M.R.O. 1—77,006—8-6-37.

(1) Number of pages 16

(2) Date of repair 16 6 39

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

Letter

G.O. No. 197

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Dated 20-3- 18 62.

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Not to be folded or roughly handled

16.6.39

Proceedings of the Madras Government, Financial Department,
10th March 1862.

No. 27. Read the following letter from JOHN McIVER, Esq., Secretary and Treasurer; to the Honorable THOMAS PYCROFT, Esq., Chief Secretary to Government, Fort Saint George, dated 25th February 1862, No. 1,010.

I have the honor by desire of the Directors, to acknowledge receipt of the Proceedings of Government in the Financial Department, dated 29th January, No. 75, in which the Government invite an expression of their views on the subject of the admission of Gold into the Currency as a subsidiary Coinage with special reference to Section IX, Act 19 of 1861.

The Directors are of opinion that the re-admission of Gold into the circulation of India would be very advantageous to the country at large, by which they would be understood to mean the Government and the people. At the same time they would desire to state explicitly in reference to the second point of enquiry indicated by the Government, that so long as Silver remains the standard of value in this country, so long must Gold be regarded as a commodity liable to fluctuations in value like other commodities, and that there is no means of fixing the relative value or purchasing power of the two metals so as to ensure Government against the risk of loss in receiving Gold in exchange for Promissory Notes, which it is bound to pay in Silver under the restrictions imposed by the Act in question, this risk however may be encountered without any grave apprehension.

In answer to the enquiry " what shall be the value of the Sovereign or of a given weight of " pure Gold." I am desired to state that taking the mean relative value of the metals in England and making allowance for the fact that standard Silver when taken to the Mint to be coined bears a seignorage of 2 per cent. whereas Sovereigns imported, circulate at once without being subjected to any seignorage, the nearest approximation that could be made to the true value of the Sovereign in the Currency of India would be Rupees 10-4, and this value is confirmed by a reference to the actual price of Sovereigns in Madras during the last 10 years; the average taken during that period being a small fraction above Rupees 10-4. The Directors are therefore of opinion that the Sovereign might with safety be received at that price in exchange for Currency Notes. On the other hand no higher value between Rupees 10-4 and Rupees 10-8 could be fixed without entailing great inconvenience in dealing with Sovereigns from the fact that the two Coins are so little adapted to circulate in conjunction, that the Sovereign can scarcely at any relative value of the metals between these points be found the exact equivalent of any even number of Rupees or parts of a Rupee.

Again there seems to be no doubt that if the value of the Sovereign were fixed at Rupees 10-8 the advantage of importing Sovereigns would be so manifest that in a very short period the full amount of Gold allowed by Act 19 of 1861, to be received in exchange for Notes would be paid into the Treasury and would simply remain there until Government should think fit to lower the value.

On a review of the whole question it seems to the Directors that however desirable it may be to introduce the Sovereign into the Currency of India, and for this purpose to make it receivable at a fixed value at all the Banks and Treasuries of the country, any attempt to do so short of admitting Gold equally with Silver as a legal tender in given relative proportions would be found practically to fail. The most obvious and simple solution of the question seems to them to be the re-introduction into the Indian Coinage of the Gold Rupee or fifteen Rupee piece with its proportionate parts of two-thirds and one-third, representing respectively Rupees 10 and Rupees 5. In this coinage 165 grains of pure Gold represents 15 pieces of equal weight of pure Silver; and if the State took upon itself the cost of the Gold coinage, the ten Rupee piece would then contain about the exact quantity of Gold to make it a fair equivalent of Rupees 10, at the usual (or average) price of Silver, and the five Rupee piece to Rupees 5 representing respectively the Sovereign and half Sovereign.

Nothing, in the opinion of the Directors, could be more convenient than such a Coinage and the objection raised to the similarity of the ten and five Rupee pieces to the Sovereign and half Sovereign, could easily be obviated by having the value in Rupees distinctly impressed in the obverse of each Coin.

Proceedings of the Madras Government, Financial Department, *10th March* 1862.

Such a measure would, the Directors think, at once encourage the importation from the Australian Colonies of Gold, coined and uncoined, and give a fresh impulse to the trade between them and India; but while looking upon this Coinage as at first merely subsidiary and subject to the restrictions laid down in Section IX, Act 19 of 1861, the Directors think that these restrictions might gradually be relaxed and they see no insuperable obstacle to the Government eventually admitting Gold equally with Silver as a legal tender receiving its dues and discharging its obligations in either metal. Such a measure they think would tend greatly to steady the relative value of the two metals and preserve their equilibrium in the markets of the world. And even if in process of time an increasing abundance of Gold should so alter the relative value of the two metals as to make it the interest of all to pay in Gold, the change would be so gradual as to inflict injury on no one.

