

THE  
SILVER QUESTION  
AND  
*HOW TO RAISE EXCHANGE*

BY

D. P. STUART-MENTETH, Esq.,

STOCK AND SHARE BROKER,

CALCUTTA.

---

---

SECOND EDITION—Revised and Corrected.

---

---

*PRICE TWO RUPEES.*  
*BOUND IN CLOTH—THREE RUPEES.*

---

---

**Calcutta:**

PRINTED AT THE "CALCUTTA ADVERTISER" PRESS,  
20 BRITISH INDIAN STREET.

---

1876.

## ADDITION TO PREFACE.

---

In consequence of the serious illness of the writer, he regrets his inability to complete the Preface, supported by sundry tables to support the arguments and pamphlet. He therefore trusts his subscribers will take the book as it is.

If the author feels himself sufficiently well in the course of a few days, and if the whole First Edition be disposed of, he intends (D. V.) to bring out a Second Edition in the complete form that he intended should be the form of the First.

*Au revoir* (D. V.)

*The Author.*

CALCUTTA,

*6th April, 1877.*

To

The RIGHT HONORABLE WILLIAM GLADSTONE, M. P.,  
Late First Lord of the Treasury and Premier of England.

Sir,

To you—and in admiration of the rare abilities which you have displayed as a Financier, first, as Chancellor of the Exchequer, and more recently as Premier of England, where your distinguished talents have been productive alike of the most eminent credit to yourself, and of benefit to the British nation—I most respectfully dedicate this small work.

As a member of an old Whig Dumfriesshire family, I the more readily assume this privilege, since to members of your able and distinguished family I have been indebted through life for many acts of patronage, kindness, and courtesy, and which I thus am able to acknowledge. My first cadetship in business, more than 20 years ago, in the mercantile firm of Messrs. Gibbs, Bright & Co., of Liverpool, was obtained for me at the request of my Uncle, the late Sir James Stuart-Menteth, Baronet, of Closeburn, Dumfriesshire), through the influence of Mr. Gladstone of Kepnock, Dumfriesshire; and favors from him, and the several members of his eminent firms of Messrs. Ogilvy, Gillanders & Co., of Liverpool, and Messrs. Gillanders, Arbuthnot & Co., of Calcutta, have materially aided me in worldly advancement during subsequent years.

I have the honor to be,

Sir,

Your most obedient Servant,

D. P. STUART-MENTETH.

CLOSEBURN,

*Simla, 21st October 1876.*

## PREFACE.

## TO THE INDIAN PRESS AND PUBLIC.

As will be seen from the accompanying address to the Government of India, this pamphlet has twice been submitted to the Government. When presenting the treatise a second time, the writer pointed out that as the subject-matter should be kept secret, and not made public, (if the Government felt disposed to adopt its views) he, (the writer) would require compensation for the copyright, and in consideration of the labour and expense he had sustained in its production; otherwise it would be published in London and Calcutta. He also pointed out that since "silver" would, in the ordinary course of events, advance towards the close of the year, and most probably still further progress in the spring of the coming year,—aided, as it would be, by the recent demand for China to meet purchases of silk,—that no time should be lost in buying at the low rates then ruling.

However, the Government, while not specifically rejecting the writer's views, declined to purchase the copyright, which will be seen from their reply:—"From R. B. Chapman, Esquire, c. s. i., Secretary to the Government of India in the Financial Department, Simla, 14th October 1876. Sir, I am desired to acknowledge the receipt of your letter of 6th instant, to the Hon'ble Sir William Muir, K. C. S. I., and to say that the Government of India are not prepared to purchase the copyright of your "Review of the Causes which have led to the Depreciation in the value of the Rupee."

The writer, therefore, in submitting this review, hopes that the "Press" and the public will accord to it their attention; and should the verdict be favorable, that measures be taken to urge upon the Government the necessity of taking action in the interests of the State.

To those who may be inclined to hold the opinion, that in view to the proposed extension of the Paper Currency, the present margin of "49 per cent. of Bullion" would not be a safe "Reserve," the writer has added some illustrations to demonstrate how such may be augmented to the average of that obtaining in the Bank of England, of from 60 to 62 per cent. as against their total liabilities. Therefore he would point particular attention to the illustration No. 3 para. 165, where it is shewn that the Government could pay off in this country more than an equivalent of the proposed London Loan, and yet hold a "Bullion Reserve" of nearly 63½ per cent. on the present and proposed Currency Issue. These are the results:—

London Loan at 92=	...	...	Rs. 21,73,91,304
Loans to be met in India	...	"	23,09,45,794
Annual permanent saving of interest	...	"	5,42,180
Appropriated for Public Works	...	"	7,00,00,000

This last is an important feature for consideration, in view to the recent announcement by the Government of their intention, in a short time, to raise loans in this country, to prosecute necessary "Public Works"; and *this* will obviate such necessity. Seeing that the 7 crores is based on the very wide margin of one half silver to one half Currency Notes, the Government may be able to raise this proposed sum to 10 crores or over, by increasing the "note issue," and placing less silver at the disposal of the P. W. Department.

In view to any objection which may be taken to the rate of the proposed loan, 92, as being too high, it will be found, on a reference to paragraphs 149 to 154, that, from the course of action to be pursued, such may reasonably be anticipated; but any difference is very much more than counterbalanced by the extremely high price given to silver, being estimated at an equivalent to exchange at 1s. 9d. for demand drafts; a rate 10 per cent. over that ruling when the treatise was first written, and still 5 per cent. above present quotations. Further, as exchange rises, so proportionally does Indian Government paper in London, and the two equalize each other.

To any persons who may object to an increase in Currency Notes a decrease may suit them better; in which case, their attention is drawn to the first portion of the treatise, demonstrating that a loan of five million pounds sterling, invested in silver, could be utilized by reducing the present Currency by 6¼ crores, being notes of denominations over Rs. 100, proposed to be paid off in silver.

To objectors who may advance that I propose to flood the country with Currency Notes, I reply, that the country is well able to bear it, backed by a strong reserve: that these, along with the currency silver issued, only go to swell the cash balances of the several banks and agency houses, until such times as the holders have determined in what other channels to place their money; that such issues add to the permanent Currency of the country, at present locked up in Government Paper: and that they provide a capital which can be more advantageously employed in extending commercial enterprises in India.

One point must, however, be prominently borne in mind, that the question at issue is not "the loss or gain in purchasing silver," but in that it will raise the price of that metal, synonymous with exchange, *save the losses incurred by the Secretary of State in drawing upon India.* To buy silver is not "a speculation," but a *certainty*: for so sure as stocks are eased by purchases, so certainly will silver and exchange advance; and it has only been the recent glut in the market which has caused the late undue depression. Therefore the longer purchases are deferred, so much the more will the country lose by the monthly drain caused by the loss of exchange.

I cannot conclude without acknowledging the obligations I am under to the several Heads of the Government for the patience with which they have listened to my proposals. To His Excellency The Viceroy, for taking the matter under his immediate supervision: to the several Honorable Members of His Council, who have given their attention to the subject: to the able Secretary, Mr. Chapman, in charge of the Financial Department, for the notice he has given to my views: and more especially to the Hon'ble Sir William Muir (the Financial Minister), for his native courtesy in twice vouchsafing to me a hearing. As a man of business, I cannot here profess to use eloquence of speech, in expressing my acknowledgments to Sir Wm. Muir; such can best be done by heartily echoing the late pæans of praise, rendered in such appropriate measures by His Excellency Lord Lytton, and which will also meet with endorsement by the whole people of India.

SIMLA,

D. P. STUART-MENTETH.

21st October 1876.



# Address to the Government of India.

---

This pamphlet, hurriedly written, was submitted in separate detachments, without revision, to the Honorable Sir William Muir, K.C.S.I., Financial Minister of India. It is here presented, with such additions as have been found necessary to frame it in a more complete form. The writer is aware that, as a whole, it most imperfectly treats on a most important question; is weakly written; and his only regret is, that no one, wielding a more weighty pen, has given the matter the consideration it deserves. To an experienced eye many defects will appear; notably, and for which I have to apologize, that the calculations "on out-turn of silver" are not based on the proper data—"the price of silver," but on the relative rate of exchange. Situated however as I have been, away from the ordinary sources of business information, I have been unable to watch the movements of the silver market; and as its fluctuations have been erratic, even in a day, perhaps the fault may not be so heavy as at first sight appears. The inferences adduced from these calculations must therefore be taken as approximate only, but they in no wise detract from the character of the results, and are sufficiently close for purposes of comparison. With these prefatory remarks, I proceed to give a sketch of the contents. After reviewing the causes which have led to the present depression in the price of silver, I have proposed, as a remedy, for the consideration of the Government (that is, if a remedy be necessary or under the circumstances advisable)—

1st.—To purchase silver in the London market to such an extent as the Government, on ascertainment of the stock available, may deem to be prudent or necessary.

2nd.—Raise a loan in London to meet such purchase or purchases, such loan to be a silver paid loan, in India, on maturity; issued in scrips of say every Rs. 100 to the assumptive rate of 92; the Government receiving, at such figure, the payment in pounds sterling, *i. e.*, gold=£9-4s. Loan to be transferable to the Indian register. Interest drafts for the equivalent, in rupees, to be issued in the ordinary way, for other Indian rupee loans, by the Secretary of State, by drafts on Calcutta half-yearly. The presumptive ratio of 92 per 100 is contingent on the carrying out of the suggestions contained in paragraphs Nos. 149 to 154, and, I am aware, is considerably in excess of the rates ruling in the London market at present for Indian

loans: but even a much lower figure may be accepted, in view to the proposed benefits.

3rd.—Bring such silver purchased to India and utilize it. (1) By displacing all the issues of currency notes over Rs. 100 in value, which would absorb Rs. 6,12,00,000; or, (2) Pay off as much of the Government loans in India, either  $5\frac{1}{2}$ , 5,  $4\frac{1}{2}$ , or 4 per cents. as may be possible. (3) Any residue to go towards the prosecution of necessary or remunerative Public Works.

I have assumed that the root of the evil is “silver,” and that to bring about a healthy reaction, an unforeseen demand *must arise* to take off surplus stocks; bring forward timid buyers, who from present depression are holding off from making their usual purchases, and thus raise the synonymous rates of silver and exchange.

I have proved that the transaction will be a highly profitable one for the Government, if advantage be taken of the present depression, since by their lever of the “Paper Currency” they can pay off two rupees in this country for every one they may borrow in London, saving yearly as much as they will have to pay as interest in London on the proposed loan, and, by raising the rate of exchange, effect a large saving on its Secretary of State’s drawings. Or the Government can equalize the transaction, by paying off an equal holding in India, and reserve the residue for Public Works. Subsequent to writing this treatise, news from Europe, to hand on the 4th September, brought intelligence of the debate on the Indian Budget in the House of Commons; and the able speeches of the Under Secretary of State for India, Lord George Hamilton, and the Hon’ble Mr. Göschen, have confirmed many of the views I have expressed as to the cause of the depression in the price of silver. Space forbids me from commenting on many salient points, much as I would like so to do; but one point is agreed upon, that the situation is not so bad, or likely to be so lasting, as some people imagine.

If I may be permitted to use the expression, I would suggest that now is India’s opportunity to accept these low prices; increase her silver reserve by silver purchases, issue Paper Currency which bears no interest, redeem her Promissory Notes which do!

France has assumed an attitude shrewd and statesmanlike, in taking advantage of low prices to recoup her indemnity losses, by replenishing her exchequer at a handsome profit; and doubtless much of Germany’s *embarrassment* has been France’s *opportunity*. Mr. Göschen, in the House of Commons, observes—*Latin Nations with regard to gold*. “Their action is an open question, but should silver rise or things not grow worse, there seemed



no disposition on the part of those Governments to substitute a gold for a silver currency." "Germany and France, bulk of population, preferred silver to gold." Nor have her banking agents in this country been behind-hand in forethought. Foreseeing the effect which the German demonetization would produce on silver, and consequently on exchange, the Agents of the Comptoir d'Escompte de Paris, about this time last year, did not scruple to contract, months in advance, for mercantile bills on London, at rates which were thought "mad" at the time, in view to the season advancing, and with "rates" in the ordinary course of events; but the unfortunate British merchant, instead of his finding such a most profitable business to him, had to deliver his bills at maturity, at a worse rate by 4 to 5 per cent. than that ruling in the open market, owing to silver falling and exchange declining in lieu of rising. Some other banks followed the example, and did some paying strokes of business, but to the Frenchman is, I believe, due the honor of such profitable banking initiation.

A portion of the Under Secretary of State for India's speech deserves notice, as the inference to be drawn points to the stock of silver being smaller than it doubtless is. He is reported to have said—"The actual amount of silver bullion in London was so small, that on several occasions demands had to be supplied from abroad." It may not have occurred to the noble Lord that by means of the telegraph a vast bulk of the sales of most commodities in London, and other commercial centres, are transacted "to arrive," that is, the produce lies sometimes thousands of miles away, in other countries, and therefore is not on the "spot." Such may be assumed to have been the case with respect to the supplies referred to, and to judge of the amount of stock of silver, or any other commodity, this important feature has to be considered. Silver has its Agents in London, who not only can sell the "stock on hand," but "to arrive," and both are available for purchase.

The Government, after having done me the honor to hear my suggestions, declined to act, on the grounds "that a speculation that the price of silver must rise, is not one on what the Government could venture in the way that you suggest."

But, with due deference, I submit that any action that has been taken, or may be taken, partakes more or less of the nature of a speculation. The course the Government took in raising loans at home of  $4\frac{1}{2}$  million pounds sterling in lieu of drawing bills on India, was a "speculation," but as it did not touch "silver" and only temporarily induced a rise in exchange, followed by as serious a decline, it was a "speculation" that failed. And, if we are to believe the statement of Lord George Hamilton in the House of Commons,

the Home Government contemplate another speculation, *viz.*, to advance upon document bills (or bills drawn upon shipments of produce from this country and place). Lord George Hamilton is reported to have spoken as follows, when speaking of the export trade of India :—" Finding that prices had not risen in India, and that the export trade would therefore be stimulated, they had requested the Viceroy to endeavour to *advance bills upon Indian produce* as an easier mode of remittance."

The purchase of document bills (or bills having bills of lading of shipped produce attached) is an enterprise which may lead to large profits ; but is attendant with all the dangers that attach to large profits and the salting of invoices, the fall in price of produce at home, and other incidental causes, have, in the history of the past, shewn us the ruin of not a few Indian Banks, and the serious embarrassment of others. And as the effect will only last so long as the system continues in force, and does not touch "*silver*," unless other causes tend to raise the price of the metal, its effect is but temporary. As the rendering of Lord Hamilton's speech is somewhat vague, it may be interpreted to mean, that the Government contemplate to purchase produce and draw bills against shipments. Here the elements of supply and demand have to be considered, and as the price of produce in this country is reckoned by the price in London (qualified by the difference in exchange, telegraphed between the two countries daily), the disturbing element of Government purchases may bring about such a fall in the price of produce at home, as to give poor or bad returns. Indeed so close are prices brought by means of the telegraph, that very little margin of profit is now possible to the shipper.

But no beating about the bush will benefit, without boldly attacking the centre ; and notwithstanding suggestions on any other subject connected with this topic, it must come to this, that "*silver*" and "*silver alone*" will eventually have to be considered.

