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[Despatch Abstract.]

Sub Treasury at Yereaud.

Approving, with remarks, the proposal of the Acct: Genl: to issue bills on Yereaud at a premium of one-eighth per cent in lieu of the present system of cashing notes at that Treasury.

60

BACK PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.	G.O.	No.	Department.	Date.
2656/98							
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D.O. 245/01							
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Government {1898} of Madras.

FINANCIAL.

Recd. } 1898. *Enclosures*

Regd. *Spare copies*

G.O., No. 253, 10th March 1898.

MARCH.

Sub-treasury at Yercaud.

Approving, with remarks, the proposal of the Accountant-General to issue bills on Yercaud at a premium of ½ *per cent.* in lieu of the present system of cashing notes at that treasury.

be treated in a different manner unless they agree to pay a premium. It was because they agreed to the payment of a premium that the opening of the sub-treasury was at first sanctioned by Government and there is no reason why they should now demur to its payment. The rate of premium depends on the extra cost involved in maintaining the treasury at Yercaud and keeping up therein a sufficient balance to meet the planters' requirements. The cost of the extra establishment * amounts to Rs. 37–8–0 per mensem as noted in the margin. For the last four months, *i.e.*, from April to July 1897, a sum of Rs. 1,50,000 has been sent to Yercaud sub-treasury to meet the planters' wants. This gives Rs. 4,50,000 a year, but only Rs. 3,60,000 were sent in last year. Taking the latter figure, the cost of remitting it to Yercaud will amount to Rs. 189. The cost of the escort is put down by the Superintendent of Police at Rs. 4–9–9 per trip. Last year there were generally three remittances of Rs. 10,000 each in a month and this year four remittances in a month are made owing to increased demand. Assuming that only three remittances are made in a month as in last year, the cost of escort for a year will come to Rs. 166 nearly. The total cost of establishment and of remittances will thus amount to Rs. 805, and a premium of 4 annas will suffice to cover this charge. This is much less than what they were paying.

	Rs.
* One shroff	15
Three constables at Rs. 7½ each ..	22½

6. I enclose a copy of a communication forwarded to me by the Honorary Secretary of the Shevaroy Planters' Association, with a statement that it represents the views of the association.

Enclosures.

From H. W. LEEMING, Esq., Honorary Secretary to the Shevaroy Planters' Association, to the Collector of Salem, dated Yercaud, 23rd July 1897.

With reference to your No. 887-B. & G., dated 5th July 1897, regarding the proposal to charge a commission on currency notes presented for encashment at the Yercaud sub-treasury, I have the honour to inform you that I am directed by this association to state that a reply from Mr. R. Gompertz to the above having been read at our last meeting it was unanimously *resolved*:—

"That the Honorary Secretary be requested to forward a copy of Mr. Gompertz's letter to the Collector as representing the views of this association. Further, that the Honorary Secretary be instructed to read the above correspondence at the annual meeting of the United Planters' Association, Southern India, on August 9th next and following days; and that the Secretary be asked to place this subject on the Agenda paper".

A copy of Mr. Gompertz's letter is herewith enclosed.

From R. GOMPERTZ, Esq., to the Honorary Secretary, Shevaroy Planters' Association, Yercaud, dated 17th July 1897.

With reference to the Collector's letter, No. 887-B. & G., dated 5th instant, proposing to levy a commission on the encashment of Government promissory notes and circulated by you for the views of members of the association, I beg to say that, in my opinion, the proposal is of doubtful legality, is wrong in principle, and retrograde in policy, and that the results of it, if carried out, would probably be disastrous.

2. The Government has the power to charge what seigniorage it pleases on coining money. At the present moment this seigniorage is, in India, exceptionally,—not to say exorbitantly—high, as shown by the difference in the value of a rupee and of its weight of uncoined silver; but inasmuch as coining is a Government monopoly, on which the Government demand has been charged to (and paid for by) the public, it is obviously the duty of Government to furnish its subjects with as many rupees as they require, and are willing to pay for, at the enhanced rate charged. If that rate be excessive, it may be open to objection; but this is not the place to consider such objection since the question has not been raised in the letter under reply.

3. The issue of paper money is a great convenience and saving to Government, but that convenience can only be fully enjoyed so long as its credit is unshaken. Political economists inform us that it has been found that a reserve of $(\frac{1}{5})$ one-fifth of the coin represented by the notes it issues is, so long as the credit of a Government is unimpaired, amply sufficient to ensure its ability to cash all notes as soon as they are presented, and probably much less would suffice at the present day. But since, under the circumstances supposed (and now existing, *i.e.*, unshaken credit), a hundred-rupee note exchanges readily for Rs. 100 and would purchase much more than 100 rupees weight of silver, it is obvious that the public pays the same seigniorage on notes that it does on rupees. The seigniorage thus paid to Government on the four-fifths of the currency which their promissory notes render it unnecessary to coin (*plus* the saving of the actual expense of coining, but *minus* the cost of printing the notes) is the price paid by the public for the instant encashment of its notes and abundantly covers the cost of establishments and transport of coin.

4. Moreover, every currency note bears on the face of it the following words: "I promise to pay the bearer on demand the sum of x rupees" and is signed by the "Government of India" (by some responsible officer "For" the Government of India). All notes, therefore, ought to be payable on presentation at *any* Government treasury; and though I am aware that the Peninsula has been divided into several currency circles, and that Government says it does not *undertake* to cash the notes of one circle, if presented at a treasury within another circle, as a matter of fact it can generally be done, and I myself have often cashed Calcutta notes at a treasury in the Bombay circle, of course without discount.

5. But I was not aware that, as the Collector states in his sixth paragraph "There is a systematic refusal to the public to exchange notes for cash in the other treasuries." I can only say that the sooner such systematic refusal is put a stop to the better, for it is fraught with the greatest danger to the credit of Government. I do not know if the matter has ever been brought before the High Courts, but it would be interesting to hear the subject argued before them and to have an authoritative ruling from the learned Judges. How would they decide if a private individual having given a promissory note, payable on demand, refused to pay it, when presented, without first exacting a commission?

6. And I can avouch that such refusal is not systematic in other parts of India, for some years ago I resided at Pachmarhi, which is a hill station in the Central Provinces, even smaller than Yercaud. I used to cash several thousand rupees worth of notes every month at the sub-treasury there, and to ask for—and receive—a large quantity of small change and copper. It is true that the gentleman in charge (a Covenanted Civilian) did at first object, and pointed out that much trouble and expense was caused to Government by getting up such large quantities of silver and copper, and requested me to incur this expense myself, by cashing my notes at the District Treasury of Hoshangabad, some 80 miles distant. I argued—much as above—that this was a burden which should properly fall on Government and not on private individuals and begged him, if still unconvinced, to refer the matter to higher authority. Whether it was so referred or not I do not know (the Chief Commissioner was himself in the station at the time); but a few days afterwards he wrote and told me he was prepared to cash my notes in future, and I had no further trouble about it.

7. For the reasons given in paragraphs 2, 3 and 4 it is, I think, obvious that the trifling expense of cashing notes should fall on Government and not on its creditors; but before closing the subject I would draw attention to the disastrous effects which must follow if the public have any serious difficulty in cashing the promissory notes of Government at par. If the value of the notes falls much below that of the coin they represent, the public will refuse to receive them, except at a corresponding discount, as happened with the "Green backs" in the American Civil War, or to take a more extreme case, with the assignats in the French Revolution, whose value fell so much that "at last it required an assignat of five hundred francs to pay for a cup of coffee" (see Mills' Political Economy, Vol. II. page 79). That such a state of things would ruin the trade of a country, and the credit of its Government needs no demonstration. The Government of India at present can borrow any sum it pleases at, say, $3\frac{1}{2}$ per cent. At what rate would it be able to borrow if it required, say, a

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

Read—the following papers:—

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 3rd June 1897, No. 1710.

I have the honour to state that I am informed that, for the convenience of planters, notes are cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury of Yercaud. This involves a considerable loss to Government owing to the necessity of transmitting the specie thither. The practice has its origin in G.O., No. 313, Financial, of the 15th February 1884, which sanctioned the retention of a balance of Rs. 10,000 in this treasury to meet the planters' demands.

Seeing, however, the loss to which Government is put and the growth of this practice, I propose, with the approval of Government, to charge a small premium in future. This is the usual practice, and there is no good ground for giving the Salem planters a bounty at the expense of the general tax-payer.

Endt., No. 1224, dated 10th June 1897.

Referred to the Board of Revenue (Land Revenue) for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

Reference thereon, to the Collector of Salem, dated 15th June 1897.

Board's Proceedings, No. 2026, Routine, dated 14th July 1897.

Abstract.—Communicating to the Collector of Salem reminder from Government, Financial Department, requesting an early reply to reference regarding the question of charging a small premium on currency notes cashed by planters at the Yercaud sub-treasury.

From C. H. MOUNSEY, Esq., Acting Collector and District Magistrate of Salem, to the Secretary to the Commissioners of Land Revenue, dated 31st July 1897, No. 1430—Acct.

With reference to your endorsement, Reference on General Register No. 2868, dated 15th June 1897, and Board's Proceedings, No. 2026, Routine, dated 14th July 1897, I have the honour to state as follows.

2. In 1871, the planters of the Shevaroy Hills moved for the establishment of a treasury at Yercaud, promising to pay $\frac{1}{4}$ per cent. premium on all orders cashed at the treasury. As this premium was insufficient to cover the cost of establishment, they subsequently agreed to pay $\frac{5}{16}$ (5 annas) per cent. Thereupon the Government sanctioned * the establishment of a treasury experimentally for one year, and the experiment was afterwards continued † for another year. In 1874, the Accountant-General brought ‡ to the notice of Government that the receipts from commission fell short of the cost of the establishment, when the rate of premium was raised § to $\frac{1}{2}$ per cent., and the treasury at Yercaud was ordered to be continued. In 1877, the issue of supply bills on the Yercaud sub-treasury was ordered ‖ to be discontinued

* G.O., No. 924, Revenue, dated 9th June 1872.
† " " 676 " " 2nd " 1873.
‡ " " 831 " " 6th July 1874.
§ G.O., No. 990, Revenue, dated 6th August 1874.
‖ G.O., No. 3242, Revenue, dated 14th November 1877 (quoted in Collector's letter in G.O., No. 25, Revenue, dated 8th January 1878).

apparently because there was loss to Government. I say, apparently, because I am not in possession of this Government Order, but as I find a reference to it in G.O., No. 25, Revenue, dated 8th January 1878, I have been able to quote its number and date. The discontinuance of the sale of supply bills, however, was not followed by the abolition of the extra establishments entertained for the upkeep of the treasury, for, owing to the introduction of the money-order system, money orders had now taken the place of supply bills and the planters obtained all funds now by money orders. The commission on money orders being double that which the planters paid for supply bills, the income was more than sufficient to cover the cost of extra establishment, and the Government, therefore, ordered the continuance of the treasury and the establishments maintained for its support (G.O., No. 432, Revenue, dated 31st March 1878).

3. In 1883, when His Excellency the Governor visited Yercaud, the planters presented a memorial regarding the desirability of opening a branch treasury at that station. This was referred * to the Collector Mr. Martin, who reported that there was already a sub-treasury at Yercaud, and that the minimum balance in it, which averaged Rs. 7,500, might be raised to Rs. 10,000 as desired by the planters in order to facilitate the encashment of currency notes by them. The Collector also reported that the cost of conveying the treasure from Salem to Yercaud to keep up the standard of balance would be very trifling, and the Accountant-General agreed to the Collector's proposal, as he understood that there would be no extra expenditure or additional risk to Government. The Board supported the Collector's recommendation and the Government sanctioned it (Board's Proceedings, No. 364, dated 4th February 1884, and Mis. No. 1709, dated 22nd February 1884). Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to getting their remittances in the shape of notes and exchanging them for cash at the sub-treasury. By this method they save the commission of 1 per cent. and bear only the trifling cost of transmission to them of currency notes by post.

* G.O., Mis. No. 8646, dated 18th October 1883.

4. In 1871, when the proposal for a sub-treasury at Yercaud was started, the transactions of the planters were calculated to amount to Rs. 12,000 a month, or Rs. 1,44,000 per annum, but now they amount to nearly Rs. 3,29,000 per annum on an average as shown below:—

	Rs.
Actual receipts of Yercaud treasury during the three years 1894—97 exclusive of remittances from Huzur ..	2,12,314
Remittances from Huzur	9,15,250
Total .	11,27,564
Deduct— Charges of all kinds excluding remittances to Huzur in currency notes	1,40,820
Money sent to Yercaud treasury for encashment of planters' notes	9,86,744
Average of money sent to Yercaud treasury for encashment of planters' notes for one year	3,28,915 or 3,29,000 in round number.

