

Friday, January 20, 1871

**ABSTRACT OF THE PROCEEDINGS**

**COUNCIL OF THE GOVERNOR GENERAL OF INDIA**

**LAWS AND REGULATIONS.**

**Jan to Mar**

**1871**

**P L**

*Abstract of the Proceedings of the Council of the Governor General of India, assembled for the purpose of making Laws and Regulations under the provisions of the Act of Parliament 24 & 25 Vic., cap. 67.*

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The Council met at Government House on Friday, the 20th January 1871.

P R E S E N T :

His Excellency the Viceroy and Governor General of India, K. P., G. M. S. I.,  
*presiding.*

The Hon'ble John Strachey.

The Hon'ble Sir Richard Temple, K. C. S. I.

The Hon'ble J. Fitzjames Stephen, Q. C.

The Hon'ble B. H. Ellis.

Major-General the Hon'ble H. W. Norman, C. B.

Colonel the Hon'ble R. Strachey, C. S. I.

The Hon'ble Francis Steuart Chapman.

The Hon'ble J. R. Bullen Smith.

The Hon'ble F. R. Cockerell.

The Hon'ble J. F. D. Inglis.

The Hon'ble D. Cowie.

The Hon'ble W. Robinson, C. S. I.

PAPER CURRENCY BILL.

The Hon'ble SIR RICHARD TEMPLE moved that the report of the Select Committee on the Bill to consolidate the law relating to the Government Paper Currency be taken into consideration. At the last meeting, a week ago, he had, in presenting the Report of the Select Committee, submitted a somewhat lengthy explanation of the views and intentions of the Government. He would therefore not trouble the Council with any further remarks at present, but would merely move that the Report of the Select Committee be taken into consideration. Any further remarks could best be made after he had had the advantage of hearing what Hon'ble Members had to say on the subject.

The Hon'ble MR. COWIE wished to express his satisfaction at the improvements and alterations in the working of the Currency system, which the Hon'ble the Financial Member so ably propounded to the Council last Friday. He (MR. COWIE) believed they would conduce to the profit of the

Government, and the advantage of all those classes who were fortunate enough to have to deal with Currency Notes. If he were disposed to take exception to any part of the arrangement, it would be to the comparative smallness of the sums allotted to certain large towns for the encashment of Notes of other Circles. The Council would readily understand that, in some of the great centres of trade,—in cotton, jute or seed-producing districts,—a lách of rupees was a mere drop in the ocean. Still, as he conceived the arrangement to be a tentative one, and believed the Executive Government would readily expand it when that could be done with safety, he offered no opposition.

MR. COWIE had heard the measures now introduced by the Hon'ble Member described as steps in the direction of that desirable consummation—a universal Note. If this meant that, throughout the length and breadth of this vast country, the holder of a certain piece of paper would always and everywhere be able to demand current coin for it, he confessed he thought the idea somewhat Utopian.

It might come in the course of years—so might chronic surpluses in financial budgets; but he (MR. COWIE) hardly expected to live long enough to see either.

The Hon'ble MR. BULLEN SMITH had already ventured to express his opinion in favour of the chief change made by the Select Committee in their report, and desired now only in a few words to express the great satisfaction which he felt at the unanimity with which this change had been determined on in Select Committee, and his hope that the Hon'ble Member might this day find the Bill in its amended form received with an equally unanimous expression of approval by the Council generally. It was only natural that, since this subject had been before the Council three weeks ago, a good deal of discussion should have taken place out of doors; but without wishing to undervalue the opinions of those who differed from him on this point; without saying that there was nothing to be said on the other side, he did not hesitate to say that he had heard nothing of sufficient weight to alter his previously conceived opinion, or to make him hesitate as a Member of this Council to give to the Executive the further discretionary power proposed by the Bill. Only one of the many objections which were noticed and refuted by Sir Richard Temple at the last meeting of the Council, seemed to him at first sight to carry any real weight; it was the one specially put forward by the Committee of the British Indian Association, in the paper lately circulated, who stated broadly that, in their opinion, the time had not come for the

issue of Notes of a lower denomination than now existed, and that the introduction of a five-rupee Note would be attended with loss and inconvenience to the poorer classes. Now, he could not but remember that equally strong objections had been entertained ten years ago to the ten-rupee Note, which had yet been a success, if any part of our currency could be said to have succeeded; and the more he thought upon the subject and looked into the manner in which the actual monetary transactions of the poorer classes of the people were carried on in this country, at least in Lower Bengal, the less did he fear any such result as that apprehended by the Committee of the British Indian Association, and the more was he convinced that the opinion expressed in this paper was likely to prove greatly exaggerated, and that the introduction of a five-rupee Note would not be attended with anything like the evil effects anticipated. He observed that the Committee of the Association spoke of this Currency being forced on the people, but the Committee had apparently forgotten that the Bill merely gave a discretionary power to the executive Government to issue this smaller Note at such time and to such extent as they deemed expedient. Looking to the extreme caution and absence of anything like precipitancy which had marked the procedure of Government in time past in reference to the Paper Currency, there was found a guarantee that there would be no attempt to force this new Note.