Even if a London loan obtain no better than 80, yet if a purchase, or a series of purchases, at the present moment, or to be continued if need be from time to time, remove the depression, and bring about a healthy reaction ; and even if it fail in altogether eradicating the obstruction ; yet, in view to the impetus it will give to the silver market, and the removal of a portion of the outstanding debt of India, it would be well for the Government to pause, before finally declining a measure which would repay in lessening India's burdens permanently and prospectively.

In reference to the part assigned to the Savings Banks in this treatise, the writer places his services at the disposal of Government, if placed in control of the Government Savings Banks in India, on a suitable salary ; and

his practical experience of business, extending over twenty years, warrants him in asserting that he will accomplish the ends propounded.

My best thanks are due to Sir William Muir for his courtesy, in giving to these views the attention he has done, and for his permitting me to receive from the Financial Department, Government Reports, from which I have been enabled to set up my tables. To the Financial Department, I also beg to express my obligations for the readiness displayed in meeting such requirements.

D. P. STUART-MENTETH,

*Stock and Share Broker.*

CLOSEBURN,

*Simla, 15th September 1876.*

(Copy.)

Simla, 28th August 1876.

TO

THE HON'BLE SIR WILLIAM MUIR, K. C. S. I.,

*Financial Minister for India.*

SIR,

I have the honor to wait on you with a "Review on the causes which have led to the depreciation in the value of the rupee as a standard of currency, in connection with the exchange between India and Great Britain. Also suggestions as to a remedy."

I attribute the present depression—

1st.—To the German demonetized silver, whose instalments have disturbed the regular sources of supply, causing—

2nd.—A panic, by which regular buyers have kept out of the market, hoping to come in and purchase at the lowest. This has led—

3rd.—To an accumulation of stock, and panic to holders.

The remedy I propose to suggest for the consideration of the Government is as follows—Raise a loan in London, and buy up the whole, or so much of the stock of silver in London, as the Government may, upon deliberation, find necessary. I have assumed that a purchase of five million pounds sterling will suffice, but the Government may think it advisable to go beyond this limit. In that case, negotiate with Germany to take over her silver at a fixed rate, or otherwise, as may be deemed most expedient. Utilize the silver by coining into currency Rupees; in which case, displace all currency notes over Rs. 100 in value. This will place 6½ crores in circulation: the balance to be met from the Currency Reserve. Or, if the Government object to this measure, pay up any of their 4 per cent loans, which can be done on giving the public a three months' notice; issue notes, or silver, and hold the residue of the silver in reserve. The Government could do this to any figure. 20 millions, or treble if necessary.

I have the honor to be,

Sir.

Your most obedient Servant,

(Sd.) D. P. STUART-MENTETH.

11th September 1876.

FROM

R. H. HOLLINGBERRY, Esq.,

*Assistant Secretary, Financial Department.*

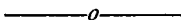
DEAR SIR,

By desire of Sir W. Muir, I return the accompanying paper of proposals for the purchase of silver. He has read it with great interest and attention; but thinks that a speculation that the price of silver must rise, is not on what the Government could venture in the way that you suggest.

(Signed) R. H. HOLLINGBERRY.

# THE SILVER QUESTION.

A REVIEW OF THE CAUSES WHICH HAVE LED TO THE DEPRECIATION IN THE VALUE OF THE RUPEE AS A STANDARD OF CURRENCY, IN CONNECTION WITH THE EXCHANGE BETWEEN INDIA AND GREAT BRITAIN.— ALSO SUGGESTIONS AS TO A REMEDY.



*Causes that have brought about the present depreciation.—*

Causes that have brought about the present depreciation.

The increasing yearly indebtedness of the Indian Government to England.

The present low price of Silver.

The present position has gradually been attained by two causes: the one, the yearly increased indebtedness of India to England on

behalf of her Government; the other, the low price of silver, which, as it regulates the rate of exchange, causing it to rise or to fall when in demand or otherwise, is the more important of the two.

2. *India's indebtedness to England.* Has risen, as we have

India's indebtedness to England.  
Has risen from 5 to 15 millions sterling in 20 years.

Indian exports in excess of Imports.  
Giving a trade balance against England.

How such is paid.

Necessary to import Silver to adjust the account.

been informed, from £5,000,000 twenty years ago to £15,000,000 (vide Committee's Report on the Depreciation of Silver, para. 11). The Exports from India hav-

ing always been in excess of the Imports, to adjust the trade balance, it was necessary to pay such in cash; India's currency being in silver, it has been necessary to import silver to adjust the difference.

3. In the time of the East India Company, their requirements

East India Company.  
Their requirements one-third of the present time.  
Secretary of State's bills sold in London to cover Indian liabilities.

These have displaced corresponding amounts of silver.

And would otherwise have been met by silver shipments.

from England led to their always having a balance as against their Indian Government, but their requirements were small in comparison with the present time, which have risen three-

fold. To meet their English creditors, the Indian Government has been in the practice of selling, in London, Bills to cover their liabilities. These bills have been purchased, and, in accordance with their gross totals, have displaced similar sums, which otherwise would have been met by silver shipments.

4. The price of silver in the London market has been the rate which has ruled the exchange in purchasing

The price of silver the guide to exchange. bills on India.

5. In proportion to the demand for silver, so has the rate of exchange between the two countries risen or fallen.

The rate of exchange rises or falls in proportion to the demand for silver.

6. Therefore when we find that these bills, styled "Secretary of State's" or "Council" Bills have increased in their totals, it means

An increase in the amount of "Council Bills" means a less demand for silver.

so much the less demand for silver.

7. *The present low price of Silver.*—This only has arisen since

The present low price of silver. Arisen from the action of Germany in demonetizing silver.

The increased production from America stated to be a cause.

informed that the increased production from the American silver mines is a cause.

8. The first I attribute to be the real cause; the second, although worthy of attention, merely as we would term it, a bazaar

The German demonetization the true cause. The American production used to weaken the market.

rumour, got up to weaken the market.

9. For results have demonstrated, that so long as this German red flag was held up to frighten the silver bull, the price of silver de-

The German silver causing prices to sink to panic prices.

clined, until it reached "panic prices."

10. In proof, we find that silver had reached its lowest limit prior to the letter which

When silver reached its lowest. The effect on the market produced by the publication of a letter from the Manager of the Deutsche Bank.

London published, dated 15th July last, which had such a reassuring effect that silver immediately rose.

11. As this letter deserves attention, I quote its most important passages. "Considering

Its leading features. German silver sold to the extent of 2 to 3 million pounds annually.

that, as representative of the institution through whose medium the German sales in London and the East have been

Germany will not sell at panic prices.

Available stock 3 to 400,000£.

Eventual surplus estimated at 7½ millions sterling.

effected up to the present time, and at the request, and by authority of, the German Government" &c., &c. he goes on to state that "sales to the extent of two to three millions sterling annually have been

effected: that Germany sees no necessity for submitting to panic prices; that the available stock on hand does not exceed £300,000 to £400,000, and that the eventual surplus is estimated at 7½ millions sterling."

12. The effect was immediate, and silver may be said to have

Exchange from its lowest depression rose 5 p.c. for one mail. recovered from 7 to 10 per cent. Exchange on

And has since risen to say 7 p. c. over the rate ruling prior to publication of letter. this country was similarly affected, and rose 5 per

cent. at one bound. and has since risen to 7 per cent., over the figure ruling prior to the issue of this letter.

13. This proves that the exaggerated reports as to the German

Exaggerated reports as to the disposable German Silver estimated at a depreciation in the value of Silver 7 to 10 p.c. disposable silver acted prejudicially on the true value of silver, to the extent of from 7

to 10 per cent.

14. But it does not dispose of the dead weight caused by the

But effect on market of increasing supplies of silver still continues. report of the increasing production of the

which will yet be used as a lever to depress the market. American silver mines,

15. Nor until something be done to ease the market of accumu-

Accumulated stocks of silver must be absorbed before silver can rise to its true value. lated stocks, consequent on the recent depression, can silver be expected

to rise to its true value.

16. The Report of the Committee on the Depreciation of Silver

The Report of the Committee on the depreciation of Silver— might have done some-

Is wanting in detail as to the world's production and consumption of silver. thing to remove the American red flag, had

If it had been more explicit, much of the evil arising from report of America's productiveness might have been mitigated. it been more explicit on the subject of the

"world's recent consumption of the metal," and although otherwise a most instructive document, here it is disappointing and wanting in detail.

17. Nevertheless, to arrive at some idea of this most important

Report must be analysed to form some idea of the position of silver for the future." question, we must proceed to analyse the

Report, to see our position for the future. *i. e.* the future requirements for silver.

18. This will lead us to the conclusion, if relief be required and how to meet it.

19. *Silver—its production and demand.\**

Production, 18½ millions.

Demand, 20½ millions.

PRODUCTION. we find to be	...	...	£14,000,000
but are not informed if such includes silver demonetized.			
We therefore add the higher amount given, as			
<i>Germany's annual saleable total of silver demonetized,</i>			3,000,000
<i>Scandinavian States, demonetized silver, say</i>			1,500,000
(amount said to be trifling and not stated.)			
TOTAL	...		<u>£18,500,000</u>

DEMAND. FRANCE, 33½ millions in the last four			
years, equal per annum	...	...	£8,500,000
<i>England, Russia, and Spain.—amount not stated;</i>			
we will assume (it is roughly estimated at some millions.)			2,000,000
<i>Japan and China, not quoted, we will assume</i>			
equal to India.	...	...	4,000,000
<i>India, quoted 16 millions in 4 years</i>	...	...	4,000,000
<i>America, not quoted—say...</i>	...	...	2,000,000
(stated to be equal to Germany's residue.)			
TOTAL	...		<u>£20,500,000</u>

## 20. Thus making out as impartial a statement as possible, the

Demand apparently in excess of Production, by 2 millions sterling. production appears scarcely equal to the demand; but if we

Allowing 2 millions for over-estimates on the side of demand, demand still equal to production. make allowances for inaccuracies, (and that only on the side of demand) by 2 millions sterling, we square the account.

## 21. We therefore assume that the present depression is to be traced solely to the

Panic prices of silver therefore caused by the large sums Germany has placed on the market. large sums Germany has placed upon the market, which, inter-

And interfering with the ordinary trade supplies. ferred with "the ordinary trade supplies," has influenced the depression.

## 22. In all commerce, where reports have lowered the price of

The influx of any unforeseen supply in commerce, depresses the price of a commodity. any article—having for their foundation the in-

Buyers add to depression by withholding purchases. flux of any unforeseen supply, — buyers get alarmed, and add to the depression by withholding purchases.

## 23. Such we may reasonably assume to be the case at present;

Such assumed to be the case at present, causing stock of silver to accumulate. buyers having become alarmed, have withheld from making their ordi-

ary purchases, and the stock on hand has accumulated.

\* See Note No. 1.



24. The stock having thus accumulated, the price of the commodity ruling must not be taken as at its true value; but, being unduly depressed, is selling under its value.

25. To restore the equilibrium, it is necessary that an unforeseen demand should take off the excess production, which has led to this state of affairs.

26. This having been done, seeing as we have shewn that the production and demand for the metal are equilateral, the price will immediately rise to its proper value.

27. "*The future production and demand for silver.*" All speculations, having as an object to solve the future position of any commodity, are as often wrong as right; an instance in point may be adduced from the position silk now occupies, from what it did a year ago. Then it was an unsaleable article! a drug on the market!! and the losses to the unfortunate producers in India had nearly paralyzed the trade.

28. The failure of the Italian crop of this year, has caused a rise of 100 per cent., and prospects are now as bright for the Indian producer, as last year they were gloomy.

29. The future of silver is represented as very gloomy, and were it not that my arguments may be confuted by speculators on the future prospects, I would not enter into the question at all.

30. But philosophy has demonstrated, that the human mind is apt to regard the "present pain" as the greatest ever endured, because it is felt at the moment.

31. Because silver has been depressed: because Germany has demonetized her currency; because America threatens to swamp us with tons of ever-increasing supplies of silver, therefore the rupee must decline to one shilling, and silver must become as common as copper.

32. The lessons taught by the past of gold, is the best answer. When California, and after that Australia, opened such mines of wealth, the world was favoured with like prognostications, if possible intensified. But the present position of gold shews the demand to equal the supply: and although the American increased silver supply applies equally, or more, to gold, seeing that gold forms (in rough) one-half of the production of these silver mines, we hear no warnings with regard to this metal.

33. The fact is, that, after the market had toned down from increased demand for gold, things righted of themselves.

34. There is therefore no reason why silver should not follow the same course; if there be an increasing production, there may follow a corresponding demand.

35. Now if we again refer to the Committee's Report, we find "That the members of the Latin Union and Holland have adopted an expectant attitude; but meanwhile limit, as far as possible, the coinage of silver." This is a cautious way of expressing, that these countries, owing to the present depression, are not making their usual purchases, and are waiting to see the turn of events before coming into the market. This therefore confirms my views, that buyers have been holding off, causing much of the late depreciation.

Panic impressions as to the future of silver.  
The rupee to decline to the value of one shilling.

The past lessons of gold the best answer.  
Effect on the market by the opening of the Californian and Australian mines.

Similar prognostications then promulgated  
Present position of gold, demand equal to supply.  
American silver mines produce as much gold as silver, yet the increasing future production has produced no effect on the price of gold.

After a period of excitement, increased demand for gold restored the balance.

Committee's Report on depreciation of silver.  
Points out the expectant attitude of the Latin nations and Holland.

In present depression, limit their coinage of silver.  
Are therefore holding off from making their necessary purchases.

Waiting to see silver at lowest, before coming into the market.

The holding off of buyers, therefore, a cause of present depreciation.

When California, and after that Australia, opened such mines of wealth, the world was favoured with like prognostications, if possible intensified. But the present position of gold

increased demand for gold, things righted of themselves.

silver should not follow the same course; if there be an increasing production, there may follow a corresponding

"That the members of the Latin Union and Holland have adopted an expectant attitude; but meanwhile limit, as far as possible, the coinage of silver."

This is a cautious way of expressing, that these countries, owing

to the present depression, are not making their usual purchases, and are waiting to see the turn of events before coming into the market.

This therefore confirms my views, that buyers have been holding off, causing much of the late depreciation.

36. That there exists a great dearth of silver in some countries we learn from para. 6.

Dearth of silver in some countries.  
Italy denuded of her silver currency.  
Her forced paper currency has expelled the whole of her silver coinage.  
Amount thus expelled, 17 million pounds sterling.

“Italy has been gradually denuded of her silver currency. Since 1865, large amounts have been exported :

her forced paper currency has apparently expelled the whole of the metallic currency, of which the silver coins amounted, at the beginning of 1866, to about £17,000,000.”

37. France has also been a large consumer, having had to replace the large sums exacted

France a large consumer.  
Owing to German indemnity.  
Adopts an expectant attitude.  
May at any time resume her purchases.  
But her future requirements may not come up to the purchases of the last four years.

from her by the German indemnity. She is included as among the Latin Union, adopting an “expectant attitude.”

She may therefore at any time resume her purchases. But her future requirements may not be on the same scale as during the past four years, we are told.

38. The American war produced an inflated paper currency, which the States are

America. The war produced an inflated paper currency. States now engaged in replacing such by silver.

remedying by replacing by silver coin.

