M.R.O. 1—77,000—6.6.38.

(1) Number of pages 8

(2) Date of repair 27-7-37

(3) Initials of the Referencer

MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 367 Press Mis.

Dated 6-8 1868.

20-21 876

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department.

6th August 1868.

CONFIDENTIAL.

No. 20. Read the following letter from the Secretary to the Government of India, Financial Department, to the Chief Secretary to Government, Fort Saint George; dated Simla, 30th June 1868, No. 766.

It is doubtless known to the Government of Madras that questions relating to the possible introduction of a Gold Currency into India have been under the consideration of the Supreme Government, and I am now to request the expression of opinion, in a confidential form, on the following points.

2. The Notification issued by the Government of India in November 1864, declaredly with the view that "the circulation of British and Australian sovereigns in all parts of British India should be encouraged and facilitated," though to some extent successful at first, has for some time remained inoperative, inasmuch as few sovereigns are now presented at the treasuries, and in the opinion of the best-informed authorities seems likely to continue inoperative.

3. The cause of this is understood to be that in the Notification, the amount of ten Rupees offered as equivalent for the sovereign, is not generally sufficient to attract sovereigns, inasmuch as the above rate is somewhat below the average market value and the intrinsic value of the sovereign.

4. Now, inasmuch as the Secretary of State in his Despatch of the 26th September 1864, desired that gold coin should be received into the public treasuries at a rate to be fixed by Government, and further observed that "it may be desirable to try, as an experimental measure, the course suggested," remarking that "this would facilitate the use of sovereigns in India," inasmuch, too, as the Notification of November 1864 was issued accordingly to facilitate the influx of sovereigns into India, which object had not been attained, apparently because the rate offered for the sovereign was too low—the Government of India now deem that the question of the propriety of somewhat raising the proffered rate above ten Rupees is one that claims early attention.

5. It will doubtless be in the recollection of the Government of Madras that the average value of the sovereign, by which it is generally held that the rate to be offered as equivalent should be regulated, has been fully discussed in Sir William Mansfield's Minutes of 1864. Also paragraphs 16 to 19 inclusive of the Secretary of State's Despatch of 26th September 1864 bear on the same subject.

6. Further, in reference to the possible consideration that the rate should be fixed mainly with reference to the price at which coined gold could be laid down in India, from the cheapest and nearest source of supply, namely, Australia, the Government of India would ask attention to the following passages in Mr. George Arbuthnot's Minute of September 1864. Adverting to Sir C. Trevelyan's opinion that "the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from the cheapest source of supply, that is, from Australia," Mr. Arbuthnot goes on to say—"It might be sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, * * * Australia could not supply all the gold that might be required." Again he notes that, "notwithstanding the facilities afforded by the Indian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India.

7. Under all the circumstances, the Government of India wish to be favored with the opinion of the Government of Madras as to whether the equivalent of ten Rupees offered for the sovereign in 1864 should now be revised, and if so, what exactly the new rate should be. On such a subject it is manifestly desirable that some selected gentlemen, who from special experience may be experts in this matter, should be confidentially consulted. And if the Government of Madras should see fit to consult any such gentlemen, the Government of India would desire to be placed in possession of their opinions. It is evident that on a consideration of the average rates which have actually prevailed in past years, and which may be expected to prevail in the immediate future, the new rate to be offered for the sovereign should be fixed as precisely as may be reasonably possible. If it be proposed too low, then sovereigns will hardly be presented at the treasuries. If it be proposed at a rate which might be deemed high, then sovereigns will probably

be presented, but in that case the subsequent disposal of them might be difficult. Whereas our object should clearly be to establish a rate which, while not prohibiting their presentation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasuries. These various considerations will doubtless occur to any experts who may be consulted.

8. Further, it will be in the recollection of the Government of Madras that Section 7 of Act XVII of 1835, relating to the coinage of gold pieces in India, has never been repealed; and is so far still capable of being put in force if that course should be found expedient.

In connexion herewith, the following passage may be read from Sir C. Wood's Despatch of September 1864:—

"I see no objection to reverting to a state of things which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government. This was the case with the Gold Mohur or fifteen Rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852, and with other gold coins previously to the reformation of the currency in 1835."

9. It appears that many authorities are now of opinion that the objects for which the proclamation of 1852, prohibiting the receipt of Gold Mohurs in the treasuries was issued, do hardly now exist; and Mr. Laing in 1862 expressed an opinion to the effect that such a proclamation had ceased to be wanted. Under all the circumstances, there is reason for considering whether this proclamation should not now be withdrawn. And on this point, I am to invite the opinion of the Government of Madras.

10. It may be worthy of observation that if gold pieces were to be coined now in India, as formerly, the influx of gold into India, and the existence of considerable quantities of that metal in the country, might cause the presentation of a sufficient amount of gold at the Mints for coinage. Also bar gold could be bought by the Mints for coinage, whenever the operation could be effected remuneratively.

