

Saturday, February 16, 1861

***INDIAN LEG.
COUNCIL
DEBATES***

Vol. 7

5 Jan. - 25 May

1861

P. L.

of a letter from the Governor of the Straits Settlement drawing attention (among other matters) to the urgent necessity for the passing of a law to regulate the occupation of land in the Settlement of Malacca.

MR. BEADON moved that the communication be printed.
Agreed to.

MERCHANT SEAMEN.

THE CLERK reported that he had received a further communication from the Governor of the Straits Settlement, relative to a proposed modification of Act I of 1859 (for the amendment of the law relating to Merchant Seamen).

MR. BEADON moved that the communication be printed.
Agreed to.

WRECKED BOATS.

MR. SCONCE presented the Report of the Select Committee on the Bill "for the preservation of property recovered from wrecked boats."

PORT-DUES (CALINGAPATAM AND MUNSOORCOTTAH).

MR. FORBES moved that the Bill "for the levy of Port-dues at Calingapatam and Munsoorcottah, within the Presidency of Fort St. George" be read a third time.

The Motion was carried, and the Bill read a third time.

MR. FORBES moved that Mr. Beadon be requested to take the above Bill to the President in Council, in order that it might be transmitted to the Governor-General for his assent.

Agreed to.

PAPER CURRENCY.

MR. LAING said that it would be convenient to the public to know that the Bill "to provide for a Government Paper Currency" had been under the consideration of the Select Committee. He hoped that the Report of the Committee would be presented to the Council on this day week, when he should take the opportunity of making

a statement of the alterations which had been made.

The Council adjourned.

Saturday, February 16, 1861.

PRESENT :

The Hon'ble the Chief Justice, *Vice-President*,
in the Chair.

Hon'ble Sir H. B. E. Frere,	H. B. Harrington, Esq.,
Hon'ble C. Beadon,	H. Forbes, Esq.,
Hon'ble Major General Sir R. Napier,	A. Sconce, Esq.,
Hon'ble S. Laing,	and C. J. Erskine, Esq.,

MYSORE FAMILY.

The following Message from the President in Council was read by the Vice-President :—

MESSAGE No. 258.

In continuation of the Message No. 248, dated the 21st of December, the President in Council has the honor to forward to the Legislative Council an abstract of the account, in which the stipends, which have, from time to time, been paid to the descendants of Tipoo Sultan are debited, showing the total amounts paid and credited in each year, from the year 1799 to the present time.

By order of the Honorable the President in Council.

(Signed) W. GREY,

Secy. to the Govt. of India.

FORT WILLIAM,

The 9th February 1861.

STAMP DUTIES.

THE CLERK presented to the Council a Petition from certain Fire Insurance Associations, praying that Policies of Fire Insurance be exempted from Stamp Duty, or that at least the rate be not greater than that charged in England.

MR. BEADON moved that the Petition be printed. In doing so, he said that the Clerk of the Council had brought to his notice the fact of this Petition being about to be presented. No communication on the subject had been made by the Petitioners to Go-

vernment. It appeared, however, that, when the Stamp Act was passed, the necessity for providing a special rate of Stamp Duty, in respect of Fire Insurance Policies, was overlooked, and consequently they were made subject to the same rate of Duty as Bonds, which was very much higher than such transactions would bear. He thought it unnecessary to pass a special law for the purpose of prescribing a lower rate of Stamp Duty for these documents, as the Government was vested with general authority to reduce the rate of Duty in particular cases, and would do so in this. But when the Stamp Act came to be revised, the point would receive attention.

Agreed to.

INDIGO COMMISSION.

THE CLERK reported to the Council, that he had received a communication from the Home Department, forwarding a copy of the Report of the Indigo Commission, together with a copy of a Minute by the Honorable the Lieutenant-Governor of Bengal thereon.

PAPER CURRENCY.

MR. LAING, in presenting the Report of the Select Committee on the Bill "to provide for a Government Paper Currency," said that, as this subject was one of general interest, and as the alterations which had been made in the Bill were important, it would perhaps be convenient if he were allowed to make a short statement explaining what those alterations were. In doing so, he should wish, in the first place, to advert shortly to the position in which the question stood before the Select Committee, in order to acquit the Government of any impropriety in having changed the measure as it originally stood. He thought nothing more mischievous than that every fresh Financial Minister should introduce changes in measures which had either been already passed or been proceeded with so far

as to be on the eve of passing into law. He therefore considered it important, before he proceeded to explain his views, to relieve himself from such an imputation.