It seemed to him that if there was one single expression which was altogether inapplicable to the probable action of the Government in this matter, it was that expression. In the face of the opinions of general authorities of such eminence as the late Mr. Wilson and Sir Charles Wood, and in the face of the opinions of many having intimate local knowledge of India, such as the late Governor of Bombay and others, this Government had for ten long years abstained from issuing any Note smaller than ten rupees; he believed that the time had now come when the Government might with perfect safety and advantage, and indeed ought to, go a step further. He did not for a moment believe these five-rupee Notes would be the source of any inconvenience. On the contrary, he was of opinion that their issue would be a material benefit, which would be more and more acknowledged as time went on; their immediate and extensive circulation in the rural districts he did not expect, but he looked for steady increase, and was firmly convinced that these five-rupee Notes would gradually and slowly bridge over the great barrier hitherto existing between the Paper Currency scheme and the monetary transactions of the people generally.

As to the statement made by the Hon'ble Sir Richard Temple regarding the executive measures which were proposed to be adopted for facili-

tating the circulation of the currency, he could only say that he had listened to it with extreme satisfaction. These measures did not go so far as some desired; they did not go so far as he (MR. BULLEN SMITH) hoped Government would hereafter see its way to advance; but they were unquestionably a material move in the right direction, and in as far as general opinion on the subject had reached him, he believed there was no measure which, taken as a whole, would be received with greater satisfaction than that which the hon'ble gentleman now desired should pass.

The HON'BLE MR. ELLIS said that it would be mere waste of time if he detained the Council at length on the matter before them, as he had only to express his entire concurrence with what had fallen from the Hon'ble Mover and other Members. There was one point, however, which he would wish to notice; it was a point which had already been adverted to by the Hon'ble Mr. Cowie. It seemed to him that the sums which it was proposed to set apart at the different centres of trade up-country to meet the demand for Notes under this new system were wholly and entirely inadequate, and, as regards the great places of business for cotton in Western India, with which he (MR. ELLIS) was best acquainted, the proportion of a lách of rupees set apart for the cashing of Notes seemed, as the Hon'ble Mr. Cowie had described it, a mere drop in the ocean. But MR. ELLIS would assume that it was not intended to proceed at these great centres of trade in a half-hearted way, and we might, he thought, assure the public that trade would be dealt with most liberally, and that, as far as was consistent with safety, every encouragement would be given to the extension of the system. Of course more than this no one could ask for; thus much at least, he was sure, his Hon'ble Colleague, Sir Richard Temple, would be prepared to assure us he would grant.

The Hon'ble SIR RICHARD TEMPLE said he would then, before moving that the Bill be passed, make a few brief observations on the remarks which had fallen from his hon'ble colleagues who had just spoken.

The Hon'ble Mr. Cowie had remarked with great justice upon the project often mooted, of having a universal Note: he considered that we were a long way off from such a desideratum, and hardly hoped he could live long enough to see it. SIR RICHARD TEMPLE believed he might say on this point that we had more nearly approached such a consummation than the hon'ble member at present probably imagined. He must observe that the phrase "a universal Note" might have two meanings: it might mean that a Note was a legal tender everywhere, or that any person might take any Note of any denomination or of any Circle to any Treasury in India, and obtain cash for it. It was in the second sense that he believed the phrase had been used. Now, that being the

case, he submitted that the realization of that principle was not quite so Utopian as might be imagined. For, by the explanation which he had the honour to submit to this Council on the last occasion it would be apparent that, within certain limitations, which he had already once explained, and which he would further explain shortly, a person might now, or rather at an immediately future time, take any Note, of any Circle or of any denomination, to all the principal treasuries throughout India, and obtain cash for it. It was only a question of limitation. Up to a certain limit we had already something very much like a universal Note.

Well, that point brought him to the consideration of the limit. His hon'ble friends Mr. Cowie and Mr. Bullen Smith, and his hon'ble colleague Mr. Ellis, had all three remarked with great force on the apparent inadequacy of the amount we proposed to set apart at the principal district treasuries for the cashing of Notes. He must just explain further what that limitation really meant. He stated, no doubt, last Friday, that it was proposed, in the first instance, to place a lākḥ of rupees at each one of these principal treasuries, as a sort of primary reserve—as something to start with—as a nucleus for further operations. The hope was, of course, that as soon as the public found that, at certain Treasuries, Notes could be cashed by the Collectors, they would begin themselves to take out Notes from those Treasuries for local circulation. Such an operation would cause a further considerable increase to the cash-reserves; because Notes were only issued in exchange for cash. At certain seasons there would be a considerable demand for Notes in exchange for silver; and at others there would be a demand for cash in exchange for Notes. So there would be at many seasons a very considerable accumulation of cash in the Currency chests. Well, there being that accumulation, the chests could stand a considerable run—a very considerable drain—at certain other seasons. Seeing that effect on the Treasury chests—seeing there was a large number of Notes out in a certain district,—seeing that the Currency chest was assuming large dimensions, it would be our endeavour to support its operations freely by providing rather larger reserves in the District Treasury to meet a season of withdrawal, so far as permitted by the state of the general reserves and the cash-balances of the country, which were also pledged for the security of the Paper Currency. It would be done in this way. It might be that, at the great centres of trade, the Presidency towns and other places, we had not only very large cash-balances at the General Treasuries, but we had also very extensive Currency reserves in cash, far exceeding what we were bound to maintain by law. If we observed that, at such places as the cotton districts, Akola, Dharwar and Ahmedabad, and at Dacca in the Eastern Provinces, where there were very large transactions in

