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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 164 Press ~~Mis~~

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Dated 1-4-1869.

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Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
1st April 1869.

Read the following :—

No. 1. MINUTE by His Excellency the PRESIDENT, dated 4th March 1869.

The scheme of a single Bank note freely exchangeable at par for coin at Chartered Banks, or Government Treasuries, scattered over the whole country, and constituting a legal tender between man and man, and between subject and Government, is the ideal of a paper currency for India. This ideal is, however, recognised to be so unattainable that we are in a manner prohibited from bringing the project under discussion on this occasion. The Government of India have communicated two plans for our consideration of a less ambitious character having in view some approximation to unity, and provisions pointing to a greater spread and more popular use of this method of exchange.

2. The first proposal contemplates, (1) the creation of a Presidency note to be legal tender in private transactions, and for payments to Government throughout the Presidency, and to be exchangeable for coin on presentation, and to an unlimited amount at District treasuries which are now placed in Railway and Telegraphic communication with the Presidency town ; (2) the retention of the existing four Currency Circles with their circle notes on the present footing ; and (3) the sanction of a subordinate note circulation for each district, the district note to constitute a legal tender in all respects within its district, and to be convertible at the District treasury.

3. The second scheme embodies the following features :—(1) the proposal for a Presidency note as in the first ; and (2) the sub-division of the existing four Currency Circles into smaller Circles, each embracing one or more districts, and each possessing its circle note constituting a legal tender in all respects.

4. The first project has not, as far as I am aware, received any support here. It appears to be regarded with little favor even at the source from which it emanates. It appears to be too complicated. It embodies the dangers and embarrassments which attach to the second plan. It contains no advantages which the second plan does not offer.

5. The proposal of a Presidency note is undoubtedly one of an attractive character. It is the general note in a less startling dress. It appears to be a prudent and practical step in the direction of that object which has so great a value in the eyes of a large class of enterprising economists. I am, however, constrained to declare, after reflection and after conference with those who are versed in the commerce and finance of the Presidency, that the proposal differs little in risk from the wider measure to which I have alluded. The Government obviously cannot undertake to cash its notes on presentation and to an unlimited amount at all the outports and principal centres of trade in the interior. To engage to do so at places not reached by the existing Railways would be to expose the credit of Government to the most disastrous reverses. To engage to do so at places on or near the existing Railways would involve the retention of larger cash reserves than would be convenient. It would be attended by risk, expense, and inconvenience without commensurate advantage, without affording any considerable benefit to the general trade of the country, without attaining any considerable expansion of the circulation which we desire to foster. Under the stimulus of rapid postal and telegraphic communication the markets of India are daily becoming more sensitive, more accessible to the impulses and fluctuations of production and demand in other countries. The variations in the season, or the accidents of political change in the United States, in Brazil, in Java, in Cuba, may cause sudden alterations in the prices or the prospects of our principal commodities of export, attended by sudden demands for large sums in coin for local payments which could not be met by any provision or by any dispatch of which the Government would be capable. Gopaulpore, Bimlipatam, Cocanada, Tuticorin, Cochin, and Tellicherry on the coast, and Bellary, Madura, and Tinnevelly in the interior, are all still inaccessible. Calicut is scarcely brought within the circle of rapid relief. Would it be desirable for the sake of Cuddapah, Coimbatore, Trichinopoly, and Negapatam to introduce an innovation so important, and loaded even in these places with difficulty and responsibility for Government? The Officers of Government connected with the administration of the currency, the most experienced Merchants and Bankers say that it would not. I cannot but assent to their opinion.

6. It may be contended on the other side ; (1) that the markets to which the proposed system would be applicable will gradually increase in number by the development of the Railway system ; and (2) that the obligation on the part of Government for the encashment of Presidency notes at the remoter treasuries might be guarded by some precautions, or reservations, with reference to amount and time.

To the first argument I reply that years must elapse before some of the distant outports are placed in Railway communication with the Capital, while others will probably never be so connected, and that those even which may be brought within the completed system will still be separated by such a length of transit from Madras as to make the prompt execution of money obligations from the Central treasury a work of difficulty. Nor does it appear that it would be consistent with the development and usefulness of a paper currency, devised for the service of the whole Presidency, that the obligation to exchange coin for notes should be qualified either in respect to time or amount, for any reservation or delay would be accompanied by some loss of convenience or confidence in a matter where the Government should be able to demonstrate its resources and its superiority over private agencies by unlimited power and unhesitating promptitude.

7. For the larger operations of commerce the Presidency note would only be of considerable utility if its immediate convertibility could be ensured to any amount and on all the principal markets of the country, conditions which cannot be fufilled. For the purposes of smaller remittance the Government have established the Money-Order system, and in this respect the Government by creating the Presidency note would be undermining with one hand what it is building with the other. It is not, however, only in reference to the Money-Order system that the institution of the Presidency note would involve the Government in a course of inconsistent contradictory action. The Presidency Bank has been encouraged to establish Branch Banks all over the country for the purposes of local exchange. The institution of the Presidency note would destroy this branch of business. The mere attempt would probably involve the withdrawal of the Bank of Madras from its provincial operations. From such results the Government ought not to recoil if a commensurate result could be safely predicted. The Money-Order system and the Branch Banks might be sacrificed if the Presidency note was safe and sure to succeed. But it is not safe and not sure to succeed. The conclusion at which I arrive, therefore, is that the proposal for a Presidency note is one which, for the present at least, we are bound to decline.

8. The second feature of the second plan communicated by the Government of India, viz., the sub-division of the present Circles of Issue is one, on the contrary, which might be adopted with manifest advantage. With the view of popularizing the paper currency two things are necessary. We should increase the number of offices at which the notes can be converted into coin, and we should reduce the denomination of the notes so as to bring them into some conformity with vulgar usage. The places of official encashment have hitherto been too few. The notes have been for too high values. Colonel Carpendale has proposed to divide the present four Circles into eleven with thirty-three Offices of Conversion. The Accountant General has accepted this plan with a single modification. He desires the consolidation of the Vizagapatam Circle with that of Ganjam. I learn from Colonel Carpendale that he has no objection to this change. The Presidency would thus be divided into ten Circles of Issue with thirty-three cashing treasuries. I would adopt this plan.

9. The question of denominational reduction is more open to debate. It is agreed on all hands that the ten-rupee note as a minimum is too high. There appears to be a general consent that a five-rupee note should be adopted. I shall probably meet with little support in affirming that we should go lower than that point. I cannot, however, suppress my opinion that the contemplated reduction will be inoperative. A note for five rupees would not be available for many of the ordinary purposes of popular traffic. It would be too high for the payment of wages, for the payment of instalments of land assessment, and for the purchase of provisions. If it is seriously the aim of Government to bring the paper currency into the hands and habits of the lower classes they must surely issue a note which the lower classes can carry to market. I have seen a one dollar or three

shillings note circulating for years past in Prussia side by side with a silver coin of the same value and equally acceptable to the public. In Russia before the Crimean war the ruble note held the same position. A one-rupee note would relatively be higher in this country than a three-shilling note in Germany. I would earnestly submit to the Supreme Government the expediency of sanctioning the trial of a one-rupee note in the Madras Circle, where the people are more than usually familiar with paper money; where confidence in the faith and resources of Government is probably highest; and where the cashing treasuries would be easily reached. If the experiment succeeds the system might be prudently extended. If the experiment should not succeed no harm would be done, and the failure would go far to prove that a paper currency cannot become a vehicle of exchange among the masses in India. There are, indeed, many arguments which point to that result. Custom, suspicion, poverty, the peculiarities of habitation and dress, many moral and many physical circumstances conspire to make and keep the Indian people votaries of a small metallic currency; but we cannot positively and convincingly assert that they will not accept a paper currency till we have offered them a note which they can use.

