

Friday, January 13, 1871

ABSTRACT OF THE PROCEEDINGS

COUNCIL OF THE GOVERNOR GENERAL OF INDIA

LAWS AND REGULATIONS.

Jan to Mar

1871

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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 21 & 25 Vic., cap. 67.

The Council met at Government House on Friday, the 13th January 1871.

PRESENT :

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.

The Hon'ble F. S. 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.

CATTLE TRESPASS BILL.

The Hon'ble MR. COCKERELL moved that the report of the Select Committee on the Bill to consolidate the law relating to Cattle Trespass be taken into consideration. He said that the amendments proposed by the Select Committee related almost entirely to matters of detail, and were chiefly in the direction of giving a greater latitude to the action of the local authorities in the working of the Act by relaxing the somewhat minute restrictions of the existing law in regard to such matters as the authority under which, and the places where, pounds may be established; the persons to whom the fact of impounded cattle remaining unclaimed should be reported; the manner in which such cattle should be disposed of; the determination of the place at which, and the persons by whom, the sale of cattle should be held, and the mode of transmitting to the Magistrate the proceeds of such sale; and, lastly, the persons by whom trespassing cattle may be conveyed to, or taken out of, a pound.

The grounds on which the amended provisions of the Bill in regard to these matters rested were so obvious as to need no further comment. He (MR. COCKERELL) passed on therefore to notice the other proposed changes.

As the law now stood, police officers were under an obligation to aid in the seizure of trespassing cattle whenever they might be required by the seizer to render such assistance. The want of some restriction in this matter had been found to lead to great abuse in the indiscriminate employment of the police in the conveyance of seized cattle to the pound. The intention of the law obviously was simply to prevent a breach of the peace resulting from resistance to attempted seizures, or attempts to rescue cattle which had been seized, whilst they were being conveyed to the pound. In the amended Bill (section 10) compliance with requisitions for the aid of the police was limited to the above contingency.

As the postponement of the sale of impounded cattle, the owner of which had brought a complaint before the Magistrate alleging the illegality of their seizure, and on that account declined to pay the fines and expenses incurred, frequently caused the feeding charges resulting from the protracted detention of the cattle to exceed the amount recoverable by their sale, it had been thought expedient to provide (section 15) that the cattle might be released on the deposit, pending the decision of the Magistrate on the owner's complaint, of the amount due on account of the fine and other charges.

In the event of the owner refusing or neglecting to make the required deposit, the cattle would be dealt with as if they were unclaimed.

The appropriation of surplus fines and unclaimed proceeds of the sale of impounded cattle was, by the present law, limited to expenditure on the construction of roads and bridges and works of a *like* nature. This restriction had been found to work inconveniently, and rested upon no intelligible principle: it was now proposed to allow the application of funds derived from this source to any purpose of public utility.

The word "forcibly," which occurred in the corresponding provision of the existing law, had been omitted from the second clause of section 24 of the amended Bill. It had been represented that the release of seized cattle was more frequently effected by stratagem than by force, and it was thought expedient that any form of rescue should be made a criminal offence. At the same time, to prevent this alteration of the law working harshly in any case, it was provided that, in order to constitute the offence of "rescue," there must be some

person in charge of the seized cattle, doing some overt act in furtherance of the object of the seizure.

Section 27 of the amended Bill, which provided for the punishment of a pound-keeper convicted of dereliction of duty with fine which might amount to fifty rupees, was new. There was no corresponding provision in the existing law. Elsewhere in the Bill the pound-keeper was declared to be a public servant within the meaning of the Penal Code, and was thus made punishable under the general law for any graver offence in connection with his office; but it was thought desirable that there should be some means of awarding punishment, other than dismissal, for such acts or omissions as were specified in this section, and especially for neglect to take proper care of cattle committed to his charge. At present, the only remedy that the owner had in such cases was a suit against the pound-keeper in the Civil Court, a remedy which was, for obvious reasons, insufficient and unsuited to the circumstances of the case.

There were other minor amendments which called for no special remarks.

It had been suggested that the provisions of section 26, which made punishable the negligently suffering damage to be caused by the trespass of pigs, should be extended so as to include the case of other trespassing cattle.

The Committee, after a careful consideration of the matter, had not adopted this proposal. Section 26 was thought to involve a wrong principle, the operation of which should not be extended. There were peculiar difficulties in the way of seizing and conveying pigs to a pound, and it was probably this consideration which led to the original enactment of the special provision of the law in regard to them, and the omission to include them in the list of animals in respect of which a pound-fine was leviable. The injury sustained in such cases was a civil injury, properly referrible, for the purpose of obtaining redress, to the Civil Court and not to the Magistrate; for the act or omission by which such injury was caused was quite compatible with the exercise of good faith, and ought not, therefore, to be dealt with as a criminal offence. It might be said that the fine inflicted in such cases was to be regarded simply as an award of damages; but in that case the Civil Court was the fittest place for the adjudication of the questions which had to be considered in determining such award.

The Motion was put and agreed to.

COLONEL the Hon'ble R. STRACHEY moved that, in section 11, after the word "Canals" in lines 2, 7 and 9, the word "drainage-works" be inserted.

Also that, in section 20, for the words "as doing damage to land or any crop or produce thereon," the words "under this Act" be substituted.

The Motions were put and agreed to.

The Hon'ble MR. COCKERELL then moved that the Bill as amended be passed.

The Motion was put and agreed to.

PRISONS' ACT EXTENSION (COORG) BILL.

The Hon'ble MR. CHAPMAN moved that the Bill to extend the Prisons' Act, 1870, to Coorg, be taken into consideration.

The Motion was put and agreed to.

The Hon'ble MR. CHAPMAN also moved that, in the last line, for 'January' the word 'February' be substituted.

The Motion was put and agreed to.

The Hon'ble MR. CHAPMAN then moved that the Bill as amended be passed.

The Motion was put and agreed to.

CUSTOMS DUTIES BILL.