11. But here a question arises as to whether the standard value of the fifteen Rupee or ten Rupee gold piece, as fixed by Act XVII of 1835, is, or is not, perfectly applicable to the present time and to the immediate future. The Currency Commission indeed declared in paragraphs 26 and 27 of their report that the "Commission would draw attention to the fact that the price of the Gold Mohur or Government piece of Rupees 15, as fixed by Act XVII of 1835, is as nearly as possible the average market rate of the price of coined gold of the present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rupees ten and five respectively; the ten Rupee piece having the weight of 120 grains, or the five Rupee piece of 60 grains."

12. But since 1866, when the evidence submitted by the Commission was taken, gold has at times risen in value, and the tendency of gold to rise in value, remarked by Sir William Mansfield in 1864, has somewhat further declared itself since that date. Consequently, there may be room for doubt whether, if gold pieces were now to be coined, the standard value, as fixed in Act XVII of 1835, or some other standard, should be adopted. This is an important point to which the Government of India would specially ask the attention of the Government of Madras and of any gentlemen whose advice may be sought for.

13. I am to add that at present the Government of India is hardly prepared to recommend the declaration of any gold goins as legal tender. As at present advised, it would prefer to wait and see whether the adoption of the tentative measures brought under consideration in this Despatch, shall be found practicable, and whether, if adopted, they realize the anticipations that might be formed of them.

14. But if it be considered that for any special reasons, legal tender should be at once recommended, then such reasons can be urged either by the Government of Madras or by those who may be consulted.

15. The two main questions now proposed, namely, 1st, at what rate, as equivalent in Rupees, should English and Australian sovereigns be taken at the public treasuries; 2nd, at

Proceedings of the Madras Government, Financial Department,
6th August 1868.

what standard value should ten Rupee gold pieces be coined, supposing such coinage were resolved upon, are in some respects connected with each other, and to them the Government of India would invite early, though careful, attention.

No. 21. ORDER THEREON, 6th August 1868, No. 367.

Ordered that copies of the foregoing letter from the Government of India be furnished to the following gentlemen and to the Chamber of Commerce, with a request that they will be good enough to favor Government with an expression of their opinion on the points therein referred to:—

Mr. J. D. Sim.
Colonel J. Carpendale.
V. Ramiengar.
C. Rungacharloo.

(True Extract).

Chief Secretary.

To J. D. Sim, Esq., Member of the Board of Revenue.
,, Colonel J. Carpendale, Mint Master.
,, V. Ramiengar, Superintendent of Stamps.
,, C. Rungacharloo, Mysore.
To the Chairman of the Chamber of Commerce.

Erd. J. Tulloch.

(CONFIDENTIAL.)

No. 766.

GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

To

THE SECRETARY TO THE GOVERNMENT OF Madras.

SIMLA, *the 30 June* 1868.

SIR,

It is doubtless known to the Government of Madras that questions relating to the possible introduction of a Gold Currency into India have been under the consideration of the Supreme Government, and I am now to request the expression of opinion, in a confidential form, on the following points.

2. The Notification issued by the Government of India in November 1864, declaredly with the view that "the circulation of British and Australian sovereigns in all parts of British India, should be encouraged and facilitated," though to some extent successful at first, has for some time remained inoperative, inasmuch as few sovereigns are now presented at the treasuries, and in the opinion of the best-informed authorities seems likely to continue inoperative.

3. The cause of this is understood to be that in the Notification, the amount of ten Rupees offered as equivalent for the sovereign, is not generally sufficient to attract sovereigns, inasmuch as the above rate is somewhat below the average market value and the intrinsic value of the sovereign.

4. Now, inasmuch as the Secretary of State in his despatch of the 26th September 1864, desired that gold coin should be received into the public treasuries at a rate to be fixed by Government, and further observed that "it may be desirable to try as an experimental measure the course suggested," remarking that "this would facilitate the use of sovereigns in India," inasmuch, too, as the Notification of November 1864 was issued accordingly to facilitate the influx of sovereigns into India, which object had not been attained, apparently because the rate offered for the sovereign was too low,—the Government of India now deem that the question of the propriety of somewhat raising the proffered rate above ten Rupees is one that claims early attention.

5. It will doubtless be in the recollection of the Government of Madras that the average value of the sovereign, by which it is generally held that the rate to be offered as equivalent should be regulated, has been fully discussed in Sir William Mansfield's Minutes of 1864. Also paragraphs 16 to 19 inclusive of the Secretary of State's despatch of 26th September 1864 bear on the same subject.

6. Further, in reference to the possible consideration that the rate should be fixed mainly with reference to the price at which coined gold could be laid down in India, from the cheapest and nearest source of supply, namely Australia, the Government of India would ask attention to the following passage in Mr. George Arbuthnot's Minute of September 1864. Adverting to Sir C. Trevelyan's opinion that "the sovereign must be rated, not with reference to its value in England, but solely with reference to the cost at which it can be obtained from

the cheapest source of supply, that is, from Australia," Mr. Arbuthnot goes on to say—"It might be sufficient practical answer to this suggestion to observe that if the importations of treasure into India are to go on at their present rate, * * * * Australia could not supply all the gold that might be required." Again he notes that "notwithstanding the facilities afforded by the Indian market, it has yet been found profitable to our merchants to send direct from London one-third of the gold required in India."