10. In conformity with the views submitted above, it would appear that the modifications of the present system, which we can safely accept at present, would be, (1) the creation of ten Circles of Issue in the Presidency with thirty-three cashing treasuries, each Circle having its respective note constituting a legal tender between private parties and to Government in the Circle, but all being convertible at the Madras treasury, and all a legal tender in payment of Government dues and taxes wherever presented ; and (2) the reduction of the lowest denomination of note to five rupees in all the Circles except in the Presidency Circle, where, in addition to the five-rupee note, an experimental note of one rupee should be issued.

11. It might also be desirable to make all notes legal tender at every Post Office, Money-Order Office, Railway Station, and Telegraph Office, irrespective of the Circle of Issue to which the notes belong. Such a provision would exhibit the confidence of Government, and be a convenience to travellers.

12. In apologizing for the delay which has occurred in the circulation of these papers, I am afraid that I have no better excuses to offer than these ; hesitation at first to offer a decided opinion on a question with which I was little conversant and eventually reluctance to give that opinion in a sense directly opposed to all my preconceived impressions and wishes.

(Signed) NAPIER.

No. 2. MEMORANDUM by the Honorable A. J. ARBUTHNOT, dated 11th January 1869.

Thinking it very desirable to obtain the opinion of an intelligent Native gentleman on the various proposals made in these papers for improving the circulation of the paper currency, I submitted the papers to the Honorable V. Ramiengar, who was one of the three Assistant Commissioners of Currency appointed in 1864, with a request that he would favor me with his views on the subject. I now circulate a Memorandum written by this able Officer, and I would suggest that a copy of this paper should be laid before the Government of India.

2. It appears to me that there is considerable force in the remarks made by Ramiengar as to the importance of combining the introduction of a gold currency with any measures that may be taken with the view of improving the circulation of the paper currency.

3. I also agree with him in the opinion that there should be only one description of note in each Presidency, and I should be disposed to go further and to advocate the adoption of a universal note for India convertible at each Presidency town and at each principal District treasury which may be situated on a line of Railway and practically convertible at any other treasuries to such extent as the cash balances may admit. On the latter point the Supreme Government might be referred to the observations made in the letters addressed to them by this Government on the 4th July 1864 and 18th November 1865.

4. It seems to be now generally admitted that the lowest denomination of note should not be higher than five rupees.

(Signed) A. J. ARBUTHNOT.

MEMORANDUM.

Of the two alternative schemes proposed for consideration, I would at once dismiss the first as involving the issue of no less than three separate classes of notes, which would embarrass and confound rather than familiarize the people to the objects and uses of a paper currency. The popular idea that the covert intention of Government in pressing this measure is to drain the country of its gold and silver, by substituting paper in their place, will be strengthened by the simultaneous introduction of so many distinct notes, and, so far, the object in view may be defeated, rather than promoted.

For the same reasons, the second scheme also appears to me to be open to the same objections, though in a less degree. I do not see the use of a Presidency note *and* a Circle note. I would rather confine myself to one note: either that of the Circle, the Circles being re-arranged as proposed in Colonel Carpendale's letter, or one note for the entire Presidency. If the latter be adopted, and I think, notwithstanding the objections raised to it, that one note for each Presidency would ultimately prove a great convenience and advantage, compared with Circle notes confined in their operation to distinct and limited areas. I would at first declare the notes convertible only at the Presidency and at the treasuries of the districts connected with Madras by rail and telegraph. Thus the circulation would be confined at first to the Presidency and the districts of North Arcot, Salem, Coimbatore, Malabar, Trichinopoly, Tanjore, and Cuddapah. Godavery and Tinnevelly might perhaps be added on account of Cocanada and Tuticorin being places of commercial importance, and being easily accessible from Madras by sea. Our operations could be afterwards gradually extended according to circumstances and the experience gained in the interval.

But in any case, and whatever the efforts made, it appears to me most improbable that the issues of notes can extend much beyond what is required for remittance purposes by the trading and official classes, and that the note currency can commend itself to the mass of the population in their present condition, habits of thought, and mode of living. In the first place, the vast majority of the people must have real *intrinsic* value in their hands before they are convinced that a payment has been made to them. Whatever may be the cause of this state of mind—whether ages of oppression, bad faith of Governments, or revolutions—the fact remains and must oppose an insurmountable obstacle to the progress of a paper currency among the rural or working population. Then the vast majority of these classes live in thatched houses; and in the absence of chests or safes, strong rooms or Banks to deposit their savings in, their only way of securing them is by burying them under ground, or in secret holes made in walls. Currency notes could not be kept in this manner without being destroyed by damp or white-ants, and on this account also, people have the greatest aversion to them. These causes, and the general poverty of the people, the great distances from one place to another, the present imperfect communications, and the consequent want of facilities for converting the notes into cash, except at and in the immediate neighbourhood of treasuries, must, for a long time to come, militate against the successful introduction of a paper currency. The fact is we are proceeding too fast. We have taken a leap from a bulky copper and silver coinage to a paper currency long before the country is prepared for it, ignoring altogether the superior adaptation of a gold currency to the present condition of the people. Gold presents most of the advantages of a paper currency inasmuch as it contains great value in small bulk; and it most commends itself to the people in their present state of intelligence, because it possesses the security afforded by *intrinsic* value, which paper does not. Moreover, by restoring gold to the currency of the country, people will be inspired with the confidence which they do not at present possess in the disinterestedness of Government, and this will pave the way to the eventual introduction of paper money. Representing value by convertible paper is a refinement belonging to a stage of civilization at which India has not arrived, and which it will take her years to attain. After the experience of the

past under former Governments, it is, I think, a pardonable weakness in the Indian population, yet without any commercial enterprise or intelligence, to be still given to hoarding, to still count upon bad faith and revolutions, and prefer, for a representative of value, solid gold and silver which survive every change and re-appear to be enjoyed in better times, over paper which has no value in itself, and is good only by the promise it conveys.

MADRAS, *9th January* 1869. (Signed) V. RAMIENGAR.

No. 3. MEMORANDUM by the Honorable H. D. PHILLIPS, dated 13th March 1869.

I do not hesitate in believing that the simplest and most obvious method of securing popularity for a paper currency in this country, and rendering it really beneficial to the people at large, will be to issue a single universal set of notes, declared to be a legal tender and convertible into coin at any Government treasury at which they may be presented. If, however, as I expect it will be, such an arrangement should, for the present, be deemed to be too comprehensive, the only proper alternative measure which presents itself to my mind is to abandon the costly, complicated, and inconvenient system of Circles now prevailing, and assign to each Presidency its own separate set of notes for circulation within its own limits. These being declared a legal tender should be convertible into coin at every Government treasury in the proper Presidency, whether General, Collectors', or Tahsildars', to which they may be brought for that purpose. There may be some slight difficulty in the commencment as regards a sufficient provision of specie to meet sudden demands; but I apprehend that it will not require any great length of time to discover the directions in which the current of trade is selling, and where accordingly Collectors should have funds in readiness. It does not occur to me that the details of an arrangement of this kind will impose new labor worth mentioning on our Collectors, seeing that the duty will be mainly thrown on the principal Uncovenanted Treasury Officer of the district, whose hands might be strengthened by the addition of the necessary Clerks. Even with the clear advantages of the above arrangement over that which is now in force, I should still doubt whether for generations to come, the Native inhabitants of India will regard with approval our currency notes, or use them beyond the limits of a few large towns, for other than the mere purposes of domestic or trading remittances.

2. In respect of the note of lowest denomination which should be issued, I agree with the Chamber of Commerce of Madras and the Government of Madras (4th July 1864) that the present ten-rupee note should be reduced to five rupees.

(Signed) H. D. PHILLIPS.

No. 4. From the Accountant General, Madras, to the Chief Secretary to Government, Fort Saint George; dated Fort Saint George, 17th October 1868, No. 189.