The Hon'ble SIR RICHARD TEMPLE introduced the Bill to amend the law relating to Customs Duties, and moved that it be referred to a Select Committee with instructions to report in two months. He said that this Bill was in the main a consolidation measure, but the opportunity had been taken to introduce one or two amendments in procedure. As the Statement of Objects and Reasons was before the Council, he would not take up the time of the Council in explaining what the amendments were. He trusted that the Bill would be considered in Committee and passed in time for its introduction in the Budget.

The Motion was put and agreed to.

PAPER CURRENCY BILL.

The Hon'ble SIR RICHARD TEMPLE also presented the report of the Select Committee on the Bill to consolidate and amend the law relating to the Government Paper Currency. He said:—"My Lord,—Although it is not altogether usual, when presenting the report of a Select Committee to the Council, to make any general observations, yet as it is desirable that full time should be given to the Council to consider all that may be said in regard to the Bill, I beg your Lordship's permission to state what I have to say upon this occasion. This Bill, as the Council knows, was originally a consolidation measure, but ultimately, as it passed through Committee, a clause has been inserted, with the sanction of the Executive Government, to enable us to issue Notes of lower denominations than have been hitherto adopted. It is this point to which I wish particu-

larly to advert on this occasion. My hon'ble friends Mr. Bullen Smith and Mr. Cowie will recollect that, on the last occasion when the Bill was before the Council, they made certain very appropriate observations, and I told them then that these very points had been for a long time under the consideration of the Government of India in the Financial Department, and that before the Bill passed through Committee, I hoped to be in a position to state what the Government of India have to say upon this important question. I now beg your Lordship's permission (for the satisfaction of my hon'ble friends and this Council generally, and the public who may be concerned in the matter) to redeem that promise. I will divide my observations into two parts—first, the reasons why we propose to have five-rupee Notes, and secondly, the measures we are resolved to adopt in the executive department for facilitating the cashing of these Notes in particular, and of the Currency Notes in general.

Now, as regards the five-rupee Notes, it will be in the recollection of the Council that this is a matter which has excited a good deal of discussion, and upon which authorities have very much differed. This is by no means the first time that the question has been brought before this Council. I will give the history of the measure, if I may be allowed to recapitulate the proposals that have from time to time been made. First, Mr. Wilson proposed to have five-rupee Notes; afterwards, in Mr. Laing's time, the Council of that day were of opinion that Notes should not be issued of a lower denomination than twenty rupees. After that, when the Committee's report was brought before the Government of India, the then Government determined to have ten-rupee Notes as the lowest denomination. When this decision of the Government reached the Secretary of State, Sir Charles Wood (who as the Council know was not only Secretary of State, but one of the greatest living authorities on matters of currency) remarked that it would have been much better to have accepted Mr. Wilson's proposal for the five-rupee Note. However, the Government of India adhered to its decision to have ten-rupee Notes as the lowest denomination, and at last Sir Charles Wood, when reviewing this decision, did not think fit to interfere with the determination of the Government of India, but said that he would allow ten-rupee Notes to stand as the limit, but regretted the decision regarding the exclusion of five-rupee Notes. That, then, was the history of the transaction at the time; and from that time to this, as the Council knows, there has been no Note of a lower denomination than ten rupees.

In order that the Council may be in possession of the views of such eminent authorities as Mr. Wilson and Sir C. Wood, I will read a few sentences which explain their opinions. Mr. Wilson stated in 1859:—

“In the first instance I would propose to begin with Notes of the denomination of 5, 10, 20, 50, 100, and 500 Rupees. The effect of these deno-

minations would be that remittances would be made in the larger Notes, and exchanged for daily use, not in coin, as would be the case if there existed Notes only of a high denomination, but into Notes of the lower denominations. All payments below five Rupees, and fractional payments above, would be made in silver and copper."

Afterwards, in a speech before this very Council, he developed his opinions in this form—

"Then, Sir, we have next to consider what ought to be the denomination of the Notes so issued. This is a subject upon which much difference exists, both in opinion and in practice, and it will be obvious that it can only be properly determined by a reference to the character of the transactions of a nation, whether, as a rule, they represent very small and minute sums, or whether they represent generally larger sums. In England, the lowest denomination of Notes is £5; in Scotland and in Ireland it is £1; in France it is 100 francs; in the United States it is one dollar or about 4s. 2d.; in some of the North American Colonies one-dollar Notes freely circulate; throughout Germany the Thaler Note, of value little more than 3s., is the most common circulation; in Mauritius the circulation consists of Notes of five Rupees or 10s. and upwards; in Ceylon the Notes are of 10s. and upwards; formerly they were of 5s., and by a report on the subject which I recently received from the able and accomplished Governor of that Colony, Sir Henry Ward, it appears that the suppression of Notes of that denomination had been attended with inconvenience to the planters and others of which complaint had been made."

That was Mr. Wilson's opinion.

Sir Charles Wood, in the course of the communications which I have already alluded to, remarked as follows:—

"In regard to the amount for which the Notes are to be issued, I am of opinion that raising the lowest denomination from five to ten Rupees is unadvisable; it is not with a view to deriving profit from the issue of Notes, or that they contemplate the withdrawal from India of the silver which is in the country, either in the shape of coin or otherwise, that the Government have introduced this measure. Their main object is to substitute an economical and convenient currency as far as the people will adopt it for the more expensive, and, from its bulk, inconvenient, circulation of silver.

"The sums required for payment of wages, or for the ordinary purchases made by the mass of the population in India, must, in each instance, be infinitely smaller than the sums required for similar purposes in this country.

In England, however, the value of the lowest coin above silver coin for change, and the denomination of the lowest Note in Scotland and Ireland, is a pound. Your proposal is to have no Note in India of a lower denomination than ten Rupees, which is equal to a pound.

“The same reasons which fixed the amount for this country would, when applied to the circumstances of India, clearly point out that the minimum denomination of Note beyond small coin should be lower than what is found necessary in this country, where the ordinary amount of small payments must necessarily be larger than in India.

“Unless Notes are issued for sums small enough to be used in making payments in the ordinary transactions, the silver coin will not be displaced except for the small number of payments of higher amounts, and the benefit of the introduction of Paper Currency will be rendered comparatively trifling.