The remittances to Yercaud treasury to meet the planters' wants have thus considerably increased. But the planters who were formerly paying a premium, varying from $\frac{5}{16}$ to 1 per cent., to cover the cost of extra establishment, now pay actually nothing.

5. Under article 609 of the Civil Account Code, 5th Edition, no person has a legal claim to obtain cash for a note presented at a Government treasury and the accommodation is to be given only when convenient. This rule is enforced in the treasuries on the plains, and the public are not allowed to exchange notes whenever treasury balances do not admit of such exchange. There is, therefore, no good ground, as stated by the Accountant-General, why the planters on the Shevaroy Hills should

hundred-rupee note, to pay for a cup of coffee? True it is never likely to come to this. But the slightest suspicion by the public that Government was inclined to shirk its liabilities could have but one result, and the effect on its credit would differ not at all in *kind* but only in *degree* from that which produce the fall in assignats alluded to above. Is it worth while then (even if it be legal) for such a trifling saving *systematically to refuse to cash notes at any Government treasury*?

8. But if the above arguments be held unconvincing, there is still another aspect of the question which affects particularly the sub-treasury of Yercaud and the few other treasuries situated in planting districts. The enquiry committee lately appointed by the Government of India has shown that the capital invested in coffee, &c., is Rs. 19,65,90,281, and that the annual wages paid by Madras planters to maistries and coolies alone (to say nothing of the money paid for transport, curing, &c.,) is nearly Rs. 1,90,00,000. Surely the investment of such a capital in the country and the diffusing of such sums as wages must greatly increase the prosperity of the people and must benefit the Government—indirectly—very largely. Planters further benefit Government by exporting coffee, tea and a little cinchona annually of the value of Rs. 2,77,00,670, by the number of Volunteers they furnish, and in many other ways. On the above grounds I consider that the industry deserves the support and encouragement of Government, and that it is impolitic to harass planters for the sake of such a trifling saving. This seems to have been admitted many years ago when the commission on cashing notes at the Yercaud sub-treasury was abolished. To re-impose it now would indicate retrograde policy opposed to the spirit of the age.

9. Other Governments encourage the development of industries likely to increase the trade of the country. Witness the assistance given by Government to the sugar industry in the West Indies, and to tea and coffee even in Ceylon; while in Brazil planting interests are simply paramount,* and in its issue of the 11th instant, the *Madras Times* informs us that the Japanese Government has granted 750,000 dollars "to be used in America for advertising Japanese teas"!

* See the official "Report on coffee cultivation in Brazil, by C. F. Van Deldan Lairne [attached to the department of the interior at Batavia (Java) charged by the Dutch Government with a special mission to Brazil on behalf of the coffee-culture and coffee-commerce in the Dutch possessions in India], to His Excellency the Minister of the Colonies." (Dutch.)

10. For the above reasons I consider that notes ought to be cashed at *all* Government treasuries without any discount whatever; and that, even if this cannot be done, they should certainly be so cashed at the sub-treasury of Yercaud, or at any planting centre where silver, small coins and copper are required for the payment of coolies' wages.

Resolution—Mis. No. 3076, dated 17th August 1897.

The Salem Collector's letter read above and its enclosure will be submitted to Government, with reference to its endorsement, No. 1224, Financial, dated 10th June 1897.

2. Until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, the Board agrees with the Accountant-General and the Collector of Salem in thinking that a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud and approves of the rates of 4 annas, or $\frac{1}{4}$ per cent., suggested by the Collector.

(True Copy and Extract.)

(Signed) R. C. C. CARR,
Secretary.

To the Chief Secretary to Government.

Endt. No. 1879.

Referred to the Accountant-General for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

9th September 1897.

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 16th September 1897, No. 2870.

With reference to your endorsement, No. 1879, dated the 9th of September 1897, referring to me for remarks the proposals for charging a small premium on currency notes cashed by planters at the Yercaud sub-treasury, I have the honour to state as follows.

2. Currency notes are payable only at the office of issue. The contract made with the public is virtually this. If the public bring Government 100 rupees to its currency vaults at Madras, it grants a deposit receipt for it and undertakes, if required, to return the money at the place where it was delivered to Government. For the convenience of the public, these deposit receipts are declared to be legal tender, except by Government, to the public at the office of issue. The contention that Government is bound to pay anywhere on demand is entirely unfounded. Government makes no such promise. District treasuries are not branch currency offices.

3. The present proposal is not to charge a commission on cashing currency notes but to refuse to cash them at a particular spot remote from the office of issue, since to do so will entail considerable expense. Persons who in the course of their business wish to transfer their capital in the form of hard cash from one spot to another have, I submit, no right equitable or legal to carry out this operation at the expense of the tax-payer. Nevertheless it is proposed to meet planters and others, so far as this can be done without loss and embarassment, by the grant of supply bills and wire transfers at a small premium.

4. The rate of premium proposed by the Collector and approved by the Board seems reasonable.

From F. C. HARRISON, Esq., Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 21st February 1898, No. 649.

With reference to your endorsement, No. 386, dated the 12th February 1898, enquiring whether a smaller premium than $\frac{1}{4}$ per cent. on bills on Yercaud would not suffice, I have the honour to state that the proposed rate may be reduced to $\frac{1}{8}$ per cent.

2. The papers received with the above are herewith returned.

Order—No. 253, Financial, dated 10th March 1898.

In 1869, the planters on the Shevaroy Hills presented a memorial to His Excellency Lord Napier praying, amongst other things, for the opening of a treasury and money-order office at Yercaud. This request was not complied with, on the ground that it would have necessitated the entertainment of an extra establishment at the cost of Government. In 1871, the planters renewed their application, agreeing to pay a premium of $\frac{5}{16}$ths, or 5 annas *per cent.* on all orders cashed by them at the proposed treasury. It was then estimated that about Rs. 12,000 would be required by the planters every month. The probable cost of the upkeep of the treasury was placed at Rs. 47 *per mensem*, and the income from bill transactions at Rs. 37–8–0. The Accountant-General was not altogether in favour of the scheme, but on his recommendation the establishment of a treasury on the scale and terms proposed was sanctioned experimentally for one year. During this period, the average sum realized by the sale of

G.O., No. 463, Financial, dated 5th October 1869.

G.O., No. 924, Revenue, dated 11th June 1872.

G.O., No. 924, Revenue, dated 11th June 1872.

bills (Rs. 25–5–10 *per mensem*) fell considerably below the cost of the upkeep of the treasury (Rs. 43–8–0 *per mensem*). The continuance of the treasury for a further period of one year was, however, sanctioned. As the treasury continued to work at a loss, the premium was raised, in 1874, from 5 to 8 annas *per cent.* A money-order office having been subsequently opened at Yercaud, the sale of bills on that place was discontinued in November 1877, in view of the fact that the transactions were out of all proportion to the amount of trouble occasioned to the Accountant-General's office. The treasury establishment (Rs. 43–8–0 *per mensem*) was, however, continued, as the commission derived from money orders, which had taken the place of supply bills, exceeded the cost of the establishment.

G.O., No. 676, Revenue, dated 2nd July 1873.

G.O., No. 831, Revenue, dated 6th July 1874.

G.O., No. 990, Revenue, dated 6th August 1874.

G.O., No. 3242, Revenue, dated 14th November 1877.

G.O., No. 25, Revenue, dated 8th January 1878.

G.O., No. 432, Revenue, dated 21st March 1898.

2. In 1883, the planters urged the establishment of a branch treasury with currency transactions on the grounds that, in the absence of such a treasury, they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. The minimum cash balance (Rs. 7,500) of the sub-treasury at Yercaud was thereupon raised to Rs. 10,000 in order to facilitate the encashment of currency notes by planters.

G.O., No. 2109, Financial, dated 22nd September 1883.

G.O., No. 313, Financial, dated 15th February 1884.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to obtaining their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury.

4. In his first letter read above, the Accountant-General drew attention to the growth of this practice and pointed out that notes are now cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury. As this involves a considerable loss to Government, he proposed to charge a small premium in future; this, he stated, is the usual practice, and, in his opinion, no ground exists for granting the Shevaroy planters a bounty at the expense of the general tax-prayer.

5. The Planters' Association, which has been consulted on the subject, deprecates the Accountant-General's proposal on the grounds that it is of doubtful legality, wrong in principle, and retrograde in policy.

6. The Collector of Salem has pointed out that, although the transactions of the planters, which were originally estimated at Rs. 12,000 a month, or Rs. 1,44,000 *per annum*, now average Rs. 3,29,000 *per annum*, they make no contribution whatever towards the cost of extra establishment, whereas they formerly paid a premium varying from $\frac{5}{16}$ to 1 *per cent.*; that under article 609 of the Civil Account Code, no person has a legal claim to obtain cash for a note presented at a Government treasury, this accommodation being given only when convenient; and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposed to levy a premium of 4 annas *per cent.* He estimated the total cost of establishment and of remittances at Rs. 805 as shown below, basing his calculation on the remittances of 1896, which amounted to Rs. 3,60,000:—

	Cost per annum. Rs.
Cost of extra establishment (one shroff at Rs. 15 and three constables at Rs. 7–8–0 each)	450
Cost of remittance to Yercaud	189
Cost of escort for three remittances in a month at the rate Rs. 4–9–9 per trip	166
Total ..	805

7. The Board of Revenue has approved of the rate of 4 annas, or $\frac{1}{4}$ *per cent.*, suggested by the Collector, observing that, until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud.

8. The Accountant-General has explained the position clearly in his letter, No. 2870, dated 16th September 1897. The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable, but, on further consideration, he is of opinion that it might be reduced to $\frac{1}{8}$ per cent.

9. His Excellency the Governor in Council, after a careful consideration of the correspondence on the subject, approves of the proposal to issue bills on Yercaud at a premium of $\frac{1}{8}$ *per cent.*, in lieu of the present system of cashing notes.

(True Extract.)

A. T. ARUNDEL,
Chief Secretary.

To the Board of Revenue (Land Revenue).
„ Collector of Salem.
„ Honorary Secretary, the Shevaroy Planters' Association, Yercaud.
„ Accountant-General.

Edd. W. D'Mose.

Government {1898} of Madras.

FINANCIAL.

Recd.	} 1898.	*Enclosures*
Regd.		*Spare copies*

G.O., No. 253, 10th March 1898.

MARCH.

Sub-treasury at Yercaud.

Approving, with remarks, the proposal of the Accountant-General to issue bills on Yercaud at a premium of ½ *per cent.* in lieu of the present system of cashing notes at that treasury.

61

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

Read—the following papers:—

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 3rd June 1897, No. 1710.

I have the honour to state that I am informed that, for the convenience of planters, notes are cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury of Yercaud. This involves a considerable loss to Government owing to the necessity of transmitting the specie thither. The practice has its origin in G.O., No. 313, Financial, of the 15th February 1884, which sanctioned the retention of a balance of Rs. 10,000 in this treasury to meet the planters' demands.

Seeing, however, the loss to which Government is put and the growth of this practice, I propose, with the approval of Government, to charge a small premium in future. This is the usual practice, and there is no good ground for giving the Salem planters a bounty at the expense of the general tax-payer.

Endt., No. 1224, dated 10th June 1897.

Referred to the Board of Revenue (Land Revenue) for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

Reference thereon, to the Collector of Salem, dated 15th June 1897.