Budget and Resource Department.

I have the honor to acknowledge the receipt of the order of Government in the Financial Department, dated the 13th instant, referring for my remarks a letter from the Commissioner of Paper Currency, Madras, to the Financial Secretary of the Government of India, under date the 22nd July last, suggesting certain measures for the improvement of the paper currency.

2. The main feature in the scheme proposed by the Commissioner is a large increase in the number of Circles, seven Offices of Issue being added to those now existing. The arrangement of Circles proposed by the Commissioner appears to me judicious, and the only modifications, which it occurs to me to suggest in respect to them, are the amalgamation of the Ganjam and Vizagapatam Districts into one Circle, and the addition of Guntoor to the Masulipatam Circle as a treasury where the notes of that Circle might be cashed. It is possible that Colonel Carpendale may have some reasons, of which I am not aware; for the separation of Ganjam and Vizagapatam, but provided the convertibility of the note can be readily ensured, it seems to me that the area of payment should be as wide as possible, and as Ganjam has large surplus collections no difficulty would be experienced in the encashment of notes.

3. Whether the absolute convertibility of Currency notes, at all the principal treasuries within their respective Circles, will have the effect of increasing their circulation, and of inducing the

Native population to hold them for purposes other than that of remittance, it is difficult to say ; but the results of the past year are certainly not encouraging, for, notwithstanding the removal of the restrictions against the encashment and issue of notes, which existed prior to 1867, the amount held by the public seems to have diminished, rather than increased. Practically, all Currency notes have in this Presidency been convertible at the principal treasuries of their respective Circles since the commencement of last year, with the exception of Ootacamund, and very recently Bellary, payments of any notes presented for that purpose not having been, in a single instance that I am aware of, refused at any other treasury ; and yet, as will be observed on reference to the marginal note, no improvement whatever seems to have taken place in the active circulation. It is true that the issue of notes has of late been greater, but the amount held in the different public treasuries has increased proportionately, which seems sufficiently to indicate that the notes were only used for the purpose of remittance.

NOTES IN ACTIVE CIRCULATION.

	1st Jan. 1867.	1st Jan. 1868.
	RS.	RS.
Madras Circle...	66,00,000	55,19,150
Vizagapatam do...	4,27,730	2,58,250
Calicut do...	13,53,290	6,87,710
Trichinopoly do...	11,18,810	8,95,650
	94,99,830	73,60,760
Balance in the hands of Collectrs and the Bank of Madras.....	41,93,170	20,85,220
Notes in active circulation.....	53,06,660	52,75,540

4. One of the effects of the proposed change will, I have no doubt, be, as suggested by the Commissioner of Issue, to augment the use of Currency notes as "Inland Bills of Exchange," or in other words for the purpose of making remittances ; but I do not share in the apprehension entertained by that officer that this will cause considerable expense to Government in the carriage of bullion to the principal treasuries which are not Offices of Issue, as in nearly all our treasuries the receipts are largely in excess of the disbursements, and there will be an ample reserve of silver to meet the encashment of Notes. I do, however, see reason to apprehend that, in one or two districts, the payments of silver for Currency notes into the treasury will exceed the withdrawals from it, and in such case the Government would be put to the expense of conveying the surplus silver to Madras ; but these cases will be very rare indeed, as the balance of trade is almost always in favor of the districts.

5. With regard to the "Presidency note" I concur with Colonel Carpendale in considering a "universal note for India" an impossibility. I agree also with him in his opinion that the issue of a Presidency note, convertible on demand at all the principal treasuries within this Presidency, is not desirable, as the disadvantage, both to Government and the public, of having to lock a large amount of captial in maintaining the large silver reserves which would be necessary at each of the principal treasuries, would not, I consider, be adequately met by the expansion of the note circulation. In many of the districts of this Presidency the demand for silver is large and unexpected, and as notes would travel faster than bullion to all districts not situated on the line of the railway, a treasury might be drained of the whole of its silver before means could be taken to replenish it. Take the district of Bellary for instance. A small rise in the price of cotton immediately sends a large number of speculators into the market, each of whom would probably despatch a batch of note, to be exchanged for silver to be ready for any emergency; and, unless the Treasury held a very large reserve of silver, it would be unable to meet its engagement, as a specie remittance could not possibly reach it under seven or eight days.

6. The class of persons who would most largely profit by the issue of a Presidency note would probably be the private trader, who, rather than pay the fair market value for the accommodation required by him, would probably avail himself of Currency notes for making his remittances. But it does not appear to me that the convenience of these parties can be viewed as a legitimate object of a State currency; while, on the other hand, there can be no question but that the issue of such a note would be very prejudicial to the interests of the Banks, and money dealers who have equal claims to consideration from Government.

7. The issue of a five-rupee note is, in my opinion, desirable, and it would, I think, be popular.

No. 5. To the Secretary to the Government of India, Financial Department, dated Fort Saint George, 1st April 1869, No. 164.

I am directed with reference to the Resolution contained in the Proceedings of the Government of India, Financial Department, dated Simla, 18th June 1868, No. 537, on the question of the improvement of the Paper Currency, to submit the accompanying Minute by His Excellency the Governor, and Memoranda by the Civil Members of Council.

2. It will be observed that His Excellency, for the reasons detailed in his Minute, is opposed to the issue of Presidency Notes, that is the Calcutta, Madras and Bombay Notes, convertible by law on demand at all the principal treasuries in each of the three Presidencies, respectively. His Excellency, on the other hand, considers that the portion of the second scheme contained in the Resolution of the Government of India, under which the existing Circles of Issue would be replaced by smaller and more numerous Circles, might be adopted with manifest advantage.

3. In His Excellency's opinion the two things necessary to popularize the paper currency are—an increase in the number of officesat which the notes are convertible into coin, and a reduction in the denomination of the notes so as to bring them into some conformity with the habits and resources of the lower orders in this country. Having these objects in view, His Excellency would propose to divide the present four Circles of Issue into ten, with thirty-three Offices of Conversion, as stated marginally. The general opinion of those most competent to pronounce upon the question of the denominational reduction of the notes, is that the ten-rupee note as a minimum is too high, and there is a general consent that a five-rupee note should be adopted. But His Excellency believes that this limited reduction will be found practically inoperative, and that to ensure the paper currency being in accordance with the habits and wants of the lower classes, the minimum note should be fixed at one rupee. With a view of testing the effect of this reduction, His Excellency earnestly recommends, for the sanction of the Government of India, that a trial of a one-rupee note should, in the first instance, be made in the Madras Circle, where the people are more than usually familiar with paper money ; where confidence in the faith and resources of Government is probably highest ; and where the cashing treasuries would be easily reached. It would depend upon the success of the experiment in the Madras Circle whether it should be extended to any or all of the other Circles.

OFFICES OF ISSUE.		NOTES CONVERTIBLE.
I. Ganjam. Vizagapatam	Ganjam.	Ganjam. Vizagapatam. Madras.
II. Godavery. Kistna. Nellore.	Masulipatam.	Cocanada. Masulipatam. Guntoor. Nel ore. Madras.
III. Bellary. Kurnool.	Bellary.... ...	Bellary. Kurnool. Madras.
IV. Madras. North Arcot. Cuddapah. Salem.	Madras.....	Madras. Chittoor. Cuddapah. Salem.
V. South Canara. Malabar. Coorg.	Mercara in Coorg.....	Mangalore. Calicut. Mercara. Madras.
VI. Malabar. Coimbatore.	Calicut.....	Calicut. Coimbatore. Madras.
VII. Neilgherry Hills.	Ootacamund.	Ootacamund. Madras.
VIII. South Arcot. Tanjore. Trichinopoly.	Trichinopoly.	Cuddalore. Tanjore. Trichinopoly. Madras.
IX. Madura. Tinnevelly.	Palamcottah..	Madura. Palamcottah. Madras.
X. Mysore Territory.	Bangalore. ...	Bangalore. Madras.

