

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

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Not to be folded or roughly handled

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

Read the following papers:

No. 17. From H. NELSON, Esq., Chairman, Chamber of Commerce; to the Chief Secretary to Government, Fort Saint George, dated 18th June 1859.

1. I have the honor, by desire of the Chamber of Commerce, to acknowledge the Proceedings of the Madras Government in the Financial Department, No. 323, dated 8th June 1859, and to avail myself of the permission therein accorded to make "further suggestions" on the subject of the enfacement and renewal of Government Promissory Notes, and the issue of original Notes of open Loans at the Madras Presidency.

2. I will for convenience, notice each para. of the letter of the Accountant General to the Government of India, with such remarks as may be necessary.

Para. 1. As Mr. Drummond observes, Notes for enfacement bearing endorsements, being required, under the present rules, to be renewed, it is evident that the power of enfacement without that of renewal will be valueless. The fact of one transfer would render the renewal necessary.

2. The objections alluded to are entirely of an official character, and can, in the opinion of the Chamber, be removed.

3. The Chamber does not think it necessary "that every Note presented for renewal, undergo comparison and check with the original Loan Registers."

4. The Secretary to Government at Madras should sign renewed Notes; and there can be no risk in duplicate plates being kept here and the forms struck off in presence of an Assistant to the Accountant General; who should be held accountable for the custody of the plates, and for every sheet of paper passed through the Press.

5. The Register at Calcutta need not be "original," in the sense in which the word is here used. It may still be complete, as will be shewn below; and records are more valuable for their completeness and efficiency than for their "originality."

6. This para. is answered by the scheme which follows:

Scheme.

1. A principal Register to be kept in Calcutta of all Notes of the Government Loans.
2. A Duplicate Register to be prepared and forwarded to Madras, (for "Madras" can be substituted "Bombay" throughout.)
3. All additions to the Principal Register to be forwarded by *each* fortnightly Mail Steamer to Madras, for entry in the Madras Duplicate Register. It will be objected to this that "pressure of business" will frequently prevent it being done in time. I reply that Merchants find no difficulty in completing their advices up to the latest moment by each Mail, and Government ought to be equally well served. Their allowances to their Servants are extremely liberal, and they should never tolerate such an excuse.
4. On a Note being presented at Madras for renewal, it should be compared with, and checked by, the Duplicate Register, and a new Note issued (under the signatures of the Secretary to Government and the Accountant General,) precisely similar to the one cancelled, except as to the name of the payee, when such an alteration is necessary.
5. The Accountant General of Madras should send by every Steamer Mail a Schedule of such renewals to be noted in the Principal Register at Calcutta, and in the Duplicate Register at Bombay. The renewals would also be noted in his own Register. The Accountants of the Government of India and Bombay should send Schedules of *their* renewals, to be noted in like manner in the Duplicate Register at Madras.

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

4. The effect of this plan would be that there would be at each Presidency a complete Register, posted up to the date, shewing the exact condition of every Note of the Government Loans. In case of fire, or other means of destruction, either one could be in a short time renewed from another, and this would be an important security to the Government and to the public. But the advantages, to all parties, obtained by not having to send every Note to Calcutta for renewal, would be very great, and by no means confined to the "Mercantile Community and Speculators;" a very remarkable opinion which Mr. Drummond puts forward in para. 10 of his letter.

5. In England the Officers of Government are induced to consult, most of all, the convenience of these classes, because it is known, that they are the Agents for the public and have immense influence, which they can bring to bear on any financial operation; but in this country, all the well known rules of financial policy appear to be reversed, and Merchants and Speculators are here regarded as persons whose interests it is hardly worth while to conciliate. It is assumed they are not "permanent investors" which is quite a mistake. In no country is it so usual as in this, for Merchants and Speculators to be permanent "holders" of Government securities; but even were this not so, it has been forgotten that other investors can only realize immediately by means of the money dealing classes, so that "an inconvenience to the latter immediately re-acts on the whole community. And the Accountant General has entirely omitted to consider, that Government is another party interested in the highest degree. The "Merchants and Speculators" are those who float its loans, who advance money on its paper, and who are, in fact, such aids to the National Finance, that without their services Government might appeal to the Public in vain for assistance. And lastly, every privilege and advantage given to the holder of a Government Note, improves its value, and consequently the Government credit.