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2. In 1871, the planters of the Shevaroy Hills moved for the establishment of a treasury at Yercaud, promising to pay $\frac{1}{4}$ per cent. premium on all orders cashed at the treasury. As this premium was insufficient to cover the cost of establishment, they subsequently agreed to pay $\frac{5}{16}$ (5 annas) per cent. Thereupon the Government sanctioned * the establishment of a treasury experimentally for one year, and the experiment was afterwards continued † for another year. In 1874, the Accountant-General brought ‡ to the notice of Government that the receipts from commission fell short of the cost of the establishment, when the rate of premium was raised § to $\frac{1}{2}$ per cent., and the treasury at Yercaud was ordered to be continued. In 1877, the issue of supply bills on the Yercaud sub-treasury was ordered ‖ to be discontinued

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§ G.O., No. 990, Revenue, dated 6th August 1874.
‖ G.O., No. 3242, Revenue, dated 14th November 1877 (quoted in Collector's letter in G.O., No. 25, Revenue, dated 8th January 1878).

apparently because there was loss to Government. I say, apparently, because I am not in possession of this Government Order, but as I find a reference to it in G.O., No. 25, Revenue, dated 8th January 1878, I have been able to quote its number and date. The discontinuance of the sale of supply bills, however, was not followed by the abolition of the extra establishments entertained for the upkeep of the treasury, for, owing to the introduction of the money-order system, money orders had now taken the place of supply bills and the planters obtained all funds now by money orders. The commission on money orders being double that which the planters paid for supply bills, the income was more than sufficient to cover the cost of extra establishment, and the Government, therefore, ordered the continuance of the treasury and the establishments maintained for its support (G.O., No. 432, Revenue, dated 31st March 1878).

3. In 1883, when His Excellency the Governor visited Yercaud, the planters presented a memorial regarding the desirability of opening a branch treasury at that station. This was referred * to the Collector Mr. Martin, who reported that there was already a sub-treasury at Yercaud, and that the minimum balance in it, which averaged Rs. 7,500, might be raised to Rs. 10,000 as desired by the planters in order to facilitate the encashment of currency notes by them. The Collector also reported that the cost of conveying the treasure from Salem to Yercaud to keep up the standard of balance would be very trifling, and the Accountant-General agreed to the Collector's proposal, as he understood that there would be no extra expenditure or additional risk to Government. The Board supported the Collector's recommendation and the Government sanctioned it (Board's Proceedings, No. 364, dated 4th February 1884, and Mis. No. 1709, dated 22nd February 1884). Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to getting their remittances in the shape of notes and exchanging them for cash at the sub-treasury. By this method they save the commission of 1 per cent. and bear only the trifling cost of transmission to them of currency notes by post.

* G.O., Mis. No. 8646, dated 18th October 1883.

4. In 1871, when the proposal for a sub-treasury at Yercaud was started, the transactions of the planters were calculated to amount to Rs. 12,000 a month, or Rs. 1,44,000 per annum, but now they amount to nearly Rs. 3,29,000 per annum on an average as shown below:—

	Rs.	
Actual receipts of Yercaud treasury during the three years 1894—97 exclusive of remittances from Huzur ..	2,12,314	
Remittances from Huzur	9,15,250	
Deduct— Total .		11,27,564
Charges of all kinds excluding remittances to Huzur in currency notes	1,40,820	
Money sent to Yercaud treasury for encashment of planters' notes	9,86,744	
Average of money sent to Yercaud treasury for encashment of planters' notes for one year	3,28,915 or 3,29,000 in round number.	

The remittances to Yercaud treasury to meet the planters' wants have thus considerably increased. But the planters who were formerly paying a premium, varying from $\frac{5}{16}$ to 1 per cent., to cover the cost of extra establishment, now pay actually nothing.

5. Under article 609 of the Civil Account Code, 5th Edition, no person has a legal claim to obtain cash for a note presented at a Government treasury and the accommodation is to be given only when convenient. This rule is enforced in the treasuries on the plains, and the public are not allowed to exchange notes whenever treasury balances do not admit of such exchange. There is, therefore, no good ground, as stated by the Accountant-General, why the planters on the Shevaroy Hills should

be treated in a different manner unless they agree to pay a premium. It was because they agreed to the payment of a premium that the opening of the sub-treasury was at first sanctioned by Government and there is no reason why they should now demur to its payment. The rate of premium depends on the extra cost involved in maintaining the treasury at Yercaud and keeping up therein a sufficient balance to meet the planters' requirements. The cost of the extra establishment * amounts to Rs. 37–8–0 per mensem as noted in the margin. For the last four months, *i.e.*, from April to July 1897, a sum of Rs. 1,50,000 has been sent to Yercaud sub-treasury to meet the planters' wants. This gives Rs. 4,50,000 a year, but only Rs. 3,60,000 were sent in last year. Taking the latter figure, the cost of remitting it to Yercaud will amount to Rs. 189. The cost of the escort is put down by the Superintendent of Police at Rs. 4–9–9 per trip. Last year there were generally three remittances of Rs. 10,000 each in a month and this year four remittances in a month are made owing to increased demand. Assuming that only three remittances are made in a month as in last year, the cost of escort for a year will come to Rs. 166 nearly. The total cost of establishment and of remittances will thus amount to Rs. 805, and a premium of 4 annas will suffice to cover this charge. This is much less than what they were paying.

	Rs.
* One shroff	15
Three constables at Rs. 7½ each ..	22½

6. I enclose a copy of a communication forwarded to me by the Honorary Secretary of the Shevaroy Planters' Association, with a statement that it represents the views of the association.

Enclosures.

From H. W. LEEMING, Esq., Honorary Secretary to the Shevaroy Planters' Association, to the Collector of Salem, dated Yercaud, 23rd July 1897.

With reference to your No. 887-B. & G., dated 5th July 1897, regarding the proposal to charge a commission on currency notes presented for encashment at the Yercaud sub-treasury, I have the honour to inform you that I am directed by this association to state that a reply from Mr. R. Gompertz to the above having been read at our last meeting it was unanimously *resolved*:—

"That the Honorary Secretary be requested to forward a copy of Mr. Gompertz's letter to the Collector as representing the views of this association. Further, that the Honorary Secretary be instructed to read the above correspondence at the annual meeting of the United Planters' Association, Southern India, on August 9th next and following days; and that the Secretary be asked to place this subject on the Agenda paper".

A copy of Mr. Gompertz's letter is herewith enclosed.

From R. GOMPERTZ, Esq., to the Honorary Secretary, Shevaroy Planters' Association, Yercaud, dated 17th July 1897.

With reference to the Collector's letter, No. 887-B. & G., dated 5th instant, proposing to levy a commission on the encashment of Government promissory notes and circulated by you for the views of members of the association, I beg to say that, in my opinion, the proposal is of doubtful legality, is wrong in principle, and retrograde in policy, and that the results of it, if carried out, would probably be disastrous.

2. The Government has the power to charge what seigniorage it pleases on coining money. At the present moment this seigniorage is, in India, exceptionally,—not to say exorbitantly—high, as shown by the difference in the value of a rupee and of its weight of uncoined silver; but inasmuch as coining is a Government monopoly, on which the Government demand has been charged to (and paid for by) the public, it is obviously the duty of Government to furnish its subjects with as many rupees as they require, and are willing to pay for, at the enhanced rate charged. If that rate be excessive, it may be open to objection; but this is not the place to consider such objection since the question has not been raised in the letter under reply.

3. The issue of paper money is a great convenience and saving to Government, but that convenience can only be fully enjoyed so long as its credit is unshaken. Political economists inform us that it has been found that a reserve of (⅕) one-fifth of the coin represented by the notes it issues is, so long as the credit of a Government is unimpaired, amply sufficient to ensure its ability to cash all notes as soon as they are presented, and probably much less would suffice at the present day. But since, under the circumstances supposed (and now existing, *i.e.*, unshaken credit), a hundred-rupee note exchanges readily for Rs. 100 and would purchase much more than 100 rupees weight of silver, it is obvious that the public pays the same seigniorage on notes that it does on rupees. The seigniorage thus paid to Government on the four-fifths of the currency which their promissory notes render it unnecessary to coin (*plus* the saving of the actual expense of coining, but *minus* the cost of printing the notes) is the price paid by the public for the instant encashment of its notes and abundantly covers the cost of establishments and transport of coin.

4. Moreover, every currency note bears on the face of it the following words: "I promise to pay the bearer on demand the sum of *x* rupees" and is signed by the "Government of India" (by some responsible officer "For" the Government of India). All notes, therefore, ought to be payable on presentation at *any* Government treasury; and though I am aware that the Peninsula has been divided into several currency circles, and that Government says it does not *undertake* to cash the notes of one circle, if presented at a treasury within another circle, as a matter of fact it can generally be done, and I myself have often cashed Calcutta notes at a treasury in the Bombay circle, of course without discount.

5. But I was not aware that, as the Collector states in his sixth paragraph "There is a systematic refusal to the public to exchange notes for cash in the other treasuries." I can only say that the sooner such systematic refusal is put a stop to the better, for it is fraught with the greatest danger to the credit of Government. I do not know if the matter has ever been brought before the High Courts, but it would be interesting to hear the subject argued before them and to have an authoritative ruling from the learned Judges. How would they decide if a private individual having given a promissory note, payable on demand, refused to pay it, when presented, without first exacting a commission?

6. And I can avouch that such refusal is not systematic in other parts of India, for some years ago I resided at Pachmarhi, which is a hill station in the Central Provinces, even smaller than Yercaud. I used to cash several thousand rupees worth of notes every month at the sub-treasury there, and to ask for—and receive—a large quantity of small change and copper. It is true that the gentleman in charge (a Covenanted Civilian) did at first object, and pointed out that much trouble and expense was caused to Government by getting up such large quantities of silver and copper, and requested me to incur this expense myself, by cashing my notes at the District Treasury of Hoshangabad, some 80 miles distant. I argued—much as above—that this was a burden which should properly fall on Government and not on private individuals and begged him, if still unconvinced, to refer the matter to higher authority. Whether it was so referred or not I do not know (the Chief Commissioner was himself in the station at the time); but a few days afterwards he wrote and told me he was prepared to cash my notes in future, and I had no further trouble about it.

7. For the reasons given in paragraphs 2, 3 and 4 it is, I think, obvious that the trifling expense of cashing notes should fall on Government and not on its creditors; but before closing the subject I would draw attention to the disastrous effects which must follow if the public have any serious difficulty in cashing the promissory notes of Government at par. If the value of the notes falls much below that of the coin they represent, the public will refuse to receive them, except at a corresponding discount, as happened with the "Green backs" in the American Civil War, or to take a more extreme case, with the assignats in the French Revolution, whose value fell so much that "at last it required an assignat of five hundred francs to pay for a cup of coffee" (see Mills' Political Economy, Vol. II, page 79). That such a state of things would ruin the trade of a country, and the credit of its Government needs no demonstration. The Government of India at present can borrow any sum it pleases at, say, 3½ per cent. At what rate would it be able to borrow if it required, say, a

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hundred-rupee note, to pay for a cup of coffee? True it is never likely to come to this. But the slightest suspicion by the public that Government was inclined to shirk its liabilities could have but one result, and the effect on its credit would differ not at all in *kind* but only in *degree* from that which produce the fall in assignats alluded to above. Is it worth while then (even if it be legal) for such a trifling saving systematically to refuse to cash notes at *any* Government treasury?

8. But if the above arguments be held unconvincing, there is still another aspect of the question which affects particularly the sub-treasury of Yercaud and the few other treasuries situated in planting districts. The enquiry committee lately appointed by the Government of India has shown that the capital invested in coffee, &c., is Rs. 19,65,90,281, and that the annual wages paid by Madras planters to maistries and coolies alone (to say nothing of the money paid for transport, curing, &c.,) is nearly Rs. 1,90,00,000. Surely the investment of such a capital in the country and the diffusing of such sums as wages must greatly increase the prosperity of the people and must benefit the Government—indirectly—very largely. Planters further benefit Government by exporting coffee, tea and a little cinchona annually of the value of Rs. 2,77,00,670, by the number of Volunteers they furnish, and in many other ways. On the above grounds I consider that the industry deserves the support and encouragement of Government, and that it is impolitic to harass planters for the sake of such a trifling saving. This seems to have been admitted many years ago when the commission on cashing notes at the Yercaud sub-treasury was abolished. To re-impose it now would indicate retrograde policy opposed to the spirit of the age.

9. Other Governments encourage the development of industries likely to increase the trade of the country. Witness the assistance given by Government to the sugar industry in the West Indies, and to tea and coffee even in Ceylon; while in Brazil planting interests are simply paramount,* and in its issue of the 11th instant, the *Madras Times* informs us that the Japanese Government has granted 750,000 dollars "to be used in America for advertising Japanese teas"!

* See the official "Report on coffee cultivation in Brazil, by C. F. Van Deldan Lairne [attached to the department of the interior at Batavia (Java) charged by the Dutch Government with a special mission to Brazil on behalf of the coffee-culture and coffee-commerce in the Dutch possessions in India, to His Excellency the Minister of the Colonies." (Dutch.)

