

INDIAN CURRENCY COMMITTEE, 1898.

18

W. G. ...
27th March

MINUTES OF EVIDENCE

TAKEN BEFORE

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.

PART II.

Presented to Parliament by Command of Her Majesty.



LONDON:

PRINTED FOR HER MAJESTY'S STATIONERY OFFICE,
BY EYRE AND SPOTTISWOODE,
PRINTERS TO THE QUEEN'S MOST EXCELLENT MAJESTY.

And to be purchased, either directly or through any Bookseller, from
EYRE AND SPOTTISWOODE, EAST HARDING STREET, FLEET STREET, E.C., and
32, ABINGDON STREET, WESTMINSTER, S.W.; or
JOHN MENZIES & Co., 12, HANOVER STREET, EDINBURGH, and
90, WEST NILE STREET, GLASGOW; or
HODGES, FIGGIS, & Co., LIMITED, 104, GRAFTON STREET, DUBLIN.

1899.

[C.—9222.] Price 2s. 2d.

1



39-91

Відомості про діяльність
всередині організації
всіх підрозділів
всіх підрозділів
всіх підрозділів

Відомості про діяльність
всередині організації
всіх підрозділів
всіх підрозділів
всіх підрозділів

CONTENTS.

	Page
(i.) ANALYSIS OF EVIDENCE	v
(ii.) MINUTES OF EVIDENCE	1

NOTE.—For Part I. of the Evidence, *see* C.—9037 (1898).

ANALYSIS OF EVIDENCE.

RIGHT HON. THE EARL OF NORTHBROOK, G.O.S.L.
Has been connected with Administration of India since 1853, and was Governor-General from 1872 to 1876, 8394.

The Government of India acted rightly in closing the mints to the free coinage of silver in 1893 with a view to establishing a gold standard, 8396, 8419.

The closing of the mints has not seriously interfered with public or private interests in India, 8396, 8489-90, 8544, 8554-9, 8564-74.

The reopening of the mints would be injurious to the people of India, 8397-9.

It would necessitate an increase of taxation which may be estimated at about 7 crores of rupees a year, 8399-406, 8454-6.

To increase taxation in India would be unwise and dangerous, 8407, 8411-6, 8497-501.

Increase of taxation since 1886, 8408.

Grave objections to interference with land revenue, 8410, 8551, 8581-4.

The present artificial system of currency is unsatisfactory, 8417.

Witness, though in favour of a gold standard for India, does not agree with the particular method proposed by the Government of India for establishing it, 8418-21.

An effective gold standard implies a gold currency; but it is not necessary that the token silver currency should be convertible into gold to an unlimited extent. The existing currency notes of high denominations might, however, be made convertible into gold, 8422-5, 8431-6, 8438-40, 8468-73, 8479-88, 8493-6, 8519-31, 8560-3, 8575-80.

Suitability of a gold standard and gold currency for India, 8447, 8475, 8545.

Sovereigns should be made legal tender in India, and should be coined at the Indian mints from gold brought to the mints by the public; it would not be necessary for the Government to accumulate gold for the purpose, 8428-30, 8502-10, 8539-42.

The gold value of the rupee should be fixed at ls. 4d., 8437, 8457-66, 8474, 8509-17, 8543.

Witness is in favour of the grant by the Imperial Government of assistance to India for the purpose of making a gold standard effective, 8439, 8442-3.

Is opposed to the imposition of a heavy import duty on silver, 8444-6.

The present is a favourable time for introducing an effective gold standard, 8448.

Importance of steadiness in management of finances of India, 8449, 8546-50.

The establishment of an effective gold standard in India would not render impossible an arrangement in the future with France and America, 8449, 8492.

Relation between Government of India and Presidency Banks, 8450-1, 8535-8.

MR. WILLIAM JAMES THOMPSON, SENIOR, AND
MR. WILLIAM JAMES THOMPSON, JUNIOR.

Have been in business for many years as tea-brokers in Mincing Lane; Mr. Thompson, Senior, is Chairman of the National Discount Company, 8585-90.

Prices in London of Indian, Ceylon, and China tea from 1883-84 to 1897-98, 8591.

In consequence of the superior strength and quality of tea from Ceylon and India, as compared with that from China, the imports of the former into Great Britain have rapidly increased, and those of the latter have fallen away, 8592-7, 8620-1, 8652-3, 8673-7.

The superiority in quality of Indian and Ceylon tea over China tea is in part due to the difference in the plant, and perhaps in part to superior soil, 8622-3, 8651-6.

An increase in the importation of China tea is, however, possible, 8671-2.

The fall in the price of tea has been due to circumstances affecting supply and demand, 8598-9, 8611-2, 8641-5, 8660-5.

i Y 3514.

MR. WILLIAM JAMES THOMPSON, SENIOR, AND
MR. WILLIAM JAMES THOMPSON, JUNIOR—
cont.

The markets for Indian and Ceylon tea, outside the United Kingdom, are Australasia, North America, and Russia. In Australasia the demand is now very large, and in Russia it is growing considerably, 8600-9.