39. The future position may thus be assumed : That, although France, the largest consumer,

The future position.  
Other countries will take the place of France in the market.  
Consumption will keep pace with production.

may soon limit her purchases ; that other countries may reasonably be expected

to take her place ; and that the consumption does not show signs of decrease, but of an increase that will keep pace with production.

To further illustrate the position, it is necessary to say a few words on the—

40. “Past production of Silver.” This we may assume to have been

The past production of silver,  
Unequal to the demand.  
The East ; formerly the largest consumer of silver,  
as denuding other countries of their silver currency.

unequal to the demand.  
For I speak with sixteen years’ experience in India and China, passed mainly in banking ;

that the East, formerly the principal consumer, received a very large proportion of her silver by denuding other silver-currency countries of their coin.

41. For statistics will prove, that a very large portion of the silver shipments to

Her absorption of Mexican dollars and five-franc pieces.

Mexico experiencing no inconvenience, from her ability to replace exports of dollars from her silver mines.

China and to India, have consisted of Mexican dollars and five-franc pieces. That

Mexico has experienced no evil from this continuous drain, only results from her being a "silver-producing country;" and her mines enable her to produce sufficient to replace her exports.

42. The case is different with France and Italy, who have suffered

Case different with France and Italy, who suffered severely.

severely from this Eastern drain.

43. Owing to the recent war, matters have come to a crisis with

Reaction has commenced with France, owing to war.

Italy must follow, or suffer national bankruptcy.

The East, as a consumer of guilders. Holland a sufferer.

Spain a sufferer.

France, and a reaction has commenced. The same must happen to Italy, or national bankruptcy will follow. Holland has also been

considerably drawn upon (for her guilder pieces) by China. So has Spain.

44. This accounts for the "expectant attitude" ascribed to

Thus accounting for their present expectant attitude.

these countries in the Committee's Report.

45. Passing from this Report, we may glance at other features,

Other features bearing on the question not noticed by the Committee's Report.

which have not been noticed in the Committee's Report, and

which, if we cannot accept with the same confidence, at least are worthy of attention.

46. For the *Times* points out, that Russia is burdened with a

Russia as a future consumer of Silver.

Burdened by a small paper currency.

Needs 30 millions sterling of silver to place her in a proper position.

China requires a Mint, and is in need of dollars.

Japan as bad as Russia from an inflated small paper currency.

Only a question of time for all these countries to come into the market as buyers.

small paper currency; and that to place her in a proper position, she needs thirty million pounds sterling of silver. China is stated to require a Mint, to coin dollars which are urgently needed. And

intelligence from China papers states that Japan is in as bad a position as Russia, from the same cause; therefore it is only a question of time before all these countries come into the market as buyers.

47. *Proposed remedies for the present depression.* We will only briefly glance at a few of these. The most noticeable are,

Current proposed remedies considered.

that —

48. *India should adopt a gold currency.* Apart from the expense of such introduction, comes the question,

India to adopt a gold currency.

Its cost.

What to be done with her demonetized silver."

The further depression in price of silver, consequent on her ceasing to be a consumer.

And extra loss for some time in exchange on Council Bills.

The Government of India action in the past, with regard to a gold standard.

Coined gold to some extent.

The coin rapidly absorbed and melted.

"Questionable if action taken was profitable or successful.

What is to be done with the demonetized silver? and to what depression may not the market sink, if, in addition to its woes, India ceases to be a customer? And again what must be the cost in loss on her Council Bills, until

the system has become thoroughly organized? But the true answer is, that the Government in past years, did make an attempt at a gold coinage; but from the rapidity with which the coin was absorbed and melted, it is questionable if they viewed the measure as a successful or profitable one.

49. *The proposed remedies by the Chambers of Commerce of Glasgow and Calcutta.*

The proposed remedies by the Chambers of Commerce, Glasgow and Calcutta.

Being to stop coining silver, and to refuse to receive silver for purposes of coinage from the public.

Would intensify the evil.

By withdrawing Indian supplies.

And market would suffer further depression.

Other proposals.

Possess uncertainty and heavy cost.

Not discussed.

These in brief were, to urge the Government to stop coining silver, and refuse to receive silver sent into the Mint, by the public, for purposes of coinage. A measure of this kind would only aggravate

the situation; because by stopping Indian purchases of silver, it would withdraw a source of demand from the market; and once known, silver would still further fall in price. Other proposals have all such elements of uncertainty, added to heavy cost to this country, that we need not discuss them.

50. It is generally conceded (and the Government have declared

The Government, in view to the situation, have declared themselves open to receive suggestions.

The feeling of the country in India and England that something must be done.

themselves open to receive any suggestions on the subject), that something must be done to alleviate the enormous

losses experienced in meeting the Indian Government's English liabilities.

51. Therefore a remedy should be found, which should be as

The remedy must raise the price of silver as ruling exchange, and at as small a cost as possible.

little costly as possible, and effective, in raising the price of silver by

which exchange is ruled.

52. The following therefore is my proposal, which meets the

Proposed remedy.

Will shew no loss.

Perhaps a profit.

Will remove the dead weight that now depresses the market.

Buyers will afterwards come forward, and still further improve the position.

exigencies of the case, by shewing little or no loss and perhaps a profit; that will entirely remove the dead weight under which the silver market rests; and by

bringing forward buyers (who, from prudential motives, have lately refrained from entering the field) still further improve prices.

53. But the measure has its disadvantages and serious objections; these, however,

Has disadvantages.

To be considered in passing.

will be noticed in passing, and receive all the

attention they deserve.

54. I therefore propose—1st, That the Government raise a loan

Measures :—

A London loan; with proceeds,

Buy up as much of the present stock of silver as may be advisable.

Reduce the paper currency.

On all issues of notes over Rs. 100, to be replaced by the silver converted into coinage.

in London, and with the proceeds.—2nd, buy up the whole, or as much of the available stock of silver in the London market, as may be deemed advisable.

able.—3rd. Reduce the paper currency, by withdrawing from circulation all notes of the several issues over Rs. 100 in value, as a means to absorb the silver purchased.

55. From the foregoing remarks, I need not enlarge upon the

How much silver need be purchased?

prudence of easing the silver market of its present redundancy, but

will confine myself to the question, How much silver need be purchased to effect the object?

56. I think we may assume that a sum of five million pounds

Five million pounds invested in silver assumed to suffice.

Being one-fourth more than India's annual consumption.

Effect on the market calculated as a rise of 10 per cent on the then ruling price.

Other buyers would come forward.

Prices would still further advance, as also the rate of exchange.

sterling, being one-fourth more than India's annual consumption, will suffice. Directly the market has been eased by the purchase, it would not be extravagant to assume the effect as a

rise of 10 per cent on the then ruling price of silver; and as buyers

would instantly come into the market, the price would still further advance, and Indian exchange in a like proportion.

57. It may be reckoned prudent to negotiate with the German

The Government may consider it expedient to negotiate with Germany for the whole or a part of her silver.

At a fixed rate for the whole, or up to a certain limit.

In instalments of say  $\frac{1}{4}$  million.

Government, either to sell up to a certain figure, or at a rate to be fixed by both Governments: the whole, or such part (as the

Indian Government may decide upon) of their demonetized silver, in instalments of half-a-million pounds sterling at a time.

58. Payments can be made either by way of loans in London,

when such instalments arrive, or by selling Council Bills, whichever presented the

Payments for silver how to be made.

By loan in London on due dates.

Or by selling Secretary of State's bills on India.

more favourable feature.

59. For, if it transpire that India has, in whole or in part, con-

sented to ease the silver market of the threatened supplies from

Effect on the silver market by the purchase of the German silver.

Germany, the market will experience immediate relief, and buyers will at once come forward: the result being a decided rise.

60. The objection to this latter plan is, first—that stocks

would only experience relief to the extent of the £400,000,

Objections to buying the German silver considered.

It would only ease the market at present of £400,000, the outside amount given as the German stock.

Otherwise the market stock remains untouched.

Council Bills to pay for silver might meet with a difficulty of sale.

Present requirements of Secretary of State's bills may be equal to meet trade demand.

Arguments to the contrary.

London loans recently made have reduced the Secretary of State's requirements.

Banks therefore have accumulated funds.

Not perhaps to the full amount which loans have withdrawn, part having perhaps gone in silver.

(which we have authority to believe to be all of Germany's present stock), and the market stock would otherwise remain untouched. Second, with respect to the extra Council Drafts which

would need to be drawn, there may be a question if they might not experience a difficulty in sale; the amounts now for sale being nearly as much as to meet the trade demand. Something, however, may be said to the contrary. For in the first place, owing to the recent London loans, the amount of the Secretary of State's Bills has been considerably reduced; and the Banks have accumulated funds, perhaps not to the full amount, which may in part have found silver, or some other means of remittance.

61. But we learn, and I should have no hesitation in accepting the statement, that the

Banks reported to have sent to England all available Indian balances, to take advantage of the time when the Government must resume drawing on India

They anticipate handsome returns at the expense of the Government.

Banks, in view to the expected embarrassment of the Government, have been remitting to England all

their available balances in this country ; waiting for the moment when the Government will be compelled to resume drawings, to reap a handsome return at the expense of the Government.

62. It may therefore transpire that the Banks and leading

They may therefore be able to meet the extra demand.

Indian firms may have available funds, sufficient

to meet such extra demand upon them.

63. There is also this advantage over borrowing, that the loss

Advantage over borrowing.

Loss on exchange only charge.

Obviating increased burden to posterity and yearly additional amount to be met in London.

on exchange will be the first and only charge ; obviating the additional yearly burden in the shape of the interest

which India must have to pay ; and that would still further swell her annal indebtedness to England.

64. Perhaps it may appear advisable to the Government to adopt

Perhaps advisable to adopt both plans.

Buy a million or two of silver to ease present pressure.

Negotiate with Germany for the whole or part of demonetized silver.

pressure on the silver market ; and on the other, negotiate for the whole, or part, of the present and future German rejections.

both plans, either as a whole or in part ; by, on the one hand, buying a million or two to ease the present pressure

65. *The Paper Currency.* This very useful and paying Department

The Paper Currency Department.

In circulation on 31st March 1875, eleven and a quarter crores.

Silver in reserve, 5½ crores.

Uncovered by cash, Rs 5,69,90,000 = 5½ crores.

Since the date of its origin, it has supplied India with a medium of currency that represented Rs. 11,24,00,000 (or the net balance outstanding on the 31st March 1875.) To view this sum, with the cash held in reserve Rs. 5,54,10,000, there remains Rs. 5,69,90,000 uncovered, by which I must be understood as with reference to a silver reserve.

has, since 1860, acted a most important part in the history of the country.

66. This sum, Rs. 5,69,90,000, that at the present moment may

The uncovered reserve constitutes silver of which India has been deprived.

still further have expanded, and which we may roundly state at

six crores of rupees, represents so much silver of which India, in a course of years, has been deprived. The six crores is augmented, by subsequent calculations to show present position (see para. 109, 6½ crores.)



67. India, therefore can at any moment absorb this amount, or its

India, therefore, can absorb silver to the amount of the uncovered reserve.

equivalent rather at the time, which I would propose be done as

follows :—

68. Let the Government pass an act that, after a six months' notice,

The Government to pass an Act withdrawing from circulation all issues of notes whose values are over Rs. 100 each.

the several issues of notes of sums over Rs. 100, be no longer a legal tender: and that they will be paid in silver only, at the several Treasuries whence issued, on any day subsequent to the date of proclamation.

Giving a six months' notice.

Such to be paid in silver rupees.

At the treasuries of issue.

On any day subsequent to date of proclamation of Act.

Aggregate of issues of notes for Rs. 100 and under, will not be exceeded beyond the amount outstanding on date of issue.

cl<sup>a</sup>mation.

Farther. that the issue, as standing against the several denominations of notes of, and under, Rs. 100, will, after date of proclamation, not be exceeded.

69. That to secure such provision, no notes of the uncurrent

Measures necessary to secure provisions of the Act.

Notes over Rs. 100 not to be exchanged for current notes.

Neither of current denominations for others of current denominations.

Nor current notes issued for silver.

Unless the aggregate balances of the whole permit, without infringing such aggregate as fixed on date of proclamation.

issues will be exchanged for those of the current, neither will notes of current issues be exchanged for others of other current issues; nor will current notes be issued for silver; unless, the balances as standing, either separately or collectively, on date of presentment, allow of such issue, without infringing the authorized total issue of all denominations.

70. This will prevent holders of the uncurrent issue, from exchanging for notes of the current; and also check a too large issue of the Rs. 100 notes, which otherwise will

Measure necessary to prevent uncurrent notes from being exchanged for those of an issue current.

And to prevent too large an issue of Rs. 100 notes, at the expense of those of lesser denominations.

not fail to be attempted.

71. For, as a measure of this kind will affect the banking and large trading community (the only large holders) in making exchange operations; sooner than purchase drafts, they will attempt, as far as possible, to subserviate the higher descriptions of the remaining notes, which remain current, to their purposes.

The banking and large mercantile firms, the principal holders of the proposed uncurrent notes.

The higher grades of notes used as a medium of inland exchange.

Attempts will be made to utilize notes of lower grades. Should be frustrated.

tempt, as far as possible, to subserviate the higher descriptions of the remaining notes, which remain current, to their purposes.

72. But it may be urged against me, that the very magnitude of the figures, are of themselves a most

Argument against the measure.  
Objection to the Government interfering with a powerful argument against the Government custom so nearly affecting public interests.  
interfering with a custom which time has strengthened, and in which the public are so intimately connected.

73. I admit the inconvenience, but to the public, and to the people of the country

Will not be felt by the people at large.  
The notes they deal with left untouched.  
in which they most deal, are left untouched.

74. It is only upon the banking and higher orders of the mercantile community, that the hardship will fall.

The banks and mercantile community the sufferers.

75. Yet it is not an evil without a palliative. If the notes be withdrawn, more bills

The evil has a palliative.  
More inland bank bills, &c., will be drawn.  
Higher rates will pay extra native establishments.

these inland drafts, many will find a profit, more than sufficient to cover the cost of the extra poddars (or native cash assistants) needful.

76. Again, it may be urged that a measure of this kind will meet with opposition

Measure will meet with opposition from the banking and mercantile community.  
from the banking and mercantile community.

I am prepared for that, and the reply is simple.

77. They have solicited help from the Government to alleviate the pressure felt by a

How such should be met.  
They have asked aid ; and in the interests of the country must bear an inconvenience, which has, as its effect, to mitigate the evil of which they complain.

introduce a measure fraught with some inconvenience to them ; in view to the general weal and the major benefits, they must bear the minor hardships.

78. Again, they must be informed, and I think my assertion can be proved, that the

The Government introduced the higher grades of notes for the convenience of these classes.  
Government, when they introduced these higher grades of notes, did so on the representation of these classes, and for their convenience.

79. But have these classes used these notes simply as a "currency convenience," to

Original intention to obviate large payments in silver over the counter.

obviate the necessity of paying large sums

in silver over the counter, and, as such, only intended by the Government ?

80. I answer No! but they have been applied, in large measure, as a cheap means of

Turned to exchange purposes.  
Being cheap remittances at the expense of the Government.

effecting inland exchange operations at the expense of the Government ; a measure

Never intended so to act by the Government.

never intended when the Government first introduced them.