6. If we were able to enface and renew Notes in Madras, we should be constantly using them for remittance to England, where they are sold to English investors, and it is assumed that the Government of India appreciates the effect of such operations, by which several millions of its debt may be eventually absorbed in the English market, and thus abstracted from the burden which presses on the restricted money markets of India. There seems to be no limit to the borrowing power of Government, but a very decided one as to the lending power of the community, and these facts are seldom sufficiently regarded.

7. I now revert to the other portions of Mr. Drummond's letter.

Para. 7. The issue at Madras of original Notes of an open loan need not "involve the necessity of a separate original Register at each Presidency." It is in the opinion of the Chamber, perfectly practicable, and may be made to dovetail with the scheme above proposed.

Scheme for issue of Original Notes.

1. The Accountant General should exchange the Sub-Treasurer's receipt for an original Note which instead of bearing a number simply, would bear a "Madras number" thus.

(Madras No. 1759.)

He would, by each Mail, send a Schedule of these Notes to Calcutta, to be entered on the Principal Register there, and these entries, would be then treated in manner similar as if they had been originally made in Calcutta. The Madras running number would thus not interfere, in the Register, with the running numbers of Calcutta and Bombay. There is no special advantage in an "original" record. The materials from which it is made up may, with due care, just as well come from Madras and Bombay, as from another room in the Accountant Generals Office.

8. Para. 8. There is no analogy, as respects these questions, between Treasury bills and Government paper, as Mr. Drummond himself points out in para. 9 which therefore with para. 8 requires no remark.

Para. 10. This para. has already been alluded to above and only requires remark as respects the paper issued with coupons attached. The public, as yet, has had no experience of coupons, and therefore it remains to be seen if it will avail itself of them to any

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

extent. But although they will probably be of great convenience, it is more than unlikely that the whole public debt will be converted into coupon paper, and that so will be found "a sufficient remedy for much of the inconvenience which has caused complaint." The Chamber does not concur with Mr. Drummond's view in this respect, and believes that the issue of coupon paper will not remove the disabilities brought to the notice of Government. These disabilities affect an immense mass of securities, now in the hands of the public; and to these securities must the remedy be applied, if applied at all. It will be little use to look forward to the future, as to Treasury bills and coupons, to cure those evils which are now attached to the existing Government Notes.

9. I am desired therefore to submit that the proposals made by this Government to the Government of India are of a perfectly feasible character, requiring only an effort of organization, of no great difficulty, to be carried into full effect within a few months.

No. 18. From G. L. PRENDERGAST, Esq., Accountant General; to the Chief Secretary to Government, Fort Saint George, dated Pater's Gardens, 22nd June 1859, No. 69.

1. I have the honor to acknowledge the receipt of the order of Government of the 8th June 1859, No. 323, Financial Department, inviting further suggestions, on the subject of "enfacing" "renewing" and "issuing" Promissory Notes at Madras, in reference to the objections pointed out by the Accountant General to the Government of India.

2. In a matter of this kind I think it best to place in juxtaposition his objections and my replies.

3. He concedes here that the power of enfacing Notes for payment of interest in London may be granted. I think the concession would be of value and acceptable to the Mercantile Community. The renewal of notes previous to such enfacement falls within the question of the general power to renew which is next to be considered. He admits in para. 2 that it "would afford material relief to this Office and by obviating delay

Extracts from letter of the Accountant General to the Government of India, dated 2nd May 1859.
Para. 1. "I am not aware of any objection to the enfacement at Madras for payment of interest in London by Drafts on Madras of Promissory Notes of which interest has been made payable at Madras; but as only unendorsed Notes can be so enfaced it is probable that without the further power of renewal, this concession would not be of much value."

"and risk of loss in transit would be a great convenience to the public."

Answer to first objection.