10. For the above reasons I consider that notes ought to be cashed at *all* Government treasuries without any discount whatever; and that, even if this cannot be done, they should certainly be so cashed at the sub-treasury of Yercaud, or at any planting centre where silver, small coins and copper are required for the payment of coolies' wages.

Resolution—Mis. No. 3076, dated 17th August 1897.

The Salem Collector's letter read above and its enclosure will be submitted to Government, with reference to its endorsement, No. 1224, Financial, dated 10th June 1897.

2. Until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, the Board agrees with the Accountant-General and the Collector of Salem in thinking that a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud and approves of the rates of 4 annas, or $\frac{1}{4}$ per cent., suggested by the Collector.

(True Copy and Extract.)

(Signed) R. C. C. CARR,
Secretary.

To the Chief Secretary to Government.

Endt. No. 1879.

Referred to the Accountant-General for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

9th September 1897.

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 16th September 1897, No. 2870.

With reference to your endorsement, No. 1879, dated the 9th of September 1897, referring to me for remarks the proposals for charging a small premium on currency notes cashed by planters at the Yercaud sub-treasury, I have the honour to state as follows.

2. Currency notes are payable only at the office of issue. The contract made with the public is virtually this. If the public bring Government 100 rupees to its currency vaults at Madras, it grants a deposit receipt for it and undertakes, if required, to return the money at the place where it was delivered to Government. For the convenience of the public, these deposit receipts are declared to be legal tender, except by Government, to the public at the office of issue. The contention that Government is bound to pay anywhere on demand is entirely unfounded. Government makes no such promise. District treasuries are not branch currency offices.

3. The present proposal is not to charge a commission on cashing currency notes but to refuse to cash them at a particular spot remote from the office of issue, since to do so will entail considerable expense. Persons who in the course of their business wish to transfer their capital in the form of hard cash from one spot to another have, I submit, no right equitable or legal to carry out this operation at the expense of the tax-payer. Nevertheless it is proposed to meet planters and others, so far as this can be done without loss and embarassment, by the grant of supply bills and wire transfers at a small premium.

4. The rate of premium proposed by the Collector and approved by the Board seems reasonable.

From F. C. HARRISON, Esq., Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 21st February 1898, No. 649.

With reference to your endorsement, No. 386, dated the 12th February 1898, enquiring whether a smaller premium than $\frac{1}{4}$ per cent. on bills on Yercaud would not suffice, I have the honour to state that the proposed rate may be reduced to $\frac{1}{8}$ per cent.

2. The papers received with the above are herewith returned.

Order—No. 253, Financial, dated 10th March 1898.

In 1869, the planters on the Shevaroy Hills presented a memorial to His Excellency Lord Napier praying, amongst other things, for the opening of a treasury and money-order office at Yercaud. This request was not complied with, on the ground that it would have necessitated the entertainment of an extra establishment at the cost of Government. In 1871, the planters renewed their application, agreeing to pay a premium of $\frac{5}{16}$ths, or 5 annas *per cent.* on all orders cashed by them at the proposed treasury. It was then estimated that about Rs. 12,000 would be required by the planters every month. The probable cost of the upkeep of the treasury was placed at Rs. 47 *per mensem*, and the income from bill transactions at Rs. 37-8-0. The Accountant-General was not altogether in favour of the scheme, but on his recommendation the establishment of a treasury on the scale and terms proposed was sanctioned experimentally for one year. During this period, the average sum realized by the sale of

G.O., No. 463, Financial, dated 5th October 1869.

G.O., No. 924, Revenue, dated 11th June 1872.

G.O., No. 924, Revenue, dated 11th June 1872.

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bills (Rs. 25–5–1[illegible] *per mensem*) fell considerably below the cost of the upkeep of the treasury (Rs. 43–8–0 *per mensem*). The continuance of the treasury for a further period of one year was, however, sanctioned. As the treasury continued to work at a loss, the premium was raised, in 1874, from 5 to 8 annas *per cent.* A money-order office having been subsequently opened at Yercaud, the sale of bills on that place was discontinued in November 1877, in view of the fact that the transactions were out of all proportion to the amount of trouble occasioned to the Accountant-General's office. The treasury establishment (Rs. 43–8–0 *per mensem*) was, however, continued, as the commission derived from money orders, which had taken the place of supply bills, exceeded the cost of the establishment.

G.O., No. 676, Revenue, dated 2nd July 1873.

G.O., No. 831, Revenue, dated 6th July 1874.

G.O., No. 990, Revenue, dated 6th August 1874.

G.O., No. 3242, Revenue, dated 14th November 1877.

G.O., No. 25, Revenue, dated 8th January 1878.

G.O., No. 432, Revenue, dated 21st March 1898.

2. In 1883, the planters urged the establishment of a branch treasury with currency transactions on the grounds that, in the absence of such a treasury, they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. The minimum cash balance (Rs. 7,500) of the sub-treasury at Yercaud was thereupon raised to Rs. 10,000 in order to facilitate the encashment of currency notes by planters.

G.O., No. 2109, Financial, dated 22nd September 1883.

G.O., No. 313, Financial, dated 15th February 1884.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to obtaining their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury.

4. In his first letter read above, the Accountant-General drew attention to the growth of this practice and pointed out that notes are now cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury. As this involves a considerable loss to Government, he proposed to charge a small premium in future; this, he stated, is the usual practice, and, in his opinion, no ground exists for granting the Shevaroy planters a bounty at the expense of the general tax-prayer.

5. The Planters' Association, which has been consulted on the subject, deprecates the Accountant-General's proposal on the grounds that it is of doubtful legality, wrong in principle, and retrograde in policy.

6. The Collector of Salem has pointed out that, although the transactions of the planters, which were originally estimated at Rs. 12,000 a month, or Rs. 1,44,000 *per annum*, now average Rs. 3,29,000 *per annum*, they make no contribution whatever towards the cost of extra establishment, whereas they formerly paid a premium varying from $\frac{5}{16}$ to 1 *per cent.*; that under article 609 of the Civil Account Code, no person has a legal claim to obtain cash for a note presented at a Government treasury, this accommodation being given only when convenient; and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposed to levy a premium of 4 annas *per cent.* He estimated the total cost of establishment and of remittances at Rs. 805 as shown below, basing his calculation on the remittances of 1896, which amounted to Rs. 3,60,000 :—

	Cost per annum.
	Rs.
Cost of extra establishment (one shroff at Rs. 15 and three constables at Rs. 7–8–0 each)	450
Cost of remittance to Yercaud	189
Cost of escort for three remittances in a month at the rate Rs. 4–9–9 per trip	166
Total ..	805

7. The Board of Revenue has approved of the rate of 4 annas, or $\frac{1}{4}$ *per cent.*, suggested by the Collector, observing that, until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud.

8. The Accountant-General has explained the position clearly in his letter, No. 2870, dated 16th September 1897. The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable, but, on further consideration, he is of opinion that it might be reduced to $\frac{1}{8}$ per cent.

9. His Excellency the Governor in Council, after a careful consideration of the correspondence on the subject, approves of the proposal to issue bills on Yercaud at a premium of $\frac{1}{8}$ *per cent.*, in lieu of the present system of cashing notes.

(True Extract.)

A. T. ARUNDEL,
Chief Secretary.

To the Board of Revenue (Land Revenue).
" Collector of Salem.
" Honorary Secretary, the Shevaroy Planters' Association, Yercaud.
" Accountant-General.

Ed. W. D'Mos.

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BOARD'S GEN. REP. No. 2368 OF 1897
LAND REVENUE

2nd 12/6

Financial (1897) Department.

Endt No. 1224 of 10th June 1897
Referred to the Board of Revenue (Land Revenue) for favour of remarks.
Chief Secretary

CURRENT No. 1724

BOARD OF REVENUE, 12 JUN. 97 MADRAS.

CHIEF SECRETARY 5 JUN. 1897 GOVERNMENT OF MADRAS

Cmds 9.6.97

From The Accountant General Madras

Order

TO BE RETURNED WITH REPLY.

No. 1710

Dated 3rd June 1897
Received 5th June 97
Registered 5th June 97
Enclosures –
Spare copies

SUBJECT.

proposing, with the approval of Government to charge a small premium to planters cashing notes at the sub Treasury of Yercaud

66

BACK PAPERS.

G.O.	No.	Department.	Date.
	313	Fmle	15-2-84 &c.
	2109	"	22-9-83 &c.

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Financial

~~Revenue~~ (1897) Department.

CURRENT No. 2577

ACCOUNTANT GENERAL'S OFFICE MADRAS 11 SEP 97

168

11/9

From The Board of Revenue, Land Revenue, Madras.

C. No 1724. 2577 to 2606

CHIEF SECRETARY GOVERNMENT OF MADRAS 21 AUG 1897

~~Order~~ Endt No 18799 Sept dr 1897

No. 3076 Mis.

Referred to the Accountant General for favour of remarks.

Redmondshiel

Chief Secretary

Dated 17th August 1897

Received 21 & Augt. '97

Registered 23 & Augt. '97

Enclosures 4

Spare copies

Cord 8/97

TO BE RETURNED WITH REPLY.

SUBJECT.

Submg. to Govt. with the Board's support letter from the Collr. of Salem reporting on the question of charging a small premium on currency notes cashed by planters at the Yercaud sub. treasury.

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BACK PAPERS.

G.O.	No.	Department.	Date.

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Financial (1897) Department.

written to No. for Gos.
3242 Rev nos d 14.11.97 reported
in the Salem Civil Letter 480 No. 463/69 Rev.
1911
24/8/97

CURRENT No.

CHIEF SECRETARY
24 AUG 1897
GOVERNMENT OF MADRAS

From The Accountant-General
Madras.

Order

No. 2563

Dated 23rd August 1897.

Received 24/8/97

Registered

Enclosures

Spare copies

SUBJECT.

Requesting to be favoured with early orders of Govt on this office letter No. 1710 dated the 3rd June 1897 proposing the issue of Bills at a small premium in lieu of casting notes for the Planters at Yercaud

Rot 3140 Rev

Gov. 432 Rev 21. 3.78 x.
" 25 " 8.1.78 "
" 990 " 6.8.74 "
" 831 " 6.7.74 "
" 676 " 2.7.73 "
" 924 " 4.6.72 "
S.P. Enquiry Committee report.

BACK PAPERS.

G.O.	No.	Department.	Date.
	Madras mail		12.8.97
	Times		4.7.97
Go	552	Fin	9.9.96
"	313	"	15.2.84 x.
"	209	"	22.9.83 "
"	1356	"	14.7.80 "
"	686	"	9.4.71 "
"	667	"	5.4.79 "

FURTHER PAPERS.

G.O.	No.	Department.	Date.

CURRENT No 2606

Resource Department.

Fort St. George,

Accountant-General's Office,

23d August 1897.

No. 2563

From F. C. Harrison Esqre.,

Offg: ACCOUNTANT-GENERAL to the

GOVERNMENT OF MADRAS,

To

The Chief Secretary to Government,

Financial Department.

Sir,

I have the honour to request that I may be favoured with the early orders of Government on my letter No. 1710 dated the 3d June 1897 proposing the issue of Bills at a small premium in lieu of cashing notes for the Planters at Yercaud.

Gov. 1724 87 Q

I have the honour to be,

Sir,

Your most obedient Servant,

F. C. Harrison

Offg: Accountant-General.

(189) DEPARTMENT.

From

THE ACCOUNTANT-GENERAL,

MADRAS,

To

THE

No.

Dated
Received

No.

SUBJECT.

Cor. 10,000—21-5-96.

Financial (1897) Department.

CURRENT No. 2980

FROM The Accountant General Madras.

CHIEF SECRETARIAT 18 SEP 1897 GOVERNMENT OF MADRAS

Order

No. 2870

Dated 16th September 1897.

Received 18 Sept: 97

Registered 20 Sept: 97

Enclosures Final Cnvs 2577 with 4 Enclos & Cnvs 2606

Spare copies

SUBJECT.

Reporting on the question of charging a small premium on currency notes casted by planters at the Gyre and Sub-treasury.

P

BACK PAPERS.

G.O.	No.	Department.	Date.
	552 Finl		9-9-97
	D bills		

FURTHER PAPERS.

G.O.	No.	Department.	Date.

R. 3/2/98

C 27.9.97 C 9.7.97 C 29.9.97

[G. 17-5-97.]

.....Financial..... DEPARTMENT.