With regard to the Currency Bill, it would be sufficient to advert to the position in which it actually stood. The Council were aware that the Bill, as originally printed, was in the form in which it had been introduced by the late lamented Mr. Wilson, and in which he gave effect to the scheme as first announced by him. That scheme had given rise to many comments, but, in consequence of Mr. Wilson's untimely death, it was impossible for us to know what alterations he might subsequently have been disposed to adopt. In the meantime, a Despatch was received from the Secretary of State, in consequence of which a fundamental alteration had been made in the principle of the Bill. He would advert to this change presently, but in the meanwhile he would merely observe that the principle of the Bill having been fundamentally altered, it became inevitably necessary to re-cast and re-consider the whole measure. Another matter to which he desired to refer in passing was that, in criticising freely the original scheme of Mr. Wilson, he (Mr. Laing) wished it to be distinctly understood that he intended no disrespect to his memory. On the contrary, he thought that the memory of that eminent Statesman, who died in the discharge of his arduous duties, stood far too high to be affected by any fair criticism of any of his measures. Whatever differences of opinion there might be as to some of his views on the question of Currency, nobody would deny that we were indebted to Mr. Wilson for the first impulse given to the subject; and, if a better system of Currency should be introduced in India, the credit of it would be mainly due to his genius.

He would now proceed to state what the alteration made by Sir Charles Wood's Despatch really was. He had said that the Despatch of the Secretary of State had introduced a change of principle which must be

considered to be fundamental. Mr. Wilson's scheme, as fully explained in his very able Minutes and Speech, was a very large and comprehensive measure. Its leading features consisted in the issue, at various circles into which India was to be divided, and through the agency of an independent body of Commissioners, of a Paper Circulation of Notes, from 5 to 1,000 Rupees, based on a reserve, partly of specie and partly of securities, in a proportion which might fluctuate from time to time, but was in no case to fall below that of one-third of specie to two-thirds of securities. The Despatch of the Secretary of State negatived that principle, and asserted that the principle of a Paper Circulation for India ought to be the same as that adopted in England, of permitting issues of Paper only against actual Coin or Bullion, with the exception of a certain limited amount, to be defined by law, below which it might be reasonably supposed that the Paper Currency could never fall. At first sight it might appear that there was no great practical difference between the two schemes. As long as they were confined to small amounts, if Mr. Wilson's scheme were judiciously managed, as it would doubtless have been if his life had been spared, perhaps there would have been no very great practical difference in the working of the two schemes. As long as the total issue was confined to 5 or 6 crores of Rupees, it was probable that Mr. Wilson would not have issued against securities to an extent greater than might be done under the Bill as amended, which gave a *maximum* limit of 4 crores. But in order to understand the difference between the two principles of issue, we must look beyond the next year or two and this limited amount of circulation. In legislating for an Indian Currency, it must be remembered that we were not legislating for to-day or to-morrow, but for generations or perhaps centuries. It would be doing injustice to Mr. Wilson's scheme to lose sight of that fact. Undoubtedly his scheme was a large and comprehensive measure, the production of a

great mind, and what he looked forward to was the release of a large portion of the present Silver Currency which, as he stated, exceeded 100 crores of Rupees, and the ultimate substitution of paper to an extent which might not improbably rise to 30 or 40 or even to 50 or 60 crores. His scheme was best described in his own words, in the following paragraph of his Minute :—

“ There remains, however, yet to be noticed an advantage which would arise from the system, which, though common to all countries which adopt a Paper Currency, would particularly apply to India. I have already indicated the enormous amount of Silver which has been absorbed in the circulation of India, and I have already shown, in the early part of this Minute, that the precious metals so used for circulation, however useful and necessary as an instrument of exchange, nevertheless, in effect constitute an absolute reduction of the capital of the country available for reproductive purposes, and therefore that any means by which, through the instrumentality of paper, coin can be released from circulation, must have the direct effect of restoring a larger portion of such coin to the stock of the reproductive capital of the country. The portion so restored would be governed by the extent to which the issue department invested the coin received for notes in the purchase of public securities. The operation would be this; suppose one of the Banks to issue notes in exchange for coin, to the extent of three crores of Rupees; one crore would be retained as a reserve, to meet demands for conversion, two crores would be applied to the purchase of public stock, to be held in security for the balance; this purchase would disengage the capital of the persons from whom the purchase was made to that extent, and which would be at once available for other purposes; this operation would increase the price of public securities by the additional demand, and would tend to reduce the rate of interest, by increasing the fund available for employment in mercantile and industrious pursuits; and thus the economy of capital alluded to in the early part of this Minute would be effected, to whatever extent the issue department held public securities against the notes in circulation, which, after a time, must necessarily amount to a *very large sum*.”

