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MADRAS RECORD OFFICE.

Government of Madras.

Financial **DEPARTMENT.**

G.O. No. 261 Press/~~Mss.~~

16-17

Dated 5-4 1862.

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Not to be folded or roughly handled

27-2-57

Proceedings of the Madras Government, Financial Department,
5th April 1862.

No. 16. Read the following Extract from the Proceedings of the Government of India in the Financial Department, dated 28th February 1862, No. 1,577.

Read a note by the Secretary in this Department, dated 29th ultimo, relative to the steps that should be taken for the suppression of the Native Copper Coin, and for the more general introduction of the Government copper coin.

Resolution.—The Governor General in Council observes that in the year 1853, the then Accountant to the Government of Bengal recommended to this Government the following measures for the better circulation of the Government Pice in the Lower Provinces of the Presidency of Bengal, viz.:—

1st. To direct Collectors to receive Pice to any extent in payment of Government dues and give Rupees in exchange for Pice at the rate of 64 Pice to the Rupee whenever it might be found convenient, and to enjoin upon the Collectors the necessity of affording to the people every opportunity of obtaining supplies of Pice and other Government Copper Coins from their Treasuries in exchange for Rupees.

2nd. To coin ½ and ¼ Pice pieces in the place of the Pie pieces, now in use, and then to take measures for ensuring to the people an ample supply of each description of coin in different parts of each District by lodging a certain quantity in the hands of each Moonsiff and Deputy Magistrate in the interior of the Districts for distribution to all applicants at par.

These suggestions were approved by this Government on the 7th February 1854, and the Accountant was told that the coinage of the ½ Pice was progressing, and that the coinage of the ¼ Pice would be considered when the result of the half Pice coinage was known.

The orders of the 7th February 1854 have, however, never been fully carried out, in consequence partly, of no sufficient supply of coin being available.

His Excellency in Council has reason to believe that there is now a dearth of Copper Coin in many parts of the country, in consequence of which, spurious Pice are current, and such being the case, he sees no use in reviving that part of the Order of 1854, which requires Collectors to receive Government Pice to any extent on payment of Government dues. So far as such an order has any operation at all, its effect must be to aggravate the evil complained of. Every Government Pice withdrawn from circulation makes the Government coinage scarcer, and gives room for the introduction of spurious tokens which are not a legal tender, have no nominal or fixed value, and are liable to change in market value from day to day according to circumstances. On the other hand, the Governor General in Council does not think it enough to desire Collectors to afford the people every opportunity of obtaining supplies of Pice and other Government Copper Coins from their Treasuries in exchange for silver, or to furnish Deputy Magistrates and Moonsiffs with a supply for distribution at par.

In his opinion it would be right and politic to stimulate the circulation of legal Pice and half Pice to the utmost extent to which they are required by the people by selling these coins, the former at the rate of 66 for the Rupee, and the latter at the rate of 132 the Rupee, (equal to a premium of 3⅛ per cent.) and even at more favorable rates in places where the dearth is most felt. A premium of 3⅛ per cent. bears no sort of proportion* to the difference between the intrinsic and nominal value of the coin. The loss to Government would consist in a slight reduction in the profits arising from the coinage of the Copper, and would be more than made up by an increase in the quantity of legal coins sent into circulation.

This is the system adopted for the sale of postage and other Stamp papers, with equal advantage to the revenue and the public, and the principle of it is quite applicable to the Copper Coinage.

It is, the Governor General in Council observes, a self-acting system, for, if the coinage became redundant, the price would fall; people would be able to get more than 64 Pice for the Rupee at the Shroffs' shops; the profit on the purchase and sale of them would be less; and the demand for them at the Treasury would cease. Copper Coins are a legal tender only for fractions of a Rupee, and therefore as soon as there are enough of them in circulation to serve as a medium of exchange in petty transactions, there can be no further demand for them. No one will buy Copper Coin at a discount of 3⅛, or at twice as great a discount, for the purpose of melting it or turning it to any other use than that of currency, because, as said above, the intrinsic value of the metal is no more than half the exchangeable value of the coin. When, therefore, the demand for Copper Coin is satisfied, its value will fall below legal par, the Rupee will everywhere readily exchange for 64 Pice, and a discount of 3⅛ per cent. will no longer afford inducement enough to purchase coin at the Treasury for the sake of the profit. But, besides this, it is not difficult for a Collector to ascertain whether there is a sufficient quantity of legal Copper coin current in his District, and he can stop the sale of Pice at a price below their nominal value whenever he (or the Government) thinks it necessary to do so.

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* The nominal value of Copper Pice is 90 Rupees a maund. The intrinsic value is about half that.