4. The scheme of which His Excellency advocates the adoption would consist of—

I. The erection of ten Circles of Issue in the Presidency with thirty-three cashing treasuries, each Circle having its respective note constituting a legal tender between private parties and to Government in the Circle, but all being convertible at the Madras treasury, and all a legal tender in payment of Government dues and taxes wherever presented.

II. The reduction of the lowest denomination of note to five rupees in all the Circles, except in the Presidency Circle, where, in addition to the five-rupee note, an experimental note of one rupee should be issued.

5. His Excellency would also suggest for consideration that all notes should be made legal tender at every Post Office, Money-Order Office, and Railway Station throughout the Presidency, irrespective of the Circle of Issue to which such notes belong.

6. The Honorable Mr. Phillips is in favor of an universal note for all India to be declared a legal tender convertible into coin at any Government treasury at which it may be presented, or if such a scheme should be considered too comprehensive at present, Mr. Phillips would abandon the present system of Currency Circles and assign to each Presidency its own separate set of notes for circulation within its limits, these to be declared a legal tender and convertible into coin at any Government treasury at which they may be presented. Mr. Phillips would adopt five rupees as the minimum denominational value.

7. The Honorable Mr. Arbuthnot draws attention to a paper on the currency question prepared by the Honorable V. Ramiengar, whose experience of the feelings and habits of the Natives of this part of India are deserving of consideration, and who strongly advocates the introduction of a gold currency in combination with any measures taken for the improvement of the paper currency.

8. Mr. Arbuthnot concurs with Mr. Ramiengar in this opinion, and in thinking that there should be only one description of note in each Presidency, but he would prefer a universal note for all India convertible at each Presidency town and at each Provincial District treasury which may be situated on a line of Railway and partially convertible at any other treasuries to the extent which the cash balances may admit. On this latter point Mr. Arbuthnot desires to invite the attention of the Government of India to the observations contained in the letter addressed to the Government of India on the 4th July 1864, No. 349, and 18th September 1865, No. 440. Mr. Arbuthnot would fix the minimum note at five rupees.

(Signed) R. S. ELLIS,
Chief Secretary.

Exd. J. Wright.

1869.

FINANCIAL DEPARTMENT.

From The Chief Secretary to Government, Fort Saint George.

To The Secretary to the Govt. of India, Financial Department.

Dated 1st April 1869.

Read.

No. 164.
Enclosure.

APRIL.
Nos. 1—5.

Communicating the views of this Government on the question of the improvement of the Paper Currency.

Note

It is not clear from the Application sent up by the Registrar that the Government of Madras can enforce Note for payment in England unless it is to be inferred from the concluding sentence of the Application that the Certificate granted by the Accountant to this effect shall form with the acceptance in England.

Fort Saint George.

Wednesday, September 28, 1859.

№ 79.

Notification.

Fort William, Financial Department
the 15th September 1859.

His Excellency the Governor General in Council is pleased to cancel Rule 3 of the Rules published in the Government Notification, № 61, dated the 12th November 1858, and to direct the substitution of the following Rule, as Rule 3 of the above-mentioned Rules:—

Rule 3.— Notes presented for enfacement at Bombay and Madras will be forwarded to the Accountant-General to the Government of India at this Presidency, by whom the Notes, after enfacement and registry, will be returned to the Presidency whence they were sent, for delivery to the Holders: provided however that, in cases in which the Notes shall previously have been transferred for the payment of interest to Bombay (or Madras, as the case may be), it will be at the option of the Holders to have such Notes enfaced and registered by the Accountant General at Bombay (or Madras, as the case may be), on the condition that a certificate be affixed on the back of such

such Notes by the Accountant-General of the Presidency concerned, that all existing endorsements have been examined by him, and are valid and correct, and that the Note itself is genuine and outstanding; and on the understanding that no endorsements made subsequently to the date of the Accountant-General's Certificate will be recognized in England.

By Order of His Excellency the Governor-General in Council,
(signed) C. Hugh Lushington.
Secy. to the Govt. of India.

Re-published by order of the Honorable
the Governor in Council.
(signed) J. Pycroft.
Chief Secretary.

Note - Under the Notification the Madras Bank will issue Notes for the payment of [illegible]

15

My dear Ellis

The Acct. Genl. at Madras can't draw Bills on London in payment of a Fee of 1R. The notification is not very clear. But I take it to be, that all Bills drawn in England, or Endorsement in India will be exempted - but Endorsement in England will

Inhalt gemäß, a Ihnen Ihre Leute
aus Ceylon betreffend, in
Ihrer Indien Akten.

pl. Rom

L. v. Savi

13. 8. 70

Memo

[illegible]

As the two alternative Schemes proposed for Constituting Municipalities at present stand the first as involving the issue of no less than three separate classes of Notes, which would embarrass rather than facilitate the circulation of the Paper currency, the popular idea that the Govt. are pressing their measure upon the Country for their profit rather than for the public benefit will be strengthened by the simultaneous introduction of so many

Note - Under the Notification [illegible] Madras Bank [illegible] the payment of [illegible]

distinct Notes, &c to
par, the object in view
may be depicted rather
than promoted.

For the same
reasons the second
scheme also appears
to me the open &
the same objections
tho in a less degree.
I do not see the
use of the Presidency note
and a Circle note.
I would in either confine
myself to one note—
either that of the
Circle, the Circle
being re-enacted
on proposition of
Carpenter's letter,
a one note for the
entire Presidency
If the latter be
adopted — but

I think notwithstanding
the objections raised
to the Madras
Presidency would ultimately
find great convenience
& advantage combined
with Circle Notes
confined only to
Districts & Circuits —
I would at first declare
the Notes convertible
only at the Presidency
& at the Treasuries
of the D.C. connected
with Madras by Rail
and Telegraph — then
the circulation to be
confined at first
to the Presidency &
the D.C. of Moulmein
Salem, Coimbatore, Madura
Trichinopoly, Tanjore
and Cuddapah — Godavery
and Tinnevelly
might perhaps be

added on account
of Canada and
intercourse being place
of commercial importance
& being easily accessible
from England by Sea.
Our dispatches could
be afterwards readily
forwarded
to distant places
& the specie paid
in the interval.
Thus in any
case & whatever
effect it appears to
me most improbable
that the issues of
Notes can extend
much beyond what
is required for ordinary
purposes of the trading
and Agricultural classes,
& that the best
Currency can contribute

effect is the means of the
Population in their
present condition and
habits of thought and
mode of living. In
the first place the vast
majority of the people
must have real
instruction before in
their hands & before
they are convinced
that a payment has
been made to them
to whatever may be the
cause of this state
of mind — whether
age of oppression,
bad faith of Govern-
ments or Revolutions.
The fact remains
& must oppose an
insurmountable obstacle
to the progress of
Paper Currency
among the mass

Question to them.
These causes and
the general poverty
of the people, induced
the Union from one
State to another, the
present low prices
Commutation &
the consequent want
of facilities pres-
enting the Secretary
Could except at an
the immediate Resumption
Board of Treasurer
must pro. con.
time to time, publish
a statement of the succes-
ful construction of
of the Paper Currency.
The parties we are
proceeding too fast.
We have taken a
step prin. in Entirely

working Population.
Then the vast majority
of these classes live
in Hatched Houses;
in the absence of
Check or Safe, Stamp
Savings or Banks
to deposit them
Savings in their
Leisure hours of Evening
themselves by burying
them Under Ground
or in Secret holes.
Hatchin with
Currency interred
not be kept in
the manner without
being destroyed by
damp or white
ants & on the
amount also is liable
have the greatest

Coppers & silver Coinage
the Paper Currency may
keep the Country in
prepared for it, having
altogether the superior
advantage of a
Gold Currency to
the present condition
of the people. Gold
present most of the
advantages of a
Paper Currency, in
as much as it contains
great value in small
bulk; and most
commands credit
the people in their
present state of intelligence
because it possesses
the circumstance
intrinsic value,
the Paper does not.