No. 28. To the Secretary to the Government of India, Financial Department, dated Fort Saint George, 10th March 1862, No. 197.

Section 9.

Proceedings of Government, 29th January 1862, No. 75.

I am directed by His Excellency the Governor in Council to forward, for submission to the Government of India, the accompanying copy of a Minute which has been recorded by the President relative to the carrying out at Madras that part of Act XIX, 1861, which provides for the issue, under certain restrictions, of Notes of the Government of India against Gold Coin or Bullion, together with a copy of the reference made in the terms of that Minute to the Directors of the Bank of Madras and of their reply.

2. This Government, I am to state, quite agree with the Directors as to the advisability of the introduction of a Gold Currency into India; but a measure of such importance would require many prefatory steps, and the proposed acceptance by the Government of Gold in Bullion or Specie in exchange for Notes may be looked upon as one of these preparatory measures. The Government would recommend that Madras be made one of the Agencies for such issue of Notes against Gold. It would seem from what the Directors say that Rupees 10-4 would be the fair equivalent for a Sovereign, which would secure the Government from risk of loss. Some risk must of course be run, but the loss in this case would be trifling, while if a higher value were given to the Sovereign, many would be imported, and the loss to the Government would or might become serious.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. F. Cartledge

N° 16/1010.

To
The Honorable
Thomas Pycroft Esquire
Chief Secretary to Government

Sir,

I have the honor by desire of the Directors, to acknowledge receipt of the Proceedings of Government in the Financial Department dated 29th. January N° 75, in which the Govt. invite an expression of their views on the subject of the admission of Gold into the Currency as a Subsidiary Coinage with special reference to Section IX Act 19 of 1861.

The Directors are of opinion that the readmission of Gold into the Circulation of India would be very advantageous to the Country at large - by which they would be understood to mean the Government and the People - at the same time they would desire to state explicitly in reference to the second point of enquiry indicated by the Govt. that so long as Silver remains the Standard of value in this Country so long must Gold be regarded as a Commodity liable to fluctuations in value like other Commodities and that there is no means of fixing the relative value or purchasing power of the two metals so as to ensure Government against the risk of loss in receiving Gold in Exchange for Promissory Notes which it is bound to pay in Silver under the restrictions imposed by the Act in Question that risk however may be encountered without any grave apprehension.-

In answer to the enquiry "What shall be the value of the Sovereign or of a given weight of pure Gold" - I am desired to state that taking the mean relative value of the metals in England and making allowance for the fact that Standard Silver when taken to the Mint to be coined bears a Seignorage of 2 per Cent whereas Sovereigns imported, circulate at once without being subjected to any Seignorage, the nearest approximation that could be made to the true value of the Sovereign in the Currency of India would be Rups 10 „ 4 - and this value is confirmed by a reference to the actual price of Sovereigns in Market during the last 10 years, the average taken during that period being a small fraction above Rups 10 „ 4 - The Directors are therefore of Opinion that the Sovereign might with safety be received at that price in Exchange for Currency Notes - On the other hand no higher value between Rups 10 „ 4 & Rups 10 „ 8 could be fixed without entailing great inconvenience in dealing with Sovereigns from the fact that the two Coins are so little adapted to circulate in conjunction, that the Sovereign can scarcely at any relative value of the metals between these points be found the exact equivalent of any even number of Rupees or parts of a Rupee -

Again there seems to be no doubt that if the value of the Sovereign were fixed at Rups 10 „ 8 the advantage of importing Sovereigns would be so manifest that in a very short period the full amount of Gold allowed by Act 19 of 1861 to be received in Exchange for Notes would be paid into the Treasury and would simply remain there until Government should think fit to lower the value.-

On a review of the whole question it seems to the Directors that however desirable it may be to introduce the Sovereign into the Currency of India, and for this purpose to make it receivable at a fixed value at all the Banks and Treasuries of the Country, any attempt to do so short of admitting Gold equally with Silver as a legal tender in given relative proportions would be found practically to fail. - The most obvious and simple solution of the Question seems to them to be the re introduction into the Indian ~~[illegible]~~ Coinage of the Gold Rupee or fifteen Rupee piece with its proportionate parts of two thirds and one third - representing respectively