“I am of opinion, therefore, that the lowest denomination of Notes should be, as proposed by Mr. Wilson, of five Rupees. It is my desire that the Bill should in this respect be restored to its original form.”

Then, when the Government of India were not able to adopt this view and decided that a ten-rupee Note should be the lowest denomination of the Notes, Sir Charles Wood finally remarked :—

“In my financial despatch, dated the 2nd May last, No. 75, I conveyed to you generally the opinions of Her Majesty’s Government on the subject of the Bill to provide for a Paper Currency, and I stated that, with the exceptions of the limitation of the denomination of the Notes to Rs. ten and upwards, which I considered should be lowered to Rs. five, and of the stipulation that the silver coin for which Notes might be demanded must be of full weight, thus excluding coins legally current, I had no alteration to suggest in the words of the Act, as the alterations in practice which I recommended were not inconsistent with its provisions.

“I regret to find that, as regards the first of those objections, the lowest denomination of Note has been fixed by the Act at Rs. ten. For the reasons stated in my despatch above referred to, it was my desire that the lowest denomination of Note should be Rs. five, and I see no reason to doubt that experience will prove that it would be expedient to use Notes of that amount.”

Thus the Council will observe that Sir Charles Wood then expressed the confident hope that experience would prove that it would be expedient to

issue Notes of five Rupees. Now, as regards the experience which has been since had, I contend that it shows that Notes of the lowest denomination are the most popular. Next to Notes of the lowest denomination in popularity there come the Notes of the highest denomination. It is the medium Notes, or those which come between the highest and lowest denominations, that prove a comparative failure. The greatest increase however is in Notes of the lowest denomination. For instance; we had in 1864, 436,000 of the ten and twenty-rupee Notes in circulation. We have now close upon a million, that is more than 100 per cent. increase. And of the medium Notes, those of 50 and 100 Rupees, we had 186,900. We have now 280,000, that is an increase of only 60 per cent. As for the higher denominations, 500 and 1,000-rupee Notes, we then had 42,000. We have now got 76,000, which shows an increase of something less than 100 per cent.; that is, Notes of the lowest denomination have more than doubled, while medium Notes have only increased 60 per cent. and Notes of the highest have not quite doubled. But the more important test consists in the percentages which the different denominations bear to the total number of Notes, and the proportion which their value bears to the total value of the circulation. When we began in 1864, our lowest Notes were, in number, 66 per cent. of the total circulation. They are now 73 per cent. The medium Notes were 28 per cent.; they are now only 21 per cent. The highest denomination Notes were then 6 per cent., they are still 6 per cent. and a fraction. So that the real increase in the circulation has been solely and entirely, by that test, in the Notes of the lowest denominations. But take the value, which is another test. When we began, the lowest Notes were 10 per cent. of the value; they are now 12 per cent. The medium Notes were 25 per cent.; they have now gone down to 21. The highest Notes were 65 per cent.; they have gone up to 67. The material increase of 10 to 12 per cent., an increase of fully one-fifth, is in the lowest Notes, and in them alone has this increase been remarkable. Well, I submit that the inference from this is that people are more inclined to use Notes of the lowest denominations than Notes of any other. The Committee of 1861 voted against five-rupee Notes. I have no time here to criticise all the objections in detail; they apply nearly as much to ten and to twenty-rupee Notes as to five-rupee Notes; moreover, the Committee who voted so strongly against this measure objected even to ten-rupee Notes. They proposed to have notes not lower than twenty Rupees. They said that ten-rupee Notes would excite "suspicion and discontent" in the minds of the Natives of India.

The value of that opinion has been tested by experience, and most unquestionably their anticipations were erroneous in respect to ten-rupee Notes. I am

confident that they would prove equally erroneous in respect to five-rupee Notes. Still, there have been objections made, sometimes with great authority, and repeated, I may observe, in several influential organs of Native opinion. The matter is of such importance that I may be allowed to notice these objections.

Now, the first objection, perhaps the most important, is that issuing these Notes would cause them to circulate among the poorer classes of the people, both in the Presidency towns and the interior of the country. The classes alluded to are, I believe, domestic and menial servants of all kinds, day-labourers, farm-labourers, in short the very important class designated under the name of "coolies" and small shop-keepers. Now, it must be remembered that the circulation of Notes is really for the most part confined to the Presidency towns, and these classes have in the Presidency towns very great facilities for cashing these Notes. But no doubt these Notes may, and I hope will, go far into the interior of the country, and sometimes even to the remote frontiers. But then we hold that it is practically impossible to force a paper circulation upon a reluctant people. The mercantile members of the Council will bear me out in that. Of course, Notes being legal tender, once an obligation has been incurred, once an article has been delivered, once a man has given his service as labourer or a servant, he must take the Notes in payment. But when he finds he has to pay a discount upon them, he will say "very well, I will quit and leave this employment." Every employer of labour knows that the employer cannot afford to break with his people. It is the same with domestic servants and small shop-keepers. If they find they are refused payment in coin, they may say, "we won't deal with you any more and will quit your service." Thus things will find their own level, and people will soon obtain their own remedy. There may be cases, perhaps, in which a labourer, having been long under an engagement, must take payment in these Notes. But such cases will be exceptional, and partly by the good sense of the employers who cannot afford to make their people discontented, and partly by the just measures adopted by the Government for affording facilities for the cashing of these Notes, the force of this objection will be mitigated and no special danger incurred.

The second objection which has been raised is that there is a liability to fraud by the issue of these Notes; it was supposed that there would be an increased circulation among a very ignorant population, and that they would be easily imposed upon. I do not think that there is much in that, for it must be known that our Notes are perhaps the best and most costly got up Notes in the world. Their workmanship is extremely good, their paper is most difficult

of imitation, and though we have had many millions issued amongst a population at least as skilful in forgery as any other, the amount of forgery has been very little, and, since the issue of the new pattern, next to nothing.