And, again in his speech, he talked of the effect of his measure being as if an immense Silver Mine had been suddenly discovered in the Maidan.

In fact, if the scheme were good for anything, it was good for a very large amount. If it could be safely carried out for 5 crores, it was good for 10 or 100 crores, and he (Mr. Laing) could

confidently say that this was the real scope of the scheme which must be looked upon as a great plan for doubling the available capital of the country, and giving the Government large and substantial relief in its finances, by the wholesale substitution of paper for silver. The scheme, however, advocated by the Secretary of State in accordance with the principles generally received in England, was of a less ambitious and totally different character. It presented the advantage of securing a Paper Currency absolutely identical, beyond a certain safe limit, with the Metallic Currency which it displaced, and free from those risks which, under the most able management must attend an extensive issue, by the Government, of Promissory Notes based on a large proportion of securities which in times of difficulty might be almost inconvertible. Under that system there was obviously no discretion left to Government. There could be no doubt as to the convertibility of the Notes, as there would be a reserve of actual specie for every Note issued beyond a certain narrow limit. To show the practical difference between the two schemes, let us suppose the paper circulation to be 15 crores, no very excessive amount for all India with a Metallic Circulation exceeding 100 crores. According to Mr. Wilson's scheme that amount would be represented by five millions in specie and ten millions in securities, whereas according to Sir Charles Wood's scheme the amount would be represented by eleven millions in specie and four millions in securities; and according as the circulation extended, the same principle would have greater force. The great difference, therefore, between the two schemes was this. According to Mr. Wilson's scheme the State would undertake the functions of a banker, and issue promises to pay, trusting for the means of payment, in times of pressure, to a sale of securities. That was exactly what a private banker did. He issued promises to pay and coined his credit into money, trusting in times of emergency to being able to realize his

Mr. Laing

securities to meet the claims upon him. Now the question was whether that was a function which a State ought to undertake. On that point, a great preponderance of authority was in favor of Sir Charles Wood's principle. It was the principle adopted by Sir Robert Peel, Lord Overstone, and other great Financial Authorities, and recognised by the whole course of modern Legislation in England, so that it might fairly be called the "Orthodox principle." On the other hand, a small minority of able men, among whom Mr. Wilson occupied a distinguished position, held opposite opinions, namely, that Paper Money, if convertible, could never be in excess; and that, by providing by law for a certain proportion of the total issue being held in specie, convertibility could always be secured, and all objection obviated to the State undertaking the functions and reaping the profits of a Bank of Issue. He must say for his own part, he heartily concurred in the principle of Sir Charles Wood's Despatch. A pretty large experience in commercial and monetary affairs had taught him (Mr. Laing) this maxim, that there was no such thing as a profit without a corresponding risk. Even in the case of private bankers, how often did we see the most prudent overtaken by sudden calamities, and those who were wealthy one day, in the Gazette the next? But the risk incurred by a Government was greater than that run by a banker. The latter had greater facilities for meeting a pressure. The State was confined to dealing with its own securities and could not contract its circulation when it saw danger approaching, as a bank could, by curtailing discounts and advances, and letting short dated securities run off as they matured. The State could only contract by selling in a falling market its own securities, which it had purchased at a higher price in a rising market; and it remained to be seen whether, if such a scheme as Mr. Wilson's were fairly inaugurated, the losses on sales of securities would net more than counterbalance

the profits derived from their interest. But that was not all. The banker was free to act for his own interests, but the Government was in a different position. In times of difficulty, the Government was exposed to pressure. There could not be the least doubt that, if we had such a scheme of Paper Circulation as had been shadowed out, if a serious crisis had set in such as periodically occurred in all commercial communities, we should have had a deputation of leading bankers and merchants coming to the Government, and telling us that, if we went on forcing securities on the market, and curtailing the circulation, the result would be that they must all stop payment. The Government would probably do in such a case, what Governments even in a stronger financial position than that of India had been compelled to do in similar cases, namely, suspend the law, and thus we should drift into an inconvertible Paper Circulation. Now if there was one evil more to be deprecated than another, it was to have an inconvertible circulation of small Notes subject to a fluctuating depreciation. He once had an opportunity of seeing the practical working of a system of that kind in Austria where the Currency was represented by dirty rags of Notes going as low as a florin or 1 Rupee. That paper became depreciated by degrees, commencing with 5 or 10 per cent. until it reached 50 or 60 per cent. discount, the consequence being an inconceivable degree of confusion and demoralization throughout the country. The very peasant who brought his produce to market, had to study the exchange quotations in the Price Current of the day, to know whether five shillings a bushel for his grain or six pence a dozen for his eggs meant a good price or a bad one; and often before he got home, what he thought a good bargain, was turned into a bad one, by some sudden fluctuation of the exchange caused by speculators at Vienna. To such an extent was this carried that peasants often preferred to go thirty or forty miles to the frontiers of Saxony, rather than two or three miles to the neighboring market town in their own

