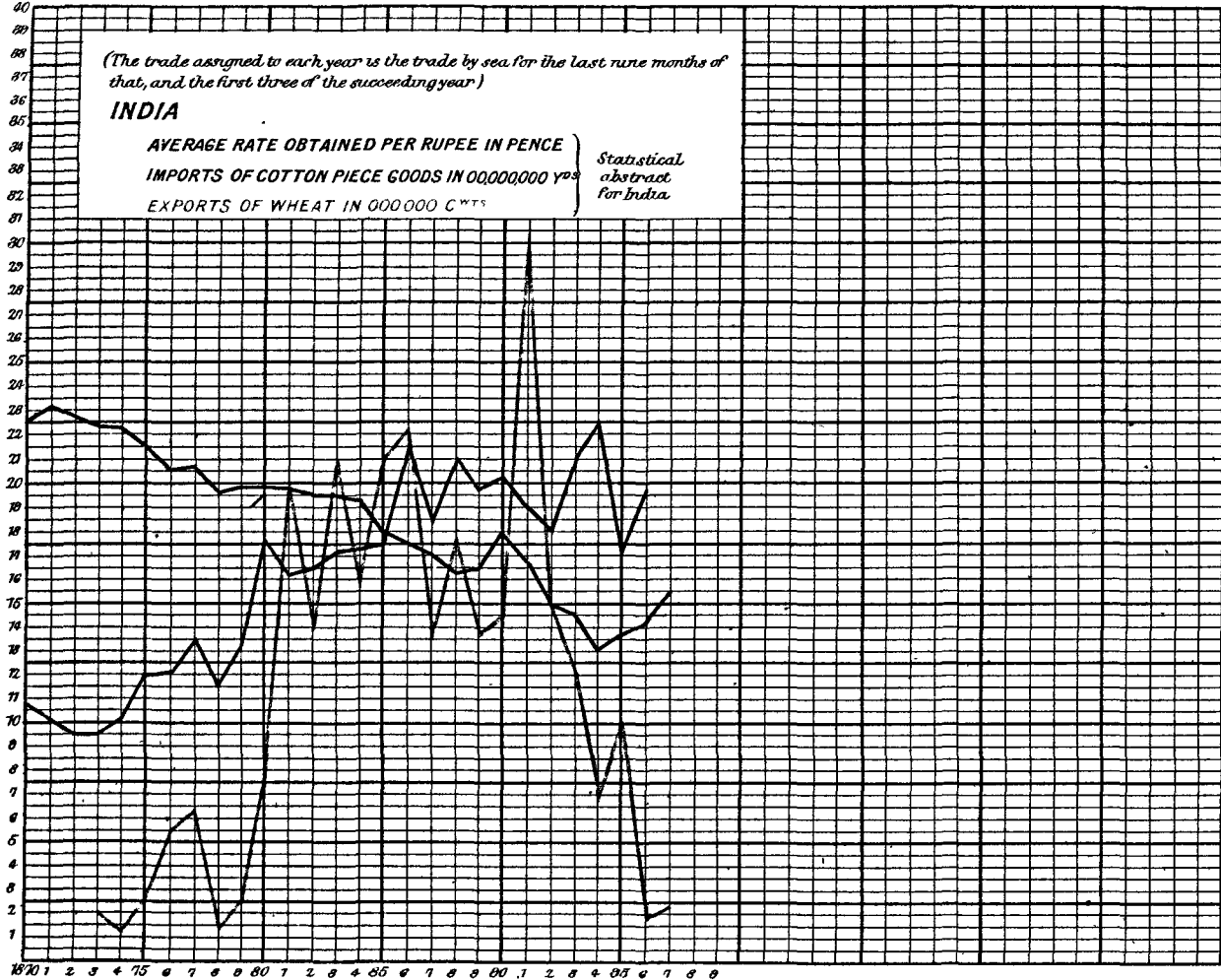
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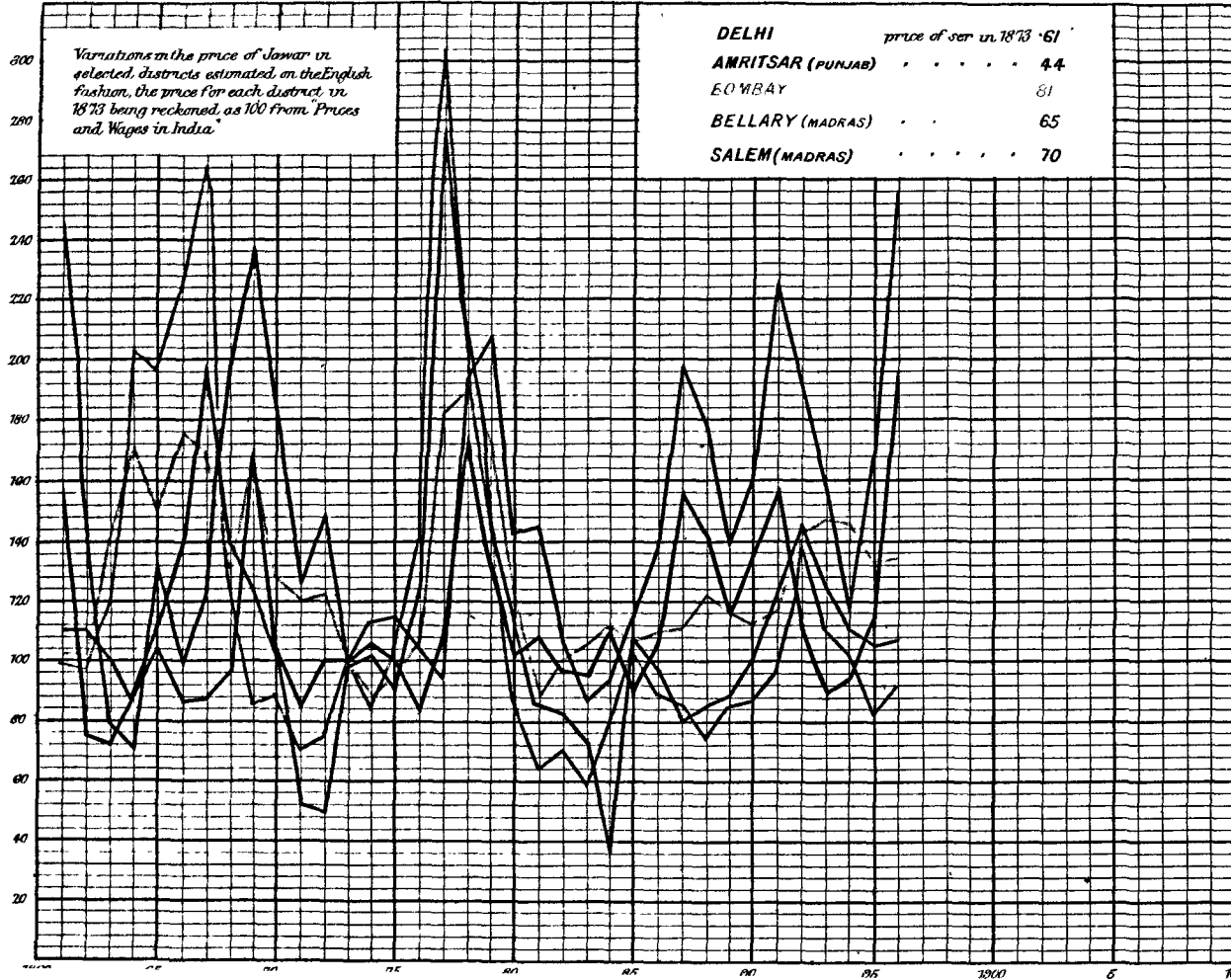
- I. Sauerbeck's index number for general prices in England.
- II. The above divided out by the Gold price of Silver so as to represent the general level of English prices reduced to a Silver basis.
- III. Mr. F. Atkinson's index number for general prices in India, compiled from the official "Prices and Wages in India." (Mr. O'Conor.)
- IV. Mr. O'Conor's prices of the chief exports from Calcutta, Bombay, and Rangoon in Rupees.
- V. Mr. O'Conor's prices of the chief imports into Calcutta, viz.: Cotton (three entries), Copper, Iron, in Rupees.