The third objection is that the five-rupee Notes will find their way into the hands of the most ignorant classes of the population, who are the most readily frightened and most likely to make a run upon our currency offices for cash. Well, if these classes feel frightened, let them make a run upon our currency offices. We are always in a strong position with our large reserves of all kinds, and they are able to meet all such runs. If there is a demand for encashment, we can fully supply it. It will not do for a great Government like this to be afraid of issuing these Notes, because there is a probability of their being presented for encashment. That is an objection which could not be urged with propriety in this Council, or, if noticed, only noticed for refutation.

The fourth objection is that these Notes are not easily distinguishable by the ignorant people, and that they might not understand which is the five-rupee and which the ten-rupee Note. I do not myself see the force of the objection; but if there is any, there is an easy way in which it can be met, namely, by having a different Note; not a Note of a different paper or workmanship, but simply a Note of a different size. Our present Notes are very large; nothing is easier than to cut them down by one-third or one-half, and then people can instantly distinguish ten and five-rupee Notes. If that precaution were taken, the objection would not stand. So, for all these reasons, I contend that an experiment ought to be made, the experiment, namely, of issuing these Notes. We have certainly more eminent authority on our side than we have against us. We have Mr. Wilson and Sir C. Wood, and also Sir Bartle Frere, who, at the very time the committee voted against the issue of these Notes, was the only man who stood up for them, and actually proposed an amendment for their legalization, which unfortunately was lost. I contend therefore that *primâ facie* the presumption, both by theory and practice, is that there should be Notes of a lower denomination than ten-rupees. Truly the great peculiarity of India is that, though it is a large country, though it has a vast population, though its aggregate wealth is very considerable, yet the wealth of individuals is extremely small for the most part, and in general the transactions are very diminutive. What is the condition of the metallic currency? Half of the exchange work of the country is done by shells and extremely debased copper, and the remainder almost entirely by silver; gold coins are scarcely used as yet in this country. Precisely the same reasons apply to the paper currency. The Notes should be of an extremely low denomi-

nation, gradually rising to the high denomination. For all these reasons, I am sanguine that this Council will unanimously, or at least with a large majority, give me the authority required for the issue of a five-rupee Note.

There is a further point to which I would allude, namely, that we are prepared, if the public desire, to ask the Secretary of State to let us have these five-rupee Notes of a smaller size than the other Notes. There are questions of expense connected with this, which I think it would be interesting to explain to the Council. I would observe that this involves an extremely small expense. To give an idea of the cost of manufacture, I would explain that the Notes of our currency, according to the old pattern, cost three pias, or the quarter of an anna a piece, and on the new pattern, the cost is seven pias or over one-half an anna, being more than double the cost of the former. Now, let us consider these rates of three and seven pias a piece as determining the cost of manufacture of our existing paper currency. Suppose we issue two millions of Notes (pieces) per annum, at three pie a piece, that would give about Rs. 30,000 a year, and at seven pias would give Rs. 70,000 a year, which is about what the cost now is. Now, suppose we were to manufacture the Notes of the lowest denomination at the cheap rate, we should have to pay Rs. 15,000 a year for a million of such Notes (pieces), and at seven pias, Rs. 35,000; so the Council will see that the matter of cost is really not very great; Rs. 10,000 or 18,000 might be lost or saved to the Department in a year, by extravagance or economy in the manufacture of Notes. I do not say that even this amount is to be despised. I only mention this because it is supposed by some that the cost of manufacture does make some important difference. But it really does not.

Reverting now to the general question, I apprehend that the Council generally, and the mercantile members in particular, will consider that if we are going to scatter Notes of five rupees broadcast all over the country, we ought to do something more than we have done to facilitate the cashing of Notes, and this brings me to the second part of my subject.

Now, in order to illustrate what we have done, I must for a few moments ask the Council to let me explain the position of our silver and security-reserves, respectively, in the Paper Currency Department. There is no doubt that greater facilities are really required in the interior of the country for cashing Notes. A variety of symptoms have pointed of late in this direction. In the first place it is to be remembered that our currency as regards the Presidency towns is not wholly owing to the action of the Government. It was based and had its origin in a great degree on the previous circulation of the Presidency Banks. Where we acted with originality was in the interior of

the country. Where we established circles of issue for the first time, there we made a good start six or seven years ago, but we have not maintained the pace at all. Our circulation rapidly rose to $1\frac{1}{2}$ millions in those circles, and at that point has apparently stopped. Out of a total circulation of $10\frac{2}{3}$ millions, only $1\frac{1}{3}$, or one-seventh, pertain to the interior circles; the remainder belonging to the Presidency circles. There has been a decrease, particularly in the last year or two, and want of vitality in these interior circles. In Nágpur and Karáchi, for instance, the circulation has flourished, the real cause of that is clearly the connection with the seaboard trade of Bombay. But those circles in the North-West, which were really more independent of the Presidency, did not flourish. In the North-Western Provinces and Oudh, which were included in the Allahabad Circle, the circulation goes on with considerable fluctuation. As for the Panjáb itself, I am sorry to say that the circulation has been steadily falling for the last four years. Then, again, it is unsatisfactory to observe the very large amount of Notes which continue to be held in the cash-balances of the treasuries of the interior. Of course it is an advantage to the State to hold a portion of our cash-balances in Notes. But the intention of sending these Notes to the interior was, in part, that they should be issued from the treasuries to the public in exchange for cash. It is to be regretted that they were not thus applied for, and not thus issued to the extent desired. I will just present some figures to give the Council an idea of the proportion of our nominal circulation which is really not in active use, but is lying in our treasuries. In the Bengal treasuries there are 61 lákhs lying in the vaults. In the Bombay treasuries 42 lákhs, in the treasuries of the North-Western Provinces 12 lákhs, in the Madras treasuries 9 lákhs; all which, together with other items, make up an amount of 162 lákhs, or more than a million and a half out of our total circulation, really held in our own treasuries; and this is a considerable deduction from our gross paper circulation, which now stands at ten millions and a half. Well, all these various symptoms have for some time caused a certain amount of anxiety, and rendered us anxious to strive to improve the circulation in the interior of the country.