4. If this reference to the "original Loan Registers" be an absolute necessity nothing more is to be said, but I cannot see the necessity:—If there be such, why is not a "reference to the original Loan Registers necessary in the case of "stock Receipts"—when I issue a stock Receipt* on the occasion of an holder, A, of stock appertaining to the Madras books desiring to transfer his stock to B. I at once take his stock receipt, make proper entries in my books, send the new receipt to be signed by the Chief Secretary, and hand A this new stock receipt to be delivered to B. This transfer goes to the point exactly, for it is a renewal in favor of another party. Put "Promissory Note" for "stock receipt." I should receive A's Promissory Notes, make my entries and hand him

First objection.

Para. 3. "Every note presented for renewal must necessarily undergo comparison and check with the original loan Registers; and, these being in Calcutta a reference would be necessary in every case as much delay as the transmission of the note itself."

* In lieu of the original granted at Calcutta and on which interest has been transferred payable at Madras.

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

another note; the only difference would be that I should hand A, a Promissory Note elegantly printed off on peculiar paper at Calcutta, instead of a stock receipt printed at my own press on common foolscap paper.

Answer to Second objection.

5. I have just shewn that in the case of fresh stock receipts, the Chief Secretary here is allowed to sign and he signs Treasury Bills, might he not be permitted to sign fresh (renewed) Promissory Notes?

Second objection.

Para. 4. "The new notes should be signed by the Secretary to the Government of India."

Answer to third objection.

Third objection.

"And the transmission of blank forms bearing such signature to Madras or Bombay would be very dangerous."

Answer to fourth objection.

7. Blank forms of Treasury Bills are now transmitted and the risk is cheerfully run. I do not perceive how greater hazard would be incurred in sending blank forms of Promissory Notes. I do not think the alternative plan of having facsimiles of the note plates at Madras advisable.

Fourth objection.

"And even if the Government of India authorized the signature on its behalf by the Chief Secretary of another Presidency, there would still be great risk from the possible loss of blank forms in transit."

Answer to fifth objection.

8. The renewed note is not the original, but a continuing note being the same number in fact is nothing more than (supposing it possible) pasting a fresh piece of paper at the back, or adding a fresh piece to the foot of the original Note.

Fifth objection.

"A still graver objection is that renewal of the notes elsewhere must seriously affect the accuracy and value of the original loan registers in Calcutta, in fact they would cease to be complete original records."

9. But why dwell upon the records at Calcutta, are not the offices of all the Accountants General the offices of record of the Supreme Government, i. e., of the Secretary of State for India. My office is only a branch office of that at Calcutta and my records therefore his records. I cannot regard such an objection as valid against the admitted convenience of the proposed change.

Answer to sixth objection.

10. Supposing this to be the case. I do not acknowledge the validity of this objection but I cannot, as I have above explained, regard a renewed note as a new note. It may be true in one sense that a new note is issued, but substantially it bears the very same number as the old note, it represents the old note continued, lengthened, so as to admit of further endorsements and further receipts for interest.

Sixth objection.

Para. 6. "The registers of renewals at Madras or Bombay would become pro tanto the original record of the new note."

the very same number as the old note, it represents the old note continued, lengthened, so as to admit of further endorsements and further receipts for interest.

Answer to seventh objection.

11. Suppose this to be necessary—what would be the evil if it? If the new note were to be re-transferred, the responsibility involved in the then endorsements would be with Madras. Madras would have to ascertain that all endorsements were correct each office ought to bear the burden of its own responsibility.

Seventh objection.

"And in case of re-transfer of such notes to Calcutta it would become necessary, on occasion of fresh renewal, to refer from Calcutta to Madras, for check with the intermediate register."

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

But I do not see the necessity for a reference. It would only be a continuing note the original of which had been duly recorded, in this case, in Calcutta; and, in respect to the continuing note itself, nothing more would be required for renewing it again at Calcutta, than an investigation of its endorsements which had before passed scrutiny here.

Answer to eighth objection.

12. Not so I think, as each of three Presidencies would renew, the two would be relieved it would hardly be an extension of the evil to Calcutta. I do not think the reference contemplated in the previous objection necessary, but if it were it would only amount to this,—Calcutta would

Eighth objection.

