

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. *243A-44* Press
~~Mis.~~

Dated *30th May* 18*60*

B/ro 31

12/13

Not to be folded or roughly handled

28/5/20

*Proceedings of the Madras Government, Financial Department,
for the month of May 1860.*

Read the following Proceedings of the Board of Revenue, dated 23rd May 1860, No. 2500.

No. 31. Read Proceedings of the Madras Government, dated 11th May 1860, No. 204, Financial Department.
(In Con., 12th May 1860, No. 2213).

1. The Board have conferred with the Accountant-General on the proposed formation of Currency Circles for this Presidency and have come to the following conclusions:—

I. That the Madras Circle, in consequence of its great extent needs more than one Sub-office of issue. The only office of this kind proposed is at Vizagapatam, which is 500 miles from Madras and 200 miles from Ganjam. The circle comprises nine districts with an area of 47,900 square miles, a population of ten millions and a revenue of Rs. 2,28,00,000. Cuddapah and Masulipatam would be the most convenient places for Sub-offices. There are, however, no regular troops at either of these stations. In a portion of the Ganjam District the Uriya language is exclusively spoken, and it would be desirable to have it also on the notes.

II. That Malabar, Cochin and Travancore should be removed from the Trichinopoly Circle, which would still comprise seven large districts. The notes of this circle need not then bear Malayalam characters, Telugu or Hindustani might be substituted for them.

The reasons for excluding the Western Provinces from this circle are, that they are naturally separated from it by a range of mountains and that there is little traffic or communication of any kind between them and the eastern districts. The trade of these districts like, that of Canara, is chiefly with Bombay.

III. That Malabar, Travancore and Cochin should be united with the Bellary Circle, Cannanore, where there is a European Regiment or Calicut, the principal civil station, being made the Chief office of Issue and Sub-offices being established at Bellary; and (if the notes can be made legal tender in

Mysore) at Bangalore. Considering, however, how much of the trade of Malabar and Canara is with Bombay, it is necessary that the notes of this circle should at least be exchangeable for Bombay Notes at Bombay, and *vice versa*.

IV. That Belgaum and Dharwar should be excluded from the Madras Circles with the districts of which they have little intercourse or trade.

2. In other respects the Board and the Accountant-General have no alterations to suggest. They are aware of the difficulties attending the establishments of Sub-offices of Issue, but unless cash can be obtained for the notes within reasonable distances, they doubt whether the paper currency will be very acceptable to the people at large. It would be advantageous, they think, to allow Collectors a discretionary power of giving change for notes (as they now give small coin for rupees) within limits to be fixed by the Accountant-General, and this arrangement would lessen the need for Sub-offices.

(A true Extract.)

(Signed) J. D. SIM,
Secretary.

To J. D. Bourdillon, Esq., Secretary to Govt., Revenue Dept.

No. 32. Minute by the Honorable the PRESIDENT, dated 26th May 1860.

Although the reference to this Government is confined to the details of the currency circles, I feel the responsibility of our position too strongly to confine the expression of my opinion to that point.

2. I have always been in favor of applying Ricardo's currency principal to India. As long ago as April 1833, I proposed a plan substantially the same as that which has now been brought forward by Mr. Wilson, and I renewed the proposal in my minute, dated the 11th of July last.

3. But, however sound the principle, and however applicable it may be to India under certain conditions, the plan will fail if it is applied, as now intended, *entire to the whole of India at once*. In this, as in the case of the Income-tax, the correctness of a plan according to economical principles is one thing, and the state of preparation of the natives for it and their feeling towards it is another. The practical state of things with which we have to deal has more to do with the latter than the former. We cannot ignore the mind and will of a swarming multitude composing many great nations united under the protection of our Government. It is useless to answer out of Adam Smith objections derived from inveterate native habits.

4. So far as the new paper money is voluntarily accepted by the people; its circulation will benefit all concerned; but so far as it may be forced upon them, discontent and distrust, and possible panic, or something worse, are inevitable.

5. To begin by making the notes a legal tender is putting *last first*. It is literally *preposterous*. Bank of England Notes had circulated on the credit on their convertibility for a century and a half before they were declared a legal tender in our own time. The steps by which we arrived at our present status in England are quite as useful by way of example as that status itself.

6. The natives will be much more likely to take kindly to the new circulating medium if it is offered for their voluntary acceptance, than if it is forced upon them.

7. For these reasons, I am of opinion that the new paper currency should not be declared a legal tender at first; but should rest upon its convertibility at certain Government Treasuries, and upon its being received in payment of taxes and other Government dues everywhere, until its credit and the habit of using it have been established, after which it may be declared a legal tender.