Having said this much, I will ask the Council to recall the conditions of the reserves in cash and in securities. Probably many members now present may recollect that I was obliged to trouble the Council with two long speeches in March last, whereby permission was obtained to raise the limit of investment in securities from four to six millions. For various reasons we have not yet availed ourselves in any degree of the powers the Council was then good enough to concede to us in this respect. At the most recent date, the first of January of this year, our cash-reserves were very high, our reserves in securities rather low.

Out of a circulation of $10\frac{1}{2}$ millions, $3\frac{1}{4}$ millions only were supported by securities, while the rest, namely, upwards of seven millions, was backed by silver and coin. It will be apparent from this that we have large cash-reserves. Having such reserves, we possess this great advantage, that we have a large amount of coin at our disposal that we can make available for cashing Notes in the interior of the country. The maintaining of these strong reserves has indeed the disadvantage of diminishing the profits to the State from the paper currency, but it has this great advantage, that it will enable us to carry out the measures for facilitating encashment, to the ultimately great extension of the circulation ; that is to say, we sacrifice (if I may use the simile) the minnow of present profit, in order to catch the whale of future increase.

Now, what have we done hitherto for facilitating the cashing of Notes in the interior of the country ?

Before answering this question I should like to remind the Council of the existing state of our obligations *by law* to cash Notes in British India. The Calcutta Circle has two subordinate Circles, one called the Allahabad Circle and the other the Lahore Circle. The Allahabad Office must by law cash Notes of its own Circle, and the Lahore Office those of its Circle. The Calcutta Office must by law cash, not only the Notes of its own Circle, but also those of the Allahabad and Lahore Circles. On the other hand, the Allahabad and Lahore Offices are not bound by law to cash Notes of the Calcutta Circle. Thus far does the obligation by law extend, and no further. Similarly, the Madras Circle has three subordinate Circles—Vizagapatam, Trichinopoly and Calicut ; they are of lesser importance, but, *mutatis mutandis*, the application of the obligation by law is the same for them as for the Calcutta Circles. The Bombay Circle has very important subordinate Circles, namely, those of Karáchí, Nágpúr, and Akola. Well, the Offices at Karáchí, at Nágpúr, and at Akola must by law each cash the Notes of their own Circles respectively. The Bombay Office must by law cash the Notes of its own Circle and of its three subordinate Circles. But the subordinate Circles are not bound by law to cash Bombay Notes. Now, although this absolute obligation by law is quite as much as we can undertake, still it manifestly leaves a very great deal to be done by executive action for the public convenience. Every body knows how troublesome it often is that a Calcutta Note may be refused encashment in Northern India, or at Bombay, or at Madras ; that a Bombay Note cannot always be cashed in Central India, or in Sindh, or at Calcutta ; that the holder of a Madras Note cannot demand cash at either of the other presidencies, and so on. This sort of inconvenience cannot be obviated by law ; the remedy, so far as it is possible, can only be effected

by executive management. Having explained this much, I will revert to the question, what have we done for thus facilitating the encashment of Notes in the interior of the country ?

I need not trouble the Council with a recapitulation of small measures authorizing Treasury officers to cash Notes of any Circle for the accommodation of travellers, for inducing Railway Companies to receive such Notes for the payment of fares, and the like, but I will refer to the rather important measure which was carried a year ago in the Executive Government for this purpose. We then ruled, in January last, just a year ago, that all Offices of Issue of Circles in the interior of the country might cash Notes of other Circles to the full extent to which their own Notes had been cashed by other Circles. The result is that Notes to a vast amount, of distant Circles, may be cashed at all the great centres throughout India. That was a very important concession, which placed upwards of one million available for cashing Notes in the above manner. But after a year's trial I am sorry to say it has met with the scantiest success. I would ask the Council to consider for a moment the scope of the measure and the very limited results which have accrued within the first year of trial. According to that test, there were, by the returns of the first week of the present month, 112 lákhs available in the Circles of the interior of the country for the cashing of Notes of distant Circles in all parts of India. Now, within the first year the public availed themselves of that privilege to the extent only of seven lákhs, leaving in our boxes 105 lákhs, or more than one million pounds sterling, waiting to be paid in exchange for Notes if presented. I apprehend that my hon'ble colleagues, the mercantile members, may be surprised when they hear that such is the case. But why is it that the public have so scantily availed themselves of what was intended to be so benevolent a provision ?

I apprehend that, in the first place, the meaning of the notification may not have been correctly understood. But the concession was also unfortunately clogged with certain conditions in regard to Notes being used for purposes of remittance. The conditions did not exactly prescribe that a Note should not be cashed if it were manifestly being used for remittance, but they did virtually direct that enquiry should be made by the cashing officer, as to whether the Note of another Circle, presented under this notification for encashment, was being used for purposes of remittance. I presume that the necessity of answering questions of this kind, of being catechised as it were, has deterred people from presenting Notes from distant Circles for encashment, and left the impression that the Notes could not be cashed without some sort of inconvenient enquiry being made. I can only account in this way for the

extremely small extent to which an important privilege has been made use of. The poverty of result has been remarkable in one or two cases. In the Allahabad Circle they had 35 lákhs available, but only 6 lákhs were so taken up. In the Lahore Circle there were 25 lákhs available for encashment, of which only one láksh was asked for, leaving 24 lákhs available. The comparative failure, in the first year, of this plan, has rather led us to look for a better one. It may be thought that the plan just described deserves a further trial. But on the whole, inasmuch as we have been able, by certain changes in our system, to bring the Currency Department into more immediate relation with the Treasury Department, we have, after careful consultation with the Comptroller General, considered that we may safely introduce a revised plan, which we have accordingly resolved to adopt, and which I will take this opportunity of explaining.