2 Dec

1

2 24

however by restoring
public confidence
of the Country people
will be disposed
with the confidence
which they do not
at present possess
in the intercourse
ness of Govt & this
will have the very
of the greatest in
troduction of Paper
circulation. Representative
value by convertible
Paper is a experiment
belonging to a
stage of civilization
at which India
has not arrived
which it will
take her years
to attain. After
the experience of
the part under

6

former Spanish
Trunk, a Pardon
all weakness in
the Indian Population
to attract any
Commercial enterprise
or intelligence, to
be still Poor &
hoarding, to still
count upon bad
faith & Constitution
and keep for a
Representative of
value Solid Gold &
Silver. Such superior
Energy & Power
will reappear &
be applied in better
times, the Nation
which has no
intrinsic value &

Post

29

civilized mg by the
manner it conveys.

Copy

to

Budget & Revenue Dept

No. 189

31 27

Fort Saint George
Accountt. Genl's Office
17. October 1868

From
F. Lushington Esqre
Accountant General

To
The Chief Secretary
to Government

Sir,

I have the honor to acknowledge the receipt of the Order of Government in the Financial Department dated the 13th. instant referring for my Remarks a letter from the Commissioner of Paper Currency Madras to the Finiancial Secretary of the Government of India under date the 22d. July last, suggesting certain measures for the improvement of the Paper Currency.

The main feature in the scheme proposed by the Commissioner is a large increase in the number of Circles, seven offices of issue being added to those now existing. The arrangement of Circles proposed by the Commissioner appears

to

to me judicious, and the only modifications which it occurs to me to suggest in respect to them, are the amalgamation of the Ganjam and Vizagapatam Districts into one Circle, and the addition of Guntoor to the Masulipatam Circle as a Treasury where the Notes of that Circle might be cashed. It is possible that Colonel Carpendale may have some reasons of which I am not aware for the separation of Ganjam and Vizagapatam but provided the convertibility of the Note can be readily ensured, it seems to me that the area of payment should be as wide as possible, and as Ganjam has large surplus collections no difficulty would be experienced in the encashment of Notes.

Whether the absolute convertibility of Currency Notes at all the principal Treasuries within their respective Circles will have the effect of increasing their circulation and of inducing the native population to hold them for purposes other than that of remittance, it is difficult

difficult to say but the results of the past year are certainly not encouraging for notwithstanding the removal of the restrictions against the encashment and issue of Notes, which existed prior to 1867, the amount held by the public seems to have diminished, rather than increased. Practically, all Currency Notes have in this Presidency been convertible at the principal treasuries of their respective Circles since the commencement of last year, with the exception of Cotacammund and very recently Bellary, payments of any Notes presented for that purpose not having been in a single instance that I am aware of refused at any other Treasury and yet as will be observed on reference to the marginal note, no improvement whatever seems to have taken place in the active circulation. It is true that the issue of Notes has of late been greater, but the amount held in the different public treasuries has increased proportionately which seems sufficiently to indicate that the Notes were only used for the purpose of remittance.

Note in active Circulation.

	1st January 67.	1 January 68.
Madras Circle	66 00 000	56. 19. 150.
Bangalore Do	4 27. 730	2. 88. 250
Calicut Do	25 26. 290	6 87. 710
Vizagapatam Do	11. 18. 840	8 46. 650
Balance in the hands of Collectors & Sub Collectors	94. 99. 830	73. 80. 760
Notes in active circulation	53. 06. 660.	20. 85. 220
		52. 95. 540.

One

One of the effects of the proposed change will I have no doubt be, as suggested by the Commissioner of Issue, to augment the use of Currency Notes as "inland bills of Exchange" or in other words for the purpose of making remittances; but I do not share in the apprehension entertained by that Officer that this will cause considerable expense to Government in the carriage of bullion to the principal treasuries which are not offices of issue, as in nearly all our Treasuries the receipts are largely in excess of the disbursements and there will be an ample reserve of silver to meet the encashment of Notes. I do however see reason to apprehend that in one or two Districts the payments of silver for Currency Notes into the treasury will expend the withdrawals from it, and in such case the Government would be put to the expense of conveying the surplus silver to Madras, but these cases will be very rare indeed, as the balance of trade is almost always in favor of the Districts.

With

With regard to the "Presidency Note" I concur with Colonel Carpendale in considering a "universal Note for India" an impossibility. I agree also with him in his opinion that the issue of a Presidency Note convertible on demand at all the principal treasuries within this Presidency is not desirable, as the disadvantage both to Government and the public of having to lock a large amount of Capital in maintaining the large silver reserves which would be necessary at each of the principal treasuries, would not I consider be adequately met by the expansion of the Note Circulation. In many of the Districts of this Presidency the demand for silver is large, and unexpected, and as Notes would travel faster than bullion to all districts not situated on the line of the railway, a Treasury might be drained of the whole of its silver before means could be taken to replenish it. Take the District of Bellary for instance a small rise in the price of Cotton immediately sends a large number of Speculators into the market each of whom would probably despatch a batch of Notes to be exchanged for silver to be ready for any emergency; and unless the Treasury held

Withdrawals for encashment of Currency Notes at the Treasury of Principal Districts not on a Railway would

a

a very large reserve of Silver, it would be unable to meet its engagement, as a Specie remittance could not possibly reach it under 7 or 8 days.

The class of persons who would most largely profit by the issue of a Presidency Note would probably be the private trader, who rather than pay the fair market value for the accommodation required by him would probably avail himself of Currency Notes for making his remittances. But it does not appear to me that the convenience of these parties can be viewed as a legitimate object of a State Currency while on the other hand there can be no question but that the issue of such a Note would be very prejudicial to the interests of the Banks and Money dealers who have equal claims to consideration from Government.

The issue of a fine paper Note is in my opinion desirable and it would I think be popular.

I have the honor to be
Sir
Your most obedient servant
F. Cuthbertson
Accountant General

396

Minute by H.E. The President, dated 4 June 16

The scheme of a single Bank note freely exchangable at par for coin at chartered banks or Government treasuries, scattered over the whole country, and constituting a legal tender between man and man and between subject and Government is the ideal of a paper currency for India. This ideal is, however, recognized to be so unattainable that we are in a manner prohibited from bringing the project under discussion on this occasion. The Government of India has communicated two plans for our consideration of a less ambitious character having

in view some approximation to unity and hurrying printing to a greater spread and more popular use of this method of exchange.

II. The first proposal contemplates (1) the creation of a Presidency Note to be legal tender in private transactions and for payments to Government throughout the Presidency and to be exchangeable for coin on presentation and to an unlimited amount at district Treasuries which are now placed in Railway and telegraphic communication with the Presidency Town. (2) The retention of the existing four currency circles with their circle notes on the present footing (3) The sanction

of a subsidiary note circulation for each District, the District Note to constitute a legal tender in all respects within its District and to be convertible at the District Treasury.

III. The second scheme embodies the following features. (1) The proposal for a Presidency Note as in the first. (2) The subdivision of the existing four currency circles into smaller circles each embracing one or more districts each supplying its Circle note constituting a legal tender in all respects.

IV. The first project has not as far as I am aware received

any support here. It appears to be regarded with little favor even at the source from which it emanates. It appears to be too complicated. It embodies ~~any~~ the dangers and embarrassments which attach to the second plan. It contains no advantages which the second plan does not offer. —

V. The proposal for a Pendency Note is undoubtedly one of an attractive character. This the general note is a less startling step. It appears to be a prudent and practical step in the direction of that object which has so great a value in the eyes of a large class of enterprising economists.