- VI. The Gold price of Silver in London

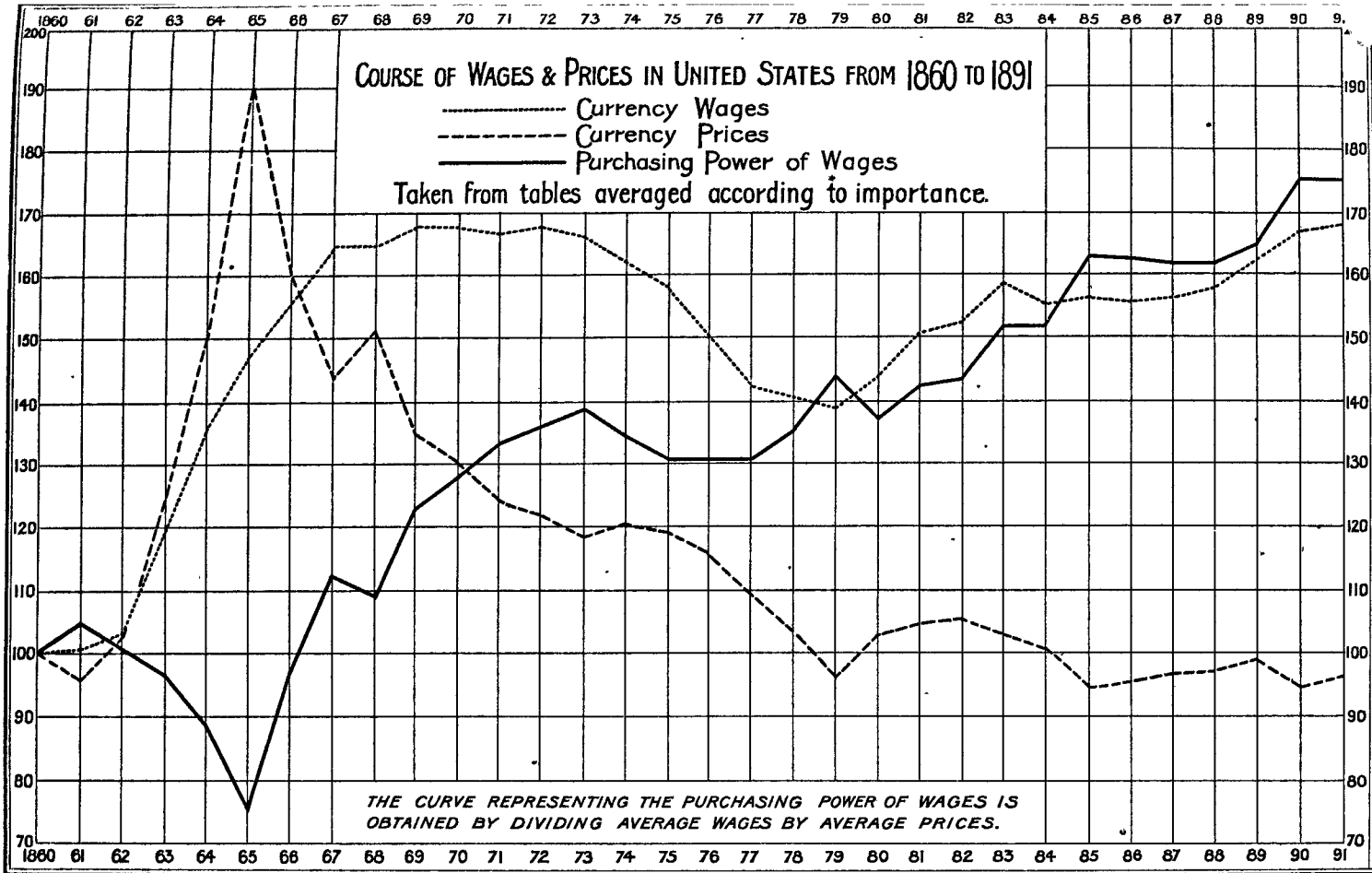






INDIAN PRICES JAWAR INLAND (EXCEPT BOMBAY)





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