

*Monday,
26th June, 1893*

ABSTRACT OF THE PROCEEDINGS
OF THE
Council of the Governor General of India,

LAWS AND REGULATIONS

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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,

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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 Acts of Parliament 24 & 25 Vict., cap. 67, and 55 & 56 Vict., cap. 14.

The Council met at Viceregal Lodge, Simla, on Monday, the 26th June, 1893.

P R E S E N T :

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

His Honour the Lieutenant-Governor of the Punjab, K.C.S.I.

His Excellency the Commander-in-Chief, K.C.B., G.C.I.E., V.C.

The Hon'ble Sir P. P. Hutchins, K.C.S.I.

The Hon'ble Sir D. M. Barbour, K.C.S.I.

The Hon'ble Sir A. E. Miller, Kt., Q.C.

The Hon'ble Lieutenant-General H. Brackenbury, C.B., R.A.

The Hon'ble Sir O. B. Pritchard, K.C.I.E., C.S.I.

The Hon'ble J. L. Mackay, C.I.E.

The Hon'ble A. S. Lethbridge, M.D., C.S.I.

The Hon'ble W. Mackworth Young, C.S.I.

NEW MEMBER.

The Hon'ble MR. YOUNG took his seat as an Additional Member of Council.

INDIAN COINAGE AND PAPER CURRENCY BILL.

The Hon'ble SIR DAVID BARBOUR said :—" I have an important Bill to introduce which affects the Indian monetary standard ; and, as it is essential that the Bill should, if approved, be passed at the present sitting of this Council, I beg that the standing orders may be suspended."

His Excellency THE PRESIDENT declared the Rules to be suspended.

The Hon'ble SIR DAVID BARBOUR said :—" I now move for leave to introduce the Bill, which is intended to amend the Indian Coinage Act, 1870, and the Indian Paper Currency Act, 1882, with the object of altering the Indian monetary standard from silver to gold. It is not intended to do more at

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present than stop the free coinage of silver at the Indian mints, and, as a provisional arrangement, to provide for the issue of rupees at those mints in exchange for gold at the rate of 1s. 4d. per rupee. The making gold coins legal tender, the settlement of the permanent rate of exchange between gold and the silver rupee, and the other measures necessary for the final and effective establishment of a gold standard in India, will be provided for by future legislation and in the light of future experience.

“ If it had fallen to my lot to introduce this Bill some twenty years ago, I have no doubt that it would have been received with some surprise, and would have met with considerable opposition. It certainly would have been necessary for the mover of such a Bill to explain at great length the nature of a monetary standard, the dangers which might be expected if India maintained the silver standard, and the advantages to be gained by substituting gold for silver, and it would have been difficult at that time to have brought forward arguments in support of so momentous a change which would have commanded general assent.

“ The events of the last twenty years and the discussions to which they have given rise have, however, greatly simplified my task. We are only too familiar with the evils from which we have suffered in recent years, and the gloomy prospects before us, if we retain the silver standard, are fully recognised.

“ Nevertheless, the question of the monetary standard is surrounded by so many difficulties, and the change which it is now proposed to make will have such far-reaching results, that I must trespass on the patience of the Council while I review, as briefly as may be, the history of the use of the precious metals as money, and show in what way, and under what circumstances, we have arrived at our present position ; what lies before us if we retain the silver standard ; and why it is that Her Majesty's Government and the Government of India have come to the conclusion that we must attempt the formidable task of altering the Indian monetary standard from silver to gold.

“ Very many articles have been used as the standard of value in different countries and at different times, but for reasons which will be found in any work on Money, and which I need not enumerate, gold and silver were soon discovered to be the best materials for use as a standard of value and medium of exchange in countries which had any pretensions to civilization, and they came to be known, in a special sense, as the precious metals. There is no doubt that in

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the first instance they passed from hand to hand by weight, as they still do in many parts of China.

“In countries where both metals circulated in this manner trouble and confusion arise, as they have arisen in the present day, from variations in the relative value of the two metals. The rulers of such countries found it necessary to declare the ratio of exchange at which gold and silver would be received in payment of taxes or tribute. The ratio which was declared was not an arbitrary ratio, but was approximately the market ratio of the day, and the object of declaring it was to prevent disputes between the persons who collected taxes and those who paid them, and no doubt also to get rid of the risk of fraud on the part of the tax-collectors. The fixing of a ratio had, as we now know, a remarkable influence under certain conditions in preventing or limiting fluctuations in the relative value of the two metals and producing comparative stability, and the practice to which I have just referred is the origin of what has been known in recent years by the somewhat awkward name of bimetallism—a system which has prevailed, in a more or less imperfect form, from the earliest times up to a very recent period.