country, for the purpose of getting real silver in exchange for their produce. He therefore thought that, of all evils, this was the most to be deprecated, and he hoped that both now and for all future time, whatever financial difficulties the Government might be exposed to, it would keep steadily clear of anything tending towards an inconvertible Paper Currency.

There was another important reason why he (Mr. Laing) thought that Sir Charles Wood's principle was the soundest. All parties were agreed that a Paper Currency ought to be identical with the metallic currency which it displaced. But the system of issuing against two-thirds of securities and one-third of specie, would not always ensure this identity, and there was considerable risk that in times of buoyancy and speculation the circulation would be unduly extended. Supposing that three crores of Silver were imported from England to this country, to pay for a balance of trade in favor of India, then under a purely metallic currency or under Sir Charles Wood's system, the total circulation would be increased by three crores either in Rupees or in notes representing Rupees, and there would be an end of it. But under the other scheme, the three crores would be exchanged into notes, which would add three millions to the existing circulation: but the matter would not end there, for the Commissioners might invest two crores in securities, and thus two-thirds of the original three crores would be again thrown into circulation; and if the two crores for which the securities were sold, came back to the Commissioners in Rupees, they might again issue paper in exchange and buy securities with two-thirds of the amount; and thus the process might go on until the original three crores had been made the basis of an expansion of the circulation by two or three times that amount. If the market were in a state of buoyancy, and prices rising, that excess of circulation might for a time be absorbed, while, according to the system he was now advocating, it was perfectly clear that there could

be no addition to the aggregate amount of circulating medium in India except under an actual *bonâ fide* importation of Silver. He thought that that was a point of considerable importance, because, if we looked at what had taken place in India during the last three years, we should find a great increase in the wages of labor and the prices of commodities, which should warn us as to what the consequences might be if we were to accelerate the process already going on so rapidly by any artificial inflation of the Currency. There could be no doubt that this general rise of prices and wages was one great means which Providence was using to raise the material and physical welfare of the vast population of this great Empire. But it was evident that this could only be done safely by leaving matters to the healthy action of Commerce. If we left it to itself, the effect would be very much this. As the prices of commodities and wages rose, production would increase and labor become more efficient, so that a natural check would be provided against any excessive rise in the cost of production of the main staples of India, and the country would become rich rather by increasing the bulk of its produce than by enhancing the price. But if you unnaturally stimulated the rise of prices by an over-issue of Paper Circulation, you ran considerable risk of changing the healthy action of Commerce into a feverish excitement which was sure to bring about a re-action. If we continued to go on as we had done for the last two or three years, the result would be that many articles of Indian produce might be driven out of the market by the competition of other countries. In such articles as Flax, Jute, and Hemp, we might be undersold by Russia—in Indigo by Guatemala—and so on; and he therefore thought that the Government ought to be exceedingly cautious how it took any step that might unduly accelerate the tendency to a general advance as might be the case under a system of Paper Currency which to any considerable extent represented Se-

curities and not Bullion. Such an advance might even reach a point seriously embarrassing to the Government if the general rise in the rate of wages and cost of living made the present scale of salaries and the pay of the troops no longer adequate. For these reasons he thought it by far the wisest course to adhere to the principle of Paper Currency adopted in England as laid down in Sir Charles Wood's Despatch.

Adopting that principle of a fixed issue, we proposed to take, as the extreme limit to which we might issue notes against Securities, the sum of four crores of Rupees. The reason why we had fixed on that sum was that it was very nearly the amount which might be issued in excess of actual specie by the present Banks under their existing Charters. The Banks of Bengal, Madras, and Bombay were authorized to issue, in the aggregate, notes to the amount of five crores of Rupees with a reserve of one-fourth of their total liabilities in specie, to meet their notes and other demands; and he thought it right that the Mercantile Community should have an assurance that the present amount of authorized issue should not be curtailed, as might practically be the case if a lower limit than four crores were adopted. Within this limit also he thought that the Government, whose general credit and cash balances were made distinctly responsible, over and above the special reserve, might be safely trusted so to regulate their issues as not to endanger the payment of their notes. For this purpose it would be essential that Government should not at first exercise the full power of issuing up to the four crores against securities, but should proceed with great caution, feeling their way gradually, and always maintaining an ample reserve of specie. Beyond the limit of four crores no issue whatever would be permitted, except against actual Coin or Bullion in the vaults of the Mint or local Treasuries, unless the Legislative Council should hereafter see fit, after experience of the working of the law now proposed, and full discussion and considera-

tion, to pass a further law on the subject.