81. To substantiate my assertion, I quote from the Government Resolution No.

The Government views on the subject.—Resolution of 21st April 1876 :—  
Allahabad and Lahore notes for Rs. 2,58,41,005, cashed in Calcutta.

2300, dated 21st April 1876, commenting on the operations of the Paper Currency Department for the year 1874-5, para 4 : " Notes of the Allahabad and Lahore Circles for Rupees 2,58,41,005, were cashed in Calcutta under the peculiar

Rs. 2,99,30,715, encashed in 1873-74.  
Largely connected with remittances of coin from Bombay.

Rs. 6,16,82,885 cashed at offices other than place of issue.

Of which Rs. 4,10,32,815 were obligatory on Government ;

Rs. 2,16,50,070 paid as convenience to the public.  
Exchange operations a heavy proportion of such figures.

provision of the law which makes the Government accept this obligation. The amount is rather less than the amount (Rs. 2,99,30,715) similarly encashed in the preceding year. These encashments are often largely connected with remittances of coin from Bombay to Calcutta, the cost of which is thus partly thrown upon the State. Para 6 : " Notes for Rs. 6,16,82,885 were cashed at offices other than those at which they were issued. Of this amount, Rs. 4,10,32,815 were paid for notes, the encashment of which was obligatory upon the Government under the law, and Rs. 2,16,50,070 were paid by the Government as a convenience to the public, without any legal obligation." It may be inferred a very heavy proportion of these figures appertained to exchange operations.

provision of the law which makes the Government accept this obligation. The amount is rather less than the amount (Rs. 2,99,30,715) similarly encashed in the preceding year. These encashments are often largely connected with remittances of coin from Bombay to Calcutta, the cost of which is thus partly thrown upon the State. Para 6 : " Notes for Rs. 6,16,82,885 were cashed at offices other than those at which they were issued. Of this amount, Rs. 4,10,32,815 were paid for notes, the encashment of which was obligatory upon the Government under the law, and Rs. 2,16,50,070 were paid by the Government as a convenience to the public, without any legal obligation." It may be inferred a very heavy proportion of these figures appertained to exchange operations.

82. It is perhaps not necessary, but it may be as well to mention,

The Government reserve of Government Promissory notes will remain untouched.

that, in curtailing the paper currency, there will exist no necessity

to interfere with the reserve held in Government Promissory Notes.

83. Also that the measure is a temporary one, and only

Measure temporary until silver be diffused throughout the country.

intended to force into circulation the coin minted from the net

proceeds of the silver purchased in London; and only to remain in force, long enough to admit of the proper diffusion of the metal currency throughout the country.

84. Farther, in the event of the Government resolving to limit

May not be necessary if the Government purchase only a small amount,

Or if they take over the German silver in instalments of half a million.

And if the Government draw on India to meet such payments, not needful to curtail paper currency.

any action to a smaller figure; either by direct purchase, or by taking over a portion of the German silver, (which, as has been seen,

will periodically be placed in instalments of say half a million sterling at a time), and if the Government deem it to be advisable to draw on India to meet these payments, they may see no necessity to interfere with the existing state of affairs.

85. Always provided, however, that the Government can see their

Provided the Government see the silver without it lying as dead stock.

their hands. On this subject it is necessary to

way to place the coin in circulation, and not to lie as a dead stock on

say a few words.

86. *India as an absorber of silver.*

India as an absorber of silver.

Currently reported starved for want of the metal.

India is currently reported as being starved for want of silver, and that her powers of consumption are enormous.

consumption are enormous.

87. Much as I should like to agree with such a generally received

The deduction not admitted.

case, I cannot admit it.

opinion, as it would materially strengthen my

88. For so long as India is supplied with a Government paper

Government Paper Currency the most powerful prevention to silver consumption.

increasing trade and wealth.

currency, her wants must decrease: *i. e.* in proportion with her

89. True the people are addicted to hoarding the rupee, and to the adorning of their

The people of the country addicted to hoarding silver. Also adorn their wives and female children with rupees, whole or melted down.

wives and children, either with it as a whole or melted down into ornaments. Such meth-

ods of use must absorb large sums of the currency annually.

90. Again there is the demand from the wealthy classes

Wealthy classes consume for ornament, or household purposes.

for silver for ornaments, and for household purposes.

91. Added to this as industry increases, through commerce,

Railways, Public Works, and trade open out new districts, and fresh outlets are made for silver currency.

trade, railways, and public works, new districts are opened out,

and more silver currency brought into circulation.

92. Another feature to be considered is, India's position in the

India's position in time of War.

Heavy run may be anticipated on the currency silver reserve.

event of a war, domestic or foreign. Considering the timid and

suspicious nature of the people, distrust to paper currency may be anticipated; and a heavy run may ensue.

93. Here the Government may be compelled, with diminished

The Government may be compelled to purchase silver to redeem or meet its paper currency requirements.

credit, to enter the market and purchase silver, to redeem their paper

currency.

94. *Arguments against the received opinion as to India's absorbing capacity for silver.*

Arguments against the absorbing capacities for silver attributed to India.

The paper currency.

1st—The "Paper Currency," which we

have mentioned.

95. Next we find that the rapid communication of the present

Rapid communication by railways, telegraphs and steamers.

And Banking since 1860.

Contract silver as a medium of currency.

day, by railways, telegraphs, inland and coasting steam navigation, and more especially, by banking facilities,

(which have increased enormously since 1860), have led to the contraction of silver, as an exchange medium.

96. India had (prior to 1860) a certain amount of the notes of the Presidency Banks in circulation; but the aggregate was trifling, and was absorbed by the paper currency of the Government.

The notes issued by the several Presidency Banks before the introduction of the paper currency.

The aggregate trifling, withdrawn, and their place taken by the paper currency.

of the Presidency Banks in circulation; but the aggregate was trifling, and was absorbed by the paper currency of the Government.

97. Burmah, the greatest consumer of the Indian rupee, from like causes, does not proportionally import silver to the same extent as in former years.

Burmah as the greatest consumer of the currency silver rupee.

Her internal means are greater to meet the increased exports.

Government "supply bills" on Burmah displace similar amounts of the silver currency.

from like causes, does not proportionally import as much of the silver currency as in former years. For if, on the one hand, her wants are greater, (owing to the vast territory yearly opened out, and the tremendous increase in her rice exports) her internal means are greater to meet requirements. For the sale of waste lands, and increased revenue, enable the Government, in Calcutta, to sell "supply bills;" which, so far as they go, obviate the necessity to send bullion (or rather, I should say, the currency rupee.)

Her internal means are greater to meet the increased exports. Government "supply bills" on Burmah displace similar amounts of the silver currency. (owing to the vast territory yearly opened out, and the tremendous increase in her rice exports) her internal means are greater to meet requirements. For the sale of waste lands, and increased revenue, enable the Government, in Calcutta, to sell "supply bills;" which, so far as they go, obviate the necessity to send bullion (or rather, I should say, the currency rupee.)

98. Therefore, viewing the question as a whole,\* India does not possess the same ability to consume silver as she is generally credited with.

India, as a whole, does not possess the facility to absorb silver of which she is credited.

possess the same ability to consume silver as she is generally credited with.

with.

99. Wherefore, the necessity for a stimulant, to temporarily reduce her paper currency.

Therefore the necessity to contract the paper issue.

reduce her paper currency.

100. The present note circulation of the Government. It is necessary, to form an idea of the present position, to see how India can bear an import of silver; and to what amount.

Estimate as to present circulation.

To form an idea of how much silver she can take.

It is necessary, to form an idea of the present position, to see how India can bear an import of silver; and to what amount.

Estimate as to present circulation. To form an idea of how much silver she can take.

101. We therefore review the position as on the 31st March 1875, and allow for difference.

Necessary to review the position on 13st March 1875, the latest returns.

as on the 31st March 1875, and allow for difference.

\* The Indian traveller of the present day is a very much more easily circumstanced person from his compeer of less than 20 years ago. Now he can travel over hundreds of miles, meeting with Government Treasuries or Branch Banks to cash his currency notes, that necessitates his carrying no more "hard cash" in his pocket, than perhaps he would require on a Continental tour. Before, it was different; a short mofussil tour only, required a trusty bearer carrying two weighty bags, one with rupees, the other with his copper coin. This illustrates the lesser necessity of the present day, for the use of silver as a circulating medium.

## 102. The position of the Paper Currency Department on 31st

Figures adduced from the statement of "net circulation attached to Resolution No. 2300 of 21st April 1876.

March 1875 (the latest returns): "Net circulation for 31st March

1875." attached to the Government Resolution No. 2300, dated 21st April 1876.

*Net Circulation for 31st March 1875, and figures adduced therefrom.*

Number of Notes.	For each Rs.	Per centage on whole issue.	Amount. Issue of each denomination.	Aggregate issue of notes over and under Rs. 100.	Total.
597	10,000	5.30	59,70,000	5,78,63,500	
40,760	1,000	36.27	4,07,60,000		
22,267	500	10.	1,11,33,500		
Total	of issue	over	Rs. 100=51.57 p.c. of aggregate.		
2,31,100	100	20.55	2,31,10,000	5,45,00,880	Rs. 11,23,64,380
1,82,940	50	8.09	91,47,000		
4,82,366	10	9.25	1,04,38,860		
10,43,886	20	8.54	96,47,320		
4,31,540	5	2.	21,57,700		
<i>SUMMARY.</i>					
Issue	of notes	over Rs.	100=51.57 p. c.	of aggregate	total.
"	"	under	" =48.43 "	" "	"
		Total	100		

## 103. The per centum differing from that given in the Government Resolution, para.

Difference in per centage of issue from Government return.

Arises from the Government figures being based on the "Outstandings" as on 31st March 1875.

The Government explanation of the word Outstanding.

5.—It will have to be borne in mind, that the Government figures are based on the "Outstandings," which phrase

is explained in the body of the Report, para. 22, to be "besides those in circulation, all notes held by the Department for re-issue, and such as, having been withdrawn from circulation by other offices than that of issue, have not as yet been cancelled in the register of the office of issue."

104. Comparison of per centage from "Outstandings" as compared with "net circulation."

Comparison per centum of net circulation with Outstandings on 31st March 1875.

Notes of Rs. 1000 over 60 p. c. per the Government resolution.	
" " " " 36 " "	net circulation, by my figures.
" " 10,000 " 11 " "	the Government resolution.
" " " " 5 " "	net circulation by my figures.
" " 100 " 10 " "	the Government resolution.
" " " " 20 " "	net circulation, by my figures.

105. Probable aggregate of the net circulation to the present date.

Probable net circulation to present date.  
Increase of the four years prior to the famine taken as basis.  
Gives net increase 58 lacs per annum.  
Increase to date, 87 lacs. Giving assumptive total net issue of 12 crores.

I take the average increase of the four years prior to the famine, 1869-70 to 1872-73, from the figures in para. 5 of the

Report. This gives Rs. 58,00,000 per annum, or say, Rs. 87,00,000 to date, giving an assumptive issue of 12 crores.

106. Given the same data of 51½ p. c. on aggregate, and the higher issues amount at present to net Rs. 6,18,00,000.

107. The cash silver reserve, at the same proportion of 49 p. c., amounts to Rupees 5,88,00,000.  
Silver reserve will amount to Rs. 5,88,00,000.

108. Leaving Rs. 6,12,00,000, as the uncovered (by silver) balance which India can absorb to date.  
Rs. 6,12,00,000 the uncovered balance, which India can absorb in silver.

109. Assuming that the operations we suggest do not come into force before the 31st December coming, India can absorb, say, six and a half crores; and she can consume by the displacement of her higher grades of notes  
Position on 31st December of this year, assuming that the operations then come into practice.  
India will be able to absorb 6¼ crores of silver.  
By displacement of the higher grades of notes, 6¼ crores of Rupees.  
Leaving balance, if deemed necessary, to be met by the currency silver reserve.

six and a quarter crores; leaving the \*difference to be met by her then ample silver currency reserve, if need be.

\* i.e.—between out-turn of silver purchased (see para 112) and the 6¼ crores.



110. This sum of 6½ crores we propose to meet by borrowing five million pounds sterling in London; any difference to be met by the currency reserve.

This 6½ crores displaced, to be met by silver; proceeds of a loan of 5 millions sterling in London.

Any balance to be taken from the silver currency reserve.

111. Assuming that the loan be issued at 92,\* Promissory Notes for Rupees 5,43,47,830 would have to be granted to secure a sum of five million pounds sterling.

112. Assuming again that silver be purchased in London with the five millions that, at an exchange of say\* 1s. 9d. for demand drafts, a very high rate, considering the present, and the very low price of silver) would give an out-turn of currency rupees—Rs. 5,71,42,860.

113. Charges on transaction 5 p.c. on five millions—Rs. 25,00,000,  
*Charges* Rs. 35,86,960 at 5 p. c. and 6 mos' interest on 6 months  
*loan. Profit on silver* Rs. 27,95,030. Loss, say eight lacs. *interest on*  
 loan Rs. 5,43,47,830 at 4 p. c. per annum, (time allowed to  
 allow of silver to come into circulation), a wide margin, ,, 10,86,960

Total, Rs. 35,86,960

Taken from the difference between  
 price of loan, ... .. Rs. 5,43,47,830  
 and the out-turn of silver rupees ,, 5,71,42,860 ... .. 27,95,030

Loss on transaction ... .. Rs. 7,91,930

114. But the Government, possessing transports, and perhaps employing no Agents, will save Commission and freight. Insurance is not considered, since the Government are not in the habit of insuring their treasure shipments, at least in this country.

115. The out-turn I give at a loss; but, from the bad rates for loan and purchase of silver, in view to the present depreciation, the true out-turn may be a considerable profit, if no time be lost in immediately carrying it through.

\* These supposititious rates must not be taken as the ruling equivalents of exchange and Government paper in London; but as a hypothesis, contingent on carrying out the suggestions contained in paras. 148 to 154.

116. Apart from this consideration is the *main one*, the

saving such an investment will effect on their 15 millions of Council Bills: and, if we assume the advance in exchange, consequent on

The main consideration.

Saving in Council Bills.

At 10 p. c. is one and a half crores for a twelvemonth.

On the supposition that such advance be permanent for a twelvemonth.

this movement, at 10 p. c. steady for a twelvemonth, it would amount to  $1\frac{1}{2}$  crores.

117. Such calculation does not take in the alloy in each current

rupee, amounting to one-twelfth part: which

Alloy one-twelfth part in each rupee, taken as having been included in the exchange.

But if added to out-turn, Rs. 6,19,04,762 will be result.

I have assumed as included in the exchange;

or the out-turn would be Rs. 6,19,04,762, instead of Rs. 5,71,42,860, a material increase.

118. But the Government may decide, on information as to stocks

in London, to extend operations: in that case they have the—

Government, on information as to extent of silver stock in London, may extend operations.

119.  $5\frac{1}{2}$  p. c. Loan of Rs. 10,20,16,700," on which to finance.

Can finance on the  $5\frac{1}{2}$  p. c. loan.

By offering holders a bonus of one year's interest if paid before 30th November next.

Two-thirds of loan may be anticipated to respond, amount seven crores.

