

Saturday, 3rd March, 1860

PROCEEDINGS

OF THE

LEGISLATIVE COUNCIL OF INDIA

Vol. VI

(1860)

Assurances" be referred to a Select Committee consisting of Mr. Harington, Sir Charles Jackson, Mr. Sconce, and the Mover.

Agreed to.

NOTICES OF MOTION.

MR. LEGEYT gave notice that he would next Saturday move the third reading of the Bill "for regulating the establishment and management of Electric Telegraphs in India."

Also the third reading of the Bill "to make provision for the speedy determination of certain disputes between Workmen engaged in Railway and other public works and their employers."

The Council adjourned.

Saturday, 3rd March 1860.

PRESENT :

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

Hon. Lieut.-Genl. Sir James Outram,	H. B. Harington, Esq.,
Hon. Sir H. B. E. Frere,	H. Forbes, Esq.,
Right Hon. J. Wilson,	Hon. Sir C. R. M. Jackson,
P. W. LeGeyst, Esq.,	and A. Sconce, Esq.

STAMP DUTIES.

THE CLERK presented to the Council a Petition from certain Life Assurance Associations, praying that transfers or assignments of Policies of Life Assurance by endorsement or writing be exempted from Stamp Duty.

MR. SCONCE said that the subject matter of this Petition had already been provided for in the Bill relating to Stamp Duties now before the Council. He should therefore only propose that the Petition be allowed to lie on the table.

Agreed to.

PAPER CURRENCY.

MR. WILSON rose and said :—

MR. PRESIDENT,—Sir, when I had the honor, a fortnight ago to

lay before the Council an exposition of the Financial policy of Her Majesty's Government of India, and to propose that the people of India should be subjected to some new imposts, in order to relieve the necessities of the State, I then gave an assurance, on behalf of Government and myself, that we were deeply imbued with the necessity of taking stringent and bold measures for securing to India at the same time such administrative reforms as were urgently required, not only in order to secure the greatest possible economy, but the greatest efficiency in the public service. In pursuance of the notice which I gave last week, I now rise to propose our first measure in redemption of the pledge I then gave. Sir, I believe there is but one opinion throughout India, and I will add at home, that the currency of this great dependency of the British Empire is in a most unsatisfactory state; there may be, and no doubt there are, many different opinions as to the mode in which its glaring defects can be best amended; but at least all are agreed that amendment is loudly called for. And I think Honorable Members will agree with the Government in regarding this as one of the most important reforms in administration, and as one calling for the earliest attention of the Government and the action of this Council. Sir, I must say that I know no question of greater importance to the commerce, the industry, and the material well-being of a country, than that of the laws which regulate its currency. If your monetary condition be unsound, the country will be exposed, in an aggravated form, to all those vicissitudes which overtake trade, for a time paralyze industry, and impoverish the people—if, on the other hand, it be based on sound and solid principles, we may rest contented that we have at least taken

every precaution within our power, if not for altogether preventing those vicissitudes, yet for alleviating their consequences and shortening their duration.

Sir, I approach this subject not without considerable anxiety—an anxiety in no degree arising from any doubt or mistrust which we have in the principles I shall have to avow on behalf of the Government, or of the soundness and adequacy of the measure I have to propose. No—my anxiety arises from a doubt in my own powers to expound those principles, and that measure sufficiently clearly to carry your views along with me; for not only is the subject of itself extremely intricate, but it has been rendered still more so by the great variety of views which have been discussed, and the great diversity of systems and proposals to which those discussions have given rise. But, Sir, it is essential for the success of our measure that we should carry public opinion with us in the soundness of our plans. My only aim, therefore, in now addressing you, will be to lay down those principles, and to explain our measure in a manner to make myself as intelligible as I possibly can to all; and if in so doing, I shall detain you somewhat longer than you could wish, I trust to the great importance of the subject as my excuse.

Sir, we wish to deal with this question in a broad and comprehensive manner, befitting the interests of a great country—in a manner which shall be applicable alike to all parts of India—in a manner which, being sound in principle, we may safely leave to a development as wide as the wants of India can ever require, however great they may be. Sir, we feel it to be a great principle in Government to have our measures with regard to all matters of trade or finance on so

sound a footing, that we may safely leave them to their own self-development, according to the unrestrained requirements of the public from time to time, without the constant interference which unsound principles demand from the State to bolster them up. And we feel that, in applying such principles to India, we have at least this advantage, that we have almost what I may term a *tabula rasa* upon which to act. No doubt one of the great difficulties which other Governments have had to deal with in reforming their currency legislation has arisen from a net-work of unsound practices and of existing interests which stood in their way. Fortunately, we can hardly be said to labor under such a difficulty. At the same time, the subject is so novel in India, and I may add the relation of the Government to the people is so peculiar, that I cannot but feel, in order to make our course clear, and the benefits to be derived from our measure intelligible, it will be necessary for us to consider the question from its foundation, and I hope I shall not be thought pedantic if I venture to lay down some of the first axioms as to the nature and character of currency, in order that we may the better judge of the soundness of the superstructure which we shall raise in the shape of a measure proposed for your adoption.

In the first place, then, we shall, I think, be all agreed, that the only legitimate object of currency, in whatever form it exists, is to act as a medium for circulating commodities in a manner infinitely more convenient than any system of barter could effect that object; and that this is best attained by the adoption of one of the precious metals, gold or silver, as the least fluctuating standard to which the values of all other commodities can be referred, and by

which they can be defined. At the same time, it must be plain that, in thus setting aside a large amount of the precious metals for this purpose, we are really abstracting from the common stock of the country so much capital, and devoting it to a purpose which yields no profit or interest, but which nevertheless gives to the remaining common stock of capital so great an increased value, by the additional facilities which are given to exchanges, as fully to compensate for the abstraction of so much capital. Well, then, applying this principle to things as they actually exist in India—how do we stand? The standard which we have adopted is that of silver. Whether it is the best or not, we will consider hereafter. But at least, I must ask you to bear in mind, and never to lose sight of the fact, that from time immemorial the standard of value in India has been one of silver;—that every obligation, public and private, has been contracted in a currency of silver;—and that all such obligations to pay any given number of Rupees at any date however remote, is really nothing more nor less than an obligation to deliver so much silver.

Then let me ask, how much capital has there been abstracted from the common stock in India for this purpose? How much continues abstracted, performing the function I have described, though I fear in a most inconvenient form—indeed, in a form, as I shall show, which leads to further great sacrifices independent of the loss of so much re-productive capital? It may be difficult to form any precise estimate of the amount. But at least, we know enough to come to the conclusion that the amount is very large. Since 1835, I find that the coinage in the three Indian Mints has exceeded a sum of one hundred crores of Rupees, equal to one hun-

dred millions of pounds sterling. But, Sir, this would give but an inadequate idea of the rate at which silver coin is being now absorbed. One hundred millions in twenty-five years give only a general average of four crores of Rupees, or four millions sterling in each year. But what is the magnitude of our transactions now? In the last four years the quantity of silver coined at our Mints, and absorbed in the country, amounts to no less than forty-seven crores of Rupees, or £47,000,000, being at the rate of nearly £12,000,000 in each year. Sir, could we have a stronger proof of the rapid increase of the activity of our trade, and I will add of the wealth necessary to minister to it? Now, I am not unmindful of the fact that all this coin does not remain in circulation—that much of it is, unfortunately for the country and for its owners, hoarded, and that some of it is again melted down for jewellery. But making all due allowance for these abstractions, there must be in actual circulation as coin a sum of money exceeding one hundred millions sterling, or one hundred crores of Rupees, more than the equivalent of the whole debt of India; and it is an important fact that this amount is annually increasing, and must increase, as trade becomes more active, thus abstracting more and more from the re-productive capital of the country.