For these reasons, the Governor General in Council directs that the same course be followed as in 1857, (with the exception noted above) as far as those orders are now applicable with reference to the observations and orders contained in this Resolution; that the large stock of Copper Coin now on hand in the Calcutta Treasury be sent for distribution to other offices than the offices of the Collectors, if any others can be made available for the purpose; that in every district the Collector be authorized to sell Pice at the rate of 66 for the Rupee, and half Pice at the rate of 132 for the Rupee, in quantities of not less than 5 Rupees worth at a time; and that where there is a palpable deficiency in the Copper Currency, these coins be sold at the rate of 68 and 136 for the Rupee, respectively, until the deficiency is corrected. This would, His Excellency in Council is of opinion, tempt persons to buy the coins at the Treasury and carry them for sale into the interior of the districts, where the want of them is most felt.

Note.—Opium Agencies and their subordinate Officers should be largely supplied with the coin.

In regard to the question of coining quarter Pice, the Governor General in Council is not disposed to authorize the introduction of so small a coin, and he doubts if it is wanted. Such things as spurious quarter Pice are unknown, but if there had been a demand for them, a supply would probably have been manufactured to meet it. The coin would weigh only 25 grains, and would be about the size of a silver two Anna piece. Again, as the *Pie*, or third of a Pice, is a legal tender, has long been established, and has become too familiar with the people to admit of its being superseded, it would be very inconvenient to pass another coin of such small denomination as the quarter Pice, and so nearly approaching to the Pie in value. At any rate, His Excellency in Council would not order the coinage of quarter Pice until he has some certain information as to the reception the half Pice have met with, and the extent to which they are used. The half Pice was legalized only in 1854, and has not fairly been in circulation for more than five years.

Ordered, that a copy of the above Resolution be forwarded to the—

Government of Bengal,
,, N. W. Provinces,
,, Punjab,
,, Madras,
,, Bombay,
} for information.

Foreign Department, for communication to the Administrations under the control of that Department.

Accountant General to the Government of India.
Deputy Auditor and Accountant General, Bengal.
Do. do. N. W. Provinces.
Do. do. Punjab.
Do. do. Madras.
Do. do. Bombay.

(A true Extract.)
(Signed) C. HUGH LUSHINGTON,
Secretary to the Government of India.

No. 17. Order thereon, 5th April 1862, No. 261.

Ordered that the foregoing Proceedings be communicated to the Accountant General in reference to the Orders of Government, dated the 12th June 1860, No. 280, and that he be requested to report on the expediency of adopting in this Presidency measures similar to those authorized by the Government of India for increasing the circulation of Copper Coin.

(Signed) T. PYCROFT,
Chief Secretary.

Exd. T. O'Connor.

No. 1577

EXTRACT from the Proceedings of the Government of India, in the Financial Department, d. 28th February 1862.

Read a note by the Secretary in this Department, dated 29th ultimo, relative to the steps that should be taken for the suppression of the Native copper coin, and for the more general introduction of the Government copper coin.

Resolution.—The Governor General in Council observes that in the year 1853, the then Accountant to the Government of Bengal recommended to this Government the following measures for the better circulation of the Government pice in the Lower Provinces of the Presidency of Bengal, viz:—

1st. To direct Collectors to receive pice to any extent in payment of Government dues and give Rupees in exchange for pice at the rate of 64 pice to the Rupee whenever it might be found convenient, and to enjoin upon the Collectors the necessity of affording to the people every opportunity of obtaining supplies of pice and other Government copper coins from their Treasuries in exchange for Rupees.

2nd. To coin $\frac{1}{2}$ and $\frac{1}{4}$ pice pieces in the place of the pie pieces, now in use, and then to take measures for ensuring to the people an ample supply of each description of coin in different parts of each District by lodging a certain quantity in the hands of each Moonsiff and Deputy Magistrate in the interior of the Districts for distribution to all applicants at par.

These suggestions were approved by this Government on the 7th February 1854, and the Accountant was told that the coinage of the $\frac{1}{2}$ pice was progressing, and that the coinage of the $\frac{1}{4}$ pice would be considered when the result of the half pice coinage was known.

The orders of the 7th February 1854 have, however, never been fully carried out, in consequence partly, of no sufficient supply of coin being available.