I am, however, constrained to declare after reflection and after conference with those who are versed in the currency of the principal ~~of the~~ tendency that the proposal suffers little in risk from the evils I have alluded. The Government should cancel and withdraw it, while it can be done without loss or inconvenience to the holders on presentation and to an unlimited amount at the out ports and principal centers of trade in the interior. To engage to do so at places not reached by the existing Railways would be to expose the credit of government to the most disastrous reverses.

to engage to do so at places
on or near the existing Railways
would involve the retention of larger
cash reserves than would be convenient.
It would be attended by risk, expense
and inconvenience without commensurate
advantage, without affording any
considerable benefit to the
general trade of the country, without
attaining any considerable expansion
of the circulation which we
desire to foster. Under the
stimulus of rapid postal and
telegraphic communication the
markets of India are daily
becoming more sensitive, more
accessible to the impulses and
fluctuations of production and
demand in other countries. The
variations in the season or the
accidents of political change
in the United States, in Brazil
in Java, in Cuba, may cause
sudden alterations in the prices
or the prospects of our principal
commodities of export attended
by sudden demands for large
sums in coin for local payments
which could not be met by any
provision made by any diminution of
which the Government would be
culpable. Gopalkrishna, Bimbakha

Coconada, Tuticorin, Cochin, Tellicherry on the coast, Bellary Kadiana Kurnool, in the interior, are all still inaccessible. Salt is scarcely brought within the circle of rapid relief. Would it be desirable for the sake of Cuddapah, Coimbatore, Trichinopoly and Negapatam to entertain an innovation so important and loaded even in these places with considerable difficulty and responsibility for government. The affairs of government connected with the administration of the currency, the most experienced merchants and bankers say that

it would not. I cannot but ~~agree~~ assent with to their opinion.—

VI. It may be contended on the other side, (1) that the markets to which the proposed system would be applicable will gradually by increase in number & by the development of the Railway system, and (2) that the Migration on the part of government for the encashment of Promissory Notes at the centres of trade might be guided by some precautions or reservations with reference to amount and time:—

To the first argument I

reply that years must elapse
before some of the distant out ports are
placed in Railway communication
with the Capital, while others
will probably never be so connected,
and that those even which
may be brought within the
completed system will still
be separated by such a length
of transit from Madras
as to make the prompt execution
of money ~~engagements~~ obligations
upon the central Treasury a work
of difficulty. Nor does it appear
that it would be consistent

with the development and employ
of a paper currency devised for
the service of the whole Presidency
that the obligation to exchange
coin for notes should be gratuitous
either in respect to time or
amount, for any reservation or
delay would be accompanied
by some loss of convenience or
confidence in a matter where
the government should be able
to demonstrate its resources
and its superiority over private
agencies by unlimited power
and unhesitating promptitude.

VII. For the purposes of large operations

commerce the Presidency note would only be of considerable utility if it's convertibility could be ensured to any amount and on all the principal markets of the country, conditions that cannot be fulfilled. For the purposes of ~~the~~ smaller remittance the Government has established the Money order system and in this respect the Government by creating the Presidency note would be undermining with one hand what it is building with the other. — It is not however only in reference to the Money order system that the institution of the Presidency note would involve the Government in a course of inconsistent contradictory action. The Presidency Banks has been encouraged to establish Branch banks all over the country for the purposes of local exchange. The institution of the Presidency note would ~~of~~ destroy this branch of business. The more effectual would probably involve the withdrawal of the Bank of Madras from its provincial operations. From

such results the government
ought not to recoil if a convenient
result could be safely predicted.
The money under system and the
Joint banks might be sacrificed
if the Presidency note was safe
and sure to succeed. But it is
not safe and not sure to succeed. The

~~VIII~~. ~~The~~ conclusion at which I
arrive therefore is that the
proposal for a Presidency note
is one which for the present
at least we are bound to
decline.

III. The second feature of the
second plan communicated by
the government of India viz. the
subdivision of the present circles
of issue is one, on the contrary,
which might be adopted with
manifest advantage. - with
the view of popularizing the
paper currency two things are
necessary. We should increase
the number of offices at
which the notes can be converted
into coin and we should
reduce the denomination of the

Rates so as to bring them into
some conformity with ~~Calcutta~~
valgar usage. The places of
official encashment can hitherto
be ten or less. The rates have
been for too high values. Colonel
Cavendish has proposed to
divide the present four circles
into eleven with thirty three
offices of conversion. The accountant
general has accepted this
Plan with a single modification
He desires the consolidation
of the Vizagapatam circle
with that of Ganjam. I learn
from Colonel Cavendish that he

has no objection to this change
The Presidency would thus be divided
into ten ~~circles~~ of these with thirty
three cashing treasuries. I would
adopt this Plan.—

IX. The question of denominational
reduction is more open to debate.
Mr Ayrton on all hands that
the ten anna rate as a
Maximum is too high. There
appears to be a general consent
of opinion that a five rupee
note should be adopted. I
shall probably meet with little
opposition in affirming that one

should go lower than that
point. I cannot however ~~dissuade~~
suppress my opinion that the
contemplated reduction will be
ineffective. A note for five
rupees would not be available for
many of the ordinary purposes of
popular traffic. It would be too
high for the payment of wages
for the payment of instalments
of land alienment, for the
purchase of provisions. If it is
desirous the aim of government
to bring the paper currency into
the habits and habits of the

lower classes they must surely issue
a note which the lower classes
can carry to market. I have seen
a one dollar or three shillings
note circulating for years past
in Prussia side by side with a
silver coin of the same value and
equally acceptable to the public.
In Russia before the Crimean
war the ruble note held the
same position. A one rupee note
would relatively be higher in
this country than a three shilling
note in Germany. I would
earnestly submit to the Supreme

government the expediency of sanctioning
the trial of a one rupee note
in the Madras circle where the
people are more than usually familiar
with paper money, where confidence
in the faith and resources of
government is probably highest,
and where the existing treasuries
would be easily reached. If the
experiment succeeds the system
might be prudently extended.
If the experiment should not
succeed no harm would be done
and the failure would go far to
prove that a paper currency
can not become a vehicle of exchange

59 16

among the masses in India. There
are indeed many arguments which
point to that result. Custom
Superstition, poverty, the peculiarities
of habitation and dress, many
moral and many physical
circumstances conspire to make
and keep the Indian people
votaries of a dark metallic
currency but we cannot
instinctively and unwittingly
expect that they will not
accept a paper currency
till we have offered them

note which they can use.—

In conformity with the views submitted above it would appear that the modifications of the present system which we can safely accept at present would be (1) the creation of ten circles of issue in the Presidency with thirty three caoling treasuries, each circle having its reduction note constituting a legal tender between private parties and to government in the circle but all being convertible at the Madras treasury and all a legal tender in payment of government dues and taxes wherever presented. (2) The reduction of the lowest denomination of note to five rupees in all the circles except in the Presidency circle where in addition to the five rupee note an experimental note of one rupee should be issued.

XI. It must also be desirable to make all notes legal tender at every Post office, money order office, Railway Station and Telegraph office irrespective of the circle of issue to which the notes belong. Such a provision would enhance the confidence of Government and be a convenience to Travellers.

XII. In apologizing for the delay which has occurred in the circulation of these papers I am afraid that I have no better excuses to offer than these: a hesitation at first to offer a decided opinion on a question with which I was little conversant and eventually reluctance to give that opinion in a sense directly opposed to all my preconceived impressions and wishes.

March 4. 1864

Napier.