C. Nos. 1724, 2577 & 2606 of 2930.

(2) H.E the Gov^or ~~H. E. THE GOVERNOR.~~

(1) THE HON'BLE ~~MR.~~ Sir Henry BLISS, K.C.I.E. ~~Finl~~

~~THE HON'BLE MR. CROSE, C.I.E.~~

SUBJECT

Encashment of currency notes by the Salem planters at the Sub-treasury at Yercaud.

FOR ORDERS.

G.O.No.463, Finl., d/ 5-10-1869.

G.O.No.924, Rev., d/11-6-1872

G.O.No.924, Rev., d/ 11-6-1872.

In 1869 the planters Shevaroys presented a memorial to H.E. Lord Napier praying, amongst other things, for the opening of a treasury and money-order office at Yercaud. This request was not complied with, as it necessitated the entertainment of an extra establishment at the cost of Govt. In 1871 the planters renewed their application agreeing to pay a premium of 5/16ths or 5 annas per cent on all orders cashed by them at the proposed treasury. It was then estimated that about Rs. 12,000 would be required by them every month. The probable cost of the up-keep of the treasury was ~~estimated~~ placed at Rs. 47 per mensem against a probable income of Rs. 37-8-0 from bill-transactions. The Accountant-General had misgivings on the subject, but on his recommendation the establishment of a treasury on the scale and terms proposed experimentally for one year was sanctioned.

During

During this period, the average sum realized by the sale of bills (Rs.25-5-10 per mensem) fell considerably below the cost of keeping up the treasury (Rs.43-8-0 per mensem). The continuance of the treasury sanctioned for a further period of one year was, however, sanctioned. As the treasury continued to work at a loss, the premium was raised at the instance of the Accountant-General, from 5 to 8 annas per cent. A money-order office having been subsequently opened at Yercaud, the sale of bills on that place treasury was discontinued in November 1877, because the transactions were quite out of proportion to the amount of trouble occasioned to the Accountant-General's office but the Treasury establishment (Rs.43-8-0 per mensem) was not dispensed with, as the savings obtained would cover by money orders, which had taken the place of supply bills, and the commission derived from the former exceeded the cost of the establishment.

G.O.No.676, Rev., d/ 2-7-1873.

G.O.No.831, Rev., d/ 6-7-1874, and
,, 990, ,, 6-8-1874.

G.O.No.3242, Rev., d/ 14-11-1877

G.O.No.25, Rev., d/ 8-1-1878
" " 432 " d/ 21.3.1878

2. In 1883 the planters urged among other things the establishment of a branch treasury with currency transactions on the grounds that owing to the absence of such a treasury they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. On the recommendation of the Collector of Salem, the average minimum

G.O.No.2109, Finl., d/ 22-9-1883

G.O. No. 313 Fmd. 7 15.2.84

Enclos. 1 & 2 to C.No.2577

I must assume of that - But it certainly is not bound to carry this rupees about the country for him

cash minimum balance (Rs.7,500) of the Sub-treasury at Yercaud was therefore raised to Rs. 10,000 for facilitating the encashment of currency notes by planters.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to getting their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury, thus saving the money-order commission.

4. In C. No. 1724 the Accountant-General drew attention to the growth of this practice, notes being now cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury. As this involves a considerable loss to Govt., the Accountant-General proposed to charge a small premium in future, this being the usual practice and there being no ground for granting the Salem planters a bounty at the expense of the general tax-payer.

5. The Planters' Association, which has been consulted on the subject, adopts the views of Mr. Gompertz and deprecates the Accountant-General's proposal on the ground that it is of doubtful legality, wrong in principle and retrograde in policy. Mr. Gompertz observes that the Govt. is bound to furnish its subjects with as many rupees as they require, as it charges seigniorage on money coined by it; that the seigniorage is, in this country, exceptionally - not to say

exorbitantly - high, as shown by the difference in the value of a rupee and of its weight of uncoined silver; and that as a hundred rupee note now exchanges readily for 100 rupees and would purchase more than 100 rupees weight of silver, it is obvious that the public pays the same seigniorage on notes that it does on rupees. Mr. Gompertz considers that the seigniorage thus paid to Govt. on the $\frac{4}{5}$ths of the currency which the promissory notes render it unnecessary to coin (plus the saving of the actual expense of coining, but minus the cost of printing the notes) is the price paid by the public for the instant encashment of its notes and abundantly covers the cost of establishment and transport of coin. Mr. Gompertz draws attention to the disastrous effects which must follow if the public have any serious difficulty in cashing the promissory notes of Govt. at par. He holds that all notes ought to be payable on presentation at any Govt. treasury, seeing that they bear on their face the following words "I promise to pay the Bearer on demand the sum of x rupees", and are signed by the "Govt. of India" (by some responsible officer "For" the Govt. of India) [This is of course a quibble. The Accountant-General who issues a note will cash it.] Mr. Gompertz points out that the industry of the planters deserves the support and encouragement of Govt. on other grounds, inasmuch as they benefit the Govt. by exporting coffee, tea and a little cinchona annually of the annual value of Rs. 27,700,670, by the number of

Enclos. 4 to C. No.2577.

page 8 of the report of Planters' Enquiry Committee.

Enclos. 4 to C. No.2577]

of volunteers they furnish and in many other ways - not to speak of the investment by them of a capital amounting to Rs. 19,65,19,281 in this country and the diffusing of wages approximating to Rs. 19,000,000. For the above reasons, he considers that notes ought to be cashed at all Govt. treasuries without any discount whatever, and that, even if this cannot be done, they should certainly be so cashed at the sub-treasury at Yercaud, or at any planting centre where silver, small coins and copper are required for the payment of coolies' wages.

6. The Collector of Salem points out that although the transactions of the planters, which were originally estimated at Rs. 12,000 a month or Rs. 1,44,000 per annum, now amount to nearly Rs. 3,29,000 per annum on an average, they pay actually nothing to cover the cost of extra establishment, while they were formerly paying a premium varying from $\frac{5}{16}$ths to 1 per cent; that under art.609 of the C.A.C., no person has a legal claim to obtain cash for a note presented at a Govt. treasury and the accommodation is to be given only when convenient; and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposes to levy a premium of 4 annas per cent . He estimates the total cost of establishment and of remittances at Rs. 805 as shown below, basing his calculation on the

remittances

remittances of last year, which amounted to Rs. 360,000.

	Cost per annum. Rs.
Cost of extra establishment (1 shroff at Rs.15 & 3 constables at Rs.7½ each)...	450
Cost of remittance to Yercaud.	189
Cost of escort for 3 remittances in a month at the rate of Rs. 4-9-9 per trip.....	166
Total	805

C. No. 2577

7. The Board approves of the rate of 4 as. or ¼th per cent suggested by the Collector, observing that until such time as the Govt. of India adopts the policy of cashing notes on demand at par at all treasuries, a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud.

6. No. 2930

8 Thd Acct. Genl., on a further reference, points out the fallacy of Mr. Gompertz's arguments as regards payments of notes on presentation at any treasury. He explains the position as follows:--

"The present proposal is not "to charge a commission on cashing currency notes but to refuse to cash them "at a particular spot remote from the "office of issue, since to do so will "entail considerable expense. Persons "who in the course of their business "wish to transfer their capital in the "form of hard cash from one spot to "another have I submit no right equitable "or legal to carry out this operation "at the expense of the Taxpayer. Nevertheless it is proposed to meet Planters "and others, so far as this can be done "without loss and embarassment, by the "grant of supply bills and wire transfers at a small premium."

The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable.

B

G.O.No. 667, Finl., d/ 5-4-1879 I
,, 686 ,, 9-4-1879 II
,, 1356 ,, 14-7-1880. III

9. It is to be remarked that complaints similar to the present were received last year and disposed of by G.O.No.552, Financial, dated 9th September 1896, ~~[illegible]~~. The facts connected with these complaints are set out in the notes in that order. From which it will be seen that the Govt. of India does not recognise any obligation on its part to cash its currency notes except at its office of issue; that to promote the circulation of these deposit receipts they have been declared legal tender within their circles of issue; that for the convenience of the public the Govt. has agreed to cash notes presented by travellers; and that complaints of this sort generally emanate from large traders who have their cash in one place and wish to transport it to another practically at Govt. expense. ~~In this connection~~ Attention is invited to the orders noted in the margin. From the first two of these it will be seen that this Govt. is not in a position to interfere further than by making a representation to the Govt. of India, but such a representation seems undesirable in the face of the arguments adduced by the Accountant-General. The third order quoted above places certain restrictions on the free encashment of notes by the public at the several treasuries.

Under

10. Under the circumstances, there seems no alternative but to adopt the Acting Collector's suggestion to levy a premium on the notes cashed by the Salem planters at the sub treasury at Yercaud, to charge a small premium of 1/4 th per cent on supply bills drawn on Yercaud - may it is thought, be approved.

Cmb
24/2/98

WH. Yes
SK
24/2/98

Yes - Experimentally
pr year
KS
27/2/98

I have had this morning a further conversation on this matter with Mr. Harrison. He thinks the proposed rate of 1/4th per cent. might be made less, - perhaps reduced to 3/32nds. The case should be referred to him again.

A.H
2.2.98

Vide C No. 588.

1
2

ACCOUNTANT GENERAL'S OFFICE
14 FEB 98
MADRAS

Financial Department.

C.Nos.1724,2577,2606 and 2930 of 1897.

No. 386, dt 12th Febry 1898.

Referred to the Accountant-General for report as to whether a smaller premium than ¼ per cent on bills on Yercaud would not suffice.

A Stuart
Chief Secretary.

Cmb.
3.2.98

TO BE RETURNED WITH REPLY.

75

Financial (1898) Department.

CURRENT No. 588

CHIEF SECRETARY
21 FEB 1898
GOVERNMENT OF MADRAS

From The Accountant-General, Mad.

Order

No. 649

Dated 21st February 1898.

Received 21 "

Registered 22 "

Enclosures 4 [C.Nos. 1724. 2577, 2606, 2930 final of 1897].

Spare copies

SUBJECT.

Stating that the proposed rate of premium on bills on yercaud may be reduced to ⅛ per cent.

76

BACK PAPERS.

G.O.	No.	Department.	Date.
552	9-9	6. 3247	Rs. 14. 11. 97
		990	a. 6. 8. 74
313	15-2	84	831 a. 6. 7. 74
2109	22-9	83	676 a. 2. 7. 73
1356	14-7	80	924 a. 11. 6. 72
686	9-4	79	463 2. 1. 5. 10 69
667	5-4	79	
432	21-3	78	
25	8-1	78	

FURTHER PAPERS.

G.O.	No.	Department.	Date.

Please see queries marked in this file. Proof 24/2/98

Government {1898} of Madras.

FINANCIAL.

Proof submitted for G.A.'s approval

1898
25/3/98

For the Press

Please alter and strike off and send 4 copies for signature and 60 spare copies.

Recd. } 1898. *Enclosures*

Regd. } 1898. *Spare copies*

G.O., No. 253, 10th March 1898.

1898
29/3/98

MARCH.

Sub-treasury at Yercaud.

Approving, with remarks, the proposal of the Accountant-General to issue bills on Yercaud at a premium of $\frac{1}{8}$ *per cent.* in lieu of the present system of cashing notes at that treasury.

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

Read—the following papers:—

Proceedings of the Board of Revenue (Land Revenue), Mis. No. 3076, dated 17th August 1897.

Read—the following papers:—

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 3rd June 1897, No. 1710.

I have the honour to state that I am informed that, for the convenience of planters, notes are cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury of Yercaud. This involves a considerable loss to Government owing to the necessity of transmitting the specie thither. The practice has its origin in G.O., No. 313, Financial, of the 15th February 1884, which sanctioned the retention of a balance of Rs. 10,000 in this treasury to meet the planters' demands.

Seeing, however, the loss to which Government is put and the growth of this practice, I propose, with the approval of Government, to charge a small premium in future. This is the usual practice, and there is no good ground for giving the Salem planters a bounty at the expense of the general tax-payer.

Endt., No. 1224.

Referred to the Board of Revenue (Land Revenue) for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

10*th June* 1897.

Reference thereon, dated 15th June 1897.

Forwarded to the Collector of Salem for remarks.

(Signed) R. C. C. CARR,
Secretary.

Board's Proceedings, No. 2026, Routine, dated 14th July 1897.

Abstract.—Communicating to the Collector of Salem reminder from Government, Financial Department, requesting an early reply to reference regarding the question of charging a small premium on currency notes cashed by planters at the Yercaud sub-treasury.