But, Sir, I have hinted at other ways in which the public in India, and I may add the Government, are exposed to loss through our present monetary system. Our currency consists exclusively, or nearly so, of silver coins, forming a great bulk and weight in proportion to its value. Can any one form a just estimate of the whole cost to which the public are put in transmitting this bulky coin from place to place? Can any

one even judge of the expense the Government alone has incurred on this account? I have seen many estimates on this head. If I mistake not, I have seen an estimate made by Sir Charles Napier, that the protection of Government Treasure, in escort and in other ways, gave employment to something like thirty thousand native troops. But be that as it may, be it exaggerated or not, there is no question that the public of India are put to an enormous annual cost for the mere risk attending the transmission of coin from place to place.

Now, Sir, let us enquire what are the means which the application of Economical Science and Experience have pointed out in far advanced and highly civilised communities, by which this great abstraction of capital from re-productive purposes can be reduced, by which the cost and risk of removing coin in bulk can be obviated, and by which a great and general economy to the State and the public can be effected? No doubt, between nation and nation, this is chiefly done by the well understood and valuable contrivance of Bills of Exchange:—in the domestic transactions of a country, this economy is to some extent effected by Banking operations and transfers, to some extent by Bills of Exchange, but to a much greater extent, and in a far more convenient form, by the use of Bank Notes, of uniform amount, and for such sums as suit the ordinary transactions of life; but so regulated as to represent in reality the coin for which they are used. But before I proceed further, I am desirous of here noticing some proposals that have been made from time to time in India for the purpose of remedying the defects of our monetary system by the introduction of gold coins. Now, Sir, I must say that, having given all

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the proposals which have been made for this purpose, or that are capable of being made, our most careful consideration, I am unable to recognise in any one of them a reasonable or unobjectionable mode of accomplishing the object. Shall we adopt a double standard of gold and silver? Sir, few will be found to advocate such a plan. No doubt, gold and silver vary in their intrinsic value in relation to each other, much less than perhaps any other two articles that could be named; but, nevertheless, they do vary, and that not inconsiderably, as the experience of the last few years has shown. In relation to silver, gold is certainly at least five per cent. cheaper than it was ten years ago; and when we come to treat of national obligations, that may represent a large sum. What effect then would the adoption of a double standard have? Why, clearly to enable the debtor to discharge his obligation in whichever might at the time be the cheapest metal. This, Sir, would destroy the whole object, and the great utility of a standard at all, and would simply enable the debtor to pay in one material what he had contracted to pay in another. Sir, we are not prepared to adopt a measure admittedly so defective and so unsound. But, then, it has been proposed that gold coins should be circulated, and should pass only at their intrinsic value, fluctuating from day to day according to the fluctuations of the price of gold. But, Sir, it would be a mere misnomer to call such coins money. Could the transactions of a country be carried on with coins which to-day might represent 10 Rupees and 8 annas, to-morrow 10 Rupees, and the next day 9 Rupees and 8 annas, and so on? Think of the inconvenience which would arise from such a system, and the

altercations which would ensue between buyer and seller as to what the real intrinsic value was from day to day, or even from hour to hour. Again, think of the dissatisfaction which would naturally be felt by any one who, having received a coin of the Government at one rate to-day, found, when he required to use it to-morrow, that it had fallen in value by 4 or 8 annas. Sir, if there is one duty more than another which the Government owes to the public in respect to its monetary arrangements, it is that the coins, which it circulates with its authority, shall be of one common and unvarying value. But another proposal has been made with a view of obviating the evil of a fluctuating value. It has been proposed that gold coins shall be issued representing 10 Rupees of a certain weight and fineness, and that their value should be fixed by law as a legal tender for a given period of time, say six months or a year, when the exact value should be re-adjusted according to the market value of gold for another period of time. But what would be the practical effect of such a plan? If, after the value was fixed, gold were to rise in price, then there can be no doubt all the gold would disappear from circulation—if, on the other hand, gold were to fall in price, it would become profitable to send gold to the Mint to get it coined, and with it to purchase silver coin at a profit. In such case no doubt a considerable quantity of gold would be forced into circulation. But the day of reckoning would soon come—the time when a re-adjustment of the legal tender value of the coin would take place. A large quantity of coins which had passed as legal tender for 10 Rupees for a certain time would on re-adjustment pass for 9 Rupees 8 annas. Who is to bear the loss! The unfortunate

holders at the time the re-adjustment took place. Would this be a satisfactory arrangement? My own belief is that in practice all these schemes to make two metals, which are always less or more varying in price towards each other, circulate in strict uniformity, would entirely fail. It has been tried in Europe under the most favorable circumstances, and has failed there. I have here a monetary convention, which was entered into in 1856, between the Austrian Government and all the other German States, with a view to have one uniform current coin. Every one who has travelled through Germany is aware of the great inconvenience which resulted from the various coins which were in circulation throughout those States. The standard of value in Germany and the current coin are of silver, as is the case in India. But some of the parties to the Treaty, and especially the Government of Austria, were anxious to supplement their silver currency with gold coins, as has been desired in India. The plan for this purpose provided for by the Treaty is similar to that upon which I have just commented—it was provided that gold coins should be issued at a fixed valuation which should remain a legal tender, and current for six months, and should then again be subject to re-adjustment in their current value according to the market price of gold; and so on, a new re-adjustment taking place every six months. The words of the Treaty are:—

Extract from the German Monetary Convention, dated January 24th, 1857.

Article XXI. para. a.—That each State is at liberty to allow their gold coins (Article XVIII.) to be taken at their treasuries in lieu of silver, at a rate of exchange to be beforehand decided upon; and this at all treasuries, and for all payments or only partially, as shall be thought

proper. Such pre-decided rate of exchange shall last at the utmost for six months, and at the close of the last month is to be each time re-considered for the next similar period.

Well, Sir, when I saw that propositions of a similar character had been made here, I wrote to Lord Woodhouse, the Under-Secretary of State for Foreign Affairs, and begged that he would ascertain from the Austrian Ministry what had been the practical effect of that provision in the Treaty. I have just received His Lordship's reply. He encloses a communication from Lord Augustus Loftus, our Minister at Vienna, of which the following are extracts:—

Extract from Despatch of Lord A. Loftus, No. 92, dated November 8th, 1859.

The provisions of the convention between Austria and the Zollverein States, affording the faculty of supplementing their legal currency by the addition of gold coinage, have virtually been a dead letter as regards Austria.

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Under these circumstances, the provisions in the monetary convention in question, as far as regards gold, have never been acted on, and very little gold, comparatively, has been coined in Austria, that metal for some years past being little current, and principally confined to the hands of money-dealers and merchants, for the purpose of making payments in foreign parts; it cannot, therefore, be reckoned an active or operative portion of the specie currency of the Empire.

Sir, the experience of Germany is not encouraging for India to rely upon impracticable schemes of this nature for the improvement of our currency. But then another and more extensive change has been suggested, and that from a quarter deserving of every consideration. It has been said—why not change our standard of value?—why not, as in England, adopt a gold standard, supplemented by silver tokens of limited tender as subordinate

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coins? Sir, if we had now to begin *de novo*, no one will doubt that that would be a much preferable plan to that which we now find in use. But we have to deal with a system already established—a system under which an enormous amount of obligations, both public and private, has been incurred. As I have already said, those obligations in reality are to pay a given quantity of silver. And if we were now to change our standard of value, and to adopt gold in place of silver, because the former is becoming cheaper in relation to the latter, I think no one can doubt that we should by law be enabling every debtor—the State amongst others—to commit a breach of faith upon his creditor. Let us bear in mind, that a reduction in the price of gold of only five per cent. would, under such circumstances, in effect reduce the claim of the holders of the public debt of India by no less a sum than five millions sterling. Sir, we are bent upon reform and economy in every legitimate shape that lies within our reach, but we believe that the credit of the Government will be best sustained by the most rigid observance of good faith in all its transactions.