By offering to holders a bonus of one year's interest if paid on or before say 30th November next. Assuming

that two-thirds of the loan be responded to by holders, in rough seven crores can thus be liquidated. For particulars as in out-turn and cost, see Appendix Statement No. 4.

120. From the large amounts that are invested on "behoof of

Trust accounts are holders of large portions of Government loans, and one-third of loan may not be responded to.

part" would not respond to the call.

trusts" in the several Government loans, it may be assumed that the remaining "third

121. Therefore another loan of five millions sterling, invested

Therefore five millions would suffice, with addition from the reserve to pay off the accepting holders of the  $5\frac{1}{2}$  p. c. loan.

greater proportion of payments would be in Government Currency Notes.

in silver, supplemented by the Government silver reserve, would suffice, seeing that the

122. A serious objection to the paying of this, or any loan, is the increased supply of bills on India, which would be engendered in the London market.

Objection to the paying off of any Government loan.  
Increased bills on India.

123. For such of the stock (Rs. 4,20,73,000 per last returns of 15th August 1876) as may be on the London books, will assume the form of "demand drafts," and be sold in competition with "Council Bills."

Would be sold in London in competition with Council Bills.

124. A reference to the Public Debt Office \* will furnish an idea of the competition thus to be created, by giving the amounts of each loan held on the London books.

Reference to Public Debt Office to give amounts held in London.

125. Yet, as has been noticed, the assumed accumulated funds in London of the Indian banking community, together with the smaller total of Secretary of State's bills, owing to the late loans in London; may warrant the Government to assume that the competition may not be as telling on exchange as in ordinary times.

The accumulated balances of Indian Banks may suffice to meet extra bills.  
Added to the smaller requirements of the Secretary of State, owing to recent London loans.  
May not affect exchange as much as in ordinary times.

126. It may be that the Government will decline to take the step of reducing the paper currency: in which case we would propose the following:—

The Government may decline to reduce paper currency.  
Another proposal.

127. Let its London loans be met by paying off in India an equivalent (or as near so as practicable) of any of the old 4 per cents.

Pay off London loan by wiping out an equivalent amount in India of any of the 4 per cents.

128. Much has been written about the imprudence of borrowing in London to meet the Secretary of State's drawings, as entailing a burden upon posterity.

Public opinion as expressed against policy of adding to national burden by fresh London loans.

\* See "Notes to Appendix" for information on present encased Government Pro. Notes for payment of interest in London; aggregate amount on 15th August, Rs. 12,00,08,712.

129. But it has evidently escaped notice that the Government

The Government can pay off most of their 4 p. c. loans on giving a three months' notice.

can pay off most part of their 4 p. c. loans, of which I give a sketch

(vide Appendix) by giving the public a three months' notice.

130. Therefore the Government can at any time equalize liabilities,

The Government can equalize indebtedness by paying off in India what they may borrow in England.

by paying off in India what they may borrow in England.

131. Paras. 122 to 125 notice the objection, by the creation of bills on India, that it

The objection of these promissory notes as drafts, as being antagonistical to Council Bills, again considered.

would influence a fall in exchange; but in addition to the increased available funds

Met by the increased funds held by banks in London. And little would be sold unless exchange were favorable.

now in London, to meet

these, there is the patent fact, that little or nothing will thus come from England, unless "exchange be favorable." Holders will decline to part with their paper at ruinous rates.

132. Such applies to a loan in which option is given to holders

Applies to loans of fixed periods, such as the 5½ per cents. payment, if desired, before maturity, being optional to holders.

of receiving payment, or not; as in the case of the 5½ p. c. loan, which is fixed for a

period of years.

133. To prevent the possibility of payments to the English (or London registered) holders,

Plan to be adopted if desirable to stop English holders of pro. notes, from sending them as drafts into the London market.

in view to the bad effect on exchange, it may appear advisable to the Government to only

Pay only Indian creditors.

Insert a clause in proclamation.

pay their Indian creditors.

In which case a clause, something to the following effect, may be added to the Government proclamation:—

134. That on and after the expiry of ten days from date of

To close registers, London and India, after 10 days from date of proclamation.

proclamation, the books of the Indian registers of loan No. \_\_\_ of \_\_\_ be

closed, as to transferring to the London registers, and *vice versa* in London, to the Indian registers, until further notice. To prevent derangement in exchange, and transfers by aid of the telegraph wires; the notice should be given prior to the Government declaring their intention of paying off loans, which should follow after "expiry of notice."

But to prevent the public from suspecting the action of the Government and financing in these loans, which may be anticipated if thus specially notified, it would be better to simply stop transfers on all the Government loans.

135. This will fix the amount that the Government will have to pay in India, and allow such transfers as are in course of being effected, to be carried

through.  
 Will fix amount of loan to be paid.  
 And allow transfers in transit between India and England, and *vice versa*, to be carried through.

through.

136. Such notice to be telegraphed to England, and appear simultaneously in the London and Indian Government Gazettes.

Notice to appear simultaneously in the London and Indian Government Gazettes.

137. All order in course of transmission between India and England, will not therefore be interfered

with.  
 All orders for transfers will therefore be effected.

138. A good effect in paying off their Indian creditors only, will be: from the accumulation of money, there will arise a "demand for Government paper in India," that will send up prices, and draw paper from England.

From paying off Indian creditors, money will accumulate in India, Government paper rise, and corresponding paper be drawn from England.

139. This will tend to lessen the interest drafts selling in London, and, by withdrawing such medium of exchange, strengthen the rate.

Will lessen interest drafts and strengthen exchange.  
 exchange, strengthen the rate.

140. And from the Government meeting their payments mainly in Currency Notes, the issue will vastly increase, the silver purchased being held as a reserve.

And vastly increase circulation of paper currency, silver purchased being held in the reserve.

141. Moreover, all the silver currency issued to the public will be the result of a legitimate, and not a forced demand.

The imported silver, then converted into currency. rupees, when issued, will be a healthy and not a forced demand.

142. To sum up the result of a loan effected in London with these objects in view, we find that the Government will issue paper in London, and pay its equivalent mainly in paper currency here, the silver purchased forming an ample reserve, and allowing of still further future expansion of the paper currency.

Summary of results.  
 The Government will pay their paper loan in London.  
 By issuing paper currency here for the greater portion.  
 The silver purchased forming a reserve nearly equal to the issue.

still further future expansion of the paper currency.

143. The cost to the Government has already been shewn, as very small, under the most adverse circumstances ; and most likely will result in a profit,

Cost has been shown as small under adverse circumstances.

Most likely will result in a profit.

as the calculations hold equally good in this case, but the saving by the rise in exchange on Secretary of State's Bills is the main consideration.

144. The Government will also have the opportunity (which may never occur again for years) of laying in a stock of silver reserve to their paper currency

The Government will lay in a silver reserve to paper currency issue at rates that may never again occur.

Reaping the profit hitherto enjoyed by the trader.

at paying rates, reaping the profit, which heretofore it has permitted the merchant and banker to monopolise.

145. In brief, the price of silver can be raised, synonymous with exchange, "to any extent", a premium if need be, depending only on the action of the Government in making small

Silver can be raised in price to any extent.

And exchange.

Depending on the action of the Government in making large or small purchases.

or large purchases.

146. In view to the history of the past, and the dearly bought lessons this silver panic has produced, it may be a question with the Government if it be not expedient in the future to occasionally make

Lessons taught by panic.

Perhaps expedient for Government in future to make similar purchases.

When a low late warrants apprehension of losses on Council Bills.

purchases of the metal, when its low rate should warrant apprehensions of serious losses on Council Bills.

147. The only drawback has been mentioned : these London loans increase\* India's indebtedness to England, which policy dictates should be kept under as much as possible. But the answer has also

Drawback—London loans increase India's indebtedness to England.

Increase in prices on Government paper in India, will counterbalance, by causing a flow of paper from England to supply the place of the Indian loans paid off.

been given : wherever there is a demand, supplies are attracted : and to decrease loans in India is to raise the prices, and cause paper to flow in from England and take its place.

148. To ensure the issue of a loan in London to the best advantage, and to buy the silver at the lowest figure, a few words are

Method to secure the best rate for a loan in London.

And to buy silver at the lowest.

necessary.

\*Statement No. 3, Appendix, gives present position of English holders of Indian loans.

149. The silver will have to be purchased first, and as secretly as possible; after the Government have decided how much to buy, and aggregate stock available for sale has

Silver must be bought first, as secretly as possible, after Government have ascertained stocks and decided on the amount to purchase.

Government have decided how much to buy, and aggregate stock available for sale has

been ascertained.

150. One broker only should be employed, as in the hands of many, holders assume

One broker should be employed.  
Many engaged lead market to infer a demand.  
And holders keep for a rise.

a demand, and hold out for advanced prices.

151. The transaction should be carried out in one day, for directly the news spread

Transaction should be carried out in one day, or news will spread of India being in the market, and prices will advance, the Government having to pay much higher.

that the Indian Government are in the market, prices will advance, and the Government

will have to pay a high price, for what, if properly carried through, should be obtained cheap.

152. The Bank of England will doubtless advance a loan on the silver, (or the Home

Bank of England, or Home Government will advance on silver, at market rates, for interest on demand loans.

Government will meet payments) at the market rate of interest,

until such time as the loan has been effected.

153. Directly the silver has been purchased, exchange will rise along with silver, and

Silver purchased, exchange and Government paper will rise.

Government paper will advance.

154. Then place the loan on the market, and it will fetch a better rate.

Then place loan on market, and it will get a higher figure.

155. In view to the financial embarrassment of the Indian Government: to lessen the

In view to embarrassment of Government: to obviate need of retrenchments, reduction of establishments: to give means to prosecute public works: to restore the exchange value of the rupee, and lessen losses on sale of Secretary of State's bills, it may be needful to proceed further.

need for retrenchments, and reduction of establishments — which means the crippling of the working powers of the Government: to enable

the Government to carry through useful or necessary remunerative public works (now paralyzed or stopped from want of means): to

restore the value of the rupee to something like fair value in exchange between India and England; and to save as much as possible the serious losses on the sale of the Secretary of State's bills on this country, it may be necessary to still further proceed.

156. This we may assume can be done by raising a loan in London for £20,000,000 (twenty million pounds sterling) and investing this sum

By raising a London loan for £20,000,000 and investing in silver.

in silver. See Statement No. 2, Appendix.

157. Before commencing, it is necessary to state that the Government of India hold a "Reserve" of their own Promissory Notes, aggregating Rs. 5,69,39,528 as against their issue of Currency Notes. Statement No. 3 gives particulars. These promissory notes have been purchased from the public from time to time, and in considering the question of liquidating the public debt, such holdings must be deducted.

The Government a holder of their own Promissory Notes, to extent of Rs. 5,69,39,528, being part of the Reserve against issue of Currency Notes. Have been purchased in the open market from the public, from time to time. Therefore must be considered as redeemed.

Statement No. 3 gives particulars. These promissory notes have been purchased from the public from time to time, and in considering the question of liquidating the public debt, such holdings must be deducted.

158. Statement No. 1 of the Appendix exhibits the Indian four per cent loans, which can be paid off by the Government after a three months' notice in the Government Gazette.

Indian 4 per cent loans payable after a 3 months' notice aggregate Rs. 37,17,23,557. Held by the public in India Rs. 32,34,41,464. Held by the public in England Rs. 4,82,82,093.

After deducting the Government holdings these aggregate Rs. 37,17,23,557, of which there appears a total, as held in India of Rs. 32,34,41,464. The balance of Rs. 4,82,82,093 is held in England.

159. Inferring that the loan be issued at Rs. 92 per Rs. 100 scrip, and silver purchased at an equivalent to exchange at 1s. 9d, (for demand drafts), the Government can coin currency rupees to the extent of Rs. 22,85,71,430.

From proceeds of London loan the Government can coin Rs. 22,85,71,430, and issue Currency Notes Rs. 46,64,72,307.

Now taking the Government basis of "49 per cent. of Silver in Reserve" (as against issue of Currency Notes), the Government could issue against this sum, Currency Notes to the extent of Rs. 46,64,72,307.

160. The Government would therefore be in a position to pay off the whole of the four per cent. loans, which are terminable after a three months' notice; or in other words, their outlay of Rs. 22,95,65,217 (see Statement No. 2) could redeem all such promissory notes that present an aggregate of Rs. 37,17,23,557. Assum-

The Government therefore can pay off all the 4 per cent. loans terminable after a 3 months' notice. Illustration upon an assumed public demand in payment at 20 per cent. in Silver and 80 per cent. in Currency Notes. Results:—loans paid off Rs. 37,17,23,557. Permanent annual saving of interest Rs. 61,73,290. Available for Public Works Rs. 1,14,20,000; allowing half of such to be payments in Silver and half in Currency Notes.



ing that the public take in payment of this sum, 80 per cent. in Currency Notes, and 20 per cent. in Currency Silver, we have as follows:—

Currency Notes,	...	...	Rs	29,73,78,846
„ Silver,	...	...	„	7,43,44,711
Reserve Silver, 49 p. c. } as against Notes	...	...	„	14,57,15,635
Silver issued to public	...	...	„	7,43,44,711
...	...	...	Rs	22,00,60,346
Taken from proceeds of loan ..			„	22,85,71,430
Silver balance over,	...		Rs	85,11,084

This amount of silver could be expended on Public Works. Here it would be vain to speculate what proportion could be made available as against a note issue. The Government alone can form an estimate; but in view to the large masses of the working classes, who may be employed in their construction, we will allow the extravagant proportion of one-half in Currency Notes, and one-half in Currency Silver. We therefore have *Silver* Rs. 57,10,000, plus *Notes* Rs. 57,10,000 = Rs. 1,14,20,000, leaving residue of Silver Rs. 27,97,900 in “Reserve” on the 49 per cent. basis.

*Results.*—Permanent annual saving of interest, being the difference at 4 per cent. between the amount paid off and that borrowed, Rs. 61,73,290, and available for Public Works, Rs. 1,14,20,000.

161. The assumptive demand for silver in payment of these loans, which I have given at

Illustration shewing results on an assumptive demand of 90 per cent. in Notes and 10 per cent. in Silver, the allotment to Public Works thereby increased; standing at Rs. 3,68,67,000.

20 per cent of the whole, may be considered excessive; and 10 per cent may reasonably be taken

as an ample margin. On this basis of 90 per cent in Currency Notes and 10 per cent. in Silver, we find—

Currency Notes	Rs. 33,45,51,201
Currency Silver	„ 3,71,72,356
Reserve as against Notes	„ 16,39,30,088
Silver issued	„ 3,71,72,356
Balance over	„ 2,74,68,986

This therefore provides Rs. 3,68,67,000 for Public Works, half Notes and half Silver.

162. The Government of India, having recently declared that owing to the state of the finances of the country, they will be compelled to borrow money for Public Works, it may be necessary to provide a larger sum than herebefore appears. Therefore we proceed to demonstrate how the London loan can be met by paying off its equivalent, or as near such as possible, to leave the residue at the disposal of the Public Works Department. The Government can therefore finance upon the 4 per cents of 1832-33, 1835-36, 1842-43, and 1854-55. These aggregate Rs. 22,70,09,980.