This fundamental change in the principle of the issue of notes involved the necessity of a considerable change in the machinery of the Bill. Mr. Wilson's scheme required that there should be a self-acting machinery independent of Government, to regulate the issue of Notes and the purchase and sale of securities according to the principles laid down by the Act. When however, the function of Commissioners was reduced, as now proposed, to the simple one of giving Notes for specie or specie for Notes, it was obviously unnecessary to provide for an expensive staff or to make them independent of the Government. Any District Collector might do the work that was now required; or perhaps even that agency might not always be necessary. In the Presidency towns, he believed that the most convenient agency would be the existing Presidency Banks, for whose Paper Circulation the Notes of the Government would be substituted. By adopting this plan the Government would avoid much difficulty: They would not give up the principle of a Government Issue, or in any way mix up the Paper Currency with Banking operations, but they would simply employ the Banks as their agents in managing the minor details. The working would be something like this. The Mint would be the Head Quarters of Issue, and the Master of the Mint would be the Commissioner of Currency for wholesale issue; so that, instead of receiving Mint certificates which were not available till after some days, Banks or Merchants depositing bullion would receive Notes payable on the spot. But for all purposes of retail dealing with the general public the agency of the Bank would be adopted as the most economical and convenient. If you wanted a Note cashed, you would go to the Bank where an Establishment for the purpose already existed, and who could do the work better and cheaper than the Government. The Bank would look after forged Notes, and conduct the multifarious corres-

pondence with the public about lost Notes, Notes of which payment was stopped, and so on, just as was done by the Banking Department of the Bank of England. In fact the system would be precisely that of the Bank of England, except that the Issue Department, instead of being under the same roof and part of the Bank, would be at the Mint and part of the Government. That would also fit in very well with the arrangements proposed with the Banks for taking charge of the Cash Balances at the General Treasuries and doing the business of the Government as regards receipts and payments. The present system of making payments in bags of Silver and of locking up in Silver cash balances at the Treasury, with all its concomitants of delay and difficulty, was a most barbarous one. Under the arrangements now proposed, Government would pay and receive by cheques upon the Banks, so that the same agency and the same locality would suffice for all cash business between the Government and the public, and also for all business connected with the Paper Currency. How far that system would answer up the country it was difficult to say. That would depend on the extent to which Banks could profitably establish branches in the Mofussil. He did not think that that was a matter which the Government ought to force upon the Banks, as it was purely a question for themselves to decide. At the same time, although the experiment in former years had not been successful, he was not without hopes that many branch Banks would shortly be established. He thought that the opening of Railways must make a sensible difference in this respect; and he could not help hoping that, in many parts of the country, when they were opened up by Railways, there would be an influx of European capital and enterprise, leading to a demand for the improved modes of doing business arising from the establishment of Banks. He felt very confident, when he looked to the boundless resources of India, and saw, even from his own short experience, how enormously the drawbacks of climate and

otherwise to European residence had been exaggerated, that a considerable influx of European capital and enterprise would ere long take place, accelerating the development of that era of prosperity and civilization in India to which he could not help looking forward.

Another important amendment had been introduced with a view to the qualified introduction of Gold. He must say that, at the time when we were professing to make a reform in the Currency of India, it did seem to him to be what he could hardly call otherwise than barbarous, to introduce a system based upon the entire exclusion of that all pervading metal whose superior convenience was fast making it the sole or principal medium of all the most civilized nations of the world. It seemed to him a pity to enact, that for all time to come, in transactions between countries such as Australia and India, an Australian merchant should not be able to pay for a cargo of Indian rice without resorting to the round about and expensive process of sending his Australian gold to London, thence to France or Germany to buy silver, and finally that silver overland or round the Cape to India. Then too, there was the great advantage involved in the fact that Gold always carried its own intrinsic value along with it. It would be a universal medium of exchange from one end of India to another; whereas a small note circulation involved the necessity of different issues in different circles, and the risk and trouble of keeping an adequate reserve of specie at numerous points. Holding this opinion with regard to Gold, it might be asked why the Committee had not brought forward some positive measure on the subject for making Gold a legal tender. To that he would answer that the question of a double standard of Gold and Silver was so complicated that, in the first place, he confessed he did not see his way clearly to a solution of all the difficulties attending it. In the second place, it would give rise to a long correspondence with England, the