Then, Sir, however free we are to admit the great inconvenience of the existing system, we are unable to look in the direction of a gold currency for a cure of its defects. But we think we can propose one in every respect more effective for all the objects we have in view, and one which will strictly maintain the integrity of our present standard, and which will not expose us to the suspicion of tampering with the obligations of the State. We have no doubt that all the objects at which both we and the public aim, will be far better and more perfectly accomplished by having recourse to a sound, well-regulated, Paper currency of general application to the

whole of India, and at all times easily and readily convertible into the coin which it represents:—a Paper currency so well secured, that it can safely be made a legal tender in all transactions throughout India. Sir, on all hands, and by all our most accredited authorities on Political Economy, the adoption of a paper circulation so well guarded as always to maintain the full value of the coin it represents, is regarded as one of the highest and most beneficial efforts of political science and civilisation. It enables us to use as an instrument of circulation, in place of the unwieldy and costly coins which we do at present, a representation of them which costs little or nothing, but which in every way is infinitely more convenient. In this way it effects a great economy of capital, by releasing the precious metals which are much more imperfectly performing the same purposes. Some writers have compared the adoption of a Paper currency to the discovery in the country of new mines, because you do really add to the effective wealth of the country, to whatever extent paper replaces the coin in circulation. Adam Smith, I think, it is who compares the economy thus effected, to a discovery by which all your locomotion could be conducted without roads, and by which you were enabled therefore to add the existing roads to the portion of the land under re-productive cultivation. The road is an abstraction from the fruitful portion of the soil, but the sacrifice is abundantly compensated for, by the additional value which it gives to the rest; so the precious metals used as a circulating medium, yielding as it does no interest, and being, as I have said, an abstraction from the re-productive capital of the country, the loss of which however, like the land used for roads, is compensated for by the greater value given to the remainder. But, Sir, if we can to

a great extent, by the use of paper, effect the same object, then we release that unproductive capital for other purposes, while we confer a greater convenience upon the public. The inconvenience of the present money in use is sufficiently familiar to every one in private life—the inconvenience to those engaged in large transactions, especially out of the Presidency Towns, and where there are no Bank Notes, is still greater. In one of the large Trading Towns in the North-West, I found a remarkable example of this inconvenience. I found that recourse had been had for a circulating medium, in order to save the labor and time of counting large sums in Rupees, to the use of mysterious sealed bags, said to contain a thousand Rupees each. These bags circulate freely in wholesale transactions, upon the faith the merchants have in each other, with a “chit” or letter of indorsement, without always any precise knowledge of what the real contents are. Sir, when recourse is had to expedients of this kind, we have ample proof that some reform in our existing system is loudly called for. But, Sir, independent of the great economy of capital which is thus effected by a Paper currency, there will be a further economy in three other important ways—first, we shall find a great reduction in the cost of the Mint; next, we shall save the wear and tear to which the coin in circulation is exposed, and the great loss which the public incur from light coins; and, lastly, we shall, both as a Government and as a community, save not only great expense but also great risk in the transmission of money from place to place:—we shall be able to adopt the improved plans of civilised nations in place of adhering, as we do to this day, to a practice which had its origin long before the Christian era.

But, Sir, a Paper currency, in order securely to carry out all these advantages, and to be a perfect representation of coin, must be based upon certain well-known and defined principles. In order that the paper shall be identical in value with the coin, it must not only be made convertible in theory and by regulation, but sufficient security must be taken to provide for that convertibility at all times. By this means the quantity of paper in circulation will always be identical in quantity with what it would be were it to continue wholly a metallic circulation. The notes issued would not be an addition to, but a mere substitution of, the silver coins which they displaced. It is, Sir, a Paper currency upon this sound principle which we seek to establish in India—a principle which has stood the test of experience in other countries, where it has been found equal to the magnitude of the largest trading transactions. But in order that a Paper currency shall fulfil all the purposes of coin, it is necessary that it should be a legal tender every where, except at the place of its issue, where it is convertible into coin, and it should moreover be received by the Government in payment of revenue and for all other purposes.

Assuming then, Sir, that I have been fortunate enough to carry the Council thus far with me, it will now become my duty to state in what manner the Government is of opinion a Paper currency, combining all these advantages, can best be carried into effect. And here I propose, for the sake of clearness, to divide our plans into five distinct heads—first, as to the agency through which such notes can best be issued; second, as to the manner in which the necessary securities can best be taken for the conditions which I have laid down as essential to a well regulated Paper

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currency; third, as to the functions to be entrusted to the issuing body; fourth, as to the denomination of the notes to be issued; and, fifth, as to the securities to be taken against forgery.

In the first place then, Sir, we are to consider what will be the best agency to use for the purpose of circulating a Paper currency. Now, let us bear in mind that the proposal is, and we think that essential, that the notes to be issued are to be a legal tender in all transactions between man and man, that they are to be received at every Government Treasury for all demands of the Government for revenue or other purposes, and that the system is to be general and to extend over the whole of India. It is essential that we should bear these conditions in mind. Well, in point of practice, the issue of paper money has hitherto been usually confined to Banks or to Governments. I may say most usually to Banks, and there is no doubt that in old countries, where the system has long been combined with the institutions of trade, and where the machinery of Banks upon a sound basis exists and is spread all over the country, they possess considerable facilities for exercising this function. But let me here remark that the issue of notes does not necessarily constitute any part of the business of a Banker, who is more properly a dealer in capital: a borrower from one man and a lender to another upon higher terms, which forms his profit: in short, a most useful and beneficial medium, through which the spare capital of one portion of the community is rendered profitable in the hands of another. We can have no better proof of this than the facts that, notwithstanding the great number of Private and Joint Stock Banks in London, none of them (the Bank of England only excepted) do or ever

did issue notes: in Manchester, one of the largest emporiums of trade in the world, not one of the Banks (the Branch of the Bank of England excepted) issues notes; and by the laws of 1844 and 1845, all Banking Companies established after those years within the United Kingdom are distinctly interdicted from issuing notes. We require no further proof that the issue of notes is no necessary part of a Banker's business. But, Sir, there are peculiarities in our position in India, and in the system which, on the part of the Government, I am about to propose, which would render it even more difficult than usual to employ the agency of Banks in India. In the first place, the system is to be universal. How many years should we have to wait before we could expect that any Banks, however extensive their capital, could establish branches throughout the whole country for this purpose? But, again, even though that difficulty were got over, we have still another which I regard as insurmountable. Our notes are to be a legal tender—they are to be received by every private person, as well as by the Government, in discharge of all ordinary claims. To attach this condition to our notes, we must provide absolute and undoubted security for their payment, not only for their ultimate payment, but for their convertibility into coin when required. Well, Sir, if we employed the agency of a Bank, we should require not only a deposit of securities which would ensure the ultimate payment of the notes, but also of a proper reserve of bullion, to secure their prompt and immediate payment. We could not make them a legal tender on any other conditions. Well, but the business of a Bank established upon such a scale, could not be, and it would not be desirable that it should be, confined

to the issue of notes. It would extend to all other Banking business. It would hold deposits, it would issue Bills of Exchange, it would discount and negotiate mercantile paper—in short, it would have a great variety of creditors other than those who held its notes. Would it then be practicable, would it be fair towards the great body of its creditors, if so large a share of its assets, as I have said, should be set aside as security for its notes in favor of one class of its creditors, to the possible injury of all other classes? Would it be fair to protect the note-holders at the possible risk of the depositors? Sir, with one exception, to which I will shortly refer, I know of no Bank whose issue of notes are a legal tender: the Banks in Scotland all issue notes, but they are not a legal tender; the notes of the English and Irish Local Banks are not a legal tender; the notes of none of the American Banks are a legal tender; the notes even of the Bank of France are not a legal tender; the Notes of the Bank of England only, and this is the exception to which I referred, are a legal tender, and this exception is defended upon the ground that the Legislature has entirely separated the department for the issue of notes from the department for general Banking business, and that it has provided that, in the Issue department, there shall at all times be retained public securities and bullion to the full amount of the notes which, from time to time, it issues. Now, there may be, and no doubt there is, a question how far this separation of accounts is real or nominal, as it affects the interests of the different classes of creditors; but practically considering the large capital of the Bank of England, upwards of seventeen millions sterling, including the Rest, and con-

sidering the publicity given to all its transactions and its accounts, the question would never arise. But with a new establishment in India it could not but be otherwise. On every ground then, while we wish to see Banking establishments extended, we have come to the conclusion that we cannot avail ourselves of the agency of Banks for a general Indian Paper currency.