7. Under all the circumstances, the Government of India wish to be favoured with the opinion of the Government of Madras as to whether the equivalent of ten Rupees offered for the sovereign in 1864 should now be revised, and if so, what exactly the new rate should be. On such a subject it is manifestly desirable that some selected gentlemen, who from special experience may be experts in this matter, should be confidentially consulted. And if the Government of Madras should see fit to consult any such gentlemen, the Government of India would desire to be placed in possession of their opinions. It is evident that on a consideration of the average rates which have actually prevailed in past years, and which may be expected to prevail in the immediate future, the new rate to be offered for the sovereign should be fixed as precisely as may be reasonably possible. If it be proposed too low, then sovereigns will hardly be presented at the treasuries. If it be proposed at a rate which might be deemed high, then sovereigns will probably be presented, but in that case the subsequent disposal of them might be difficult. Whereas our object should clearly be to establish a rate which, while not prohibiting their presentation, as seems to be the case at present, should induce the public to look to the superior convenience of gold as a measure of value when realizing dues from the public treasuries. These various considerations will doubtless occur to any experts who may be consulted.

8. Further, it will be in the recollection of the Government of Madras that Section VII of Act XVII of 1835, relating to the coinage of gold pieces in India, has never been repealed; and is so far still capable of being put in force if that course should be found expedient.

In connexion herewith, the following passage may be read from Sir C. Wood's despatch of September 1864:—

"I see no objection to reverting to a state of things which prevailed in India for many years, namely, that gold coin should be received into the public treasuries at a rate to be fixed by Government. This was the case with the Gold Mohur or fifteen Rupee piece, from 1835 till Lord Dalhousie's proclamation in 1852 and with other gold coins previously to the reformation of the currency in 1835."

9. It appears that many authorities are now of opinion that the objects for which the proclamation of 1852, prohibiting the receipt of Gold Mohurs in the treasuries was issued, do hardly now exist: and Mr. Laing in 1862 expressed an opinion to the effect that such a proclamation had ceased to be wanted. Under all the circumstances, there is reason for considering whether this proclamation should not now be withdrawn. And on this point, I am to invite the opinion of the Government of Madras.

10. It may be worthy of observation that if gold pieces were to be coined now in India, as formerly, the influx of gold into India and the existence of considerable quantities of that metal in the country might cause the presentation of a sufficient amount of gold at the Mints for coinage. Also bar gold could be brought by the Mints for coinage, whenever the operation could be effected remuneratively.

11. But here a question arises as to whether the standard value of the fifteen Rupee or ten Rupee gold piece as fixed by Act XVII of 1835 is, or is not, perfectly applicable to the present time and to the immediate future. The Currency Commission indeed declared in paragraphs 26 and 27 of their report that "the Commission would draw attention to the fact that the price of the Gold Mohur or Government piece of Rs. 15 as fixed by Act XVII of 1835 is as nearly as possible the average market rate of the price of coined gold of

the present day. That price, as sanctioned by law in 1835, seems to be the legitimate basis on which to found a gold legal tender coinage for India, consisting of pieces of Rupees ten and five respectively; the ten Rupee piece having the weight of 120 grains, or the five Rupee piece of 60 grains."

12. But since 1866, when the evidence submitted by the Commission was taken, gold has at times risen in value, and the tendency of gold to rise in value, remarked by Sir William Mansfield in 1864, has somewhat further declared itself since that date. Consequently, there may be room for doubt whether, if gold pieces were now to be coined, the standard value as fixed in Act XVII. of 1835, or some other standard, should be adopted. This is an important point to which the Government of India would specially ask the attention of the Government of Madras and of any gentlemen whose advice may be sought for.

13. I am to add that at present the Government of India is hardly prepared to recommend the declaration of any gold coins as legal tender. As at present advised, it would prefer to wait and see whether the adoption of the tentative measures brought under consideration in this despatch, shall be found practicable, and whether, if adopted, they realize the anticipations that might be formed of them.

14. But if it be considered that for any special reasons, legal tender should be at once recommended, then such reasons can be urged either by the Government of Madras or by those who may be consulted.

15. The two main questions now proposed, namely, 1st, at what rate, as equivalent in Rupees, should English and Australian sovereigns be taken at the public treasuries; 2nd, at what standard value should ten-Rupee gold pieces be coined, supposing such coinage were resolved upon, are in some respects connected with each other, and to them the Government of India would invite early, though careful, attention.

I have the honor to be,

SIR,

Your most obedient Servant,

J. B. Arbuthnot

Secretary to the Govt. of India.

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GOVERNMENT OF INDIA.

FINANCIAL DEPARTMENT.

To From The Secretary to the Govt of India
Financial Dept

No. 46 dated 21 July 1868

No. 332

Dated, Simla, 4th June 1868.

Received 8th July 1868.

Requesting the expression of opinion of the Madras Govt in a confidential form,

1st at what rate as equivalent in Rupees should English & Portuguese sovereigns be taken at public Treasuries,

2d at what standard value should ten Rupee gold pieces be coined, supposing such coinage were resolved upon.

No. 434—29-6-68.—50.