"And thus after, a time, the effect would be to extend the inconvenience now experienced at Madras, or Bombay, to this Presidency."

feel at length, in those cases, the inconvenience which Madras and Bombay have all along suffered in all cases.

13. Whilst we are discussing these questions, see how the Secretary of State for India gets over difficulties, where the public convenience is concerned. The following is a notification published at the India Office 25th March 1859. "The Secretary of State for India in Council hereby give notice that on and after the 1st May next, Promissory Notes of the Indian loans which have been enfaced for payment of interest in London by drafts on India may be registered in book to be opened in this office, so as to admit of the sale and transfer of the whole or any portion of such property in even hundreds of Rupees. When holders may desire again to receive their interest in India, a certificate of the amount standing in such register will be given to them to be exchanged in Calcutta for Promissory Notes as before."

"This Notification is not intended in any way to interfere with the essential conditions of the several loans."

(Signed) J. C. MELVILL,

Would not the objections now urged have equally applied to the proceeding which is indicated in the above Notification.

- What is "subdivision" but taking one note and issuing two or more notes in its stead? what is renewal but taking one note and issuing one other note in its stead.

The Secretary for India gets over them very summarily. He offers to subdivide* Notes and makes no reference to Calcutta on the occasion, and re-transfers interest payable at Calcutta by means of a certificate. What, in this case, becomes of the accuracy and value of the original loan registers in Calcutta, and of the necessity of comparison and check with the original loan registers at Calcutta.

Answer to ninth objection.

14. I now advert to the issue of original notes of an open loan at Madras, to which all these objections are said to tell with additional force. I have shown above of how little real validity these objections are to the enfacement or renewal of notes, and have supported my

Ninth objection.

"These objections tell with additional force against the proposed issue at the Subordinate Presidencies of original notes of an open loan."

view by the example of the Secretary for India. I need hardly therefore go over the same ground again, I am of opinion that notes received in blank from Calcutta may be issued here signed by the Chief Secretary as Treasury bills are. Registers would, of course, be sent to Calcutta—the Notes would be numbered, No. 1 and so, of Madras and when the notes arrived at Calcutta, if they did so arrive by transfer, they might receive a Calcutta number. We have our Madras numbers here on the Calcutta notes. Of course, this necessitates a separate original register at the Madras office but I do not see the evil of that, since it is a branch office.

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

Answer to tenth objection.

15. There is no necessity for a separate loan for each Presidency. It is the loan of the

Tenth objection.

Para. 8. "The only safe alternative would be to have separate loans which is not suggested and as it is also open to many objections and has been in some degree provided for by the issue of Treasury bills, it is needless to consider here."

ta and that they must needs be issued by the office in Calcutta the note in point of fact is the proper "acknowledgment."

Another to eleventh objection.

16. There is, I submit, all the analogy that I desire to establish, blank forms of Notes

Eleventh objection.

Para. 9. "Reference is made by the Accountant General to the Treasury bills but as these are issued by the Government of Madras and Bombay payable only at the General Treasury of those Presidencies and cannot be renewed or transferred elsewhere there is no analogy between them and Promissory Notes of the permanent loans."

Secretary for India and subscriptions are receivable at Madras and acknowledgments for the subscription are given here why not the notes also in lieu of the acknowledgments. One might as well say really that we ought to have "acknowledgments" from Calcutta. The Chief Secretary might, I think, sign notes, since he signs Treasury bills and we might here have separate registers of notes since we have separate original registers of Treasury bills. What are Treasury bills but Promissory Notes issued on different conditions.

17. This observation is true enough but self interest, if not a higher motive, should urge

Para. 10. "The delay experienced in the receipt of new notes at a distance from Calcutta, and in the renewal of old notes, principally affects the Mercantile Community and speculators in Government securities—it is of little importance to those who make permanent investments."

classes that subscriptions mainly flow in and even to the third class, the permanent investors, I believe the matter (of early receipt of notes) to be of more importance than seems here to be ascribed to it.