But, Sir, if there are special reasons why Banks in India cannot be used for this purpose, there are others as special and peculiar to India, which point to the remarkable facilities possessed by the Government for the issue and management of a paper circulation. Throughout India, in every part, however remote, the Government has an organised body of public officers, of receipt of revenue on the one hand and of expenditure on the other. Indeed, it is not too much to say that the great recipients and disbursers of money throughout the whole of India are the revenue and other officers of the Government. The Government Treasuries may be said practically to represent the great bulk of monetary transactions in most districts. Practically, the transactions of these Treasuries, and the money that is accepted at them, must regulate the transactions of India. Well—but, Sir, we have to use every possible precaution against abuse of the power which the Government would have, if it had an uncontrolled authority to issue notes. If we are to make the notes a legal tender, we must take absolute security not less than that I have described for the safety of those notes. We must take care that, under no circumstance, can the Government abuse the privilege of making paper money, and by over issues for purposes of expenditure endanger their conver-

tibility and thus run the risk of their depreciation. We do not then propose that the Government itself, in any of its existing departments, shall be empowered to issue notes, but that, by the Bill which I shall ask leave to introduce before I sit down, a Commission shall be formed, whose duties shall be strictly defined by law, over whom the Government shall have no power, except within the limits of the Act, and who shall be bound upon oath to obey the provisions of the Act. Sir, in this we aim at no novelty. In this and all our measures we are not ambitious of being regarded as ingenious inventors; we are content to accept the more humble, but by far the safer function of applying, in the most approved manner, to the circumstances of India, those great principles of sound science and its practice, which long years of discussion and experience have proved in advanced countries to be compatible with public interests and public security. Sir, as nearly as possible, we take the Issue department of the Bank of England as our model; but we take it under most favorable circumstances, being stripped of its only objectionable feature—its connexion with the Banking department.

This, then, brings me to the second point. The manner in which security shall be taken for the performance of the conditions which we regard as essential to a paper circulation, which is a legal tender; and, together with this, we may, to save time, consider also the third head, that is, the functions of those who will be entrusted with the issuing of the notes. Sir, for this purpose we propose to divide the three Presidencies into convenient districts, to be called *Currency Circles*. Our object will be so to arrange these circles, that the chief station of one of the existing dis-

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tricts for revenue purposes will be near to its centre. In connexion with the Mint at Calcutta will be the head establishment, where the notes for the whole of India will be made, under the direct superintendence of the Head Commissioner. In connexion with the Mints at Madras and Bombay, there will also be established Commissioners, in whose charge the circulation of those Presidencies will be placed, and who will be supplied with notes from Calcutta. But for the sake of clearness, I will confine my observations now to this Presidency. The local circles having been determined and fixed, the chief station within it, where we should find the principal Treasury of the district, which would also be a Military Station, and at which a considerable European population would be found, such a place for example as Benares or Allahabad, or Lahore, would be fixed upon as the station for the Branch department of Issue, under the control of a Deputy Currency Commissioner. The functions of the Commissioner in Calcutta and of the Deputy Commissioner at the local branches, so far as regards the issue of notes, would be precisely those of the Issue department of the Bank of England. They would receive coin and silver in exchange for notes, and they would always be prepared to pay coin in redemption of the notes of their district. The notes, like those of the Bank of England, would be of similar appearance for all India, but the notes of every Branch would bear upon its face the name of the Branch at which it is issued. All Branch notes will be payable in silver at the Branches from which they are issued, and also in the Presidency Towns to which the Branch belongs, whether Calcutta, Bombay or Madras. The notes will be received into every Treasury in the circle in which they are

issued in payment of revenue and of all other claims of Government. But there would be no more connexion between the Government Treasuries and the Issue departments than with private Banks. In the first instance, the Government Treasuries would exchange such part of their silver as they desired for notes: the Issue department would receive the coin, and the Treasuries the notes representing it, for circulation. Bankers and others requiring notes for the purpose of trade would obtain them in exchange for silver; and in the seaports, merchants importing silver would carry it to the Issue department, and at a fixed rate would at once receive notes for the full amount in place of waiting, as they do at present, till it is coined; thus giving them the same advantage that the importer of bullion has in London in carrying his bullion to the Bank of England, and of receiving its own notes in exchange, which are convertible into coin, and can at once be used for all trade purposes. Now, according to this plan, it will be plain that the Issue departments, neither in Calcutta nor in the districts, can ever have in circulation a larger amount of notes than they possess coin to represent; but inasmuch as a larger proportion of the notes thus circulated will remain out, and at any time only a small proportion can ever be presented for payment, each Branch and each chief department of issue will be permitted to invest a portion, in no case exceeding two-thirds, in Government paper, which will be held by the Issue department, specifically appropriated to the payment of the notes, and the remainder, not less than one-third, will be held in bullion, ready to meet the claims of those who wish to exchange their notes for coin. The necessary balance of coin at all the

branches will be kept up, if needful, by supplies from the head departments in the Presidency Towns. The circulation of the Bank of England is usually about twenty-one millions, which is represented by fourteen millions of public securities, and the remainder in bullion. By these means, Sir, we should give to the country all the convenience to be derived from a Paper currency. We should effectually provide at all times for its absolute security and for its instant convertibility. The Issue department would always be possessed of bullion and public securities together to the full extent of the notes issued: be the amount ever so great, the principle would be so sound that no other limit need be placed upon the action of the department. The legitimate demands of trade alone would determine the amount of the circulation, without any interference on the part of the Government to attempt to regulate it. Such a mixed currency of paper and coin would exactly correspond with that which, under present circumstances, would exist, if we continued to circulate coin only, and that, Sir, is on all hands admitted to be the true test of a sound currency. These, Sir, are the functions which the Issue departments will perform, and these the securities which we propose to take for the performance of the conditions which I have described as being essential to a sound Paper currency, and we have no doubt they will be considered as ample for the purpose. And, Sir, it will be obvious that by this means a large profit will accrue to the Government. The Commissioners of the Issue department will receive the dividends due upon the stock which they hold, which they will pay into the public Treasury as the profits of the note circulation:—but the Government will be benefited in another form—it

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is impossible that so large an amount of public securities can be taken out of the market without raising their price, and proportionately in a most legitimate way improving the credit of the State. The practical effect of these measures will indeed be the redemption of so much of the public debt as shall be thus held by the Commissioners of the Issue department of the Government.

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 5 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. But from what I have already said, it will be apparent that, as a matter of security, it is much more important that the circulation should be based upon a really sound principle, than in any way unduly

restricted in the denomination of the notes. It must be plain that a principle which makes notes of a large denomination safe and secure must equally extend to those of a lower denomination. And, Sir, there will be a peculiar source of absolute security in respect to the paper circulation of India, which attaches to perhaps no other Bank of Issue in the world. In all other cases with which I am acquainted, notes are issued to the public in the shape of loans, in discount of bills, and as advances in various forms. Now it may be said, and truly, that even if issued for those purposes, they could not remain out in excess of the public requirements so long as they are convertible at the pleasure of the holder into coin. This is a point upon which the great majority of practical authorities may be said to be now agreed. To believe that convertible notes can continue in circulation in excess, is to contend that a note that can be easily and instantly exchanged for coin can be depreciated, because the only proof that I know of an excess of circulation is depreciation of the notes in relation to the coin it represents. Now no one I think will contend that any man having a note in his possession which did not command the same exchangeable value as the coin it represents, and having it in his power to exchange that note for the coin, would fail to correct the anomaly by that means. But there have been those who have thought differently, and even to those I would say, that the issue of notes upon the principle we propose cannot possibly be attended with any such risk. Sir, our notes will be purely bullion notes, they will be issued only in exchange for bullion: there will be no issues as credit advances in any shape whatever. That is the legitimate business of Banks. It is

ours to furnish a circulating medium—it is theirs to use it in all the variety of forms which credit transactions assume. In our case we are absolutely restricted, and by force of a great and obvious principle we maintain intact the full intrinsic value of the currency—in theirs, they are governed by the ordinary principles which govern all commercial transactions. Well, Sir, these are not unimportant considerations, when we are determining the denomination of the notes to be issued. But the main consideration, after we have determined upon a sound self-acting principle, is the character of the transactions of the country and the denominations of the coin in use. It is the imperative duty, it is the interest of a Government, to furnish a circulating medium for exchanges determined in amount by the wants of the community. Well, the great characteristic of Indian transactions is their number and their multiplicity. And, then, if we bear in mind that the highest denomination of coin in circulation is one of only a single Rupee or two shillings, while in England the common coin is one of twenty shillings, it would appear that we should be justified in adopting the old practice in Ceylon and the present practice in many countries, and adopt notes of a denomination as low as two or two and a half Rupees. But, Sir, we do not propose to go so low—we propose to begin with five Rupees or ten shillings, adopting the limit at this time actually in practice in Ceylon and Mauritius; and beginning with that denomination, to have others of *ten, twenty, fifty, one hundred, five hundred, and one thousand* Rupees, which latter I hope will take the place of the mysterious sealed bags which circulate at Mirzapore.