Mr. Laing

effect of which would be practically to prevent our passing the Bill, and giving India the benefit of an improved currency for some time to come. The Committee, therefore, only proposed the following modified scheme. In England, where Gold was the sole standard, the Bank of England was authorized to issue notes against Silver instead of Gold at rates to be fixed, from time to time, to an amount not exceeding one-fourth of their Gold Coin and Bullion. We proposed to reverse that principal, and to give a power of issuing up to one-fourth part of that portion of the circulation of India, which is represented by actual Coin or Bullion, against Gold Coin or Bullion, at rates to be determined by the Government, from time to time, with reference to the comparative value of Gold and Silver, but which, when once fixed, could not be altered without six months' notice, so as to prevent merchants and others from being taken by surprise. The practical effect of this would be that, supposing we commenced with a Paper Circulation of four millions, and two millions were issued against Securities, of the remaining two millions to be issued against Specie, £500,000 might be issued against Gold. Then the question would arise as to the rate at which Gold should be valued. Government would fix the rate, so as to protect itself from loss by any fluctuation likely to occur in the rates of exchange in the two metals. But as long as the Government protected itself against loss, he thought it should fix the rate as high as possible, so as to give Gold a fair chance of being introduced into circulation. He thought that £500,000 would be a proper limit in the first instance to which to take Gold, increasing it, however, as the circulation increased; and within such limits, it appeared to him that Government might safely encourage the introduction of Gold by receiving it in payment in the local Treasuries, at the rate which had been fixed upon. In this manner not only would convenience be given to merchants trading with Gold-producing

countries, who would know that at a certain fixed rate Gold could always be converted into money, but also an opening would be afforded for trying fairly the experiment of the desire of the Country for a Gold as against a small Note Currency. If Gold under such circumstances rose to a premium which led to its extensive importation, it would soon supersede the necessity for small Notes, and means would be found for making it a legal tender. If, on the other hand, experience should eventually show that Gold did not command a preference, no harm would have been done, and the Clause would simply remain a dead letter, showing that, with a sound Paper Circulation super-added to silver, nothing more was wanted.

There was another important question which arose out of these alterations, namely the division of India into Circles. By the Original Bill it was provided that, by a certain day, India should be divided into a certain number of circles; he believed they were to be 16 or 17 in number. The necessity of their formation was quite apparent, as it would be impossible to make Notes issued at one place payable everywhere. This would involve the necessity of keeping a large reserve adequate for the whole circulation at each point, and it would not be desirable to make small Notes circulating in the hands of the mass of the population a legal tender at any great distance from the place where they could be exchanged for cash; and even if there were 17 circles, the Notes would often require to be made a legal tender at great distances from the place of issue. It could not be denied, however, that the division of India into separate circles would be in many respects an evil, and that it would be very desirable that an uniform circulation should be established over as wide an area as possible. It was proposed therefore that, instead of at once dividing India into circles, a discretionary power should be given to the Government to appoint from time to time such circles as might be found convenient, always providing

that the Presidency towns should continue to be the centres of separate circles. Government would thus be able to feel its way and find by experience to what extent it would be necessary to resort to the circle system. It might be that, as confidence was extended, Notes issued at the Presidencies, if received at the Government Treasuries, and supplemented by a Gold Currency, would come so generally into use throughout India as to supersede in a great measure the necessity for local Notes. But this could only be effected by giving a discretion to the Government, as if the Council should insist on defining the area of legal tender by immediate legislation, there would be no alternative but to create numerous circles. He thought however that, in asking for this discretion, he did not in the slightest degree interfere with the powers of the Legislative Council. On the contrary, he wished to see the influence of this Council extended, and its influence would be most surely extended by making its legislation sound, useful, and practical. In a country so vast and so diversified as India, the uniform application of one inflexible system was seldom possible, and the Legislature of India would often give proof of practical wisdom by contenting themselves with laying down broad rules and principles, and leaving to the Executive Government and its Officers, considerable latitude in the mode of giving them effect.