8. I am also of opinion that the new paper currency ought first to be applied to the provinces comprised in the Lieutenant-Governorship of Bengal, where the people are more accustomed to Bank notes and Government credit than they are elsewhere; and where the advantage of such a circulating medium would be soonest appreciated owing to the large scale upon which mercantile and money transactions are carried on. The total unsuitableness of extensive districts in Central and Northern India which have been included in the proposed currency circles, for a scheme of this kind, for which the most civilized countries of the west are hardly prepared, will be obvious to those who have had experience of India. We should also forego one of the chief advantages of our extensive and varied Indian Empire, if we made a single trial and a single venture. The experiment ought first to be made on a limited scale and under the most favorable circumstances. We should then proceed gradually and safely towards the attainment of our object; and, while serious re-action would be impossible, we should have the advantage of a growing experience at every step of our progress except the first.

(Signed) C. E. TREVELYAN.

No. 33. MINUTE by the Honorable E. MALTBY.

I concur in the advisability of the precautions recommended by the President, and hope that a valuable measure will not be endangered by precipitancy or by

attempting to force its adoption. If notes are to be made a legal tender, this will affect our establishments, military and civil, as well as the general community, and it is a serious consideration whether the country is advanced enough to render such a step safe and prevent dissatisfaction.

(Signed) E. MALTBY.

No. 34. MINUTE by the Honorable W. MOREHEAD, dated 28th May 1860.

If, as proposed, a paper currency is at once to be made a legal tender all over India, I am of opinion that no notes of a lower value than 50 rupees should at first be issued. This would prevent the ordinary transactions of the greater bulk of the people being affected by its operation. The measure could thus be introduced and fairly tested without creating the excitement and apprehension that must arise if the proposed paper currency is at once introduced throughout India.

2. Greater facilities must be afforded in this Presidency for converting the notes into cash, than is contemplated by Mr. Temple. The Madras districts are all large, and I am of opinion that an office of issue, to render the scheme feasible, must be provided for every two districts.

3. It is stated in paragraph 3 of the memorandum that "no discount can be charged" on the notes. To prevent the charge of discount is perfectly impossible; it now exists in every bazaar, and will assuredly prevail to a much greater extent the moment a paper currency, such as the one proposed, is introduced. As a legal tender in payment of a debt, no discount can be charged, and the sum tendered in notes *must* be accepted. But in the case of purchasers—and this will more especially bear hardly upon the lower orders—no sellers can be compelled to take notes, except on their own terms; an increase of price will either be charged upon the goods or a demand of discount will be made.

4. I see Mysore is included in one of the proposed circles: Can we force a paper currency on Mysore? I am of opinion we cannot. With the financial affairs of Mysore we really have nothing to do. In this respect it is an independent State.

5. I will only add that it appears to me that the "disturbing causes," which affect the details of the proposed currency question, have not been sufficiently sifted and scrutinized, and, moreover, that the absense of all practical knowledge of the actual ideas, feelings and habits of the people of India in respect to this measure has been entirely overlooked.

(Signed) W. MOREHEAD.

No. 35. ORDER THEREON, 30th May 1860, No. 243A.

Resolved that the following letter be despatched.

No. 36. To the Secretary to the Government of India, Financial Department, dated 30th May 1860, No. 244.

I am directed by His Excellency the Governor in Council to inform you that this Government have received from Mr. Temple, Commissioner for the introduction of Paper Currency, a copy of a memorandum drawn up by him under the directions of the Financial Member of the Supreme Government, regarding the proposed formation of currency circles for the several presidencies and provinces of India. The opinion of the Madras Government is requested as to the appropriateness or otherwise of the plan.

2. On receipt of this communication, it was referred to the Accountant-General and the Board of Revenue jointly, who were requested to give their early and best attention to the subject, to confer freely together, and to submit their opinion

on the details of the proposed plan. An extract from the Board's Proceedings of the 23rd instant, No. 2500, submitting the result of their conference with the Accountant-General, is herewith forwarded.

3. I am at the same time desired to transmit the accompanying minutes, which have been recorded by the Members of Government on the general question, on which they have not before had an opportunity of offering their opinion. It will be remarked that while they regard the measure as sound in principle, they consider that in its present scope it is too large in its proposed operation, that it should be at first tried within a narrower sphere and on a more restricted basis, and thence extended gradually and cautiously as circumstances prove favorable.