67 18

Mr. Secretary Cass U.S.
Washington

Sir

Chihuahua
P. 30 a

1

67 18

Sir

Referring to my despatch
[illegible] obtain an opinion
of an intelligent Lawyer
[illegible] Questions as to the
powers possessed under
the Mexican Laws by
an Executive Power
[illegible] Governor
of Chihuahua appointed
in 1864, with a
[illegible] Court of appeal
[illegible] power was with his
[illegible] as an Executive.
I am indebted to
[illegible] Commissioner with the

and I should be
disposed to go further
and to advocate the
adoption of a universal
rule for India ex-
-cepting at such
Principal Ports and
at such Principal
Inland places as may
be situated on a line
of Railway and
practically accessible
at any time throughout
the Cold Season
by carts. As
the latter point the
Superintendent of
Observations would
in the latter, I think
undertake to have

I do not hesitate in believing that the simplest and most obvious method of securing popularity for a paper currency in this country, and rendering it really beneficial to the people at large, will be to issue a single uniform set of Notes, declared to be a legal tender & convertible into cash at any Government Treasury at which they may be presented.-
If however, as I expect it will be, such an arrangement should not be deemed to be too comprehensive the only proper alternative measure that presents itself to my mind, is to abandon the costly, complicated & uncertain system of Orders now prevailing, and assign to each Presidency its own exclusive set of Notes for circulation within those limits. There being declared a legal tender should be convertible into cash at any Govt. Treasury in the proper Presidency, whether Bengal, Collectors or Bombay, at which they may be brought for that purpose. There may be some slight discount in the Government as regards a payment therein of specie to meet sudden demands, but I take it that it will not exceed any great length of time to discover the direction in which the current of trade is setting & there accordingly Collectors should have funds in readiness. It

11th January 88

24 March
R 30

does not occur to me that the details of an arrangement of this kind will impose new labor worth mentioning on ~~my~~ our ~~subordinates~~ colleagues, seeing that the duty will be mainly thrown on the principal uncommanded Treasury officer of the District whose hands might be strengthened by the addition of this new pay clerk. — Even with the clear advantages of the above arrangement that which is now in force, I should still doubt whether for generations to come, the native inhabitants of India will regard with approval, our Currency Notes or use them beyond the limits of a few large towns, for other than the mere purposes of domestic or trading remittance.

In respect of the note of Colonel Anderson — addressed to the Secretary of Commerce of Madras & the Govt. of Madras (4 July 1864) that the Government in open Council recommend to give effect to

13.3.65

H D M

Financial Depart.

Memorandum for Orders

From Govt. of India. 18th June 1868. No 537.
Commr. of Paper Currency. D/ 22d July 1868. No 1118.
Accountt. General. 17 Octr. 1868. No 189.

In the Resolution of
18th June 1868 No 537, the
Governor General in Council
observes that it results from
the Enquiries made by the
Currency Commission that
there was a desire on the
part of the Authorities con-
sulted for some modification
of the existing Note Circles.
Setting aside the idea of a
universal Note for all
India, two alternative schemes
are stated to be under the
consideration of the Govt.
of India, and upon these
the Opinion of the Madras
Govt

Financial Depart.
No.

Transmitted by the Secretary
to Govt. of India.
Dated 13th March 1869.

P.O. No 164

1 of 3.

Government is asked.

The first Scheme is

I To have the Presidency Notes i.e the Calcutta, Madras and Bombay Notes convertible by Law on demand at all the principal Treasuries in each of the three Presidencies respectively, in other words to have the Calcutta Note convertible at all the principal Treasuries in the Bengal Presidency; the Madras Note convertible at all the principal Treasuries in the Madras Presidency; the Bombay Note the same in the Bombay Presidency.

II To keep the existing Note Circles, and the arrangements therewith connected as they are.

III To have an auxiliary Note

Note circulation for each Zillah or District to be of a limited amount fixed for each District, the Notes to be issued thro' the Collector and to be convertible by Law, on demand, at every Cutcherry or District Treasury within the said Zillah or District.

The second Scheme is

I To have the Presidency Note as in the first Scheme

II To substitute for existing Circles, small circles consisting sometimes of groups of two or more Districts commercially or topographically connected with each other, and sometimes of single Districts to issue the Notes thro' a special Currency Office in

in each Circle, and to declare the Notes convertible on demand at all the Sudders or District Govt. Treasuries within each Circle.

The term Principal Treasury at which the Presidency Notes in both Schemes are convertible is to be taken to mean the Sudder Treasuries of the Districts or Zillahs through which there may run a Railway communicating with the Presidency Town. So that the Railway and Telegraph would in extreme cases furnish the means of ensuring the fulfilment of any Engagements which could reasonably be expected to accrue under the circumstances.

The

The fact that the Presidency Notes would be used principally for remittances is admitted, but the question is whether the cost and trouble would not be more than counterbalanced by the Expansion of the Note circulation conducing to the benefit of the people and of the Government.

The object of the auxiliary Zillah Note circulation is described, as mainly to educate the middle classes in the use of paper money. the limited nature of the Note being calculated to give confidence. This would also be partly the object

A

of a Note circulation in small groups of District, while the convenience would be greater. The other arguments in favor of the 2nd Scheme are

1st That it would be more convenient to have but two classes of Notes, viz, the Presidency Note, and the Note for the smaller circles or groups of districts; whereas, by the first Scheme there would be three.

2nd That if these Circles be kept within fairly moderate limits, the difference of risk, as respects means of convertibility between the Circle Note and the Zillah Note would be hardly appreciable.

3d That the Zillah Note would be but of little use in meeting the encashment

of Presidency Notes if presented in large quantities at one time.

4th That the Circle Note as above described would conduce to facilitate such encashment as on the Presidency Note being presented in a Circle, the Circle Note would be readily taken in place of it, if the money remitted was meant for expenditure, or received in the Circle concerned.

5th That being watched over by experienced Currency Officers, the particular service would be more properly cared for, whereas Collectors and Magistrates are already over burthened with their multifarious work.

This Resolution has been reported upon by Coll Carpendale, Commissioner of Currency, direct to the Government of India, and by the Accountant General to whom Colonel Carpendale's letter was referred.

Colonel Carpendale considers the proposal of a Presidency Note, which forms part of both Schemes as beset with difficulties as involving

1st An unwarrantable expense in the large Cash balances which would be required in many Districts where trade with the Presidency is great - and in the loss of premium on Accountant General's Bills by which surplus balances are withdrawn from the provinces.

2d

2nd As interfering with legitimate Banking operations.

He is of opinion that a Note of the Madras Circle which, while being a legal tender only within the Presidency Town and adjoining districts, so far as the Public are concerned, but a legal tender to Government throughout the Presidency, and for the circulation of which the existing facilities should be afforded, would, in conjunction with notes of small circles in lieu of existing large ones, go far to meet the object that Government desire, if the Circles are increased to + eleven and if notes of 5 Rs are

+ at present there are 6 Circles.

are at the same time introduced.

Colonel Carpendale attributes the small circulation of Notes in this Presidency

1st to their being, until a recent period when Notes in the Vernacular were issued, unintelligible to the mass of the people.

2nd To the denomination not being sufficiently low to meet the wants of the largest class.

Colonel Carpendale would modify the second scheme as follows:-

1st The Madras Circle note to be a legal tender only within the "Madras Circle", and convertible by law only at the principal Treasuries in that Circle, that is, the

the Chief Treasury of each District or Collectorate in the Circle, but to be a legal tender to Government throughout the Presidency, and Government to encourage its general circulation by requiring the Treasuries in every District to maintain a reserve of these notes for issue, and to afford the existing facilities for cashing them at all Treasuries, that is, so far as may be found convenient.

2nd The Circles to be increased to 11, including the Madras one, their notes being a legal tender between the public each in its own Circle only, and at the Presidency town, but to be a legal tender

tender to Government throughout the Presidency and Government to afford the existing facilities for cashing these notes at all Treasuries to travellers only, the notes of each Circle being convertible on demand at all Chief District or Collectorate Treasuries within the Circle, and to be convertible to the fullest available extent at all subordinate Treasuries in the Circle.