His Excellency in Council has reason to believe that there is now a dearth of copper coin in many parts of the country, in consequence of which, spurious pice are current, and such being the case, he sees no use in reviving that part of the order of 1854, which requires Collectors to receive Government pice to any extent on payment of Government dues. So far as such an order has any operation at all, its effect must be to aggravate the evil complained of. Every Government pice withdrawn from circulation makes the Government coinage scarcer, and gives room for the introduction of spurious tokens which are not a legal tender, have no nominal or fixed value, and are liable to change in market value from day to day according to circumstances. On the other hand, the Governor General in Council does not think it enough to desire Collectors to afford the people every opportunity of obtaining supplies of pice and other Government copper coins from their Treasuries in exchange for silver, or to furnish Deputy Magistrates and Moonsiffs with a supply for distribution at par.

In his opinion it would be right and politic to stimulate the circulation of legal pice and half pice to the utmost extent to which they are required by the people by selling these coins, the former at the rate of 66 for the Rupee, and the latter at the rate of 132 the Rupee, (equal to a premium of $3\frac{1}{8}$ per cent.) and even at more favorable rates in places where the dearth is most felt. A premium of $3\frac{1}{8}$ per cent. bears no sort of proportion* to the difference between the intrinsic and nominal value of the coin. The loss to Government would consist in a slight reduction in the profits arising from the coinage of the copper, and would be more than made up by an increase in the quantity of legal coins sent into circulation.

This is the system adopted for the sale of postage and other stamp papers, with equal advantage to the revenue and the public, and the principle of it is quite applicable to the copper coinage.

It is, the Governor General in Council observes, a self-acting system, for, if the coinage became redundant, the price would fall ; people would be able to get more than 64 pice for the Rupee at the Shroffs' shops ; the profit on the purchase and sale of them would be less ; and the demand for them at the Treasury would cease. Copper coins are a legal tender only for fractions of a Rupee, and therefore as soon as there are enough of them in circulation to serve as a medium of exchange in petty transactions, there can be no further demand for them. No one will buy copper coin at a discount of $3\frac{1}{8}$, or at twice as great a discount, for the purpose of melting it or turning it to any other use than that of currency, because, as said above, the intrinsic value of the metal is no more than half the exchangeable value of the coin. When, therefore, the demand for copper coin is satisfied, its value will fall below legal par, the Rupee will everywhere readily exchange for 64 pice, and a discount of $3\frac{1}{8}$ per cent. will no longer afford inducement enough to purchase coin at the Treasury for the sake of the profit. But, besides this, it is not difficult for a Collector to ascertain whether there is a sufficient quantity of legal copper coin current in his district, and he can stop the sale of pice at a price below their nominal value whenever he (or the Government) thinks it necessary to do so.

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* The nominal value of copper pice is 50 Rs. a maund. The intrinsic value is about half that.

For these reasons, the Governor General in Council directs that the same course be followed as in 1857, (with the exception noted above) as far as those orders are now applicable with reference to the observations and orders contained in this Resolution ; that the large stock of copper coin now on hand in the Calcutta Treasury be sent for distribution to other offices than the offices of the Collectors, if any others can be made available for the purpose ; that in every district the Collector be authorized to sell pice at the rate of 66 for the Rupee, and half pice at the rate of 132 for the Rupee, in quantities of not less than 5 Rupees worth at a time ; and that where there is a palpable deficiency in the copper currency, these coins be sold at the rate of 68 and 136 for the Rupee, respectively, until the deficiency is corrected. This would, His Excellency in Council is of opinion, tempt persons to buy the coins at the Treasury and carry them for sale into the interior of the districts, where the want of them is most felt.

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Govt. of Bengal,
" N. W. Provinces,
" Punjab,
" Madras,
" Bombay,
} for information.

Foreign Department, for communication to the Administrations under the control of that Department.

Accountant General to the Government of India.

Deputy Auditor and Accountant General, Bengal.
Ditto Ditto, N. W. Provinces.
Ditto Ditto, Punjab.
Ditto Ditto, Madras.
Ditto Ditto, Bombay.

(A true Extract)

Secretary to the Government of India.

Pro=12 June 60 No 280.

Finl 1862 Dept.

From

The Secy to the Govt of India. No 157

D/ 28th Feby & of 25th March } /62

2 Spare copies

No 257

Copy for information the Resolution of that Govt directing the adoption of certain Steps relative to the Suppression of the native Copper Coin and the more general introduction of the Govt Copper Coin –

F.W. No 324 of /62
" " 274 of /63

Written Order

16 & 17

C 28 March
1/2 April

No 261 – 5th April 1862.

Ordered that the foregoing Proceedings be communicated to the Accountant General in reference to the Orders of Govt: dated the 12th June 1860, No 280, & that he be requested to report on the expediency of adopting in this Presidency measures similar to those authorised by the Govt of India for increasing the circulation of Copper Coin.

To Acctt: General Dept. 5th