Our revised plan is to take the circulation of a certain Circle, to calculate the minimum amount to which that circulation could be reasonably expected to fall, as being the amount of Notes which the public must have and cannot afford to cash. The minimum thus ascertained need not be supported by cash on the spot. Deduct that from the total circulation, and the remainder will represent the amount which must be locally supported by cash. Thus you get the amount of cash which must be held in the office of the Circle. Compare that with the cash which is actually held. If the actual amount prove to be in excess, then that excess will represent the amount available for general cashing of Notes of other Circles. We propose then to make that sum available for cashing Notes of other Circles. To show, for the moment, how this plan would work, I will give some actual figures. Take the Allahabad Circle. Its circulation on the first of this month stood at 44 lákhs. After careful consideration, our Comptroller General is of opinion that the circulation of that Circle cannot fall below 20 lákhs, which practically must be held in Notes by the public, which Notes they cannot afford to cash. This is what we call the minimum circulation. This amount then need not be locally supported by cash. If it be deducted from the 44 lákhs total circulation, there remain 24 lákhs in circulation which must be supported by cash. Thus 24 lákhs at least of cash ought to be kept up in that particular office as the safety limit. But what amount is actually kept up? Why, 68 lákhs, that is, 44 lákhs beyond the safety limit, or more than we really require. Therefore we propose to say that, at Allahabad, Notes of other Circles may for the present be cashed up to a limit of 44 lákhs. Take the Lahore Circle. Its circulation now stands at 20 lákhs. This circulation according to calculation could not fall below 10 lákhs, which therefore need not be supported by cash. Deduct 10 from 20 lákhs, which would leave 10 lákhs as an amount which must be sup-

ported by cash, which amount in cash must be kept up at Lahore. But what amount is actually kept up? Why, 39 lákhs, which is 29 lákhs more than is required for safety. The 29 lákhs would therefore be available for cashing Notes of other Circles. We would therefore allow Notes of other Circles to be cashed at Lahore within a limit of 29 lákhs. I might go through all the Circles in the same way, but it would perhaps take up too much time. I think I have stated enough to illustrate the plan proposed to be adopted. In this way (all Circles taken together) we should have 260 lákhs available, or upwards of 2½ millions, in our cash-reserves in different parts of the country for cashing Notes on the "universal Note" principle, that is, without reference to place of issue or boundary of Circle; you may take the Notes of any Circle all over India, and get them cashed at the great centres of issue, within certain limits of amount as above explained. As regards these centres, I believe that at present this will be sufficient for all necessary purposes. The limits of amount as set forth may from time to time require modification, and of this due notice would always be given.

My honorable friends the mercantile members will probably remark that this plan applies only to the offices of issue, that is, to the great treasuries at the centres of Circles. They may ask, what are we going to do at the smaller treasuries? Well, what we propose to do is as follows: Out of our cash-reserves we intend to give to the Collector of each principal district throughout the country a certain sum, say a lákhs of Rupees, which he is to hold in a separate chest as Agent for the Paper Currency Department. From this chest he may cash all Notes presented, of whatsoever Circle, till the chest runs dry. We also propose to give him a certain quantity of Notes, which he should try to issue in exchange for cash. If he succeeds therein, his hoard of cash will be proportionably augmented. It is to be supposed that, when the district people find that any Note is as good as silver at the Collector's treasury, which in their eyes is the centre of the world, they will begin to take out the Notes and pay cash for them. In this way some Collectors may fortunately find their currency chests rapidly filling, and may have enough cash in their store to sustain a considerable circulation as trustee for the Paper Currency Department.

To give some idea, for the moment, of the extent to which we intend to adopt the system, I would explain a few instances. Take the North-Western Provinces. We intend to make available at least 10 lákhs of the currency cash-reserves for the district treasure-chests, as above explained. That would give a lákhs each for the treasuries of Benares, Mirzapore, Cawnpore, Meerut, Agra, Bareilly, Futtelhurh, Roorkee, Muttra, Morada-

bad. That number embraces most of the great centres of trade in those provinces. In the same way we would give 10 lákhs to Bengal Proper, that is to say, a lákhs each to Berhampore, Backergunge, Dacca, Gowhatty, Patna, Muzufferpúr, Hazáribágh, Cuttack, Darjiling, Chittagong. These embrace most of the principal places in Bengal. In the same way for the Panjáb we would give 10 lákhs. One lákhs each to Delhi, Ambála, Simla, Amritsar, Mooltan, Jullunder, Ferozepore, Pesháwur, Rawul Pindí, Murree. I only state these arrangements now in the rough. Before prescribing the details, we shall of course consult the Local Governments. In some district chests we may have to keep up more than the amount I have named, at certain seasons. In some cases we may have to replenish the chest when it runs dry, and so on.

In the same way we would give 10 lákhs to Bombay treasuries, and also 10 lákhs to Madras, but in the presence of distinguished gentlemen from those presidencies, I need not give the names of particular districts to which the allotments would be made. We shall consult them or their respective Governments as to the stations, and the amount to be allotted to each, and I am sure we may count upon the co-operation of the authorities in those presidencies.

Now, by these two plans I hope our honorable friends opposite will see that we shall be getting practically some way towards the long-hoped-for desideratum of an universal Note. By the first plan great facilities will be afforded at the head-quarters of each Circle in the interior of the country for cashing Notes of other Circles. The second or subsidiary plan will give facilities at all the principal treasuries in the districts for cashing Notes of any Circle; also, if at more treasuries than those we propose, the establishment of currency treasure-chests is asked for, we shall strive to find a few more lákhs from our reserves for this purpose; we further desire that the cashing of Notes under both these plans shall be free from all condition and from all questions about their being used for remittances. They are to be cashed as presented for payment, without question or hindrance. Of course we *may* modify from time to time the terms under which Notes should be cashed elsewhere than in their own Circle; we do not bind ourselves by law to cash them in this manner. We remember the distinction which is to be drawn between a legal absolute obligation and a conditional practical executive undertaking. We are very jealous of incurring absolute legal obligations, which are quite stringent enough by the law as it now stands; but we intend to be as liberal as we possibly can in respect to conditional and practical undertaking. But though we would not absolutely bind ourselves, we intend to avoid modifying our undertaking unnecessarily, and we hope for the present to meet to a large extent the public requirements.