Colonel Carpendale considers special Currency Officers unnecessary but would give a small extra salary to the Treasury Deputy Collector as deputy Commissioner.

The

The following is the proposed arrangement of Circles

	Offices of Issue	Notes convertible
I Ganjam	Ganjam.	Ganjam, Madras.
II Vizagapatam	Vizagapatam	Vizagapatam, Madras.
III Godavery, Kistna, Nellore.	Masulipatam	Cocanada, Masulipatam, Nellore, Madras.
IV Bellary, Kurnool.	Bellary.	Bellary, Kurnool, Madras.
V Madras, North Arcot, Cuddapah, Salem.	Madras.	Madras, Chittoor, Cuddapah, Salem.
VI Canara, Malabar, Coorg.	Mercara in Coorg.	Calicut, Mangalore, Mercara, Madras.
VII Malabar, Coimbatore	Calicut.	Madras, Calicut, Coimbatore.
VIII Neilgherry Hills	Ootacamund.	Ootacamund, Madras.
IX South Arcot, Tanjore, Trichinopoly	Trichinopoly	Cuddalore, Tanjore, Trichinopoly, Madras.
X Madura, Tinnevelly	Palamcottah.	Madura, Palamcottah, Madras.
XI Mysore Territory.	Bangalore.	Bangalore, Madras.

The Accountant General concurs with Col Carpendale as to the increase and distribution of Circles, but he suggests the amalgamation of the Ganjam and Vizagapatam Districts into one Circle, and the addition of Guntoor to the Masulipatam Circle as a Treasury where the Notes of that circle might be cashed. Mr Lushington is somewhat sceptical as to the effect of the Scheme being to make the native population hold the Notes for purposes other than that of remittance, inasmuch as practically all currency Notes since 1861 have, in this Presidency, been

Note. This modification may be referred to Colonel Carpendale to ascertain if he objects.

convertible at the principal treasuries of their respective circles, with the exception of Cuttacummund and very recently Bellary, but without any improvement in the active circulation of the Notes, it being also shown that the amount of Notes held in public treasuries is in proportion to the increased issue, proving that the notes were only used for purpose of remittance.

Mr Lushington concurs with Colonel Carpendale in his opinion to the "Residency Note"

Improvement of the Paper Currency.

Minute for orders

C 24 March
R 30 "

dispatch 5th

Financial Department.

91

No. 164. 1

To

The Secretary to the Government of India.
Financial Department.

Sir,

I am directed in reference to the Resolution contained in the Proceedings of the Government of India Financial Department dated Simla 18th June 1868 No 537 on the question of the improvement of the Paper currency to submit the accompanying Minutes by His Excellency the Governor in Council.

2. It will be observed that His Excellency for the reasons detailed in his Minute is opposed to the issue

and memoranda by the Civil members of Council.

ispue of Presidency Notes, that is the Calcutta, Madras and Bombay Notes, convertible by law on demand at all the Principal Treasuries in each of the three Presidencies respectively. His Excellency on the other hand considers that the portion of the second scheme contained in the Resolution of the Government of India, under which the existing circles of ispue would be replaced by smaller and more numerous circles might be adopted with manifest advantage.

In His Excellency's opinion the two things necessary to popularize the paper currency are an increase in the number of offices at which the notes are convertible into coin, and a reduction in the denomination of the notes so as to bring them into some conformity with the habits and resources of the lower orders in this country. Having these objects in view, His Excellency would propose to divide the present four circles of ispue into ten, with thirty three offices of conversion as stated marginally. The general opinion of those most competent to pronounce upon the question of the denominational reduction of the notes, is that the ten Rupee Note as a minimum is

	Offices of Ispue	Notes convertible
I Ganjam Vizagapt.	Ganjam	Ganjam Madras Vizagapatam
II Godavery Kistna Nellore.	Masulipatam	Cocanada Masulipatam Guntoor Nellore Madras
III Bellary Kurnool	Bellary	Bellary Kurnool Madras
IV Madras North Arcot Cuddapah Salem	Madras	Madras Chittoor Cuddapah Salem
V. Canara Malabar Coorg.	Mercara in Coorg.	Calicut Mangalore Mercara Madras
VI Malabar Coimbatore	Calicut	Madras Calicut Coimbatore
VII Nilgherry Hills	Ootacamund	Ootacamund Madras
VIII South Arcot Tanjore Trichinopoly	Trichinopoly	Cuddalore Tanjore Trichinopoly Madras
IX Madura Tinnevelly	Palamcottah	Madura Palamcottah Madras
X Mysore Territory	Bangalore	Bangalore Madras

is too high and there is a general consent that a five rupee note should be adopted. But His Excellency believes that this limited reduction will be formed practically inoperative, and that to insure the paper currency being in accordance with the habits and wants of the lower classes, the minimum note should be fixed at one Rupee, ~~and~~, with a view of testing the effect of this reduction, His Excellency earnestly recommends for the sanction of the Government of India that a trial of a one Rupee note should in the first instance be made in the Madras

Madras Circle where the people are more than usually familiar with paper money, where confidence in the faith and resources of Government is probably highest and where the cashing treasuries would be easily reached. It would depend upon the success of the Experiment in the Madras Circle whether it should be extended to any or all of the other Circles.

The scheme of which His Excellency advocates the adoption would consist of

1 The erection of ten circles of issue in the Presidency with thirty three

three casting treasuries,
each circle having its
respective note constituting
a legal tender between
private parties and to
Government in the circle,
but all being convertible
at the Madras treasury
and all a legal tender
in payment of Govt. dues
and taxes wherever pre-
-sented.

II The reduction of the
lowest denomination of
note to five rupees in
all the circles except in
the Presidency circle,
where, in addition to the
five rupee note, an
experimental note of
one rupee should be
issued.

His

His Excellency would
also suggest for considera-
-tion that all notes should
be made legal tender at
every Post Office, Money
Order Office and Railway
Station throughout the
Presidency, irrespective
of the Circle of Issue to
which such notes belong.

The Hon'ble Mr Phillips
is in favor of an universal
note for all India to be
declared a legal tender
convertible into coin at
any Government treasury
at which it may be pre-
-sented or if such a scheme
should be considered too
comprehensive at present,
Mr Phillips would
abandon the present system

of

of Currency Circles and
assign to each Presidency
its own separate set of
Notes for circulation
within its limits, these to
be declared a legal tender
and convertible into com
at any Govt. Treasury at
which they may be
presented. Mr Phillips
would adopt five Rupees
as the minimum denomin
-ational value.

The Honble Mr Arbuthnot
-not desires to call
attention to a paper on
the Currency question
prepared by the Honble
V. Ramiengar whose ex-
-perience of the feelings
and habits of the natives

of

of this part of India are
deserving of consideration,
and who strongly advocates
the introduction of a Gold
currency in combination
with any measures taken
for the improvement of
the paper currency.

Mr Arbuthnot concurs
with Mr Ramiengar
in his opinion and
in thinking that there
should be only one
description of note in
each Presidency but
he would prefer a
universal note for all
India convertible at each
Presidency Town and at
each Provincial District
Treasury which may
be situated on a line

of

of Railway and par-
tially convertible at any
other Treasuries to the
extent which the Cash
Balances may admit.
On this latter point Mr
Arbuthnot desires to invite
the attention of the Govt
of India to the observa-
tions contained in the
letter addressed to the
Govt. of India on the 4th
July 1862 No 349, and
18th September 1865 No
440. Mr Arbuthnot
would fix the minimum
note at five Rupees.

Fort St George
1 April 65.

Finl 1869. Department

No. 164

To

The Secretary to the
Government of India
~~Finl.~~ Department.

Dated 186 .