

A

INDIAN CURRENCY COMMITTEE, 1898.

MINUTES OF EVIDENCE

TAKEN BEFORE

THE COMMITTEE

APPOINTED TO INQUIRE INTO THE

INDIAN CURRENCY,

TOGETHER WITH AN

ANALYSIS OF THE EVIDENCE.

PART I.

Presented to both Houses of Parliament by Command of Her Majesty.



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LETTER from the SECRETARY OF STATE FOR INDIA to
SIR HENRY FOWLER.

SIR,

India Office, 29th April 1898.

I ENCLOSE for your perusal a copy of a letter recently received from the Government of India on the subject of the measures to be taken for making effective the policy adopted by Her Majesty's Government in 1893, and initiated by the closing of the Indian mints. I also enclose a copy of my reply.*

You are aware of the fact that the adoption of this policy followed upon an exhaustive inquiry by a Committee presided over by Lord Herschell, and that copies of the Report of that Committee, of the evidence taken by it, and of the consequent correspondence between the Secretary of State for India in Council and the Government of India, were laid before Parliament. You are also aware that, in the autumn of 1897, proposals for an international agreement affecting the currency of India were under the consideration of Her Majesty's Government, and that a correspondence on the subject, including a very important letter from the Government of India, was published as a Parliamentary paper as soon as a decision had been arrived at. To all these documents I would invite your special attention.

In consideration of the very great importance of the subject of the Government of India's proposals, it has been decided to refer them to a Committee, which will consider whether the object which the Government of India have in view can best be attained by the measures which they suggest or otherwise. It will be the duty of the Committee to deliberate and report to me upon these proposals, and upon any other matter which they may regard as relevant thereto, including the monetary system now in force in India, and the probable effect of any proposed changes upon the internal trade and taxation of that country; and to submit any modifications of the proposals of the Indian Government, or any suggestions of their own, which they may think advisable for the establishment of a satisfactory system of currency in India, and for securing, as far as is practicable, a stable exchange between that country and the United Kingdom.

The Committee will meet in this Office, and, in accordance with the precedent of 1892-93, its proceedings, so long as it is in session, will for obvious reasons not be open to the public, though they will be published when its labours are over, with the evidence and information it has collected. Subject to this condition, it will be at liberty to act as its members may think most desirable for the attainment of the end in view.

You will observe that, in my Despatch of the 7th of April 1898, I have assured the Government of India that no effort would be wanting, either on the part of the Committee or on that of Her Majesty's Government, to arrive at a speedy decision; and I trust that the Committee will accordingly avoid all unnecessary delay, and will confine their inquiry strictly to such matters as they may deem relevant to the question under consideration.

* [C.—8440 of 1898.]

You have already intimated to me your willingness to accede to my request that you would act as Chairman of this Committee, which will be constituted as follows :—

The Right Honourable Sir Henry H. Fowler, G.C.S.I., M.P., Chairman.

The Lord Balfour of Burleigh, Secretary for Scotland.

Sir John Muir, Bart., lately Lord Provost of Glasgow.

Sir Francis Mowatt, K.C.B., Secretary to the Treasury.

Sir David Barbour, K.C.S.I., lately Financial Member of the Council of the Governor General of India.

Sir Charles Crosthwaite, K.C.S.I., Member of the Council of India.

Mr. F. C. Le Marchant, Member of the Council of India.

Mr. Everard Hambro, a Director of the Bank of England.

Mr. W. H. Holland, President of the Manchester Chamber of Commerce.

Mr. Robert Campbell, General Manager of the National Bank of India ; and

Sir Alfred Dent, K.C.M.G.

Mr. Robert Chalmers, of Her Majesty's Treasury, will act as Secretary to the Committee.

I shall be prepared, on receiving your report, to give to it my most careful and prompt consideration.

I am, &c.

(Signed) GEORGE HAMILTON.

The Right Honourable
Sir Henry H. Fowler, G.C.S.I., M.P.,
&c., &c., &c.

ANALYSIS OF EVIDENCE.

SIR J. L. MACKAY, K.C.I.E.

Is a member of the Council of India; was for many years engaged in business in India; was President of the Bengal Chamber of Commerce, and Member of the Viceroy's Legislative Council, 1-6.

Decline in the value of silver and of the rupee from 1873,—in spite of the purchases of silver by America under the Bland Act and the Sherman Act, 7-22, 520.

Suggestions as to reform of Indian currency system made by Bengal Chamber of Commerce in 1892, 23-5.

Appointment of Lord Herschell's Committee in 1892 to consider the expediency of stopping the free coinage of silver, 26-32.

Lord Herschell's Committee reported in favour of the closing of the mints; the measure carried out; difference of opinion among the mercantile community in India in 1892 and 1893, 33-59, 532-37, 555-70.