Finally, there was one other point to which he wished to advert, which had engaged the anxious attention of the Committee. It was the question as to what should be the lowest denomination of Notes which should be issued as a legal tender. The disadvantage of issuing two sorts of notes, one of which should be a legal tender, and the other not, seemed so great that the Committee considered it desirable to make all the notes uniform in this respect. It was only by making them legal tender that they could be made legally receivable in payment of all dues at the Government Treasuries, a condition which was vitally im-

portant for the success of any system of Paper Currency. As to what should be the lowest denomination of Notes, the Committee had proposed 20 Rs. The objection to having lower Notes was that it was thought that there would be considerable risk of exciting suspicion and discontent among the mass of the community who might be compelled to take payments in an unaccustomed medium, for which they could not readily obtain change without loss. He thought, however, that, if the smaller Notes as well as the larger were made a legal tender, so that their receipt in discharge of debts and at the local Treasuries might be a matter of legal right, these apprehensions might perhaps have been somewhat exaggerated; still to a certain extent, there was force in the argument that distrust in the Note circulation might be created by issuing Notes of a small denomination among poor and ignorant people before the native community had become familiarized with those of larger amounts, and two considerations weighed with the Government in agreeing to the amendment. In the first place, it was considered advisable, in this as in other respects, to proceed safely and cautiously, feeling our way gradually to the introduction of a novel system, rather than attempting to force it, in its theoretical completeness, in a country where questions of this nature were not generally understood. If those apprehensions should prove groundless, and after a short time, when the public were familiarized with the larger Notes, a spontaneous demand should arise for notes of a smaller denomination, it would be easy to introduce a Bill into the Council, extending the limit below 20 Rupees. In the mean time, the policy of the Government must be to do nothing in the nature of an attempt to force a Paper circulation. The great object must be to inspire confidence, and that would be done if the people found, when they went to a Treasury for the purpose of paying or receiving money, that it was a matter of indifference to the Treasurer whether they paid or took notes or money. It was no slight

Mr. Laing

advantage of the principle of issue now adopted by the Bill that it removed any temptation on the part of Government to force the circulation of Notes farther than the country was prepared for them, in order to obtain a larger profit on a greater amount of securities. Let it be seen that Notes were offered simply to suit the convenience of the public, and confidence would be soon established. He found this view clearly given in the following extract from Sir Charles Wood's Despatch:—

“It must always be borne in mind that it is from the benefits naturally arising to trade and commerce from the establishment of a sound Paper Currency that the principal advantage to the State must be anticipated.”

He (Mr. Laing) most cordially concurred in that sentiment. Although it was hard for a Financial Minister to forego the seemingly easy profits of the interest on 20 or 30 millions of floating Securities, yet it was much more prudent to do so, and to meet the difficulties of the State, whatever they might be, fairly and manfully in the face, than to attempt to gain a temporary relief by embarking on that course, whose fatal facility had led so many Governments to the result of a forced issue of inconvertible Paper.

The other consideration which weighed with the Government in not pressing for Notes of a smaller denomination than 20 Rupees, was that which he had already adverted to in regard to Gold. He had stated the reasons why, to his mind, if we could have a Sovereign or Gold Mohur Currency established, it would supersede the use of small Notes; and as long as there was a chance of obtaining that result, and while that experiment was in progress, he thought it would be better not to have a Small Note Circulation. That being the conclusion to which the Committee had come, the result would be that, under the Currency Scheme which he now proposed, we should have a Note Currency representing a Silver standard for amounts above 20 Rupees, while for smaller amounts we should have

the present Rupee Currency with the chance of an auxiliary circulation of Gold at a rate which might be subject to alteration from 6 months to 6 months.

There was another minor amendment which he thought it necessary to notice as being interesting to Merchants in relation to their dealings in Coin and Bullion at the Mint. It had been thought advisable to continue the Tola and not to introduce the Ounce weight as proposed by the Original Bill. Silver fit for Coinage would turn out 979 Rupees per 1,000 Tolas which was the actual Mint rate. The Mint charged, as many were aware, 2 per cent. for seignorage, and 1 per cent. for re-melting, and there was a slightly fluctuating refusage charge which only produced 475 Rupees a year, which he proposed to abolish as it occasioned complication and inconvenience. Merchants, therefore, importing Silver would be able to exchange it at the accustomed rate of 979 Rupees per 1,000 Tolas for Bank Notes at the Mint, instead of getting Mint Certificates as heretofore having possibly twenty or thirty days to run.

He did not know if there were any other amendments which called for special notice. But if there were any, they would be seen by reference to the amended Bill, which, together with the Report of the Select Committee, would be put into circulation immediately. The Bill would shortly come under the consideration of a Committee of the whole Council, after which it would be sent home for the approval of the Secretary of State in Council, which he (Mr. Laing) believed it would receive. The Bill would probably be returned in the course of three months, when it would be read a third time and passed, and in the meanwhile, the Government would proceed to complete the detailed arrangements with the Banks and other parties for putting it into immediate practical operation.