Sir, we think it is essential to the plan to have notes of a small

denomination, in order to furnish change for the notes of larger amount, which will be extensively used as an easy mode of remittance from one part of a district to another. As I have said before, these notes will be payable in coin at the central offices of the district from whence they are issued, and they will be all payable as well in Calcutta, Bombay, or Madras, as the case may be. They will be receivable in every Government Treasury within the circle in payment of revenue or any other claims of the Government whatever. And I cannot help believing that such a system of currency will prove of an immense convenience, compared with the present cumbrous system of conducting all our transactions, however large, in two-shilling silver pieces.

Well, then, Sir, the fifth and last head is, what precautions we are prepared to take against forgery? and I think we shall be able to satisfy you that we have not only not been unmindful of that important point, but that we have already taken measures, and that successfully, which will give us every security that it is possible to attain on this head. But here I would remark upon a point which I think has been too much overlooked in connexion with the relative risk which exists between a currency of coin and one of paper. We must bear in mind that coin can be counterfeited while notes can be forged. Two years ago, I moved for a return in Parliament of the number of prosecutions which had taken place in England, Scotland, and Ireland, during the ten preceding years, in connexion with the making and uttering of base coin, and in connexion with the forging and uttering of forged notes. I hold that return in my hand. The result is that in England and Wales, during the ten years, the cases of prosecution in relation to

coins numbered no fewer than 6,291, while the number of prosecutions in connexion with forged notes were only 1,866. Again, in Scotland, and here let it be borne in mind that the denomination of the notes in circulation is as low as *one pound*, and where the circulation consists almost exclusively of paper, the number of cases of prosecution in connexion with base coin was 570, while the number in connexion with forged notes was only 4. Again, in Ireland, where the lower denomination of notes also prevail, the number of cases of prosecution in connexion with coinage was 338, while in connexion with forged notes they were only 41. In the whole of the United Kingdom, the prosecutions in relation to base coins were 7,199 for the ten years, while those in connexion with forged notes were only 1,911. I think these returns conclusively show that the risk of counterfeit which attends any system of currency is by no means confined to Bank Notes. I believe I am right in saying that the attempts at counterfeiting coins in India are very rare and that prosecutions in relation to such crimes are not of frequent occurrence. No doubt the complicated machinery required for coining, and the great cost and skill necessary to make it, and the rareness of skilled artificers to work it, may be said to be one of the reasons why this class of crimes does not prevail in India—for we must bear in mind that it requires a large outlay of capital, and a large employment of the most ingenious skill (which so much abounds in England), to manufacture even counterfeit coins. But, Sir, if this difficulty has hitherto shielded the Indian public from the dangers of a base coinage, I think I shall be able to show that the steps we have taken will be even more perfect for shielding it from the evils of forged

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notes. Sir, we know well how expert some of the people in the East are in imitating hand-writing. I have heard of a case in which one of your predecessors, Sir—a former Chief Justice of Calcutta—was deceived on the Bench by the production of a document purporting to bear his own signature, and which turned out to be forged. We all know, too, the number of forged documents which are used in our Courts of law—an evil so common, that the Honorable Member for Madras has submitted to us a Bill, the avowed object of which is to check these proceedings. But be it observed that all these attempts are made in connexion with the hand-writing. I have not heard of a case where an attempt has been made to forge the stamp to a document. Sir, our precautions will consist altogether of those of a mechanical character, embracing the use of machinery and scientific operations of the most refined character, but at the same time plain and palpable to the eye of the commonest observer. Sir, as soon as I had accepted Her Majesty's gracious appointment to the responsible office I now fill, my attention was at once turned to this most obvious reform in our Indian administration. I immediately put myself in communication with the Governor and Deputy Governor of the Bank of England, and the able and intelligent mechanical officers who have the sole management of the manufacture of the notes. And, Sir, on the part of the Government of India, I must here tender to those distinguished functionaries, and to their accomplished officers, our best thanks for the very effective aid which, as I shall immediately show you, they already have, and are prepared still further to extend to us in this very important matter. Sir, it is no slight advantage in starting a new career in a matter of this

important kind, to have behind us the aid and support of an experience in the most civilised country in the world of nearly two centuries. If there is one thing more than another with regard to which the British Parliament has, at all times, been ungrudging, it has been in extending to trade all the legitimate protection against fraud within its power; and to the Bank of England, as being the chief issuer of paper money, it has extended every possible security against forgery. It has, by law, given to that corporation the sole right to use paper manufactured in a particular way, and to use printing of a particular kind. But it is not so much on legal restrictions of this kind that the Bank of England relies. It is not upon the writing or printing of notes, for after the experience of many years, it has become a settled principle in the Bank of England, that the plainest and simplest form of notes is the one in which forgery is most easily detected, and that elaborate notes are most easily imitated. What the Bank of England chiefly relies upon for its protection is the paper which it uses, and the water-marks with which the paper is made. The paper is only made by one house, which is bound to supply the Bank of England alone, and admit no stranger to enter the premises. Well, Sir, whatever advantages the Bank of England enjoys under Acts of Parliament, or in the exclusive manufacture of paper, or in the monopoly of those water-marks, the Directors have generously consented to extend to the Government of India. They have gone further, and pending our preparations in India, they have consented to make notes for us. Sir, I hold in my hand a specimen note for ten Rupees, which I received from the Governor of the Bank by a recent Mail: the paper

of which contains water-marks similar to the notes of the Bank of England, with the variation only of the words. This specimen has in the water-mark the words "Government of India" along the top of the paper. The word "Ten" in the centre, and the word "Rupees" below. Sir, that which the mechanical skill of England has proved unable successfully to imitate, we may rest satisfied will be secured from counterfeit in India; and the great advantage here is that the water-mark, as a test of a genuine note, is plain and visible to the eye of the most unlettered person. As a proof of the great perfection which the system has reached in the Bank of England, I may mention a very striking fact. It will have been observed that each Bank of England note has inscribed a number with two capital letters attached. If that number, with the two letters, were cut out of a note and all the rest of it destroyed, so perfect is the system, that on presenting that small remnant of the note, the Bank would be able to say whether the note had been paid or not, what the amount of the note was, and the date and place of its issue:—and upon this relict alone they would be content to pay the note, of course taking security that the remainder would not be presented. Sir, it is with all the advantages of a system so perfected, and with the hearty aid and co-operation of the Directors of the Bank of England, that we shall introduce the system of a Paper currency into India. I may here add that the denomination of each note will appear on the face of it, not only in English, but also in the two languages most in use by different classes in the districts where they will circulate. In addition to these securities, the Bill which I now ask to introduce will contain provisions

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similar to those of the English law, for the punishment of those who may attempt fraudulent imitations.