The Government having recently declared that they will have to borrow money for Public Works, another illustration given; to pay off the 4 per cent loans of 1832-33, 1835-36, 1842-43, and 1854-55. They aggregate Rs. 22,70,09,980. Payments, 80 per cent Notes, 20 per cent Silver. Results, permanent annual saving of interest Rs. 3,84,747, and 12 crores and 60 lacs available for Public Works, half being in Silver and half in Notes. Payments, on basis of 90 per cent Notes and 10 per cent Silver, leaves Rs. 14,17,63,000 for Public Works.

London loan can be met by paying off its equivalent, or as near such as possible, to leave the residue at the disposal of the Public Works Department. The Government can therefore finance upon the 4 per cents of 1832-33, 1835-36, 1842-43, and 1854-55. These aggregate Rs. 22,70,09,980.

*Payments*—80 per cent. in Notes and 20 per cent. in Silver.

Notes Rs. 18,16,07,984 plus Silver Rs. 4,54,01,996 = Rs. 22,70,09,980  
Silver in reserve, Rs. 8,89,87,912, plus issued Rs. 4,54,01,996 =, 13,43,89,908

Taken from proceeds of loan Rs. 22,85,71,430, leaves, Rs. 9,41,81,522 in silver; thus available. Silver 6 crores, and 30 lacs, plus Notes 6 crores and 30 lacs = 12 crores, and 60 lacs, leaving the balance Rs. 3,08,70,000 in reserve, as against the issue of Notes. *Results*—Permanent saving of interest Rs. 3,84,747, plus Rs. 12,60,00,000 available for "Public Works."

Should the public demand of 10 per cent. only for Silver be admitted, the sum available for Public Works would be augmented to Rs. 14,17,63,000.

163. But again, the question has to be considered of the derangement in exchange, which would result from these loan scrips which are held in England assuming the form of demand drafts, and creating such serious opposition to the sale of the Secretary of State's bills, then on the market, as to cause a fall in exchange.

Derangement in exchange considered, having reference to the English-held scrips assuming the form of demand drafts, and competing with Secretary of State's bills. On all the 4 per cent. capable of being paid off, they aggregate Rs. 4,82,82,093, and on the loans per previous paragraph Rs. 3,19,21,493.

serious opposition to the sale of the Secretary of State's bills, then on the market, as to cause a fall in exchange.

For these would amount to Rs. 4,82,82,093 on the whole of the 4 per cents (noticed in paras. 157 to 161), and on those mentioned in the para. 162, to Rs. 3,19,21,493; and these figures may be more or less, when the Government may decide on taking action, owing to the constant transfers taking place in Government paper as between India and England. And this forms a serious difficulty with which to grapple.

164. Paragraphs 133 to 137 meet this difficulty, by assuming to

Met by proposal to pay the Indian holders only who possess Rs. 32,34,41,464 on all the 4 per cents, which can be paid on a 3 months notice ; and Rs. 19,50,88,487 on those as see para : 162.

Illustration No. 1. Pay off Indian holders of all the terminable 4 per cents. Assumptive demand being 80 per cent. in notes and 20 per cent. in Silver, leaves Rs. 4,95,00,000 for Public Works and permanent annual saving of interest Rs. 42,42,007. If a 10 per cent Silver demand be admitted the Public Works would receive Rs. 7,15,20,000. Illustration No. 2. Add Indian creditors of the 5 and 5½ per cents, giving them one year bonus. Results. Payments, 80 per cent Notes ; 20 per cent. Silver ; give permanent annual saving of interest Rs. 65,98,210. Allotment for Public Works Rs. 1,36,47,000. At a 10 per cent. demand for Silver payments Public Works would receive Rs. 3,89,03,000.

only pay the Indian creditors, as standing on the Indian registers at the date of the proposed liquidation.

Such amount to Rs. 32,34,41,464 on all the 4 per cents capable of liquidation ; and to Rs. 19,50,88,487, on those mentioned in para: 162. Thus, the Government would have larger funds, if need be, for Public Works expenditure,

than has been mentioned, by Rs. 4,82,82,093, and Rs 3,19,21,493 respectively.

#### ILLUSTRATIONS.

No. 1, "To pay off the" Indian holders, "of all the 4 per cents payable after a three months' notice." Assumptive payments 80 per cent in notes, and 20 per cent in silver, Notes 25,87,53,171—Silver 6,46,88,293 { =Rs 32,34,41,464. "Silver" against notes, 12,67,89,053. Issued { =Rs 19,14,77,346. Taken from loan, Rs. 22,85,71,430. Leaves a balance of Silver of Rs. 3,70,94,084, for "Public Works.

This will provide 2,47,50,000 Silver, plus 2,47,50,000 Notes = Rs. 4,95,00,000, leaving 1,21,27,500 as the 49 per cent reserve.

Results. Interest on the London Loan ... Rs. 86,95,652  
 " " 4 per cents ... .. " 1,29,37,659

Annual permanent Saving, Rs. 42,42,007, and the sum of Rs. 4,95,00,000, placed at the disposal of the P. W. Department. Should we admit a 10 per cent. public demand for silver, the sum available for the Public Works would stand at Rs, 7,15,20,000.

No 2. Supposing that the above prove more than may be necessary for the Public Works, we add the Indian creditors of the 5 and 5½ per cent loans. As pointed out in paragraph 120, ⅔rds only of these may respond ; even with a proposed bonus of one year's interest added to principal.

2/3rds holders of the 5½ per cents.	...	3,99,62,467.	
Add interest one year's bonus	...	21,97,936	4,21,60,403
<hr/>			
2/3rds holders of the 5 per cents.	...	31,65,333	
Add one year's bonus	...	1,58,267	33,23,600

---

**Total** 4,54,84,003

---

*Payments.*—80 per cent Notes, Rs. 3,63,87,202, plus Silver 20 per cent, Rs. 90,96,800.

*Silver.*—The reserve of 49 per cent Rs. 1,78,29,729, plus issued Rs. 90,96,800=Rs. 2,69,26,529, taken from the balance as shewn in illustration No. 1, of 3,70,94,084, leaves available Rs. 1,01,67,555. Thus utilized.

One-half Silver 68,23,500, plus  $\frac{1}{2}$  Notes 68,23,500=Rs. 1,36,47,000

<i>Results</i> —Permanent Saving of interest on the 4 per cents „	42,42,007
"                  "                  "                  5 $\frac{1}{2}$ „	21,97,936
"                  "                  "                  5 „	1,58,267

Total permanent Saving Rs. 65,98,210

Amount placed at disposal of Public Works Rs. 1,36,47,000

But premising that the public demand be only 10 per cent. in Silver payment of all these loans, the sum at disposal of the Public Works would stand at Rs. 3,89,03,000.

165. Objection may be raised that in view to the contemplated

Proposals to being up the Silver Reserve on the present, and contemplated extended issue of Currency Notes, from 49 per cent. as obtaining at present, to that of the Bank of England. The Reserve of Promissory Notes as against present issue of Currency Notes stands at 48·4 per cent. Illustration No. 1. Permanent annual interest saved Rs. 42,42,007 Public Works allotment Rs. 1,00,00,000. Bullion Reserve raised from Rs. 49, to 60·09 per cent. Illustration No 2. Permanent annual interest saved Rs. 4,90,731. Allotment for Public Works Department 7 crores. Bullion Reserve raised from 49 to 63·425 per cent. At 20 per cent Silver payments, Reserve would stand at 60·946. The Government Reserve of their own Promissory Notes equivalent to Rs. 48·4 per cent as against total of Paper Currency issue. These Notes at market rates, together with the Silver, form a Reserve of 97·4 of total issue.

augmentation of the Currency Note issue, the 49 per cent basis of Bullion Reserve will not be a safe one. I therefore propose to consider how the silver proceeds of the London Loan may be utilized, bringing up the Bullion Reserve to the average Reserve of the Bank of England. This ranges to liabilities, at from 60

to 62 per cent ; but a considerable portion is, I believe composed of Reserve notes.

It here is necessary to point out, that in addition to the Silver Reserve, the Government possess the additional Reserve of their own Promissory notes, which we have seen aggregates Rs, 5,69,39,528. Therefore on their present presumed issue of 12 crores. we have Bullion 49 per cent. plus Notes 5,69,39,528. (plus 2 per cent premium, say average present market rate on the whole); equivalent to 5,80,78,319 marketable value of the notes, plus Silver Reserve 5,88,00,000=Rs. 11,68,78,319 or 97·4 per cent of total liabilities. In dealing with this question, no allowance has been made to bring up the Promissory Note

Reserve which now stands at 48·4 per cent of the whole. But it is obvious that the Government, when paying off these loans, may from such, set aside a sufficient amount of paper to bring up their note reserve to present limits, or beyond these. With these remarks we proceed to illustrate the position.

No. 1. Take the data of illustration No. 1, in preceding paragraph.

	90, p. c. Notes	10 p. c. Silver	
In payment of all the 4 p. c.	29,10,97,318	3,23,44,146	
"Public Works" allotment.	50,00,000	50,00,000	
Issue of Notes, plus Silver.	29,60,97,318	3,73,44,146	Deduct from,
Add present issue of Notes.	12,00,00,000	22,85,71,480	Proceeds of loan.
<b>Total issue of Notes.</b>	<b>Rs. 41,60,97,318</b>	<b>19,12,27,284</b>	<b>Balance of silver.</b>

The balance of Silver, Rs. 19,12,27,284, plus present reserve of 5,88,00,000 = Rs. 25,00,27,284, equivalent to 60·09 per cent on the aggregate issue of Currency Notes.

- Results.*—( 1. ) Permanent saving of interest, Rs. 42,42,007.  
 ( 2. ) Bullion Reserve raised from, 49 to 60·09 p. c.  
 ( 3. ) Allotment for Works, ... Rs. 1,00,00,000.

At a public demand of 20 per cent for Silver payments, the "Bullion Reserve," would be 56·725 (say 56½) per cent.

No. 2. Pay off the Indian Creditors of the 1842-43 and 1865.

	Notes 90 p. c.	Silver 10 p. c.	
Loans, aggregating, ...	Rs. 22,96,59,577.		
Payments, ...	20,66,93,619	2,29,65,958	
P. W. allotment, ...	3,50,00,000	3,50,00,000	
Issue in Notes & silver.	24,16,93,619	5,79,65,958	Deduct from,
Add present issue of notes.	12,00,00,000	22,85,71,430	Proceeds of Loan.

The issue of Notes Rs. 36,16,93,619      17,06,05,472 Silver Balance.

The balance of Silver 17,06,05,472, plus present reserve 5,88,00,000 = Rs. 22,94,05,472, equal to 63·425 per cent (close upon 63½) Reserve of Silver, as against the aggregate issue of Currency Notes.

- Results* ( 1 ) Permanent annual Saving of interest Rs. 4,90,731.  
 ( 2 ) Bullion Reserve raised from 49 to 63·425 per cent.  
 ( 3 ) Allotment to Public Works (seven crores) Rs. 7,00,00,000.

If the demand by the public for payments in Silver be taken at 20 p. c. the "Bullion Reserve" would stand at 60·946 per cent. (nearly 61).

166. It may be necessary to explain the nature of the proposed loan or loans in London.

Nature of proposed London loans. One of two kinds, 1st, a silver loan, payable to Government in gold in London, issued in scrips of Rs. 100 for every payment of Rs. 92 at par = £9, 4s. or, say, loan issued at 92 per 100. To be payable, in silver, in India, on maturity. Date of payment, after a three months' notice or for a fixed period. Loan transferable, as between England and India. 2nd, Gold loan. To be issued in scrips of pounds sterling, interest payable in gold in London: when paid off, to be in gold in London.

They may be one of two kinds. Either a "rupee loan" paid to the Government in gold, in London, issued in scrips at the assumptive ratio of a 100 Rs. scrip for every Rs. 92 paid in gold at par = £9, 4s: Interest

at 4 per cent. to be paid by drafts to be granted on Calcutta. When liquidated, to be paid in India in silver, subject to the Government notification. Date of payment, a fixed period, or on a three months' notice, as the Government may decide upon. And transferable to the Indian registers. In other words, a loan similar to any of the ordinary Indian 4 per cents, with only this difference, that it be issued in London instead of Calcutta, and the Government will there receive the equivalent in gold, instead of, as in this country, in currency silver. Or a gold loan, to be issued in London in scrips of pounds sterling: interest payable in London in sterling: and, when liquidated, to be paid off, in gold (or pounds sterling) in London.

167. My own views incline to the first named, and on the following grounds:

1st. That a rupee loan may be expected, in a large measure, to be taken up by Indian

Advantages of "a silver loan" payable to Government in gold in London. Will in large measure be taken up by Indian banking and commercial firms, either for exchange, or as a reserve, to be held in India or England.

Concomitant reductions in Indian loans will draw large portions to India. Thus lessen the interest drafts which compete with the Secretary of State's bills as remittances to India, in the London exchange market. Will be paid off in India in silver.

banking and commercial houses, either as an exchange medium (where these transferable loans are largely dealt in), or, as affording a reserve capital that can be held in England

o: India, wherever commerce or exchange operations require their presence, as a borrowing or stock security.

2nd. That the concomitant reduction in the Indian loans will draw much of this paper from the London market to India, and therefore reduce the interest drafts which sell in London, in competition with the Secretary of State's Bills.

3rd. That when paid off, it is so done in India and in currency silver.

168. A gold loan, on the other hand, will command a much higher figure in the market, but it is the one and only advantage that it will possess. For, to meet its annual interest, the Secretary of State will have to draw bills over and above his present requirements of fifteen million pounds sterling,

A gold loan will command a higher rate of issue. But when paid, must be paid in gold, by means of Secretary of State's drafts; such will derange exchange, and be effected at a heavy sacrifice. Interest must also be paid in gold by Secretary of State's Bills; interest per annum, £869,565, equal to  $5\frac{1}{2}$  per cent. on the 15 millions of present drawings, or an increase on that figure of  $5\frac{1}{2}$  per cent. annually. Not transferable to India, therefore has no elasticity; the interest will be an immoveable dead weight on the London exchange market, until date of maturity.

to the extent of £869,565, equivalent to an increase of 5.8 per cent. (say  $5\frac{1}{2}$ ). And when he pays it off, the magnitude of the sum that he will require to draw on India, will derange exchange, and the transaction will be effected at a very heavy sacrifice. Not being transferable to this country, the loan will mainly be in the hands of English capitalists; and lacking the necessary elasticity, the yearly charge for interest will remain as a dead weight, to be yearly provided for by Council Bills, until maturity.

169. If we turn to Statement No. 3, of the Appendix, we find the relative proportions of holdings of the several Indian loans, as in India and England; a few facts are noticeable.

Statement No. 3, Appendix, Indian and English bond holders. England holds over 13 crores of aggregate of Indian loans, equal to 18.348 (say  $18\frac{1}{2}$ ) % of the whole, or 19.95 (say 20) % of the total holdings by the public. The interest per annum over  $60\frac{1}{2}$  lacs = £605,631.

Equal to 1.25th of the annual drawings of Secretary of State's Bills, taken at 15 million pounds. Such interest is not included in the Secretary of State's Bills, but sell as drafts bearing an equal status in the London market, in opposition to Secretary of State's Bills.