From R. GOMPERTZ, Esq., to the Honorary Secretary, Shevaroy Planters' Association, Yercaud, dated 17th July 1897.

With reference to the Collector's letter, No. 887-B. & G., dated 5th instant, proposing to levy a commission on the encashment of Government promissory notes and circulated by you for the views of members of the association, I beg to say that,

Here are (A) and (B)

in my opinion, the proposal is of doubtful legality, is wrong in principle, and retrograde in policy, and that the results of it, if carried out, would probably be disastrous.

2. The Government has the power to charge what seigniorage it pleases on coining money. At the present moment this seigniorage is, in India, exceptionally,—not to say exorbitantly—high, as shown by the difference in the value of a rupee and of its weight of uncoined silver; but inasmuch as coining is a Government monopoly, on which the Government demand has been charged to (and paid for by) the public, it is obviously the duty of Government to furnish its subjects with as many rupees as they require, and are willing to pay for, at the enhanced rate charged. If that rate be excessive, it may be open to objection; but this is not the place to consider such objection since the question has not been raised in the letter under reply.

3. The issue of paper money is a great convenience and saving to Government, but that convenience can only be fully enjoyed so long as its credit is unshaken. Political economists inform us that it has been found that a reserve of ($\frac{1}{5}$) one-fifth of the coin represented by the notes it issues is, so long as the credit of a Government is unimpaired, amply sufficient to ensure its ability to cash all notes as soon as they are presented, and probably much less would suffice at the present day. But since, under the circumstances supposed (and now existing, *i.e.*, unshaken credit), a hundred-rupee note exchanges readily for Rs. 100 and would purchase much more than 100 rupees weight of silver, it is obvious that the public pays the same seigniorage on notes that it does on rupees. The seigniorage thus paid to Government on the four-fifths of the currency which their promissory notes render it unnecessary to coin (*plus* the saving of the actual expense of coining, but *minus* the cost of printing the notes) is the price paid by the public for the instant encashment of its notes and abundantly covers the cost of establishments and transport of coin.

4. Moreover, every currency note bears on the face of it the following words: "I promise to pay the bearer on demand the sum of *x* rupees" and is signed by the "Government of India" (by some responsible officer "For" the Government of India). All notes, therefore, ought to be payable on presentation at *any* Government treasury; and though I am aware that the Peninsula has been divided into several currency circles, and that Government says it does not *undertake* to cash the notes of one circle, if presented at a treasury within another circle, as a matter of fact it can generally be done, and I myself have often cashed Calcutta notes at a treasury in the Bombay circle, of course without discount.

5. But I was not aware that, as the Collector states in his sixth paragraph "There is a systematic refusal to the public to exchange notes for cash in the other treasuries." I can only say that the sooner such systematic refusal is put a stop to the better, for it is fraught with the greatest danger to the credit of Government. I do not know if the matter has ever been brought before the High Courts, but it would be interesting to hear the subject argued before them and to have an authoritative ruling from the learned Judges. How would they decide if a private individual having given a promissory note, payable on demand, refused to pay it, when presented, without first exacting a commission?

6. And I can avouch that such refusal is not systematic in other parts of India, for some years ago I resided at Pachmarhi, which is a hill station in the Central Provinces, even smaller than Yercaud. I used to cash several thousand rupees worth of notes every month at the sub-treasury there, and to ask for—and receive—a large quantity of small change and copper. It is true that the gentleman in charge (a Covenanted Civilian) did at first object, and pointed out that much trouble and expense was caused to Government by getting up such large quantities of silver and copper, and requested me to incur this expense myself, by cashing my notes at the District Treasury of Hoshangabad, some 80 miles distant. I argued—much as above—that this was a burden which should properly fall on Government and not on private individuals and begged him, if still unconvinced, to refer the matter to higher authority. Whether it was so referred or not I do not know (the Chief Commissioner was himself in the station at the time); but a few days afterwards he wrote and told me he was prepared to cash my notes in future, and I had no further trouble about it.

7. For the reasons given in paragraphs 2, 3 and 4 it is, I think, obvious that the trifling expense of cashing notes should fall on Government and not on its creditors; but before closing the subject I would draw attention to the disastrous effects which must follow if the public have any serious difficulty in cashing the promissory notes of Government at par. If the value of the notes falls much below that of the coin they represent, the public will refuse to receive them, except at a corresponding discount, as happened with the "Green backs" in the American Civil War, or to take a more extreme case, with the assignats in the French Revolution, whose value fell so much that "at last it required an assignat of five hundred francs to pay for a cup of coffee" (see Mills' Political Economy, Vol. II, page 79). That such a state of things would ruin the trade of a country, and the credit of its Government needs no demonstration. The Government of India at present can borrow any sum it pleases at, say, 3½ per cent. At what rate would it be able to borrow if it required, say, a hundred-rupee note, to pay for a cup of coffee? True it is never likely to come to this. But the slightest suspicion by the public that Government was inclined to shirk its liabilities could have but one result, and the effect on its credit would differ not at all in *kind* but only in *degree* from that which produce the fall in assignats alluded to above. Is it worth while then (even if it be legal) for such a trifling saving systematically to refuse to cash notes at *any* Government treasury?

8. But if the above arguments be held unconvincing, there is still another aspect of the question which affects particularly the sub-treasury of Yercaud and the few other treasuries situated in planting districts. The enquiry committee lately appointed by the Government of India has shown that the capital invested in coffee, &c., is Rs. 19,65,90,281, and that the annual wages paid by Madras planters to maistries and coolies alone (to say nothing of the money paid for transport, curing, &c.,) is nearly Rs. 1,90,00,000. Surely the investment of such a capital in the country and the diffusing of such sums as wages must greatly increase the prosperity of the people and must benefit the Government—indirectly—very largely. Planters further benefit Government by exporting coffee, tea and a little cinchona annually of the value of Rs. 2,77,00,670, by the number of Volunteers they furnish, and in many other ways. On the above grounds I consider that the industry deserves the support and encouragement of Government, and that it is impolitic to harass planters for the sake of such a trifling saving. This seems to have been admitted many years ago when the commission on cashing notes at the Yercaud sub-treasury was abolished. To re-impose it now would indicate retrograde policy opposed to the spirit of the age.

9. Other Governments encourage the development of industries likely to increase the trade of the country. Witness the assistance given by Government to the sugar industry in the West Indies, and to tea and coffee even in Ceylon; while in Brazil planting interests are simply paramount,* and in its issue of the 11th instant, the *Madras Times* informs us that the Japanese Government has granted 750,000 dollars "to be used in America for advertising Japanese teas"!

* See the official "Report on coffee cultivation in Brazil, by C. F. Van Deldan Lairne [attached to the department of the interior at Batavia (Java) charged by the Dutch Government with a special mission to Brazil on behalf of the coffee-culture and coffee-commerce in the Dutch possessions in India, to His Excellency the Minister of the Colonies." (Dutch.)

10. For the above reasons I consider that notes ought to be cashed at *all* Government treasuries without any discount whatever; and that, even if this cannot be done, they should certainly be so cashed at the sub-treasury of Yercaud, or at any planting centre where silver, small coins and copper are required for the payment of coolies' wages.

From H. W. LEEMING, Esq., Honorary Secretary to the Shevaroy Planters' Association, to the Collector of Salem, dated Yercaud, 23rd July 1897.

With reference to your No. 887-B. & G., dated 5th July 1897, regarding the proposal to charge a commission on currency notes presented for encashment at the Yercaud sub-treasury, I have the honour to inform you that I am directed by this association to state that a reply from Mr. R. Gompertz to the above having been read at our last meeting it was unanimously *resolved*:—

Enclosure.

"That the Honorary Secretary be requested to forward a copy of Mr. Gompertz's letter to the Collector as representing the views of this association. Further, that the Honorary Secretary be instructed to read the above correspondence at the annual meeting of the United Planters' Association, Southern India, on August 9th next and following days; and that the Secretary be asked to place this subject on the Agenda paper".

A copy of Mr. Gompertz's letter is herewith enclosed.

From C. H. MOUNSEY, Esq., Acting Collector and District Magistrate of Salem, to the Secretary to the Commissioners of Land Revenue, dated 31st July 1897, No. 1430—Acct.

With reference to your endorsement, Reference on General Register No. 2868, dated 15th June 1897, and Board's Proceedings, No. 2026, Routine, dated 14th July 1897, I have the honour to state as follows.

2. In 1871, the planters of the Shevaroy Hills moved for the establishment of a treasury at Yercaud, promising to pay ¼ per cent. premium on all orders cashed at the treasury. As this premium was insufficient to cover the cost of establishment, they subsequently agreed to pay $\frac{5}{16}$ (5 annas) per cent. Thereupon the Government sanctioned* the establishment of a treasury experimentally for one year, and the experiment was afterwards continued† for another year. In 1874, the Accountant-General brought‡ to the notice of Government that the receipts from commission fell short of the cost of the establishment, when the rate of premium was raised§ to ½ per cent., and the treasury at Yercaud was ordered to be continued. In 1877, the issue of supply bills on the Yercaud sub-treasury was ordered‖ to be discontinued apparently because there was loss to Government. I say, apparently, because I am not in possession of this Government Order, but as I find a reference to it in G.O., No. 25, Revenue, dated 8th January 1878, I have been able to quote its number and date. The discontinuance of the sale of supply bills, however, was not followed by the abolition of the extra establishments entertained for the upkeep of the treasury, for, owing to the introduction of the money-order system, money orders had now taken the place of supply bills and the planters obtained all funds now by money orders. The commission on money orders being double that which the planters paid for supply bills, the income was more than sufficient to cover the cost of extra establishment, and the Government, therefore, ordered the continuance of the treasury and the establishments maintained for its support (G.O., No. 432, Revenue, dated 31st March 1878).

* G.O., No. 924, Revenue, dated 9th June 1872.
† „ „ 676 „ „ 2nd „ 1873.
‡ „ „ 831 „ „ 6th July 1874.
§ G.O., No. 990, Revenue, dated 6th August 1874.
‖ G.O., No. 3242, Revenue, dated 14th November 1877 (quoted in Collector's letter in G.O., No. 25, Revenue, dated 8th January 1878).

3. In 1883, when His Excellency the Governor visited Yercaud, the planters presented a memorial regarding the desirability of opening a branch treasury at that station. This was referred¶ to the Collector Mr. Martin, who reported that there was already a sub-treasury at Yercaud, and that the minimum balance in it, which averaged Rs. 7,500, might be raised to Rs. 10,000 as desired by the planters in order to facilitate the encashment of currency notes by them. The Collector also reported that the cost of conveying the treasure from Salem to Yercaud to keep up the standard of balance would be very trifling, and the Accountant-General agreed to the Collector's proposal, as he understood that there would be no extra expenditure or additional risk to Government. The Board supported the Collector's recommendation and the Government sanctioned it (Board's Proceedings, No. 364, dated 4th February 1884, and Mis. No. 1709, dated 22nd February 1884). Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to getting their remittances in the shape of notes and exchanging them for cash at the sub-treasury. By this method they save the commission of 1 per cent. and bear only the trifling cost of transmission to them of currency notes by post.

¶ G.O., Mis. No. 8646, dated 18th October 1883.

4. In 1871, when the proposal for a sub-treasury at Yercaud was started, the transactions of the planters were calculated to amount to Rs. 12,000 a month, or Rs. 1,44,000 per annum, but now they amount to nearly Rs. 3,29,000 per annum on an average as shown below:—

	Rs.
Actual receipts of Yercaud treasury during the three years 1894—97 exclusive of remittances from Huzur ..	2,12,314
Remittances from Huzur	9,15,250
Total ..	11,27,564
Deduct— Charges of all kinds excluding remittances to Huzur in currency notes	1,40,820
Money sent to Yercaud treasury for encashment of planters' notes	9,86,744
Average of money sent to Yercaud treasury for encashment of planters' notes for one year	3,28,915

or 3,29,000 in round number.

The remittances to Yercaud treasury to meet the planters' wants have thus considerably increased. But the planters who were formerly paying a premium, varying from $\frac{5}{16}$ to 1 per cent., to cover the cost of extra establishment, now pay actually nothing.