Sir, I have now, I fear at much too great a length, but it was needful that I should make myself clear upon a subject with respect to which any misapprehension might prove very prejudicial, explained the broad outlines of our measure: we propose to have a paper note circulation of denominations, varying from five Rupees up to one thousand Rupees, to be issued at the Presidency Towns and at the centres of circles or districts mapped out for this purpose; that they shall be payable in coin at the centre where they are issued, and in the Presidency Towns to which the circle belongs; that they shall be receivable by the Government for all claims of whatever kind; that they shall be a legal tender between man and man in the settlement of every claim; that they shall be issued only in exchange for coin or bullion; that a certain fixed proportion of bullion and coin shall always be kept in hand to secure the convertibility of the notes; and that public securities shall be held in the Issue department for the full amount of the difference.

But, Sir, there is one very important point to which I must now refer. We have at the present time three Banking Corporations in India, in each of which the Government may be said to be a partner. The Government holds shares in each, and is fully represented in the Direction. Those corporations issue notes, but they are not a legal tender, nor do they circulate much beyond the Presidency Towns; nor are they received without limit into the Government Treasuries. Now, Sir, even if it were desirable, it must be plain that such notes could not circulate along with the Government notes, which I have

described as a legal tender. The Charter, under which these respectable Banks exist, are subject to revision at any time on twelve months' notice being given. It must be plain that such a system, as I have very inadequately attempted to describe, should be general and universal over India to secure all the advantages which it is calculated to confer. Sir, then, we have decided to give the necessary notice to enable us to modify those Charters. But I must here say that the Government feel that those Banks have conferred a great benefit upon India, and that they will deserve every consideration, consistent with the public interest, at our hands, and I trust that we may fall upon some plan, which, without involving any sacrifice on the part of the public, may compensate, at least in some degree, those Banks for the privilege which they have so long enjoyed, and which I have never heard them accused of abusing. Sir, I think we shall find, when we come to look at those Charters, that they unnecessarily restrict their operations, and that we may also find that we may confer upon them new functions equally for the benefit of themselves and the State. In conferring advantages upon the public, it is our desire to deal as tenderly with private interest as is consistent with the great objects we have in view.

Sir, in the early part of my observations, I referred to the fact that the precious metals, to whatever extent they are employed for the mere purpose of coin in circulation, are really an abstraction to that extent from the real re-productive capital of the country, and I wish now to show in what way the measure which we propose will operate in restoring this capital to re-productive channels. Independent of all the advantages which

will accrue to the country by the adoption of a sound Paper currency, that which I am about to describe is most important—if not the most important of all, however less apparent it may be at first sight. I have already shown you by what process the Government would become possessed of a large share of the securities representing the debt of the State, by employing a portion of this coin, withdrawn from circulation and re-placed by notes, in the purchase of such securities. But, Sir, it will be plain, that to whatever extent the Currency Commissioners become purchasers of public stock, there must be sellers to the same extent, to whom the surplus coin would be paid. Those persons would not permit their capital, so relieved from one investment, to remain idle, but would naturally seek other profitable modes of using it. To this extent capital would be more abundant, competition for its employment would be greater, and the tendency would be, to use a familiar phrase, for money to become cheaper. No doubt the first tendency would also be for silver to fall in price as it became released from the circulation, the first effect of which would be to lead to its exportation to any country where the merchant found it would yield a profit, and by this operation the equilibrium of value would be instantly restored. In short, to abstract so much coin from the mere mechanical purpose of the circulation, supplying its place with convertible paper, would be exactly the same in effect, as if suddenly, in the centre of the Midan, a rich silver mine had been discovered, and which produced silver at little or no cost. The first operation would be to lead to an export of that silver in exchange for articles of various descriptions

which were really in demand, and by which means to the full extent the real wealth of the country and the aggregate amount of its re-productive capital would be increased. Mr. Ricardo, in his able pamphlet upon "The High Price of Bullion," published in 1811, has so admirably illustrated this point, that I trust you will permit me to read an extract from it:—

Extract from the works of D. Ricardo, Esq., "The High Price of Bullion," page 264.

If a mine of gold were discovered in either of these countries, the currency of that country would be lowered in value, in consequence of the increased quantity of the precious metals brought into circulation, and would therefore no longer be of the same value as that of other countries. Gold and silver, whether in coin or in bullion, obeying the law which regulates all other commodities, would immediately become articles of exportation; they would leave the country where they were cheap, for those countries where they were dear, and would continue to do so as long as the mine should prove productive, and till the proportion existing between capital and money in each country before the discovery of the mine were again established, and gold and silver restored every where to one value. In return for the gold exported, commodities would be imported; and though what is usually termed the balance of trade would be against the country exporting money or bullion, it would be evident that she was carrying on a most advantageous trade, exporting that which was in no way useful to her, for commodities which might be employed in the extension of her manufactures, and the increase of her wealth.

If, instead of a mine being discovered in any country, a Bank were established, such as the Bank of England, with the power of issuing its notes for a circulating medium, after a large amount had been issued either by way of loans to merchants, or by advances to Government, thereby adding considerably to the sum of the currency. The same effect would follow as in the case of the mine. The circulating medium would be lowered in value, and goods would experience a proportionate rise. The equilibrium between that and other nations would only be restored by the exportation of part of the coin.

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The establishment of the Bank, and the consequent issue of its notes, as well as the discovery of the mine, operate as an inducement to the exportation either of bullion, or of coin, and are beneficial only in as far as that object may be accomplished. The Bank substitutes a currency of no value for one most costly, and enables us to turn the precious metals (which, though a very necessary part of our capital, yield no revenue) into a capital which will yield one. Dr. A. Smith compares the advantages attending the establishment of a Bank to those which would be obtained by converting our highways into pastures and corn-fields, and procuring a road through the air. The highways, like the coin, are highly useful, but neither yield any revenue. Some people might be alarmed at the specie leaving the country, and might consider that as a disadvantageous trade which required us to part with it; indeed, the law so considers it by its enactments against the exportation of specie; but a very little reflection will convince us that it is our choice, and not our necessity, that sends it abroad, and that it is highly beneficial to us to exchange that commodity which is superfluous, for others which may be made productive. The exportation of the specie may, at all times, be safely left to the discretion of individuals; it will not be exported more than any other commodity, unless its exportation should be advantageous to the country. If it be advantageous to export it, no laws can effectually prevent its exportation. Happily, in this case, as well as in most others in commerce where there is free competition, the interests of the individual and that of the community are never at variance.

Sir, it is by this process that the capital, which is now unprofitably employed in this country to a great, and I will add so rapidly an increasing extent, will be by the most legitimate means released and restored to the channel of re-productive uses. I may be asked, to what extent we expect by this means to economise capital? Sir, that is a point upon which I am not prepared to hazard a speculation; but if we take into account the fact that, in the last twenty-four years, silver, to the extent of one hundred crores of Rupees, or one hundred millions of pounds sterling, has been

coined, and that the demand for coin has increased so rapidly, that in the last four years, silver, at the rate of nearly twelve crores of Rupees, or twelve millions of pound sterling, has annually been coined, we must arrive at the conclusion that ultimately the amount will be very large. No doubt the introduction of the system must be slow and gradual at first:—the time required to establish the necessary machinery and appliances will lead to this:—but I regard this limit upon our efforts rather as an advantage than otherwise, because it will afford time for people to become familiar with the system, before it assumes large dimensions. Our attention will be first directed to the Presidency Towns, from which the system will be gradually extended into the Mofussil, until it has permeated over the whole of India.