Experience has shown that the objections of the closing of the mints were not well founded. The chief objections were:—

- (1.) That the exchange value of the rupee would continue to follow the price of silver, 60-111.
- (2.) That political trouble would arise from the depreciation of uncoined silver in the possession of the natives of India, 60, 156-80, 543-54, 695-7, 779-80.
- (3.) That the export trade of India would be injured if the fall in exchange were arrested, 60, 181-246.
- (4.) That the Government revenue from railways and irrigation works would decline, 60, 247-49.
- (5.) That the balance of trade would go against India, 60, 250-8.
- (6.) That illicit coinage would be encouraged, 60, 259-62.
- (7.) That discontent would be created, 60, 263-4.
- (8.) That the Government would have the power of manipulating the currency for its own purposes, 60, 265-312.
- (9.) That Indian manufactures would suffer, 60, 313-42.
- (10.) That the export trade in yarn and rice would suffer, 60, 343.
- (11.) That Indian raw cotton would be handicapped in competition with American cotton, 60, 344-50.
- (12.) That the internal trade of India would be hampered, 60, 351-405.
- (13.) That the tea industry would be injured, 60, 186-8, 206-9, 415-77, 529-31.

Wages and prices have not been much affected by the rise of the exchange value of the rupee above the intrinsic value, 112-8, 124-51, 328, 538-9, 781-3; though the price of opium has fallen, 118-20, 123, 152-4, 540-2.

Increased output of coal in India since closing of mints, 406-14.

Diversity of opinion in India as to effects of the closing of the mints and as to the further measures that should be adopted, 491-515, 690-4.

Large speculative imports of silver into India previous to 1893, resulting for a time in low bank rate, 519-21, 724-6.

The recent monetary stringency in India resulted from scarcity of loanable capital, not from scarcity of currency, 286-8, 305-12, 478-90, 525-8, 571-89, 686-9, 700-12, 727-35, 754, 777.

The scarcity of loanable capital is due to want of confidence in the determination of the Government to establish a gold standard, 279-80, 485-90, 575-89, 713-62, 778.

The locking up of money collected by the Government as revenue causes some inconvenience, 375-83, 395-99, 403-5, 781-3.

Various causes other than those affecting the volume of the currency affect the rate of exchange, and have affected it since the closing of the mints, viz.: the reduction in the imports of silver, borrowing in England, remittance of capital from India, good and bad harvests, the price outside India of products exported from India, 96-7, 100-6, 245, 590-629, 773-4.

SIR J. L. MACKAY, K.C.I.E.—*cont.*

Prices in India do not indicate a contraction of the currency, though a contraction may have taken place, 630-42.

Currency redundant till 16*d.* basis is established, 700-2. Method of establishing a gold standard; disadvantages of an increase in the sterling obligations of India, 661-85; possibility of accumulating gold out of revenue, 797.

Gain to the Government of India through the closing of the mints, 784-9.

Is opposed to the re-opening of the mints and in favour of the establishment of a gold standard at 1*s.* 4*d.* the rupee, 790-3.

MR. J. E. O'CONOR, C.I.E.

Is Director-General of Statistics to the Government of India, and has written an annual review of the trade of India since 1875, 798-805.

Trade of India: Foreign trade.

Neither imports nor exports have been permanently affected in volume or value, though disturbed and embarrassed from time to time, by fluctuations of exchange, and there has been occasional temporary stimulus or restriction by sudden and large changes. In the two years ending with 1897-8, trade was contracted, not in consequence of the rise in exchange, but in consequence of the failure of crops combined with plague; it is now proceeding actively in most articles and especially in wheat; there is no reason to suppose that trade will not be maintained at full volume, permitting the drawing of Council bills in full at a rate of 1*s.* 4*d.*, 806-45.

Dimensions of the trade in the period before and the period since the closure of the mints, 958-66, 1108-17, 1140-7.

Reduction of net surplus of exports since 1895-6, though exchange has been high during that period, 967-88.

Trade would not be affected by increased drawings of Council bills unless they affected prices, but they have had no visible effect in India on export prices, which in the main are regulated by gold prices; Indian prices since the closure of the mints have been adjusted to the value of the rupee, 846-53, 1082-96, 1603-4.

Nature of Council bills, their connexion with mercantile transactions, effect of Council drawings on the export trade, 1070-81, 1221-5, 1241-323, 1329-52.

Effect on rupee prices of exports of fall in exchange; if prices are increased does the increase go to the producer or to the middleman, 1097-100, 1388-95, 1586-95.

Supposed connexion between increased exports and fall in exchange, 1324-8.

About 81 per cent. of the trade of India is with gold standard countries; the trade with silver standard countries has since the closure of the mints been subject to the same difficulties resulting from fluctuations in exchange which formerly affected trade with gold standard countries: nevertheless, after the first dislocation, this trade has been carried on actively, 854-9.

The bulk of the trade with silver countries is with China and the Straits; extent of the exports of cotton yarn from India to China; great increase in trade with Japan since the closure of the mints, 860-75, 1148-56.

Tea.—Not affected by Chinese competition, but has increased without a pause; increased area under tea cultivation; fall in sterling prices of Indian tea due to recent over-production; alleged possible future injury to Indian and Ceylon tea by Chinese competition, 876-80, 1125-9, 1605-9.

Cost of production of tea as affected by fall in exchange value of the rupee, 942-57.

Competition of China with Indian raw cotton and cotton yarn, 1118-24.

Analysis.