The supply of Indian and Ceylon tea will probably continue to increase, but not so rapidly as hitherto, 8613, 8640, 8666-7.

The rise in exchange has for the time affected profits and checked production, but a fall in exchange might lead to over-production and cause a fall in price, 8615-8, 8624-35, 8646-50, 8668-70, 8678.

MR. W. H. CHEETHAM.

Is a member of the firm of Kilburn and Co., Calcutta, which is interested in several branches of industry, 8679-80.

Was strongly opposed to the closing of the Indian mints in 1893, 8682.

Opinion in commercial circles in India as to closing of mints, 8683, 8779-87.

Effects of closing of mints:—

(1) Monetary stringency:

Insufficiency of currency has caused, and is still causing, monetary stringency in India, 8710-8, 8727-8, 8772, 8791, 8793, 8795, 8888-904, 8991-9014; whereas, when the mints were open, stringency was relieved by the importation of silver, 8729-31, 8964-72, 9008-11.

Injurious effects of monetary stringency on Government securities and on industrial securities and enterprise, 8772-7, 8860-7, 8886-7, 8981-90.

Effect of stringency on cotton-spinning and other manufacturing industries in India, 8727, 8792-4, 8888-96, 8931-3.

Stringency felt in Behar and Central India, 8720-1.

Stringency not felt by agricultural classes, 8934-6

(2) Effect on cotton-mills in India, China, and Japan, of rise in the exchange value of the rupee and fall in silver, 8738-44, 8768-71, 8912-30, 8973-80.

(3) Effect on Indian opium trade of rise in value of rupee and fall in silver, 8745-6.

Witness is in favour of re-opening the Indian mints, 8685-6, 8789.

Effects of re-opening the mints:

Would raise the value of silver, 8688-92, 8702-6, 8790, 8884-5.

Would establish confidence, 8872-3.

Would ultimately steady exchange, 8707-9.

Effect on prices and wages in India, 8839-54.

The loss to Government caused by re-opening the mints might be met by temporary borrowing or temporary additional taxation, 8694-8, 8821-39, 8856-9, 8874-7.

Gold Standard for India:—

Desirable, but impracticable, 8756-9, 8800-4, 8937-43.

If convertibility were established, rupees would be taken out of hoards, and gold would be hoarded in their place, 8759-64, 8805-23, 8878-83, 8944-56.

Financial position of India before the closing of the mints, 8765-7.

Effect of falling exchange on production and export trade, 8733-7, 8905-11.

Tea-planting industry:—

Competition between India and China, 8747-9, 8797-9.

Depression in the tea-trade caused by over-production and accentuated by rise in exchange, 8796.

Alleged prevalence of illicit coinage in India, 8957-63.

Currency and prices in China, 8750-4.

Relative stability of silver and gold in relation to commodities, 8755:

b

Analysis.

Mr. DONALD GRAHAM, C.I.E.

Is a merchant trading with India, 9015-20.

Was present during examination of Mr. W. H. Cheetham, and is in general agreement with his evidence, 9021-2.

Was opposed to the closing of the mints in 1893, 9023-6.

Grounds of objection to the closing of the mints:—

Fall in the rupee price of silver ornaments, 9027-34, 9200-16.

Undue stress was laid on the difficulties of Government, and too little thought was given to the interests of the people, 9034-7, 9144-8, 9301-14.

The fall in exchange prevented suffering which would otherwise have resulted from fall in prices, 9037.

Difficulty of procuring a sufficient reserve of gold to make a gold standard effective, 9037, 9089-93.

Special disadvantages of an artificial system of currency in India, on account of alternating seasons of active and slack trade, 9037.

Opposition of natives of India, 9037.

Events have justified the objections to the closing of the mints, 9038.

The chief evil brought about by the closing of the mints is monetary stringency, 9040-1, 9068-76, 9130-2, 9189, 9227, 9334 (*note*).

It is quite possible that there may not be in the busy season of 1898-9 as great a stringency as in 1897-8, 9077-9.

India needs a free, large, cheap, and abundant currency, 9064-5.

A falling exchange stimulates exports, 9084-5, 9150-67.

If the rupee fell below a certain point, the fall would cease to be advantageous to India, because the rupee would no longer be suitable for the wants of the people, 9065-7.

Alleged effects of fluctuations of exchange in encouraging speculation, 9107-8, 9236.

Difficulty at present time of making forward contracts for exchange, owing to uncertainty of money market, 9109, 9136-43, 9234-6.

Mints should be gradually re-opened, 9039-40, 9252-60.

Effects of re-opening the mints:—

Additional taxation would be necessary, at least for a time, 9042-3, 9046, 9149.

The yield of existing sources of revenue would automatically increase, 9047-9, 9174-93, 9231, 9291-6.

Import duties and export duties, 9050-3, 9114-5, 9118-21, 9232-3.

Death duties, 9054, 9123-6.

Railway rates might be raised, 9056-7, 9127-9.

The country at large would benefit, 9043-5.