Before I conclude, there are three subjects of a somewhat kindred character to which I would wish shortly to refer. The first has reference to a question which has been much discussed by capitalists in England, as well as in India. I refer to the proposals which have been made for the purpose of establishing, upon a large scale, and with an adequate capital, a national Banking establishment, capable of gradually embracing the great Banking operations in India, and of extending its Branches to the interior trading cities, as opportunity might offer. That there is a growing want for such an institution, and a rapidly increasing field for its operations, no one can doubt. The Government is, therefore, desirous to be understood that the plan which has been adopted for the introduction of a legal tender paper currency, is not intended in any way to discourage, or to interfere with such a project, the operations of which would be those of legitimate Banking transactions in India, and exchange operations

abroad. The second is the subject of economising our cash balances, and the great cost to which we are now put by retaining all our cash in our own Treasuries, and disbursing every payment in hard coin. This system has been abolished in England for more than half a century, and the far more convenient and economical form of a Bank account has been resorted to. Sir, this subject engages the earnest attention of the Government. The third and last point to which I wish to allude is the extremely defective condition of our copper coinage. During my journey up the country, there was no complaint which was so common amongst the lower classes than the sacrifice they had to submit in the native bazars in getting copper change, absolutely needful for their scale of expenditure. It is not too much to say that the poorest of the people have been taxed as much as five, and in some cases ten per cent. upon their little incomes from this cause. Sir, I hope we shall take care, in future, to provide against this evil. A large importation of copper coin, to the extent of ten lakhs of Rupees, has been ordered from England: a new mint for copper coin alone may shortly be expected at this place, and another is ordered for Bombay: and we trust that the well-founded complaints on this head will soon cease to exist.

Sir, I have now laid before you the plan which the Government has devised as the best adapted for India, for conferring upon it the great advantages of a perfect system of currency. As I said before, we have aimed at no novelty:—our effort has been to adapt to our own circumstances principles which the wisdom of great men has defined and laid down with philosophical accuracy and practice, which the experience of the most enlightened commercial countries has approved. Sir, these are subjects which have

engaged the attention of intellects of the highest order in modern times:—Newton and Locke and Adam Smith applied their most profound researches to these subjects:—in this present century, they have perhaps more than any other branch of political science, absorbed the attention of able and acute minds—eminent men like Horner, Huskisson, Lord Liverpool, Ricardo, Tooke, Sir Robert Peel, Lord Overstone, and Norman, have brought to this important subject the greatest power of mind and the largest experience; then we have had Parliamentary Committees almost without number; we had the Bullion Committee in 1811; the Committee on the Resumption of Cash Payments in 1819, presided over by Sir Robert Peel; then we had the Committee on the Bank Charter in 1831; next the Committee on Banks of Issue in 1840 and 1841, presided over in a most able manner by the present Secretary of State for India, Sir Charles Wood; then we had the Commercial Distress Committee of 1848; then the Bank Charter Committee of 1857; and lastly, the Committee of 1858—of the three last of which I had the advantage of being a member. Well Sir, it is upon accumulated evidence such as this, that we feel we may, with confidence, proceed: it is to such accumulated and high authority, as I have recounted, that we feel we may safely defer. And in doing so, there is this great advantage, that, however diversified the authorities I have quoted may be, however much some of them may have differed upon minor points, yet upon that which I have laid down as the great cardinal rule to be observed, all are agreed: among all there is but one opinion, that, in order to constitute a sound currency of mixed coin and paper, there are three great essential conditions:—*first*,

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that you should have one single standard of value, whether it be gold or silver; *second*, that the paper shall be at all times convertible into the coin it represents; and, *thirdly*, that a sufficient reserve of bullion shall be maintained, in order to provide for that convertibility. Sir, all are agreed in regarding these three conditions as the sheet anchor of a sound currency; and it is upon these conditions, that the measure I am about to introduce has been carefully framed. We know, Sir, that nothing that lies in our power can altogether prevent the recurrence of vicissitudes in trade, but we believe that sound and wise laws will, at least, moderate the severity of otherwise unavoidable misfortunes, while bad laws would infallibly aggravate them. Sir, we have done our best in adapting these great principles to the peculiar circumstances of this country, and now it will become our first duty to give practical effect to the measures which we propose, by the gradual extension to the whole of India of the system I have described, in the confident belief that it will confer advantages of no slight description, and will tend to promote the happiness of India by adding to its material prosperity and wealth.

Mr. Wilson concluded by moving the first reading of a Bill for the introduction of a system of Paper Currency.

SIR BARTLE FRERE seconded the Motion, which was then put and carried, and the Bill read a first time.

ELECTRIC TELEGRAPHS.

Mr. LEGEYF moved that the Bill "for regulating the establishment and management of Electric Telegraphs in India" be now read a third time and passed.

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

RAILWAY CONTRACTORS AND WORKMEN.

Mr. LEGEYT moved that the Bill "to make provision for the speedy determination of certain disputes between workmen engaged in Railway and other public works and their employers" be now read a third time and passed.

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

CUSTOMS DUTIES.

Mr. WILSON moved for a suspension of the Standing Orders to enable him to proceed with the Bill "to amend Act VII of 1859 (to alter the Duties of Customs on goods imported or exported by Sea)."

Sir BARTLE FRERE seconded the Motion, which was put and carried.

Mr. WILSON then moved that the Council resolve itself into a Committee on the Bill.

Agreed to.

Mr. WILSON said, he would explain to the Council his reasons for the amendments which he intended to propose. The first was a Clause which was intended to provide for cases in which questions might arise in respect to contracts for the delivery of cotton twist or yarn duty-paid. The next was a Clause providing for an appeal in the event of any disputes as to the construction of the Act, &c. The third was a Clause which arose out of a legal doubt, of which the Honorable and learned Chairman was doubtless cognizant, namely, as to whether goods in bond were subject to any new duty. He always thought that goods in bond were, in point of fact, as if still on foreign ground. But last year, when the duties were raised on importations, the Government yielded to a representation from the Merchants, and remitted the increased duty on goods in bond. He, however, thought that it was quite obvious that, if goods were bonded, and if the duties were changed whilst the goods remained in bond, the goods should be treated as new importations. In the

present case, he did not think that any question of the kind would arise; but as doubts had been raised last year, it was considered advisable to put the question at rest. A Clause was therefore proposed to be introduced, the effect of which was that goods in bond should be treated as if they were new importations. The only other alterations were as to seeds imported by any public society for gratuitous distribution, which it was proposed should be allowed to go free of duty; and in like manner, agricultural implements and machinery of all kinds. Now, he thought, that machinery was of so great importance to the country, that we should not impose any restriction in its importation. He also proposed to include in the free import list conveyances and carriages of every description. This was the practice in almost every country. In England all restrictive laws with respect to the importation of conveyances had been long ago repealed, and it was now proposed to do the same thing in this country. Not that there was any prospect of large importations of conveyances into India, on account of their bulk and weight. They were most usually sent out as specimens or models, and it was very desirable that the Indian artisans should have the newest and best models for imitation. These were the motives which had actuated the English Parliament to admit them free of import duty, and which he thought should influence us to do so now. It was also proposed to abolish the import duty on Military and other regulation uniforms and accoutrements imported for private use by persons in the public service, as well as guano and manures of all kinds. He believed that the first cargo of guano ever brought to Bengal was now in the river Hooghly. He anticipated great benefit from the application of this and other manures in our cultivation of sugar and in the improvement of other products. Those whom he had the honor to address were probably aware of the benefit that Ceylon and the Mauritius had derived from guano in the increase of their sugar crops, and the same was true with respect to the

cultivation of tea in Java. He thought, therefore, that every possible facility should be afforded in the importation of such articles. *Lastly*, he proposed the insertion of the words "and skins" between the words "hides" and "raw" in the free import and export lists in Schedules A and B. Those were the only alterations which he proposed to move.

Section I (which enacted that from and after the 18th February 1860, in lieu of the Customs Duties chargeable under Act VII of 1859, the duties prescribed in Schedules A and B annexed to the proposed Act, should be levied and collected, &c.,) was passed after the substitution of "Acts VII and XXIII of 1859" for "Act VII of 1859," on the Motion of Mr. Forbes.

MR. WILSON moved the introduction of the following new Section :—

"In case it shall be proved to the satisfaction of the Collector of Customs Duties that, in respect to any cotton twist or yarn which, on the said 18th day of February, had arrived in any Port in British India, but upon which the duty of Customs had not been paid, or which had, on or before that date, been shipped on board any vessel in a Foreign Port, and which had sailed for a Port in British India, the said cotton twist or yarn had, before the said 18th day of February been sold or contracted to be delivered at a price including the duty payable in India, then, in every such case, such cotton twist or yarn shall be admitted at a duty of five per centum upon the value thereof."