“I shall have occasion to refer at a later period to this system of using both metals at a ratio declared by authority; but for the present I pass to the next great step in the development of the standard of value and medium of circulation, namely, the introduction of the practice of coining. I need not enlarge on the advantages which resulted from the introduction of this reform, as the convenience is obvious of having the weight and fineness of the pieces of metal in daily use as the circulating medium certified by authority.

“One invention leads to another, and from the introduction of the practice of coining and of the issue of coined money by authority sprang the idea of legal tender.

“In very early times a creditor could demand his shekel of fine silver, but subsequently he became entitled under the law only to what the ruler of the country or his officers certified to be a shekel of fine silver.

“The most valuable inventions are liable to be abused, and the invention of coined money issued as legal tender has not proved an exception to the rule. As rulers in early times were subject to little restraint, and not usually more enlightened than their subjects, they were readily induced to make a profit by

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certifying, as (say) a shekel of silver, a coin which contained less than the full quantity of metal. It was an easy transition from a debased coin to a coin made of a totally different metal, and from that to something which was neither coin nor metal.

“The best example of proceedings of this nature with which we are familiar in the present day is the issue of what is called inconvertible paper money, or, in other words, pieces of paper which the Government of the day declares to be legal tender, but which are not convertible into coin, and which depend for their value partly on the limitation of the quantity issued, and partly on the hope that they may some day be made convertible into coin on demand.

“I have now shewn that the progress towards a monetary standard, as the phrase is understood in the present day, has consisted of a few simple steps which, however, required thousands of years for their accomplishment and for the general recognition of their utility.

“Among these steps was the fixing of a ratio, or rather the declaring by authority of the existing ratio, between gold and silver with the object of facilitating monetary transactions in countries where both gold and silver money circulated. This practice had an important secondary effect intending to maintain stability of relative value; it has only been generally abandoned during the last twenty years, and it is the abandonment of this system which has plunged us into our present difficulties in India. It is useless for us to discuss at the present time whether that change of practice was or was not a beneficial reform, or whether or not it could have been avoided. There are those who hold that the change was, or will be, beneficial, and that it was an inevitable step in the progress of the world towards a perfect monetary standard. There are others who hold that it was a rash and dangerous innovation, and that the sooner we retrace our steps the better.

“I express at the present time no opinions on this question; it is sufficient for our purpose to note the fact that the change was made; that serious consequences have flowed from it which were not foreseen; and that it has plunged India into a sea of monetary troubles.

“The Government of India have failed in their efforts to induce the great nations of the world to establish the old system, and it is not the business of practical statesmanship to waste time in vain regrets for what might

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have been in the past, but rather to accept the inevitable and devote attention to making the most of the present and the future. As, however, this important departure from the old system of double legal tender has had such serious consequences during the past twenty years, as the consequences of the change are not yet exhausted, and as it is this change which has led to the present proposal to alter the Indian standard from silver to gold, I consider it necessary to note, as briefly as I can, the course of events which led up to it and brought it about.

"In the middle ages the monetary standard of England was silver, and it was not till the reign of Edward III that a successful attempt was made to put gold coins into circulation; but from that time both gold and silver coins continued to circulate in England, the ratio of exchange between them being declared from time to time by Royal authority. The legal standard of the country continued to be silver, but coins of both metals were in circulation and were frequently debased, and the ratio of exchange altered.

"What I have just said of England might, I believe, be said with equal truth of most European countries at that time. The inconvenience and loss to honest traders must have been enormous, and such as would not be borne for a day at the present time. Business was, however, conducted on very different principles from those which now prevail; the margin of profit was larger, and those who made their living by trade and commerce had to take things as they found them, since they possessed no means of applying a remedy. Our gigantic modern system of manufacture, trade and finance would have been simply impossible under such standards of value as the traders of former times had to accept.

"Among other fallacies which prevailed in those days, it was commonly held that the wealth of a country depended on the quantity of gold and silver money which it contained. The measure of wealth had come to be mistaken for the wealth itself. It was quite a common practice for a ruler to deliberately over-value the gold coins with the intention of attracting gold from foreign countries, and great surprise was experienced when it was found that the over-valuation of gold necessarily involved the under-valuation of silver, and that, though gold was attracted by this device, silver was exported to an equal extent, and no alteration was effected in the aggregate quantity of gold and silver contained in the country. Laws were passed against the export of both gold and silver, but such laws were, of course, easily evaded.