18. The issue of coupons for interest may, in a great measure, meet the difficulties in respect to the renewal of 5 per

Para. 10. Continued.—"And it is probable that the coupon bearing paper which cannot be renewed and requires no enfacement, and which had not been advertised at the time this reference was made from Madras, will be found a sufficient remedy for much of the inconvenience, which has caused complaint."

* They are payable to "bearer" on such and such a date and therefore any one who possesses himself of a coupon may after due date claim payment.

coupons. It will not moreover reach the holders of $4\frac{1}{2}$ per cent. or 4 per cent. or $3\frac{1}{2}$ per cent. paper nor even affect the holders of the 5 per cent. paper of 1854-55 beyond the guaranteed period viz., 1870 or the 5 per cent. paper of 1856-57 beyond 1872, they will then have to revert to the old system.

*Proceedings of the Madras Government, Financial Department,
from 16th to 22nd July 1859.*

19. I have now gone through all "the objections" and, as I said before, the enfacement (A) of Notes, and their renewal (B) here might, in my opinion, be permitted, also (C) new notes might be issued here in lieu of acknowledgments.

A. First request of the Chamber of Commerce.

B. Second request of the Chamber.

C. First suggestion of Accountant General at Madras.

D. Second suggestion of do.

The subsequent transfer when required might be made in the manner the Secretary for India notifies as feasible in London for subdivision of the notes which have gone home—a certificate might be given when the holders of notes issued here desire again to receive their interest at Calcutta. The Notification of the Secretary for India indicates, I think, that the (D) renewal of Promissory Notes, or what is tantamount to renewal, can and will be effected in London. Should this be the case, it is very desirable that the improvement be distinctly promulgated.

20. You will recollect how the Accountant General to the Government of India would not listen to the suggestion we made, that holders of the book debt loan might be allowed to transfer their stock to the 5 per cent. loan of 1856-57. It was impracticable in his judgment. The Secretary for India, however, seemed to think there was no invincible difficulty in the way and ordered the transfer to be allowed. If the Accountant General would even yet reconsider the other suggestion we made, it would be very advantageous to Government, viz., to permit the transfer of Tanjore paper to the open loan. The tenor of conditions of the two loans has little to do with the matter,—for what is the transfer,—nothing but the discharge of the Tanjore paper now, instead of on the 31st March next, the amount of which, with an equal amount in cash, will come into the open loan. But there will be this difference. If the transfer is effected, Government will receive in cash which they want, the amount probably of $\frac{1}{2}$ a crore, or more if all is transferred, whereas if it is not permitted, Government will have to pay that sum much to their inconvenience ten months hence.

No. 19. ORDER THEREON, 21th July 1859, No. 400.

Resolved that copies of the above letters be forwarded to the Secretary to the Government of India, in reference to his letter of the 18th May 1859, No. 3917, with the opinion of this Government, that these papers entirely dispose of the objections taken by the Accountant General to the Government of India, to the enfacement and renewal of Government Promissory Notes at Madras, to the issue at Madras of new notes of an open loan, and to the renewal of enfaced notes in London; and that the subject be again urged upon the consideration of the Supreme Government.

2. Resolved also that the special attention of the Government of India be requested to the suggestion contained in the concluding part of Mr. Prendergast's letter.

(Signed) T. PYCROFT

Chief Secretary.

No. 20. TO THE SECRETARY TO THE GOVERNMENT OF INDIA, in the Financial Department, dated 21st July 1859, No. 401.

I am directed by the Honorable the Governor in Council to acknowledge the receipt of your letter under date the 18th May last, forwarding copy of a report made by the Accountant General to the Government of India, upon the proposal submitted in my letter of the 9th April, for the enfacement and renewal of Government Promissory Notes at Madras, for the issue there of new notes of the open loan, and for the renewal of enfaced Notes in London; and enquiring whether the Government of Fort Saint George could suggest any course, by which the objections alluded to by that officer could be removed.

2. In reply I am desired to forward the accompanying copies of further letters from the Accountant General of this Presidency, and from the Madras Chamber of Commerce, to whom copies of Mr. Drummond's report were furnished on its receipt, with an intimation that the Government would be ready to receive any further suggestions on the subject in reference to the objections that had been taken.