Interest on proposed loans, £869,565, brings the competition up to 9.83, over nine and three-quarters p. c.

annum to over  $60\frac{1}{2}$  lacs (£605,631), which is equivalent to 1.25th of the 15 millions of Council Bills. Not that the interest is included in these drawings; on the contrary, it assumes a competition in the London market against Council Bills; being in the form of independent drafts, drawn by the Government on India, selling with the same status as Secretary of State's Bills, but in opposition. The interest on the proposed loan of £20,000,000 (£869,565) brings the competition up to 9.83 (over nine and three-quarters per cent.) as against the 15 millions.

170. It will therefore be seen that a rupee loan, issued in London,

A rupee loan issued in London is the better, because the element of supply of Government issued drafts selling in opposition to its own Secretary of State's Bills, will be mainly removed, by a rapid transfer of the greater part of the London Loan to India.

is the more advisable of the two: as it is not unreasonable to infer, that the greater part will find its way to India, and

thus nearly entirely withdraw this element of supply, which in London is an active agent in depressing exchange.

171. An objection may be made against this measure, that the

Objection may be raised that the Government by paying off these loans will be breaking faith with the public, and cause hardship and inconvenience to investors.

Government, by paying off these four per cent loans, will be breaking faith with the public,

and that it will cause much inconvenience and hardship to investors.

172. A more weak one could scarcely be raised: The Government

A weak one. The Government, on borrowing, did not consult the public, but their own convenience, and if the public, with a three months' notice before it, fancy to give such securities a premium, they did so at their own risk.

did not consult the convenience of the public, but their own, when they became borrowers, and having stipulated the

right to pay off these loans after a three months' notice, if present investors, with such notice staring them in the face, choose to buy in at a premium, they did so at their own risk.

173. But apart from this, as investors may ask, What are we to

What to do with the money uncapitalized? Buy other Government paper; or if price be materially raised owing to such displacement.—Suggestion to Government to raise limit of an account in their Saving Banks to Rs. 10,000; and remove the restrictive rules introduced in 1872 that have caused balances to decline in the Presidency towns. Returns since 1872, for Presidency Savings Banks of Bombay, Calcutta, and Madras; called for to prove assertion and declining prosperity. Amount of uncapitalized funds that can thus be invested larger than supposed. Granted the increased maximum, and a married man with six children could fund Rs. 80,000.

do with our money?

The reply is, Buy other Government securities if you still want Government security for your money. But they will say, the return will now be so poor, since, owing to this action of the Government, all their securities have risen

to such a figure, that the interest we will receive upon our money will be very much under four per cent. Now is the time for the Government to receive their money, in a different manner, at a smaller rate of interest,  $3\frac{1}{4}$  per cent, and with the object in view to clear off, as far as possible, their other loans. Suggest to them the "Government Savings Banks." Advance the maximum of an account to Rs. 10,000, and remove the restrictive rules published in 1872, which has caused the balances to decline most seriously in the Presidency towns. Let the Government call for a Return of the Savings Banks of Calcutta, Madras, and Bombay, since 1872, to prove my assertion; and view the declining balances since that period, in juxtaposition with the flourishing progress of previous years. I am aware that a smile may be raised at my expense, in view to the poor amount that thus may be utilized, even if the Rs. 10,000 be conceded, as against the large sum thrown out of employment. But it may not be known that, with this concession, a man might invest, not only in his own name, but in his wife's and all his children's; so that a married man with six children could fund Rs. 80,000.



But, I may be asked, if creditors be thus paid off, and again taken on by means of the Savings Bank, farther than the saving of the quarter per cent. interest; the Government stands indebted as before, and the benefit is but small. Yet it cannot be inferred that the whole of such payments will find their way into the Savings Bank; a portion only; the rest will find other means of employment. And to employ the actual amount thus funded in the Savings Bank, can be effected in several ways. 1st—By the Government purchasing their own promissory notes in the open market. 2nd—By their buying first-class Banking or Mercantile Bills, remitting to England; with proceeds investing in silver, bringing such to this country, and paying off other loans: thus, as a periodical purchaser of silver in the London market, influencing an advance in prices synonymous with exchange. 3rd—By investing in remunerative Public Works; which ever presented the most favourable features at the time.

174. Apart from this, India offers a vast field for the capitalist.

Other investments. India a vast field for the capitalist, only waits development; Tea, Jute and Cotton, with industries, in infancy or not commenced, only want capital to give handsome returns. Would render India more independent of England, lessen imports, swell inland revenue, increase trade balance against England, and thus give better exchange to Secretary of State's Bills. Also stimulate trade, revive droopings stocks, and benefit the country and Government alike.

Her resources only want development to increase enormously: and Tea, Jute and Cotton Mills, with numberless other industries, in infancy, or not yet commenced, wait but the power of capital to

give a handsome return to the investor. These would tend to render India more independent of England, thus lessen imports, swell inland revenue, and by increasing the trade balance as against England, give a better exchange for the Secretary of State's Bills. Therefore, to throw a large sum of money, now locked up in Government Securities, on the market, would stimulate trade, revive the present drooping stocks (now unduly depressed), and benefit the country and Government alike.

175. As the question of the yearly-increasing indebtedness of

India's yearly-increasing indebtedness to England a serious question.

Any measure to decrease this, worthy of attention.

India to England is a very serious one, anything to gradually decrease such, is worthy

of attention.

176. Apart from the general received view, that this can best

The general received opinion.

India to be made self-reliant, by making her own railway, military, machinery, and commissariat stores.

Thus lessening Secretary of State's drawings.

Is the true solution.

Something else can be done by paying off all Government loans.

be done by making India less reliant on England, by producing military, railway, machinery, and commissariat stores; thus lessening the demands

that have to be met at present by the Secretary of State's Bills: and which is the true solution, something more can be done by,—

177. "Wiping out all the Government loans." This can be done

By the smallest department of Government.  
Liberal treatment and time will effect object.

gradually, and by aid of the smallest engine now possessed by Government; but that only requires liberal treatment and fostering care, to, in time, effect the object.

178. I allude to the "Savings Banks of the Government." Estab-

The Savings Banks of the Government.

Instituted by the East India Company.

For use of its servants.

Operations limited for many years.

Recently the public have been admitted.

Views of the Government prior to Lord Northbrook's Viceroyalty, favorable to development.

Views then modified.

Owing to India's then favourable position.

The Treasuries full, and the Government not desirous of increasing indebtedness.

India now in a different position.

The Government Savings Bank in Calcutta, of which the writer was in charge for over 7 years, embraced Bengal, N.-W. P., Punjab, Burmah, and India Proper.

With those of Bombay and Madras.

If developed on liberal basis.

Will afford means whereby to extinguish debt of India.

This a growth of years, but—

Possessing the savings of 300 millions of people.

Not an extravagant estimate.

Views to increase deposits and accounts.

Raise rate of Interest to 4 per cent.

Increase maximum of an account from Rs. 2,500 to Rs. 10,000. Open branches at all treasuries. Grant greater facilities in paying in, and withdrawing, deposits. If the increased rate of interest be disallowed, the other measures might be permitted, and a large influx of money would flow into Government Treasuries.

Practical proof in the Savings Bank of the East Indian Railway; established 1866; in 1871 had over 1200 accounts and three lacs of deposits from their own artisans only. The late Secretary of the Bank of Bengal a warm supporter of the writer's views. The writer introduced reports on the Savings Bank to draw Government attention to this Department. His measures to throw open the Savings Bank in the country to the public, and to raise the maximum of an account from R. 1500 to Rs. 2500 adopted.

The latter led to an expansion of three-fold deposits in six years.

He also suggested that the general public be admitted as depositors throughout the country, where formerly Government employes only were permitted; and which was adopted in the opening out of District Savings Banks.

Brief extract from one of the writer's reports on this subject. The Rs. 1500 limit, reached its height after 30 years, in a maximum of Rs. 10,43,150. The Rs. 2,500 not expected to exceed 40 lacs; and is too small for old depositors, who often after obtaining this maximum, purchase Government paper and retire.

lished by the East India Company for the use of its servants only, its operations were for many years on a very limited scale, and only recently have the public generally throughout the country been admitted as depositors. Prior to the advent of the late Viceroy to this country, the views of the Government were, I believe, favorable to its encouragement; but these views were modified, owing, as I understood it, to the favorable position that India then occupied as regards her credit and resources; and restrictive rules were passed which tended to reduce deposits. For then her treasuries were full, and the Government were not desirous to increase her indebtedness. Perhaps these views may now be modified. At least, after an experience of over seven years in charge of the Government Savings Bank in Calcutta (which embraced Bengal, the North-West Provinces, Punjab, Burmah, and India Proper,) I can

The purchasing power of money smaller in India than England, and prices of commodities yearly increasing. Therefore the need for greater accommodation for similar classes here, to in England. The Government can utilize Savings Bank money by purchasing their own Pro : Notes in the open market, as is done in the Paper Currency Department, thus in part save interest.

speaking as to the vast field which only requires development, and liberal views to expand (with those of Bombay and Madras) into an Institution possessing funds sufficient to extinguish the whole debt of India.

This I know will only be a growth of years, but, with the savings of 300 millions of inhabitants, I am not extravagant in my estimate, viewed with the published returns of the progress of similar institutions in Great Britain. Should the subject be worthy of the Government notice, the Report attached will give my views on the subject. These in brief are :—“To raise the rate of interest from  $3\frac{1}{4}$  to 4 p. c. Increase the maximum of an account to Rs. 10,000 (from Rs. 2,500). Open Savings Banks at all the Government Treasuries throughout the country. Grant greater facilities in paying in, and withdrawing, deposits in the Mofussil.” Should the increase in the rate of interest *not* be acceded to, at least the other measures *might*, and a large influx of money into the Government Treasuries would ensue.

As a practical proof, and in answer to those who may consider such proposals as “chimerical,” I have only to point to the East Indian Railway Savings Bank, which is self supporting. Deposits being invested in their own Government guaranteed 5% stock, pay all expenses, and leave a small margin of profit to the Company. Prior to the opening of this Institution, the then cashier was sent to the Bank of Bengal for information, and to see the working of the Government Savings Bank (of which I then was in charge); and the views I here propound, were those I then stated to him. The East Indian Railway adopted the Rs. 10,000 maximum, and the four per cent. rate. I have no recent return of this Institution, but quote from my Report\* of 1871-72. Confined as its operations are to its own employées only, yet, “(established in 1866) the East Indian Railway Savings Bank already possesses about 1200 accounts, and over three lacs of rupees, in deposits.”

I may mention that, on first assuming charge of the Savings Bank, I pointed out to the late able Secretary of the Bank of Bengal, (Mr. George Dickson) how this neglected Department might be utilized to the material advantage of the Government; and he was an advocate of my views. I was the first, by introducing an “annual series of reports,” to interest the Government in this branch of its business. I also suggested that the general public be admitted as depositors throughout the country, where formerly Government employées only were permitted, and which was adopted in the opening out of the District Savings

---

\* This Report, owing to the changed views of Government, to which I have alluded, was not submitted.

Banks: and I induced the Government to raise the maximum of an account from Rs. 1,500, to Rs. 2,500, which led to an expansion of over three-fold in six years in the Calcutta Branch. I quote from the Report before mentioned, in regard to the proposed advance in the limit of an account to Rs. 10,000.

“After a growth of thirty years, the Rs. 1,500, limit to an account reached its maximum in 1863, at Rs. 10,43,150, and the Rs. 2,500, I hardly think will go beyond 40 lacs.”

“It is of consequence to meet the requirements of old depositors, who are the back-bone of the Bank, by advancing the limit. The maximum, Rs. 2,500 is too small for an old depositor, who often will invest in Government paper and retire altogether, when his maximum has been reached. Again, the purchasing power of money is not on a par with Great Britain, and prices of commodities are yearly advancing; as a consequence, more accommodation is required to lay aside money for the future in this country, than would be the case with similar classes at home.”

The Government can also utilize the Savings Bank balances, and in great part pay its expenses, by purchasing, and thus redeeming, their own promissory notes in the Indian market; similarly to the practice obtaining in the Paper Currency Department; thus displacing paper, causing the price to rise, and drawing supplies from England; which, in the interest of the Secretary of State, has been seen to be of so much consequence.

179. *Conclusion.* It is evident from the foregoing remarks, that

the Government can finance equally well, in counterbalancing a London loan, by paying off any of the higher rated interest loans; such as the 5½ and 5 per cent Debentures, and 4½ per cents, by given a bonus to holders to part with their securities before

*Conclusion.*

The Government can finance equally well by paying off any of the other loans 5½ or 5 p. c. Debentures, or 4½ p. c. cents, by giving a bonus to holders; the profit would be more than in the case of the 4 per cents. Main question must not be lost sight of. Not the loss or gain in buying silver, but that in raising the price it steadies exchange, and lessens the losses on Secretary of State's drawings. It also saves the interest on expunged loans, or can be used to develop Public Works, of a remunerative nature, now inert, abandoned, or deferred.

maturity; and the saving arising out of such transactions, would be greater than in dealing with the four per cents.

Again, the question to be considered, is not the loss or gain “in primarily purchasing silver,” but the after-consequences that would ensue in “raising the price of that metal” and steadying exchange, by which to lessen the heavy losses on the Secretary of State's drawings.

The profit must *here* be looked for ; and in the "saving of interest by extinguishing other loans" ; or again, by providing the means to prosecute useful, necessary, or remunerative Public Works, now inert, abandoned, or deferred.

D. P. STUART-MENTETH.

CLOSEBURN,

*Simla, 29th August 1876.*

### NOTE TO READERS,

English equivalents of Indian Currency.

1 Rupee equal to Two shillings.				
	10	do.	do.	£ 1 sterling.
	100	do.	do.	" 10 "
	1,000	do.	do.	" 100 "
	10,000	do.	do.	" 1,000 "
(One lac)	1,00,000	do.	do.	" 10,000 "
(One crore)	1,00,00,000	do.	do.	" 1,000,000 "

## STATEMENT No. 1.

The 4 per cent loans of Government, payable after a three months' notice, debt as on 15th August 1876.

	Amount held by the public in India.	Amount held by the public in England.	Amount held by Govern- ment.	Totals.
Sicca Rs. of 1832-33 ...	1,08,55,787	14,65,493	...	1,23,21,280
Govt. " 1835-36 ...	2,80,86,400	31,51,600	...	3,12,38,000
" " 1842-43 ...	10,13,06,600	1,63,88,600	2,70,00,000	14,46,95,200
" " 1854-55 ...	5,48,39,700	1,09,15,800	...	6,57,55,500
" " 1865 ...	12,83,52,977	1,63,60,600	2,91,80,223	17,38,93,800
	32,34,41,464	4,82,82,093	5,61,80,223	42,79,03,780

## STATEMENT No. 2.

A 4 per cent Loan in London of 20 million pounds sterling, invested in Silver, probable out-turn.

Details.	Amount.	
	Dr.	Cr.
To 20 million pounds sterling issued at 92 cost...	21,73,91,304	
To 3 months' interest on 21,73,91,304 at 4 p.c. per annum ; time allowed to Public ...	21,73,913	
To charges for issuing Loan and on purchase and shipment of silver to India, say, 5 per cent on £20,000,000 ...	1,00,00,000	
By purchase of £20,000,000 in silver, assumed at a rate equivalent to exchange at 1s. 9d. demand bills, out-turn ...		* 22,85,71,430
By balance being loss on transaction		9,93,787
Total, Rs.	22,95,65,217	22,95,65,217
* N.B.—No allowance has been made for the one-twelfth part alloy to a rupee, presumed to be part of the out-turn ; or the out-turn in rupees would be Rs. 24,76,19,060, giving a profit of Rs. 1,80,53,820 after the silver has been minted, less mint charges.		
Aggregate of the 4 per cent Loans held by the public, and payable after a 3 months' notice.	37,17,23,557	
Assumed that a loan of 20 millions would pay these, the silver forming the reserve being ample to meet payments, which will principally be in Currency Notes.		