MR. HARRINGTON said, he thought that some provision was necessary like that contained in the English Act, which declared that, whenever a decrease by law took place in the duties of Customs chargeable upon any goods, after the making of any contract or agreement for the sale or delivery of such goods duty-paid, it should be lawful for the purchaser, in case the decrease took effect before the clearance and delivery from the warehouse at the decreased duty, to deduct so much money from the contract-price as would be equivalent to the decrease of duty. Supposing a person had entered into a contract before the present Bill was proposed, to take at a price agreed upon a

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certain quantity of piece-goods, on which the decreased duty was chargeable under the Bill as it now stood, he would still be liable to pay the same price as though no decrease in the rate of duty had taken place. It appeared, however, to him (Mr. Harrington) that the purchaser should have the benefit of the reduction of duty, not the seller of the goods. The English law proceeded upon this principle.

MR. WILSON said, such a provision as that proposed would form no part of the present Section, but would rather come in as a new Section, if it were required at all. For his own part, he did not think that any case of the kind would arise.

The Section was then put and carried.

MR. WILSON moved the introduction of the following new Section :—

"If any dispute shall arise in respect to the construction of this Act, or of any Act relating to Customs Duties, or in respect to any other matter whatever, relating to the importation or exportation of goods or merchandise, or relating to the levy or collection of the duties thereon, the Collector or other Chief Revenue Authority of the Port at which the same may take place shall settle the same, subject, however, to an appeal to the Government of India in the Revenue Department."

SIR CHARLES JACKSON said, he wished to ask the Right Honorable Gentleman whether it was the intention of this Section, by giving the appeal in all cases to the Government of India in the Revenue Department, to exclude the local Governments.

MR. WILSON said, it was the intention of the Section to restrict the appeal to the Government of India, the object of the restriction being to secure uniformity of practice.

After some discussion as to the intention of the words "Chief Revenue Authority"—

THE CHAIRMAN moved the insertion of the words "in a matter concerning the Revenue" after the word "If" in the beginning of the Section, so as not to exclude the jurisdiction of the Supreme Court in cases of dispute involving litigation, which would more properly come under their cognizance.

The Motion was carried, and the Section as amended agreed to

MR. WILSON moved the introduction of the following new Section :—

“Whereas doubts have existed as to the conditions upon which goods or merchandise are bonded in any Port of India, in respect to the liability of such goods or merchandise to be charged with any new rate of duty that may be imposed, while yet such goods or merchandise remain in bond, be it enacted that all goods and merchandise being bonded in any Port in India shall, in the event of any change of duties taking place, be considered in every respect in relation thereto as if they were new importations.”

After some conversation the Section was carried.

MR. HARRINGTON moved the introduction of the following new Section :—

“In the event of any decrease by law in the Duties of Customs chargeable upon any goods or commodities, after the making of any contract or agreement for the sale or delivery of such goods duty-paid, it shall be lawful for the purchaser, under any such contract or agreement, in case such decrease shall take effect before the clearance and delivery from the warehouse at such decreased duty, to deduct so much money from the contract price as will be equivalent to such decrease of duty, and he shall not be liable to pay or be sued for in respect of such deduction.”

MR. WILSON said that the Section proposed would be a very proper Clause in a general law. He might mention that a general alteration and consolidation of the Customs laws was now under consideration, and that in the Bill for this purpose the proposed Section would be better included.

MR. HARRINGTON then, with the permission of the Council, withdrew his Motion.

The Schedules were passed with the amendments referred to by Mr. Wilson; and the Preamble and Title having been passed as they stood, the Bill was reported.

MR. WILSON then moved that the Bill be read a third time and passed.

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

ELECTRIC TELEGRAPHS.

MR. LEGEYT moved that Sir Bartle Frere be requested to take the

Bill “for regulating the establishment and management of Electric Telegraphs in India” to the President in Council, in order that it might be submitted to the Governor-General for his assent.

Agreed to.

CUSTOM DUTIES.

MR. WILSON moved that Sir Bartle Frere be requested to take the Bill “to amend Act VII of 1859 (to alter the Duties of Customs on goods imported or exported by Sea)” to the President in Council, in order that it might be submitted to the Governor-General for his assent.

Agreed to.

RAILWAY CONTRACTORS AND WORKMEN.

MR. LEGEYT moved that Sir Bartle Frere be requested to take the Bill “to make provision for the speedy determination of certain disputes between workmen engaged in Railway and other public works and their employers” to the President in Council, in order that it might be submitted to the Governor-General for his assent.

Agreed to.

FINANCES OF INDIA.

MR. FORBES said, he had given notice to the Right Honorable Gentleman of two questions which he wished to be allowed to ask him in connection with the financial statement which he made to the Council last Saturday week. The Right Honorable Gentleman then gave notice that, among other new taxes which the Government intended to propose, there was one that would assume the shape of a license on trades and professions. The Council was no doubt aware that there was already a tax on trades and professions in the Madras Presidency, which yielded about eleven lakhs of Rupees a year; and as the Right Honorable Gentleman did not take this sum into his calculations of the probable decrease in next year's receipts, it was not quite clear whether

he proposed that the laws under which the taxes which he (Mr. Forbes) had referred to were now collected, would be repealed on the introduction of the new Bill. He (Mr. Forbes) thought that the doubt ought to be at once cleared up.

Then, although the Right Honorable Gentleman expressed in distinct terms the views of the Government regarding the liability to the proposed income tax of holders under the Permanent Settlement, and of holders of public securities, he did not, he (Mr. Forbes) thought, make any reference to holders of lakhiraj lands; and as a settlement of the much vexed question of Enams was now in progress in Madras, it was important that this question also should not be left in doubt.

He would therefore ask the Right Honorable Gentleman if, on introducing his proposed Bill for licensing trades and professions, it was his intention to propose the repeal of Regulations IV. 1818 and V. 1832 of the Madras Code, under which a trade and profession tax was at present collected—and if he proposed that the Income Tax Bill of which he had given notice should apply to holders of rent-free and partially rent-free lands, as well as to holders of other real property?

Mr. WILSON said, before answering the questions just put to him, he would thank his Honorable friend for this courtesy in having given him due notice of his intention to propose them. In the first place, he felt no hesitation in stating that he did not take into account any deduction consequent on the repeal of the Mohurfa Tax, and for this reason, that, in introducing and explaining the measures of the Government, he had not ventured upon any calculation as to the probable receipt, and therefore he did not allude to the deduction of this item. But, undoubtedly, it was the intention of the Government, in introducing a Licensing Tax, to repeal the Mohurfa and all similar taxes, so that both in system and amount there might be but one tax of equal incidence in all parts of India; and therefore the Bill

Mr. Forbes

would contain a clause for the repeal of the tax in question.

With regard to the second question put by his Honorable friend, there could be no question that no land-owners, of whatever description, would be entitled to exemption from the Income Tax. The holders of Enams or rent-free estates, he believed, generally held such possessions as an acknowledgment of public services rendered by them to the State, but that was no good reason why they should be exempted from any general tax like the Income Tax. For instance, in England, the Duke of Marlborough and the Duke of Wellington possessed large free-hold estates, which were assigned to their predecessors on account of the eminent public services which they had rendered; but no one dreamed for a moment that these estates should be exempted from a general tax. Shortly after his arrival in India, his attention was drawn to the subject of the Enam settlements going on in Madras; and to prevent any difficulty from arising hereafter, he wrote to His Excellency the Governor of Madras, pointing out the advisableness, in making these settlements, of the precaution being taken to make it quite clear that the settlements in question would not interfere with any future general tax. In reply, he had received a letter from His Excellency the Governor, from which he would read the following extract:—

“Our proceedings in reference to Enams have been so shaped that there would be no pretence for claiming exemption from any general tax. We have had this clearly in view in all our dealings with the lands in this Presidency, whether they concerned the settlement of Enams, the creation of free-holds, or the revision of local revenues.”

It would be seen, therefore, that, in regard to the settlement of these Enams and all other free-hold estates, as well as of ordinary revenue holdings, there could be no question as to their exemption.

The Council adjourned.