4. Referring to para. 3 of Mr. Temple's letter, I have to state that copies of the numerals and letters in the Tamil and Telugu languages have already been furnished to him, and that those in Canarese and Malayalam will be sent shortly.

(Signed)

T. PYCROFT,
Chief Secretary.

Minute by the Honorable the President

Although the Reference to this Government is confined to the details of the Currency Circular, I feel the responsibility of our position too strongly to confine the expression of my opinion to that point.

2 I have always been in favor of applying Ricardo's Currency principle to India. As long ago as April 1853 I proposed a plan substantially the same as that which has now been brought forward by Mr. Wilson; and I renewed the proposal in my Minute dated the 11th of July last.

3 But, however sound the principle and however applicable it may be to India under certain conditions, the plan will fail if it is applied, as now intended, entire, to the whole of India, at once. In this, as in the case of the Income Tax, the correctness of a plan according to economical principles is one thing, and the state of preparation

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4 As far as the new Paper money is voluntarily accepted by the People, its circulation will benefit all concerned, but so far as it may be forced upon them, discontent, and distrust, and possible panic or something worse, are inevitable..

5 It begin by making the notes a legal tender is putting last first. It is literally pre-posterous.. Bank of England Notes had circulated on the credit on their convertibility, for a century and a half before they were declared a

Legal tender in our own time.. The steps by which we arrived at our present status in England are quite as useful by way of example as that status itself..

6 - The Natives will be much more likely to take kindly to the new circulating medium if it is offered for their voluntary acceptance, than if it is forced upon them..

7 For these reasons, I am of opinion that the new Paper currency should not be declared a legal tender at first; but should rest upon its convertibility at certain Government Treasuries, and upon its being received in payment of taxes and other Government dues every where, until its credit and the habit of using it have been established, after which it may be declared a Legal tender..

8 I am also of opinion that the new Paper currency ought first to be applied to Bengal Proper, where the People

People are more accustomed to Bank
notes and Government Credits than
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tage of such a circulating Medium
would be soonest appreciated owing to
the large scale upon which Mercantile
and Money transactions are carried on.
The total unsuitableness of extensive
Districts in Central and Northern India
for a scheme of this kind, for which the
most Civilised Countries of the West are
hardly prepared, will be obvious to those
who have had experience of India. We
should also forego one of the Chief advan-
tages of our extensive and varied Indian
Empire, if we made a single trial and
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first to be tried on a limited scale ^{and} under
the most favorable circumstances. We
should then proceed gradually and safely
towards the attainments of our object; and,

while serious reaction would be impossible,
we should have the advantage of a growing
actual experience at every step of our
progress except the first.

Yours truly
J. M. G. M. G.

Madras 26 May
1860.

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to this matter has been entirely
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204 W. Morehead

N: 2500

Proceedings of the Board of Revenue
dated 23rd May 1860.

Read Proceedings of the Madras
Government dated 11th May 1860 N: 204 Financial
Department.

(In Cons 12th May 1860 N: 2213)

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of its great extent needs more than one Sub
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The Circle comprises 9 Districts with an area
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trict the Coreya language is exclusively spoken
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II That Malabar Cochin and Travancore
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Canara is with Bombay, Total value of Imports of Merchandise and Treasure in 1858/59. 59,21,000. 56,96,000
Whereof Imports of Goods from Bombay } 46,83,000. 47,25,000
Total value of Exports of Goods } 52,02,000. 6,47,9,000
Whereof to Bombay. 26,74,000. 4,92,6,000
at least be exchangeable for Bombay notes at Bombay, and vice versa.

IV That Belgaum and Dharwar should be excluded from the Madras Circle, with the Districts of which they have little intercourse or Trade.

In

Financial Department.

Proceedings of the Madras Government

Read the following papers.

Pro. of the B^d of Revenue - Here enter. 23rd May 1860 N^o 2500
Minute by the Hon. the President. 26th v
do " Hon. C. Mallay 28th v
do " Hon. W. A. Morehead 28th v

Order thereon. 30th May 1860. N^o 2634.

Resolved that the following letter be despatched.

For

The Secretary to the Gov^{rs} of India
Financial Dep^t

/ Here enter. 30th May 1860 N^o 2641

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Use letter to England
No 11 of 1880

No of Govt 31 May

Financial 1880 Dep't

No 2430

Proceedings of Govt

Dated 30 May 1880

Per steamer
12 June 1880

Financial Department

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The Secretary to the Government of India
in the Financial Department

Sir, I am directed by
His Excellency the Governor
in Council to inform you
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Member of the Supreme
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I have &c.

JP

St. George,
May 1860

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