Rup^s 10 and Rup^s 5. — In this Coinage 165 grains of pure Gold represents 15 pieces of equal weight of pure Silver and if the State took upon itself the cost of the Gold Coinage the Ten Rupee piece would then contain about the exact quantity of Gold to make it a fair equivalent of Rup^s 10. at the usual (or average) price of Silver and the five Rupee piece to Rup^s 5. representing respectively the Sovereign and Half Sovereign.—

Nothing, in the Opinion of the Directors, Could be more convenient than such a Coinage and the objection raised to the similarity of the Ten and Five Rupee pieces to the Sovereign and Half Sovereign could easily be obviated by having the value in Rupees distinctly impressed on the obverse of each Coin.—

Such a measure would, the Directors think, at once encourage the importation from the Australian Colonies of Gold, Coined and uncoined and give a fresh impulse to the trade between them and India, but while looking upon this Coinage as at first merely Subsidiary and Subject to the restrictions laid down in Section IX Act 19 of 1861 the Directors think that these restrictions might gradually be relaxed and they see no insuperable obstacle to the Government eventually admitting Gold equally with Silver as a legal tender receiving its dues and discharging its obligations in either metal — Such a measure they think would tend greatly to steady the relative value of the two Metals and preserve their Equilibrium in the markets of the world — And even if in process of time an increasing abundance of Gold should so alter the relative value of the two Metals as to make it the interest of all to pay in Gold, the change would be so gradual as to inflict injury on no one.—

I have the honor to be
Sir,
Your most Obed^t Servant
John Mc Iver
Secretary & Treasurer

Bank of Madras
25th February 1862

Despd 11th

Financial Departt

No. 197

To

The Secretary to the Govt. of India.
Financial Departt.

Sir,

I am directed by His Excellency the Governor in Council to forward, for submission to the Govt of India, the accompanying copy of a Minute which has been recorded by the President relative to the carrying out at Madras that part of Act XIX - 1861 which provides for the issue, under certain restrictions, of Notes of the Govt. of India against Gold Coin or bullion, together with copy of a reference made in the terms of that Minute to the Directors of

Section 9.

Pro of Govt. 29th Jany /62
No 75/162

I quite agree with the Directors of the Bank as to the advisability of the introduction of a Gold Currency into India. but a measure of such importance would require many preparatory steps. and the proposed acceptance by the Govt of Gold in Bullion or Specie in Exchange for Notes may be looked upon as one of these preparatory measures. - It would seem from what the Directors say that 10R. 4A. would be the fair equivalent for a Sovereign what would secure the Govt from risk of loss - some risk must of course be run, but the loss in this case would be trifling, while if a higher value were given to the Sovereign many would be imported and the loss to the Govt would or might become serious. The letter had better be sent with the [illegible] to the Govt of India

Pro: 29th January 1862
order No. 75

Fin'l 1862 Dept

No. 197

From

The Secy & Treasurer. Bank of Madras.
16/1010.

Dd 25th
Recd 26th } Feby /62.

No. 1/61

As required by Govt. forwards the views of the Directors on the Subject of the admission of Gold into the Currency as a Subsidiary Coinage - the views being in favor of the introduction of Gold Currency into India.

c 27 Feb

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of the Bank of Madras and of their reply.

2. This Govt. I am to state, quite agree with the Directors as to the advisability of the introduction of a Gold Currency into India. but a measure of such importance would require many prefatory steps, and the proposed acceptance by the Govt. of Gold in Bullion or Specie in exchange for Notes may be looked upon as one of these preparatory measures. The Govt. would recommend that Madras be made one of the Agencies for such issue of Notes against Gold. It would seem from what the Directors say that Rs. 10-4 As. would be the fair equivalent for a Sovereign, which would secure the Govt. from risk of loss. Some risk must of course be run, but the loss in this case would be trifling, while if a higher value were given to the Sovereign many would be imported and the loss to the Govt. would or might become serious.

I have &ca.

Fort Saint George,
10th March 1862.

12 Copies Bank

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Financial 1862 Dept.

No 197.

To the Secy. to the
Govt. of India.

7 No 487/62

D/ 10th March 1862.

Forward copy of a Minute recorded by the President relative to the carrying out at Madras that part of Act XIX of 1861 which provides for the issue under certain restrictions of Notes of the Government of India against Gold coin or bullion - think it advisable to the introduction of a Gold Currency into India and recommend that Madras be made one of the Agencies for such issue.