Exchange would become more stable, because the causes which broke down the price of silver have now worked themselves out, 9059-63, 9168-9, 9218-27, 9297-300.

Prices would rise, 9052-3, 9058, 9161-8, 9170-3, 9194, 9237-42, 9322-34.

Prices in India do not appear to have risen materially since the fall in silver began; but this is due to the fall in gold prices, 9080-3, 9088, 9165-8.

Gold standard:—

Impracticable owing to difficulty of procuring sufficient supply of gold, 9089-93, 9261.

If practicable, would be in some respects advantageous, 9269-77.

The practical difficulties would be lessened if the rupee were rated lower than 1s. 4d., 9262-8, 9278-90.

Council bills, method of sale, 9094.

Volume of rupee currency, 9103-6.

Imports of Manchester goods into India, 9133-5.

Mr. DAVID CRUICKSHANK.

Is chairman of the Indigo Association, and a member of a firm trading with India, and especially interested in indigo and tea, 9335-6.

Was opposed to the gold standard proposals of 1886, and to the closing of the mints in 1893, 9337-8.

Chief ground of objection to the closing of the mints was that a divergence between the intrinsic value and the exchange value of the rupee would be prejudicial to the export trade of India, 9339-42.

Effects of the closing of the mints:—

Reduction of profit on tea and indigo, and restriction of production, 9343-68, 9405-20, 9437-98, 9562-8, 9586-604, 9608-19, 9652-71.

Mr. DAVID CRUICKSHANK—cont.

Effect on prices and wages in India, 9452-86, 9550.

Monetary stringency, 9370-6, 9380-2, 9428-30, 9463-4, 9467, 9488, 9491-5, 9605-7.

Severe stringency anticipated in 1898-9, 9377-9.

Effect of high exchange in stimulating imports, especially of cotton goods, sugar, and salt, 9400-4, 9569-83, 9633-41, 9698-718.

Effect of low exchange in stimulating exports and production, 9509-34, 9551-61, 9620-32, 9642-6.

A fall in exchange is advantageous to India, but the limit of advantage is reached when a general rise of prices takes place, 9390-1, 9551, 9662-9, 9675-9.

Prices in India from 1873, 9535-49, 9552-6, 9680-90.

Stability of exchange is desirable, provided that the rate fixed for the rupee is not too high, 9383-4, 9391, 9651.

The gold standard proposals of the Government of India are objectionable, because the rate of 1s. 4d. for the rupee is so high as to hamper the export trade, 9385-9.

If a rate of 1s. 2d. were chosen instead of the proposed rate of 1s. 4d., a gold standard could probably be established without any special measures for the acquisition of gold, 9391, 9395, 9422-7, 9647-50, 9695-718.

If exchange were fixed at 1s. 2d. instead of at 1s. 4d., the revenues of the Government of India would expand owing to the growth of trade, 9396-7.

If the natural expansion of revenue were insufficient to meet the additional charges involved in the lowering of exchange, the import duties might be increased, 9397-9, 9584-5.

Competition of China with India and Ceylon in tea, and of China with India in cotton, 9597-604, 9642-6.

Competition of America with India in cotton, 9672-9.

Illicit coinage, 9421.

Mr. MERWANJEE RUSTOMJEE.

Is a Parsee broker, dealing in exchange, finance, bullion, and Government securities, and represents the Bombay Native Shares, Stock, and Exchange Brokers' Association, 9719-21.

Was opposed to the closing of the mints, on the ground that India was prospering under the silver standard, and that, if the mints were closed, Indian cotton-mills would be injured by the fall in silver and by monetary stringency, 9722-3, 9732.

The closing of the mints has failed to attract gold to India, though circumstances have been such as to favour the policy of the Government, 9724.

The adoption of the proposals made by the Government of India in March, 1898, would be injurious to India, because the stringency in the money market would be intensified, 9725.

Monetary stringency in Bombay from January to March, 1898, and its effects, 9726, 9739-45, 9759-94, 9823-8, 9832-54, 9863-5.

Stringency in 1898-99 will probably be less severe than in 1897-98, 9757-8.

Witness is in favour of a gold standard and of a gold currency, with the rupee at 1s. 2d., to be established with Imperial guarantee and assistance, 9728-31, 9737-8.

Advantages of the rate of 1s. 2d. for the rupee as compared with 1s. 4d., 9729, 9746-50.

The limit of 1s. 4d. now fixed has the effect of steadying exchange, 9829-31.

Immediate coinage of gold would relieve the monetary stringency, 9731.

Failing an effective gold standard, witness is in favour of re-opening the mints to silver, 9732.

Public feeling in India on the currency question, 9814-8.

If the mints were re-opened to silver, the loss to Government could be met by reduction of expenditure, or additional taxation, or by both means, 9733-4, 9753-5.

Objections to increasing the import duty on silver, 9735.

Effect on Indian cotton-mills, and on Indian trade and competition with China, of variations in exchange between India and China, 9736.

Alleged connexion between the imports of silver into India and illicit coinage, 9795-813, 9819-22.