He had commenced his remarks by saying that we must not think that, in passing this measure we were legislating for to-day or to-morrow, but for future generations; and he hoped that

our legislation would conduce to the future prosperity of India. This great Empire had been formed within the last two centuries by a series of successful achievements in war, and he would fain hope that an era of future peace and prosperity was now dawning. With the present Government and Legislature of India rested the responsibility of consolidating that mighty Empire which had been won by so many heroic achievements, and of laying broadly and wisely the foundations of an enduring system. In such a system a Currency adapted to the expanding wants of the community was not an unimportant element, and every step however cautious, which led to that result, was a step in the right direction. The measure now proposed was not so large or ambitious as that which was originally proposed to them, but it was more in accordance with the example of England and with the weight of practical authority and experience. The Members of the Government and of the Select Committee had been unanimous in regarding it as a sounder and safer measure, and he trusted that this unanimity might be an assurance that, in the event of its passing into Law, it might be found to lead to the desired consummation of promoting the lasting prosperity and welfare of India.

PETITION OF KHOSHAL MUNDUL AND OTHERS.

THE VICE-PRESIDENT in presenting the Report of the Standing Orders Committee on the Petition of the Indigo Planters' Association, relative to the Petition of Khoshal Mundul and others, said that he was very happy to be able to inform the Council that no copy of the late Petition had been sold by the Council. After the debate which took place last Saturday, he had requested the Clerk of the Council to stop all further sale of that Petition, and at the same time to ascertain what number had been sold. It appeared, on enquiry, that only twelve copies had been issued for the purpose of being sold, and he was happy to

say that they had all been returned at the request of the Clerk. The only copies which had been circulated were those which, according to the Standing Orders, were required to be circulated among the Members of this Council and to the Government; and two copies had been sent to the Indigo Planters' Association, at the request of their Secretary. So far as further publication was concerned, he was happy to say that this Council was in no way responsible.

WRECKED BOATS.

Mr. SCONCE postponed the Motion (which stood in the Orders of the Day) for a Committee of the whole Council on the Bill "for the preservation of property recovered from Wrecked Boats."

STANDING ORDERS COMMITTEE.

THE VICE-PRESIDENT moved that Mr. Laing be added to the Standing Orders Committee.

Agreed to.

PETITION OF KHOSHAL MUNDUL AND OTHERS.

THE VICE-PRESIDENT gave notice that he would next Saturday move the adoption of the Report of the Standing Orders Committee on the Petition of the Indigo Planters' Association, relative to the Petition of Khoshal Mundul and others.

The Council adjourned.

Saturday, February 23, 1861.

The Hon'ble Sir H. B. F. Frere, *Senior Member of the Council of the Governor-General*, Presiding.

Hon'ble C. Beadon,	A. Sconce, Esq.,
Hon'ble Major Geal.	C. J. Erskine, Esq.,
Sir R. Napier,	and
Hon'ble S. Laing,	Hon'ble Sir C. R. M
H. B. Harington, Esq.,	Jackson.

PORT-DUES (CALINGAPATAM AND MUNSOORCOTTAH.)

THE PRESIDENT read a message informing the Legislative Council, that

the Governor-General had assented to the Bill "for the levy of Port-dues at Calingapatam and Munsoorcottah within the Presidency of Fort St. George."

RELIGIOUS ENDOWMENTS.

THE CLERK reported to the Council, that he had received a communication from the Home Department, forwarding papers on the subject of the Bill "to repeal Regulation XIX. 1810 of the Bengal Code, and Regulation VII. 1817 of the Madras Code," regarding Religious Endowments.

Mr. BEADON moved that the communication be referred to the Select Committee on the Bill.

Agreed to.

POLICE.

SIR BARTLE FRERE presented the Report of the Select Committee on the Bill "for the regulation of Police within any part of the British Territories in India to which it may please the Governor-General in Council to extend its provisions."

PAPER CURRENCY.

MR. LAING postponed the Motion (which stood in the Orders of the day) for a Committee of the whole Council on the Bill "to provide for a Government Paper Currency," in consequence of the unavoidable absence of the Chief Justice.

WRECKED BOATS.

Mr. SCONCE said that, for a similar reason, he wished to postpone the Motion (which stood in the Orders of the Day) for a Committee of the whole Council on the Bill "for the preservation of property recovered from Wrecked Boats." He understood that the Honorable and learned Vice-President entertained some objections to the Bill as it now stood.

PETITION OF KHOSHAL MUNDUL AND OTHERS.

SIR CHARLES JACKSON said that the Chief Justice had requested