5. Under article 609 of the Civil Account Code, 5th Edition, no person has a legal claim to obtain cash for a note presented at a Government treasury and the accommodation is to be given only when convenient. This rule is enforced in the treasuries on the plains, and the public are not allowed to exchange notes whenever treasury balances do not admit of such exchange. There is, therefore, no good ground, as stated by the Accountant-General, why the planters on the Shevaroy Hills should be treated in a different manner unless they agree to pay a premium. It was because they agreed to the payment of a premium that the opening of the sub-treasury was at first sanctioned by Government and there is no reason why they should now demur to its payment. The rate of premium depends on the extra cost involved in maintaining the treasury at Yercaud and keeping up therein a sufficient balance to meet the planters' requirements. The cost of the extra establishment * amounts to Rs. 37–8–0 per mensem as noted in the margin. For the last four months, *i.e.*, from April to July 1897, a sum of Rs. 1,50,000 has been sent to Yercaud sub-treasury to meet the planters' wants. This gives Rs. 4,50,000 a year, but only Rs. 3,60,000 were sent in last year. Taking the latter figure, the cost of remitting it to Yercaud will amount to Rs. 189. The cost of the escort is put down by the Superintendent of Police at Rs. 4–9–9 per trip. Last year there were generally three remittances of Rs. 10,000 each in a month and this year four remittances in a month are made owing to increased demand. Assuming that only three remittances are made in a month as in last year, the cost of escort for a year will come to Rs. 166 nearly. The total cost of establishment and of remittances will thus amount to Rs. 805, and a premium of 4 annas will suffice to cover this charge. This is much less than what they were paying.

	Rs.
* One shroff	15
Three constables at Rs. 7½ each ..	22½

6. I enclose a copy of a communication forwarded to me by the Honorary Secretary of the Shevaroy Planters' Association, with a statement that it represents the views of the association.

Resolution—Mis. No. 3076, dated 17th August 1897.

The Salem Collector's letter read above and its enclosure will be submitted to Government, with reference to its endorsement, No. 1224, Financial, dated 10th June 1897.

2. Until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, the Board agrees with the Accountant-General and the Collector of Salem in thinking that a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud and approves of the rates of 4 annas, or $\frac{1}{4}$ per cent., suggested by the Collector.

(True Copy and Extract.)

(Signed) R. C. C. CARR,
Secretary.

To the Chief Secretary to Government.

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 23rd August 1897, No. 2563.

I have the honour to request that I may be favoured with the early orders of Government on my letter, No. 1710, dated the 3rd June 1897, proposing the issue of bills at a small premium in lieu of cashing notes for the planters at Yercaud.

Endt. No. 1879.

Referred to the Accountant-General for favour of remarks.

(Signed) J. F. PRICE,
Chief Secretary.

9th September 1897.

From F. C. HARRISON, Esq., Officiating Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 16th September 1897, No. 2870.

With reference to your endorsement, No. 1879, dated the 9th of September 1897, referring to me for remarks the proposals for charging a small premium on currency notes cashed by planters at the Yercaud sub-treasury, I have the honour to state as follows.

2. Currency notes are payable only at the office of issue. The contract made with the public is virtually this. If the public bring Government 100 rupees to its currency vaults at Madras, it grants a deposit receipt for it and undertakes, if required, to return the money at the place where it was delivered to Government. For the convenience of the public, these deposit receipts are declared to be legal tender, except by Government, to the public at the office of issue. The contention that Government is bound to pay anywhere on demand is entirely unfounded. Government makes no such promise. District treasuries are not branch currency offices.

3. The present proposal is not to charge a commission on cashing currency notes but to refuse to cash them at a particular spot remote from the office of issue, since to do so will entail considerable expense. Persons who in the course of their business wish to transfer their capital in the form of hard cash from one spot to another have, I submit, no right equitable or legal to carry out this operation at the expense of the tax-payer. Nevertheless it is proposed to meet planters and others, so far as this can be done without loss and embarassment, by the grant of supply bills and wire transfers at a small premium.

4. The rate of premium proposed by the Collector and approved by the Board seems reasonable.

From F. C. HARRISON, Esq., Accountant-General, to the Chief Secretary to Government, dated Fort St. George, 21st February 1898, No. 649.

With reference to your endorsement, No. 386, dated the 12th February 1898, enquiring whether a smaller premium than $\frac{1}{4}$ per cent. on bills on Yercaud would not suffice, I have the honour to state that the proposed rate may be reduced to $\frac{1}{8}$ per cent.

2. The papers received with the above are herewith returned.

Order—No. 253, Financial, dated 10th March 1898.

In 1869, the planters on the Shevaroy Hills presented a memorial to His Excellency Lord Napier praying, amongst other things, for the opening of a treasury and money-crder office at Yercaud. This request was not complied with, on the ground that it would have necessitated the entertainment of an extra establishment at the cost of Government. In 1871, the planters renewed their application, agreeing to pay a premium of $\frac{5}{16}$ths, or 5 annas *per cent.* on all orders cashed by them at the proposed treasury. It was then estimated that about Rs. 12,000 would be required by the planters every month. The probable cost of the upkeep of the treasury was placed at Rs. 47 *per mensem*, and the income from bill transactions at Rs. 37–8–0. The Accountant-General was not altogether in favour of the scheme, but on his recommendation the establishment of a treasury on the scale and terms proposed was sanctioned experimentally for one year. During this period, the average sum realized by the sale of bills (Rs. 25–5–10 *per mensem*) fell considerably below the cost of the upkeep of the treasury (Rs. 43–8–0 *per mensem*). The continuance of the treasury for a further period of one year was, however, sanctioned. As the treasury continued to work at a loss, the premium was raised, in 1874, from 5 to 8 annas *per cent.* A money-order office having been subsequently opened at Yercaud, the sale of bills on that place was discontinued in November 1877, in view of the fact that the transactions were out of all proportion to the amount of trouble occasioned to the Accountant-General's office. The treasury establishment (Rs. 43–8–0 *per mensem*) was, however, continued, as the commission derived from money orders, which had taken the place of supply bills, exceeded the cost of the establishment.

G.O., No. 463, Financial, dated 5th October 1869.

G.O., No. 924, Revenue, dated 11th June 1872.

G.O., No. 924, Revenue, dated 11th June 1872.

G.O., No. 676, Revenue, dated 2nd July 1873.

G.O., No. 831, Revenue, dated 6th July 1874.

G.O., No. 990, Revenue, dated 6th August 1874.

G.O., No. 3242, Revenue, dated 14th November 1877.

G.O., No. 25, Revenue, dated 8th January 1878.

G.O., No. 432, Revenue, dated 21st March 1898.

2. In 1883, the planters urged the establishment of a branch treasury with currency transactions on the grounds that, in the absence of such a treasury, they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. The minimum cash balance (Rs. 7,500) of the sub-treasury at Yercaud was thereupon raised to Rs. 10,000 in order to facilitate the encashment of currency notes by planters.

G.O., No. 2109, Financial, dated 22nd September 1883.

G.O., No. 313, Financial, dated 15th February 1884.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to obtaining their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury.

4. In his first letter read above, the Accountant-General drew attention to the growth of this practice and pointed out that notes are now cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly at the sub-treasury. As this involves a considerable loss to Government, he proposed to charge a small premium in future; this, he stated, is the usual practice, and, in his opinion, no ground exists for granting the Shevaroy planters a bounty at the expense of the general tax-prayer.

5. The Planters' Association, which has been consulted on the subject, deprecates the Accountant-General's proposal on the grounds that it is of doubtful legality, wrong in principle, and retrograde in policy.

6. The Collector of Salem has pointed out that, although the transactions of the planters, which were originally estimated at Rs. 12,000 a month, or Rs. 1,44,000 *per annum*, now average Rs. 3,29,000 *per annum*, they make no contribution whatever towards the cost of extra establishment, whereas they formerly paid a premium varying from $\frac{5}{16}$ to 1 *per cent.*; that under article 609 of the Civil Account Code, no person has a legal claim to obtain cash for a note presented at a Government treasury, this accommodation being given only when convenient; and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposed to levy a premium of 4 annas *per cent.* He estimated the total cost of establishment and of remittances at Rs. 805 as shown below, basing his calculation on the remittances of 1896, which amounted to Rs. 3,60,000:—

	Cost per annum. Rs.
Cost of extra establishment (one shroff at Rs. 15 and three constables at Rs. 7–8–0 each)	450
Cost of remittance to Yercaud	189
Cost of escort for three remittances in a month at the rate Rs. 4–9–9 per trip	166
Total ..	805

7. The Board of Revenue has approved of the rate of 4 annas, or $\frac{1}{4}$ *per cent.*, suggested by the Collector, observing that, until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud.

8. The Accountant-General has explained the position clearly in his letter, No. 2870, dated 16th September 1897.

The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable, but, on further consideration, he is of opinion that it might be reduced to $\frac{1}{8}$ per cent.

9. His Excellency the Governor in Council, after a careful consideration of the correspondence on the subject, approves of the proposal to issue bills on Yercaud at a premium of $\frac{1}{8}$ *per cent.*, in lieu of the present system of cashing notes.

(True Extract.)

Chief Secretary.

To the Board of Revenue (Land Revenue).
„ Collector of Salem.
„ Honorary Secretary, the Shevaroy Planters' Association, Yercaud.
„ Accountant-General.

Exd. W. D'Moss.

Encashment of currency notes by the Salem planters at the Sub-treasury at Yercaud.

[G/24] 1,000-22-11-97.

Financial DEPARTMENT.

Papers to be read in Proceedings:—

Again GO., No. , dated 189 .

Again G.O., No. , dated 189 .

Current No. 1724 of 1897, dated 3rd June/97, from the Acctt.Genl.

" " 2577 " 1897, " 17th Augt/97, " the Board of Revenue

" " 2606 &2930 " 1897, " 23rd Augt & 16th Sept./97, " the Acctt.Genl.

" " 588 of 1898 & 21.2.98 from the Acct. Genl.

ORDER. No 253 of 10.3.98.

G.O.No.463 Finl., d/5-10-69

G.O.No.924 Rev., d/11-6-72

G.O.No.924 Rev., d/11-6-72

In 1869 the Shevaroys planters on the Shevaroy hills presented a memorial to H.E.Lord Napier praying, amongst other things, for the opening of a treasury and money order office at Yercaud. This request was not complied with, on the ground that it would have necessitated the entertainment of an extra establishment at the cost of Govt. In 1871 the planters renewed their application agreeing to pay a premium of 5/16ths or 5 annas per cent on all orders cashed by them at the proposed treasury. It was then estimated that about Rs.12,000 would be required by the planters every month. The probable cost of the up-keep of the treasury was placed at Rs.47 per mensem and the income Rs.37-8-0 from bill-transactions. The Accountant-General was not altogether in favour of the scheme, but on his recommendation the establishment of a treasury on the scale and terms proposed was sanctioned experimentally for one year. During

During this period, the average sum realized by the sale of bills (Rs.25-5-10 per mensem) fell considerably below the cost of keeping up the treasury (Rs.45-8-0 per mensem). The continuance of the treasury for a further period of one year was, however sanctioned. As the treasury continued to work at a loss, the premium was raised in 1874 from 5 to 8 annas per cent. A money-order office having been subsequently opened at Yercaud, the sale of bills on that place was discontinued in November 1877 in view of the fact that the transactions were out of all proportion to the amount of trouble occasioned to the Accountant-General's office. The treasury establishment (Rs.45-8-0 per mensem) was however continued, as the commission derived from money orders, which had taken the place of supply bills, exceeded the cost of the establishment.

G.O.No.676 Rev., d/2-7-73

G.O.No.831 Rev., d/6-7-74 and
" 990 " d/6-8-74

G.O.No.3242 Rev., d/14-11-77

G.O.No.25 Rev., d/8-1-78
" 432 " " 21-3-98

2. In 1883, the planters urged among other matters the establishment of a branch treasury with currency transactions on the grounds that in the absence of such a treasury they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. On the recommendation of the Collector of Salem, the minimum cash balance (Rs.7,500) of

G.O.No.2109 Finl., d/22-9-83

G.O.No.313 Finl., d/15-2-84

of the Sub-treasury at Yercaud was thereupon raised to Rs.10,000 in order to facilitate the encashment of currency notes by planters.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to obtaining their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury.

4. In his first letter read above the Accountant-General drew attention to the growth of this practice and pointed out that notes are now cashed to the extent of Rs.30,000 to Rs.40,000 monthly at the sub-treasury. As this involves a considerable loss to Govt. he proposed to charge a small premium in future; this he stated, is in his opinion the usual practice and there is no ground for granting the Shevaroy planters a bounty at the expense of the general tax-payer.