jute, and certain other places which would no doubt occur to the Council,—when we saw that the Currency operations at such places were getting so large, we might from our cash-balances strengthen our cash-reserves at those places to support the Currency, and we could recoup ourselves by taking an equivalent from the Currency reserves at other places. So that the Council would see we had the means and the power, if we liked, to “deal liberally with the trade of the country,” as his hon’ble friends had observed, “to help it as far as we possibly could,” and to facilitate increased circulation in the manner which we had so lately undertaken, and that we had the intention to do so. In that respect he fully bore out what had fallen from his hon’ble colleague, Mr. Ellis, who very justly observed that it was the intention of the Government (it was certainly SIR RICHARD TEMPLE’S intention, as far as he was able,) to make the measure as successful as we could; to do something more than contribute “a mere drop in the ocean,” and “not to halt half-way;” to deal with the trade most liberally as far as might be consistent with the safety of the Currency. All these expressions he cordially adopted. He had only to add that he hoped that if we dealt liberally with the trade, the trade also would deal fairly with us. There must in these matters be a certain amount of trust: we were not to suppose that a lākḥ of rupees would be put into a Treasury to be instantly drained to the disadvantage of the Paper Currency. It was expected that the trade would perceive the advantages of the Paper Currency; that they would take out Notes sometimes, and demand cash at others, in exchange for their Notes. He was sure that if our arrangements were appreciated, and a local circulation added in the manner he anticipated, there would be no practical difficulty whatever.

There was one more point to which he asked permission to refer. He had seen it stated in various quarters, in respect of the five-rupee Notes, that if the measure was so extremely clear as he had represented it to be,—if the arguments and objections against it were so easily refuted,—then why, in the name of common sense, had not this been done some years ago? Why had we waited for “ten long years of preparation?” He conceived he had a very clear answer to that: he had plain reasons to give for the delay. It must be remembered that the proposition for the issue of five-rupee Notes ten years ago was deliberately rejected by the Government of India, and that that rejection was adhered to despite the adverse criticism of such an eminent authority as the then Secretary of State for India. That was the serious decision of the highest authority in India, and could not be set aside lightly, although, in the estimation of the present Government and of this Council, the arguments in favour of a five-rupee Note were very clear. That was not the universal opinion, but he hoped it was the preponderating opinion. Still, it

must not be forgotten there were many well-informed persons who thought differently. A prominent instance of this had been brought forward to-day, for, as had been observed, the British Indian Association were deliberately against it : though we thought our course clear, the Association did not think so. The main objection formerly raised was that we must test these Notes by experience. The only answer to that was by reference to actual facts, which could not be tested without the lapse of some years. The advantage now was that we were able to answer these objections with a long array of facts. Again, we were rather unwilling to bring forward a project for the issue of five-rupee Notes a second time without being able to state to the Council and the public what additional facilities we were prepared to offer for cashing our Notes in the interior. He was sanguine that these reasons would be considered by the Council as fully valid to account for the delay which had occurred in bringing forward this measure.

Before he concluded he would desire to offer, on his own part, his thanks to his hon'ble friends the mercantile members of the Council for the support they had given to Government in this matter,—a matter in which their opinion necessarily carried very great weight ; and he could assure his hon'ble friends that it was his conviction that the remarks they had made from time to time in this Council on this subject had proved, and would continue to prove, of very material assistance to the Financial Department of the Government of India.

The Motion was put and agreed to.

COLONEL the Hon'ble R. STRACHEY moved that, in section 11, clause (b), for the words "thousand tolas," the words "one hundred and eighty thousand grains" be substituted.

Also that, in the last paragraph of section 17, for the words "hundred tolas," the words "eighteen thousand grains of standard fineness" be substituted.

The Motions were put and agreed to.

The Hon'ble SIR RICHARD TEMPLE then moved that the Bill as amended be passed.

The Motion was put and agreed to.



*PRISONERS'.*

## CORONERS' BILL.

The Hon'ble MR. STEPHEN presented the final report of the Select Committee on the Bill to consolidate the laws relating to Coroners.

## PRISONERS' BILL.

The Hon'ble MR. COCKERELL presented the report of the Select Committee on the Bill to consolidate the law relating to Prisoners committed by a Court.

The Council adjourned to Friday, the 27th January 1871.

CALCUTTA, }  
The 20th January 1871. }

WHITLEY STOKES,  
*Secy. to the Govt. of India.*