## STATEMENT No. 3.

Indian Government Loans, shewing the amounts held in India and England, with the Interest payable in London by Drafts on India; figures and tables adduced out of returns from the Public Debt Office, dated 15th August 1876.

Description of Loans.	Amount held by the public in India.	Amount held by the public in England.	Amount held by Government.	Total aggregate of Indian Loans.	Per cent of Loans held by the public in India.	Per cent of Loans held by the public in England.	Per cent of Loans held by Government.	Total.	Interest per annum payable in London.	REMARKS.
3½ per cents. of 1853-54 ...	5,96,400	55,600	...	6,52,000	91·411	8·589	...	100·	1,946	† Opened for the benefit of the "Princes of the Mysore Family," and being gradually reduced.
4 p. c. Sicca Rs. of 1832-33 ...	1,08,55,787	14,65,493	...	1,23,21,280	88·106	11·894	...	100·	58,620	
4 " (stock) of 1853-54 ...	1,23,84,393	...	...	1,23,84,393	100·	.....	...	100·	...	§ Paid off. Bears no interest.
4 " of 1835-36 ...	2,80,86,400	31,51,600	...	3,12,38,000	89·911	10·089	...	100·	1,26,064	Undergoing gradual reduction,
4 " of 1842-43 ...	10,13,06,600	1,63,88,600	2,70,00,000	14,46,95,200	70·014	11·326	18·660	100·	6,55,544	as outstandings are presented for payment.
4 " of 1854-55 ...	5,48,39,700	1,09,15,800	...	6,57,55,500	83·399	16·601	...	100·	4,36,632	
4 " Mysore Family Loan †	24,33,560	.....	...	24,33,560	100·	.....	...	100·	...	Loan being in Sicca Rupees, the interest will slightly be in excess of figures.
4 " of 1865 ...	12,83,52,977	1,63,60,600	2,91,80,223	17,38,93,800	73·812	9·408	16·780	100·	6,54,424	
4½ " of 1870 ...	1,47,77,465	35,79,900	535	1,83,57,900	80·496	19·501	003	100·	1,61,095	
4½ " of 1871 ...	19,62,000	2,57,000	...	22,19,000	88·418	11·582	...	100·	11,565	
4½ " of 1872 ...	10,06,08,730	2,94,31,800	7,58,770	13,07,99,300	76·919	22·501	580	100·	13,24,431	
5½ " of 1859-60 ...	5,99,43,700	4,20,73,000	...	10,20,16,700	58·759	41·241	...	100·	23,14,015	
5 " Debentures (10 years) 1867	20,62,000	28,94,000	...	49,56,000	41·6	58·400	...	100·	1,44,700	
5 " do. (15 " ) 1867	26,86,000	33,17,000	...	60,03,000	44·744	55·256	...	100·	1,65,850	
4 " of 1824-25 ...	2,84,827	33,173	...	3,18,000	89·568	10·432	...	100·	1,328	
4 " of 1828-29 ...	1,01,654	2,346	...	1,04,000	97·744	2·256	...	100·	92	
5 " of 1856-57 } \$	2,83,500	82,800	...	3,66,300	77·396	22·604	...	100·	...	
5 " of 1854-55 } \$	73,500	.....	...	73,500	100·	.....	...	100·	...	
<b>Rs. ...</b>	<b>52,16,39,193</b>	<b>13,00,08,712</b>	<b>5,69,39,528</b>	<b>70,85,87,433</b>	<b>73·617</b>	<b>18·348</b>	<b>8·035</b>	<b>100·</b>	<b>60,56,306</b>	
<i>Summary.</i>										
3½ p. c. Loans ...	5,96,400	55,600	...	6,52,000	91·411	8·589	...	100·	1,946	
4 " " ...	33,86,45,898	4,83,17,612	5,61,80,223	44,31,43,733	76·419	10·903	12·678	100·	19,32,704	
4½ " " ...	11,73,48,195	3,32,68,700	7,59,305	15,13,76,200	77·518	21·98	502	100·	14,97,091	
5 " " ...	51,05,000	62,93,800	...	1,13,98,800	44·79	55·21	...	100·	3,10,550	
5½ " " ...	5,99,43,700	4,20,73,000	...	10,20,16,700	58·759	41·241	...	100·	23,14,015	
<b>Rs. ...</b>	<b>52,16,39,193</b>	<b>13,00,08,712</b>	<b>5,69,39,528</b>	<b>70,85,87,433</b>	<b>73·617</b>	<b>18·348</b>	<b>8·035</b>	<b>100·</b>	<b>60,56,306</b>	

N. B.—1. India has borrowed on the aggregate total of her indebtedness, at—

3½ per cent, an equivalent to	092 per cent. of her total liabilities.
4 " " "	62·539 " " "
4½ " " "	21·363 " " "
5 " " "	1·609 " " "
5½ " " "	14·397 " " "

Total ... 100

2. Her creditors in India hold 81·652 per cent. say 81½ per cent. of her loans  
" " England " 18·348 " " 18½ " "

Total ... 100

3. But of her Indian creditors, we have seen that Government ranks at an equivalent of 8 per cent.

Therefore India is virtually less indebted by this sum of Government holdings, and in considering her position these reductions must be deducted. The following is the position :—

Aggregate total of Indian Loans ...	Rs. 70,85,87,433
Deduct the Government holdings ...	" 5,69,39,528
<b>Amount held by the General Public ...</b>	<b>Rs. 65,16,47,905</b>
Indian Creditors, of this aggregate, hold 80·05 per cent. =...	" 52,16,39,193
English " " 19·95 " " =...	" 13,00,08,712
<b>Total ...</b>	<b>Rs. 65,16,47,905</b>

Therefore English creditors possess nearly 20 per cent. of the Indian loans. They are paid by drafts on India, at periodical intervals throughout the year and half-yearly. The amount thus annually paid, amounts, by the latest returns, (15th August 1876) to a sum of Rs. 60,56,306 (£605,631), or rather over 60½ lacs of Rupees, nearly equivalent to a fortnightly drawing by the Secretary of State on India, or a trifle over one twenty-fifth of his annual requirements of 15 millions sterling.

## STATEMENT No. 4.

*In support of Paragraph No. 119.*

A four per cent. Loan to be raised in London. To be issued in scrips at the assumptive ratio of Rs. 100 to every Rs. 92 paid. The Government of India receiving the equivalents, at the par exchange between India and Great Britain, of 2s. per rupee=£9-4. The loan to be an Indian-paid Loan, in other words, the interest to be drawn as on similar loans by drafts on Calcutta, and on maturity to be paid off in Calcutta in Currency Silver.

Details.	Amount.	
	Dr.	Cr.
1. To £5,000,000 sterling, cost at the figures above named ... ..	Rs. 5,43,47,826	
2. „ Three months interest on amount of the loan issued, viz.: Rs. 5,43,47,826, at 4 % per annum, being time allowed between date of issue of the proposed loan, and such interval as to permit of Government paying off the Indian loan. ... ..	5,43,478	
3. „ Charges on issue of the proposed loan, and on the purchase and shipment of the silver to India; say 5 % on the £5,000,000. ... ..	25,00,000	
4. By silver purchased with the £5,000,000, at an assumptive rate equivalent to the exchange at 1s. 9d. for demand drafts, out-turn ... ..	...	5,71,42,858
5. By balance, being loss on the transaction. ... ..	...	2,48,446
	Rs. 5,73,91,304	5,73,91,304

Memo. to demonstrate how such silver could be utilized in payment to assenting holders of the 5½ per cent Loan. Amount of the 5½ per cent loan (as per Public Debt Office returns of the 15th August 1876), Rs. 10,20,16,700. On the assumption that ⅓rds of these holders would respond, there remains a sum of Rs. 6,80,11,133 to be liquidated.

To this, add one year's bonus @ 5½ per cent. ... Rs. 37,40,611

And the sum to be met stands at, ... „ 7,17,51,744



As the proceeds of the Loan are more than sufficient to meet all the requirements of the  $5\frac{1}{2}$  per cents, the following exhibits how the silver could be utilized.

Data 1. The present Government Reserve of 49 per cent. against Note issue. 2. An assumptive demand in payment of the Loan, by the public, of 80 per cent in Currency Notes, and 20 per cent. in Currency Silver. 3. The balance of Silver remaining is allotted to the Public Works Department, on the presumption that such be needed, (vide the Government Notification to the Calcutta Chamber of Commerce), and on the wide margin of 50 per cent. in Silver to a like proportion of Notes.

	Notes 80 p. c.	Silver 20 p. c.
Payments, $5\frac{1}{2}$ per cent loan. ... Rs.	5,74,01,395	1,43,50,349
Ditto Public Works. ... „	98,42,500	98,42,500
	<hr/>	<hr/>
Issue of Notes and Silver, Rs.	6,72,42,895	2,41,92,849

This gives Rs. 3,29,49,508, held in Reserve, against Silver paid Rs. 2,41,92,849.

Results : 1. Loss on silver purchased. ...	Rs.	<u>2,48,446</u>
2. Interest per annum, 4% on Rs. 5,43,47,826, (the London Loan). ...	...	21,73,913
Taken from interest on the paid off portion of the $5\frac{1}{2}$ % Loan of Rs. 6,80,11,113 at a similar rate 4%. ...	...	<u>27,20,444</u>
Permanent interest saved. ... „		5,46,531
3. Saving of $1\frac{1}{2}$ % interest on the paid portion of the $5\frac{1}{2}$ % Loan for $2\frac{1}{2}$ years, or in other words "up to the maturity date." ... „		10,20,167
* 4. Allotment to the Public Works. ... „		1,96,85,000

*N.B.*—It here is assumed that the Government will act in accordance with the precedent furnished on maturity of the 5 per cent. Public Works Loan of 1854-55, and convert the  $5\frac{1}{2}$  per cents. into a four per cent. loan.

\* Should a demand from the public in payment of the  $5\frac{1}{2}$  per cents be taken at 10 per cent. silver, against 90 per cent. in Currency Notes ; the allotment to the Public Works would be Rs. 2,45,97,500.

## STATEMENT No. 5,

Shewing how the Government Loan of £4,000,000, issued in London at 4% on the 28th April 1876, could have been utilized had the Government purchased Silver with that amount and shipped such to India.

Details.	Amount.	
	Dr.	Cr.
* 1. To £4,000,000 sterling, issued at the presumptive ratio of Rs. 92 per 100 ...	Rs. 4,34,78,260	
2. „ 3 months' interest on Rs. 4,34,78,260 at 4% per annum, time allowed to permit of the payment of the Indian loan ...	4,34,783	
3. „ Charges on issue of the loan of £4,000,000, and on purchase and shipment of the Silver, etc., say 5% on four millions ...	20,00,000	
† By Silver purchased with the £4,000,000 at an equivalent to the rates ruling on 19th April 1876; for demand bills on India. Is. 9d. out-turn ...	...	4,57,14,286
„ Balance, being loss on transaction ...	...	1,98,757
	Rs. 4,59,13,043	4,59,13,043

\* The rate for Indian Government Paper in London is ruled by the price in Calcutta, and *vice versa*. The difference between the two rates represents the discount then ruling on demand drafts, *i. e.*, the per centum equivalent to the demand rate as compared with par,—2s. Therefore, when exchange (synonymous with silver) advances, the difference between the Indian and London price of Government Paper must also be lessened to represent the equivalent. Hence is it that Indian Scrips, from facilities of transfer, are used as a handy exchange medium, and are treated as demand drafts selling at a price (compared with the Indian rate) which as nearly as possible is equivalent to Indian bank demand drafts. The supposititious rate of 92, therefore, must not be taken as the then price of Government Indian 4% Loan Paper in the London market, which then ruled at 84; but from the upward rise in Silver and Exchange, consequent on so large a purchase at one time as £4,000,000, Government Paper must and would follow. This rate of 92, or an advance of 8%, is also contingent on the Government carrying out the suggestions contained in paras. 148 to 154, and may in all reason be assumed to have been a much lower figure than that at which such loan could have been issued under these circumstances.

† This sum of £4,000,000 by a strange coincidence, represents the average annual consumption of Silver by India, *i. e.*, her purchases annually in the London market. (Vide the Committee of the House of Commons on the Depreciation in Silver's Report see para 29. Compared with the world's annual total production (see para. 19) of Silver (£14,000,000) it stands at  $\frac{1}{3}$ ths,—(.2857) in the light of a demand. Add this four millions to the other four millions which the Committee's Report informs us has to be purchased to liquidate part of India's trade balance, as against England), and which is over and above the means to do so, as furnished by Council, Mercantile, and other bills, added to the Indian Loan Interest Drafts), and we would have had, consequent on this, suggested purchase, a demand from India alone of  $\frac{1}{3}$ ths (or.5714) of the world's annual production for this year 1876.

‡ This was the date when the Government sold £500,000 Council Bills at an average of 1s. 8-95*d.* being the first allotment made since 20th January, except a small sum of three lacs sold in March at 1s. 9*d.* (Vide money market report in the *Home News* of 21st April. The Government announcement of intention to raise this loan appeared on the 11th April. Exchange on India then ruled at 1s. 9*d.*

*Memo.*

The following exhibits how such silver brought to India could have been utilized.

Illustration 1. By paying off so much as is possible of the Indian 4 per cent loans in this country, which are payable after a three months notice.

Data 1. The present Government Silver Reserve of 49 per cent as against an issue of Currency Notes. 2. A presumptive demand from the public in payment of such loans, of 80 per cent. in Currency Notes, and 20 per cent in Silver. The out-turn of Silver, Rs. 4,57,14,286, could have paid off four per cent. loans to the extent of Rs. 7,72,20,000.

Results: 1. Interest on the London loan annually			
at 4% ... ..	Rs.	17,39,130	
Deduct from annual interest on Rs.			
7,72,20,000 the amount paid off at 4% ..		30,88,800	
			<hr/>
Leaves an annual saving to the country			
of ... ..	Rs.	13,49,670	

2. Loss on purchase of Silver ... ..	Rs.	1,98,757
--------------------------------------	-----	----------

Illustration 2. Should the public demand in payment of the Indian 4 per cents be taken at 90 per cent in Currency Notes, and 10 per cent. in Silver; which is a more natural estimate than in Illustration No. 1, the Government could have paid off Indian four per cents to the extent of Rs. 8,45,00,000.

Results: 1. Annual interest on the above at 4% ...	Rs.	33,80,000
Deduct interest on the London Loan ... ..	„	17,39,130
		<hr/>
Annual interest saved ... ..	Rs.	16,40,870

2. Loss on out-turn of Silver ... ..	Rs.	1,98,757
--------------------------------------	-----	----------

A reference to Statement No. 4 will show that the proceeds of the Silver could have been made to pay off the Rs. 7,17,51,744 appertaining to the 5½ per cents; the balance, Rs. 1,27,48,256, being available if need be for Public Works requirements.