I will conclude by making a few remarks about the currency Notes being used for remittance. I believe that there was a good deal of jealousy on the part of the treasury and financial officers on this point. Perhaps it was not unreasonable at first. But until we give up being jealous on this point, we shall never get our currency properly developed. People will use Notes for remittances when they can profitably do so. They will use the Notes as they like, and for whatever purpose they choose, or they will not use them at all. Experience is tolerably certain in that respect. If we interfere, we may give up all hope of extending our paper-currency, or hope for increased profit to the State from this legitimate source. It appears to be considered that, if it can only be shown that Notes are used for purposes of remittance, there is a *reductio ad absurdum*. I think it is a reduction to something very reasonable, and not absurd. It is indeed difficult to say the extent to which Notes are used for remittances. It is commonly supposed, as the Council are aware, that Notes used for remittance are sent in halves through the Post Office. It is possible that all, or nearly all, Notes cut in that manner, are used for the purposes of remittance. Now, it might be useful to know what is the proportion of Notes which are in halves, and are commonly termed "cut Notes."

Take the return for last year of the cut Notes received at the Currency Offices. The percentages of cut Notes on total receipts were as follows:—Of ten-rupee Notes it was 9 per cent. ; of the twenty-rupee Notes it was 13 per cent. ; of the fifty-rupee Notes it was 22 per cent. ; of the hundred-rupee Notes it was 20 per cent. ; of the five hundred-rupee Notes it was 19 per cent. ; and of the one thousand-rupee Notes it was 9 per cent. Well, the Council will see that these percentages were not very high. If the proportion of cut Notes be taken as a test, then the quantity of Notes used for remittances would seem to be small. However, the test is not by any means perfect, but as far as it may be valid at all, it would show that the proportion is not so great as is commonly supposed. But if it really be that the Notes are used for remittance to a great extent, then it is presumable that the Notes so used would chiefly or largely belong to the highest denomination, Rs. 1,000. If remittance is greatly done by Notes at all, it must be by one thousand-rupee Notes. Now if these Notes were constantly or usually used for remittances, it would follow that their circulation would not increase : as fast as they went out, they would come in again, and so the circulation would continue much the same. But what is the fact? In 1864-65, of one thousand-rupee Notes we had out $3\frac{1}{2}$ millions. In 1869-70, we had out 7 millions. It is within these few years that the circulation has doubled. How then is this to be accounted for? If these Notes were used simply for remittances, and were constantly coming in to be cashed, this would be quite inconsistent with the fact of

this cent. per cent. increase. It would appear, 'either, that they are taken out for other purposes besides remittance, in the first instance, or that, having once got out for remittance, they stay out for circulation. Partly, also, the increase is to be accounted for by the fact that the banks in the Presidency towns and wealthy individuals use these Notes as money-reserves. That is, of course, undeniably a most legitimate use for these Notes. On the whole, this increase shows that it is very doubtful whether these Notes are used for remittances pure and simple to the extent commonly believed. But assuming that they are so used, I say that this is not a matter to which we should offer any impediment or objection whatever. In the first place, the use of these Notes, even for remittances, greatly accustoms the influential classes of the Natives of India to the sight of paper-money. By using them, the Natives get accustomed to handle them, to post them, to cut them, to despatch them, to receive them, and then, by constantly presenting them for payment at offices of issue and by taking silver for them across the counter, they come to consider them as good as silver. All this tends to establish the popularity of Notes.

Then, these are the very classes whom we want to indoctrinate with ideas of a paper currency. These are the very people whom we wish to teach how to receive Notes without discount whenever presented to them by their customers. If they came to consider the Notes to be as good as silver, they would regard them in that light when presented, and receive them accordingly. We should hear then much less of shroffs (Native bankers) refusing to receive these Notes without discount. In fact, I cannot imagine anything more beneficial to the propagation of our circulation than the accustoming of these influential people to the use of Notes for any purpose whatever, be that purpose what it may. Then, again, the use of these Notes for remittance must be a great convenience to trade. Now, if we can subserve or promote purposes of commerce without any undue loss to the State, or without the violation of any sound economic principle, in the name of common sense, what objection is there to this? For what are all these arrangements made, unless for the public convenience?

There is special reason why we should facilitate the circulation of Notes in India, for, as compared with European countries, the circulation of our Notes occupies a very large proportion of the general medium of exchange.

In England, as everybody knows, one of the largest elements in the medium of exchange consists of bills and cheques. In London, 97 per cent. of the exchange appears to be done by bills; 2 per cent. by Notes, and about 1 per cent. by coin. But in India, as the mercantile members of the Council

know, our currency is not so largely supplemented by bills. We have no clearing house; we have not those infinite facilities for the use of bills and cheques. I am not sure that I can state what proportion of the medium of exchange in Calcutta consists of bills. There are indeed statistics available, but I am informed that they are not reliable. However, I may say that, so far as we know, in our medium of exchange, bills do not bear a larger proportion than sixty per cent. Compare that with the ninety-seven per cent. in London. Well, the sixty per cent. of bills in Calcutta appears to leave thirty per cent. consisting of Notes, the remaining ten per cent. consisting of coin. I say that I am not sure that these proportions regarding Calcutta are quite correct. But even if they are approximately correct, they show the large place occupied by Notes in our medium of exchange, and the immense importance of paper-money to the mercantile community in India; that is one reason why we should do all we can to facilitate the circulation of Notes of all denominations, high and low.

Still, there are certain objections urged by persons of great authority against our being too ready to acquiesce in the use of Notes for the mere purpose of remittance. And I will, for one moment, ask the permission of the Council to answer some of these. We are told that the practice interferes with *hundíána*, that is, the premium or commission which is charged by Native bankers upon their bills of exchange. Now, suppose that it does interfere. Nobody complains of that. Why, this very class who receive *hundíána* are the persons who use Notes for remittance and advocate the practice. Of course, they cannot complain that their own *hundíána* is disturbed or interfered with by a method which they themselves were the first to introduce and to foster. I suppose it would be regarded by them as a matter of profit and loss. It is probably in their eyes as broad as it is long; on the one hand they would make less money by *hundíána* on the bills they grant to others, on the other hand they would save *hundíána* on the bills they have to obtain for themselves. It simply comes to this, that, as a medium of remittance, they prefer Government Notes to the Native *hundí* or bill of exchange. Probably they assume that the Government Note is more certain to be cashed than the Native *hundí*, while the rate is never unfavourable. At all events, they are the best judges of their own interests in the matter, and it is useless for us to trouble ourselves about it, considering that the classes most interested do not complain. Then, I am told that it would compel us to keep up larger cash-balances all over the country. But you may remember that the fact of these Notes getting out in great quantities indicates that precisely similar amounts must have been paid into our cash-balances, as Notes are issued only against coin. If so many millions worth of Notes get out, there must have been so many millions of cash

paid in somewhere. In that case, then, the general cash-reserve must be proportionally strong, and our task would be to distribute it where most needed to support our paper-money.