Enclos. 1 & 2 to C.No.2577

5. The Planters' Association, which has been consulted on the subject, deprecates the Accountant-General's proposal on the grounds that it is of doubtful legality, wrong in principle, and retrogade in policy.

6. The Collector of Salem has pointed out that although the transactions of the planters, which were originally estimated at Rs.12,000 a month or Rs.1,44,000 per annum, now average Rs.3,29,000 per annum on an average, they make no contribution whatever towards the cost of extra establishment, whereas they formerly paid

paid
~~pay~~ing a premium varying from 5/16ths to 1 per cent; that under art.609 of the C.A.C., no person has a legal claim to obtain cash for a note presented at a Govt. treasury, and the accommodation ~~is to be~~ given only when convenient; and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposed to levy a premium of 4 annas per cent. He estimated the total cost of establishment and of remittances at Rs.805 as shown below, basing his calculation on the remittances of ~~last year~~ 1896, which amounted to Rs.360,000.

	Cost per annum
Cost of extra establishment (1 shroff at Rs.15 & 3 constables at Rs.7½ each).....	Rs 450
Cost of remittance to Yercaud....	189
Cost of escort for 3 remittances in a month at the rate of Rs.4-9-9 per trip.....	166
Total	805

C.No.2577

7. The Board of Revenue has approved of the rate of 4 as. or ¼th per cent suggested by the Collector, observing that until such time as the Govt. of India adopts the policy of cashing notes on demand at par at all treasuries a small premium should be charged on the currency notes cashed at the sub-treasury at Yercaud.

C.No. 2930

8. The Accountant-General ~~on a further reference~~ has explained the position in clear his letter No. 2870 dated 16th Sept. 1897.

The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable, but

Cwb 588

but on further consideration he is of opinion that ~~the proposed~~ it rate might be reduced to one-eighth per cent.

9. H.E. the Governor in Council, after a careful consideration of the correspondence on the subject, approves of the proposal to issue bills on Yercaud at a premium of one-eighth per cent, in lieu of the present system of cashing notes.

To

The Board of Revenue (Land Rev.) 10
" Collector of Salem 8
" Hony. Secy., the Shervaroy Planters Association, Yercaud. 2
" Accountant General 4

Cwb 5/2/98

AA 7.3.98.

Despd 7.4.98.

Proof Submitted to C. A for approval

NOTES CONNECTED WITH G.O., No. 253, FINANCIAL, DATED 10TH MARCH 1898.

[SUBJECT.—*Encashment of currency notes by the Salem planters at the Sub-treasury at Yercaud.*]

In 1869 the Shevaroy's planters presented a memorial to His Excellency Lord Napier praying, amongst other things, for the opening of a treasury and money order office at Yercaud. This request was not complied with, as it necessitated the entertainment of an extra establishment at the cost of Government. In 1871 the planters renewed their application agreeing to pay a premium of $\frac{5}{16}$ths or As. 5 per cent. on all orders cashed by them at the proposed treasury. It was then estimated that about Rs. 12,000 would be required by them every month. The probable cost of the upkeep of the treasury was placed at Rs. 47 *per mensem* against a probable income of Rs. 37–8–0 from bill transactions. The Accountant-General had misgivings on the subject, but on his recommendation the establishment of a treasury on the scale and terms proposed was sanctioned experimentally for one year. During this period, the average sum realized by the sale of bills (Rs. 25–5–10 *per mensem*) fell considerably below the cost of keeping up the treasury (Rs. 43–8–0 *per mensem*). The continuance of the treasury for a further period of one year was, however, sanctioned. As the treasury continued to work at a loss, the premium was raised at the instance of the Accountant-General from As. 5 to As. 8 per cent. A money-order office having been subsequently opened at Yercaud, the sale of bills on that place was discontinued in November 1877, because the transactions were quite out of proportion to the amount of trouble occasioned to the Accountant-General's office, but the treasury establishment (Rupees 43–8–0 *per mensem*) was not dispensed with, as the commission derived from money orders, which had taken place of supply bills, exceeded the cost of the establishment.

G.O., 463, Financial, 5th October 1869.

G.O., 924, Revenue, 11th June 1872.

G.O., 924, Revenue, 11th June 1872.

G.O., 676, Revenue, 2nd July 1873.

G.O., 831, Revenue, 6th July 1874 and G.O., 990, Revenue, 6th August 1874.

G.O., 3242, Revenue, 14th November 1877.

2. In 1883 the planters urged among other things the establishment of a branch treasury with currency transactions on the grounds that owing to the absence of such a treasury they were compelled to cash notes and Madras remittances in Salem at an undue private risk, and that there were objections to the money-order system, more especially in the heavy premium. On the recommendation of the Collector of Salem, the minimum cash balance (Rs. 7,500) of the sub-treasury at Yercaud was therefore raised to Rs. 10,000 for facilitating the encashment of currency notes by planters.

G.O., 2109, Financial, 22nd September 1883.

G.O., 313, Financial, 15th February 1884.

3. Since then, however, the planters would appear to have gradually abandoned the money-order system and to have resorted to getting their remittances in the shape of notes and exchanging the latter for cash at the sub-treasury, thus saving the money-order commission.

4. In ~~C. No. 1724~~ the Accountant-General drew attention to the growth of this practice, notes being now cashed to the extent of Rs. 30,000 to Rs. 40,000 monthly

at the sub-treasury. As this involves a considerable loss to Government, the Accountant-General proposed to charge a small premium in future, this being the usual practice and there being no ground for granting the Salem planters a bounty at the expense of the general tax-payer.

5. The Planters' Association, which has been consulted on the subject, adopts the views of Mr. Gompertz and deprecates the Accountant-General's proposal on the ground that it is of doubtful legality, wrong in principle and retrograde in policy. Mr. Gompertz observes that the Government is bound to furnish its subjects with as many rupees as they require, as it charges seigniorage on money coined by it; that the seigniorage is, in this country, exceptionally—not to say exorbitantly—high, as shown by the difference in the value of a rupee and of its weight of uncoined silver; and that as a hundred-rupee note now exchanges readily for Rs. 100 and would purchase more than Rs. 100 weight of silver, it is obvious that the public pays the same seigniorage on notes that it does on rupees. Mr. Gompertz considers that the seigniorage thus paid to Government on the $\frac{4}{5}$ths of the currency which the promissory notes render it unnecessary to coin (*plus* the saving of the actual expense of coining, but *minus* the cost of printing the notes) is the price paid by the public for the instant encashment of its notes and abundantly covers the cost of establishment and transport of coin. Mr. Gompertz draws attention to the disastrous effects which must follow if the public have any serious difficulty in cashing the promissory notes of Government at par. He holds that all notes ought to be payable on presentation at *any* Government treasury, seeing that they bear on their face the following words "I promise to pay the bearer on demand the sum of X rupees", and are signed by the "Government of India" (by some responsible officer "for" the Government of India). This is of course a quibble. The Accountant-General who issues a note will cash it. Mr. Gompertz points out that the industry of the planters deserves the support and encouragement of Government on other grounds, inasmuch as they benefit the Government by exporting coffee, tea and a little cinchona of the annual value of Rs. 2,77,00,670, by the number of volunteers they furnish and in many other ways—not to speak of the investment by them of a capital amounting to Rupees 19,65,19,281 * in this country and the diffusing of wages approximating to Rs. 1,90,00,000.* For the above reasons, he contends that notes ought to be cashed at *all* Government treasuries without any discount whatever, and that, even if this cannot be done, they should certainly be so cashed at the sub-treasury at Yercaud, or at any planting centre where silver, small coins and copper are required for the payment of coolies' wages.

I am not so sure of that. But it certainly is not bound to carry their rupees about the country for them.

H. B[LISS.]

* Page 8 of the report of Planters' Enquiry Committee.

6. The Collector of Salem points out that although the transactions of the planters, which were originally estimated at Rs. 12,000 a month or Rs. 1,44,000 *per annum*, now amount to nearly Rs. 3,29,000 *per annum* on an average, they pay actually nothing to cover the cost of extra establishment, while they were formerly paying a premium varying from $\frac{15}{16}$ths to 1 per cent.; that under article 609 of the Civil Account Code, no person has a legal claim to obtain cash for a note presented at a Government treasury and the accommodation is to be given only when convenient, and that the planters should not be exempted from this rule unless they agree to pay a premium. He accordingly proposes to levy a premium of As. 4 *per cent.* He estimates the total cost of establishment and of remittances at Rs. 805 as shown below, basing his calculation on the remittances of last year, which amounted to Rs. 3,60,000.

	Cost per annum.
	Rs.
Cost of extra establishment (1 shroff at Rs. 15 and 3 constables at Rs. 7½ each)	450
Cost of remittance to Yercaud	189
Cost of escort for three remittances in a month at the rate of Rs. 4-9-9 per trip	166
Total ..	805

7. The Board approves of the rate of As. 4 or one-fourth per cent. suggested by the Collector, observing that until such time as the Government of India adopts the policy of cashing notes on demand at par at all treasuries, a small premium should be charged on the currency notes cashed at the Sub-treasury at Yercaud.

8. The Accountant-General, on a further reference, points out the fallacy of Mr. Gompertz's arguments as regards payments of notes on presentation at any treasury. He explains the position as follows :—

"The present proposal is not to charge a commission on cashing currency notes but to "refuse to cash them at a particular spot remote from the office of issue, since to do so will entail "considerable expense. Persons who in the course of their business wish to transfer their capital "in the form of hard cash from one spot to another have, I submit, no right equitable or legal to "carry out this operation at the expense of the tax-payer. Nevertheless it is proposed to meet "planters and others, so far as this can be done without loss and embarrassment, by the grant of "supply bills and wire transfers at a small premium".

The rate of premium proposed by the Collector and approved by the Board seems to him to be reasonable.

9. It is to be remarked that complaints similar to the present were received last year and disposed of by G.O., No. 552, Financial, dated 9th September 1896. The facts connected with these complaints are set out in the notes in that order from which it will be seen that the Government of India does not recognise any obligation on its part to cash its currency notes except at its office of issue ; that to promote the circulation of these deposit receipts they have been declared legal tender within their circles of issue ; that for the convenience of the public the Government has agreed to cash notes presented by travellers ; and that complaints of this sort generally emanate from large traders who have their cash in one place and wish to trasnsport it to another practically at Government expense. Attention is invited to the orders noted in the margin. From the first two of these it will be seen that this Government is not in a position to interfere further than by making a representation to the Government of India, but such a representation seems undesirable in the face of the arguments adduced by the Accountant-General. The third order quoted above places certain restrictions on the free encashment of notes by the public at the several treasuries.

G.O., 667, Financial, 5th April 1879.
" 686 " 9th " "
" 1356 " 14th July 1880.

10. Under the circumstances, the proposal to charge a premium of $\frac{1}{4}$th per cent. on supply bills and wire transfers on Yercaud may, it is thought, be approved.

C. M. SCHMIDT—24-9-97.

Honourble Member—
H. E the Governor — Yes.

G. S. FORBES—24-9-97.

Yes. Experimentally for a year.

H. W. B[LISS]—27-9-97.

I have had this morning a conversation on this matter with Mr. Harrison. He thinks the proposed rate of $\frac{1}{4}$th per cent. might be made less, perhaps reduced to $\frac{3}{3\frac{2}{2}}$nd. The case should be referred to him again.

A. E. H[AVELOCK]—2-2-98.

~~[G.O., No. 253, Financial, dated 10th March 1898.]~~

[G. M. to the A. G. No 386 dt 12. 2. 1898]

From the A. G. No 649 dt 21. 2. 98

For the C.S.

A draft order is submitted.

C. M. S. 5. 3. 98.

H. M.

A. T. Arundel. 7. 3. 98

H. W. B[liss] 8. 3. 98.

[G.O No 253 Fin^l dt 10. 3. 98]

Note
253 Travel
21/6

First copy sent to Press.

Returned for signature.

Despatched in print.

Number of copies required. { Order complete. / Letter only. / Order complete with Letter.

Read again G.O., No. 189 . Dated

Current No. All currents —— A.

Press
Show proof please.
1st
10/3/18

Enclosures to C. No.

Order of Government .. .. .. A.

Letter of Government.

Statement with ditto.

Papers not filed up, being meant for despatch in original.

N.B.—
A = Print in full.
B = Not to be printed.
P = Print abstract only.
Q = Print heading only.