It was urged, thirdly, that to sanction this practice would be merely to put upon Government a charge for remittance. I fully acknowledge that such an expense might occasionally accrue, but I would ask the Council to consider what such charge might amount to. The expense of transporting a million in coin might be one-half per cent., in reality, in most conceivable instances, one quarter per cent. Now, what would this amount to on one crore of rupees or one million sterling? Only half a l  kh, or £5,000, at half per cent.; and at a quarter per cent. Rs. 25,000. At an expense of two l  khs, or £20,000, we could move about four crores of silver at half per cent.; while, at a quarter per cent., we could do it for one l  kh or £10,000. The above is rather an extreme case, and even in that case the cost would be small. But we should probably never have to move so much as this, and the cost would ordinarily be much less. But supposing we did have to incur an expense of, say, one l  kh in moving four crores about the country for the purpose of cashing all the Notes of the highest denomination used for purposes of remittance, that would so far diminish the profit to Government from the Currency Department. Now, what are these annual profits? The gross profit for the last year, 1869-70, was $16\frac{1}{2}$ l  khs. Out of that we spent $2\frac{3}{4}$ in the establishment and other charges of the Department, leaving a nett profit of $13\frac{3}{4}$ l  khs. Well, if we have to spend a l  kh in moving silver for meeting remittances pure and simple, the effect would be to deduct one l  kh from $13\frac{3}{4}$ l  khs of profit. The question then arises, whether it is worth while to incur that risk and that charge. I say without doubt that it may well be worth while. I should not be very sorry to see such a state of things occur. We might have a run upon our cash-reserves, and we should meet it with the utmost promptitude and efficiency, and having so provided for it, I should expect that our Paper Currency would thereafter be increased. The prestige of the Department would rise and the public confidence would be strengthened. This circulation ultimately expanding, the limit of investment of securities would be extended, and the profit of the State would increase. Thus, a l  kh spent in moving about the silver would in the highest sense be reproductive, and would fructify a hundred-fold in future years.

Such, then, are the various points which I have to bring before the Council in reference to the two parts into which I have divided my speech; firstly—as to the five-rupee Notes—the reasons why we propose to issue them; and,

secondly, the measures we are resolved to take for facilitating the cashing of Notes all over the country ; being, so far as they go, steps directly towards the establishment of the "universal Note." I dare say that, in the course of a not very long time, we may extend facilities for cashing Notes still further. I am sanguine that the Council would consider these to be important improvements in a monetary point of view. The Council will remember that, in past years, much attention has been given to the Paper Currency by the Financial Department of the Government of India. The late Head Commissioner, Colonel Hyde, gave much consideration to this subject. The present Head Commissioner, Mr. Harrison, whose ability is well known to the Council, and his very able Deputy, Mr. Gay, have been giving the same continuous attention to these matters, especially to those which I have brought before the Council today. I hope that the results will show that our management of this Department is such as to justify the confidence which the Council has from time to time evinced in sanctioning legislative measures for establishing a sound Paper Currency throughout British India."

PLEADERS, MUKHTARS AND REVENUE AGENTS BILL.

The Hon'ble MR. STEPHEN introduced the Bill to consolidate and amend the law relating to Pleaders, Mukhtárs and Revenue Agents, and moved that it be referred to a Select Committee with instructions to report in six weeks.

The Motion was put and agreed to.

ABKARI BILL.

The Hon'ble MR. INGLIS introduced the Bill to consolidate and amend the law relating to the Abkári Revenue in Northern India, and moved that it be referred to a Select Committee with instructions to report in six weeks. He said that the object of the Bill was to consolidate the Abkári law now contained in four Acts ; and to extend the provisions of the revised enactment to British Burma, in place of the rules now in force there under Act XXIII of 1868.

The law had been re-arranged and the wording improved ; and a few sections, rendered unnecessary by subsequent legislation, had been omitted. The only substantial alteration proposed to be made in it was in the section which empowered a licensed retail vendor to surrender his license at any time, on giving fifteen days' notice and paying a fine equal to the amount of the license for fifteen days.

This provision had been found to work inconveniently. The period of the year when the Abkári licensees made their greatest profits was in the spring

and early part of the summer. They now surrendered their licenses when this profitable season had passed, and loss was entailed on Government by the licenses being resold at lower rates, and frequently to the former holders.

The proposed amendment would remedy this, by requiring that a licensed vendor who might wish to surrender his license must give one month's previous notice to the Collector, and, if sufficient reason for the surrender was not shown, might be called upon to pay such fine, not exceeding the amount of the license for six months, as the Collector might determine.

The Bill had been sent to the Local Governments.

The Motion was put and agreed to.

The following Select Committees were named :—

On the Bill to amend the law relating to Customs Duties—The Hon'ble Messrs. Stephen, Bullen Smith, Cockerell, Inglis, Cowie, and Robinson and the Mover.

On the Bill to consolidate and amend the law relating to Pleaders, Mukhtárs and Revenue Agents—The Hon'ble Messrs. Cockerell, Inglis and Robinson and the Mover.

On the Bill to consolidate and amend the law relating to the Abkari Revenue in Northern India—The Hon'ble Messrs. Stephen, Cockerell and Robinson and the Mover.

The Council adjourned to Friday, the 20th January 1871.

CALCUTTA,
The 13th January 1871. }

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