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"It is difficult to imagine a more exasperating state of things than that under which both gold and silver circulated in different countries at rates fixed independently by the ruler of each country and altered from time to time with the object of attracting gold or silver from neighbouring countries. These evils appear to have reached their climax in England in the reign of James I. There is no doubt but that the large influx of silver from America after the year 1545 tended to lower the value of that metal, but it has always seemed to me that the great alteration in relative value which took place between 1620 and 1650 was largely due to the meddling with the legal ratio which took place in England and adjoining countries at that time. There was no such alteration in the relative production of the two metals during those years as would suffice to account for it.

"After 1660 there was no serious fluctuation in relative value down to comparatively recent times—a fact which I ascribe to the growing recognition of the futility of attempting to attract the precious metals from other countries by altering the legal ratio.

"In the reign of William III, however, events occurred which have had a most important influence in shaping the monetary policy of Europe in the present century, and which require special notice. In that reign the currency of England fell into the most extraordinary state of confusion owing to the fraudulent clipping of the silver coin, and the gold coins commanded a very high premium for a time. When the debased coins were called in and new and full-weight coins were issued in their place, great trouble was experienced in reducing the premium on guineas. This premium was gradually brought down by executive order, but the final order left the guinea over-valued as compared with the silver coins, with the inevitable result that the new and full-weight silver coins were exported, and the currency of England became gold coins, supplemented by light-weight silver coins which it was not profitable to export. The legal standard of the country continued to be silver.

"This state of things lasted till 1798, when the value of silver fell relatively to gold, and it once more became profitable to bring silver to the mint to be coined. By this time the English people had become accustomed to the use of gold; and an Act was passed expressly prohibiting the free coinage of silver. In the beginning of the present century the currency of England was composed of inconvertible and depreciated paper, and when, after the close of the great war with Napoleon, a return was made to *spécie* payments, the legal standard of

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England was declared to be gold, mainly, I believe, on the ground that by their use of gold instead of silver for over 100 years the English people had shown their preference for that metal. That the people preferred gold to silver as currency at that time was probably correct, but that preference arose from their having been accustomed to use gold for over 100 years, and they were accustomed to use gold because gold had been over-valued in the first instance, and not, as has been sometimes said, because they were originally so strongly attached to gold that debtors preferred to pay their debts in gold at a loss to themselves rather than use silver. There never has been in the history of the world, and there never will be until human nature ceases to be what it is, a case in which of two sets of coins circulating side by side the dearer will drive out the cheaper.

“The formal adoption of the gold standard by England had no appreciable effect on the relative value of the two metals, because the majority of nations still adhered to the silver standard, and the system of double legal tender prevailed extensively, especially in France, where there has always been a great store of the precious metals.

“The state of things lasted till the year 1873, and, notwithstanding the great increase in the production of gold owing to the discoveries in California and Australia, the disturbance in value was comparatively slight. So great was this stability that its continued existence came to be accepted almost as a law of nature, which would never be broken; and an eminent—Economist Professor Cairnes, of whom I desire to speak with the greatest respect—actually placed the following opinion on record in the year 187:

‘I may now say (1872) that I am disposed to assign much less importance to this question of a change in the monetary standard of India than I did when the above passage was written. The reasoning assumes the probability of a serious divergence in the relative value of gold and silver, but I now believe that such a divergence is practically out of the question’.

“I call special attention to the fact that this opinion was placed on record by one of the ablest Economists of the present century in the year 1872, or, in other words, just before the beginning of those fluctuations in the relative value of the precious metals, and of that description of silver as compared with gold which have brought this country within a measurable distance of bankruptcy. We can now see that in reality the possession in 1872 was full

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of danger. Gold and silver were both used as standard money, and divided the monetary work of the world between them; for a long period there had been comparative fixity of relative value between the two metals, but the causes of this steadiness, the importance of maintaining it, and the readiness with which it could be destroyed were practically unrecognised and unknown.

"On the other hand, the eminence which England—the sole gold-using country of any importance—had attained in manufactures, commerce and finance had unconsciously lead many people to believe that there must be some special virtue in the gold standard; and as there seems to be a prejudice in favour of the metal which contains most value in little bulk, and gold had become relatively much more abundant than in former times, the monetary system of the world was in what may be termed a state of unstable equilibrium, and we were on the eve of changes which have produced a monetary revolution which is still in progress, and the force of which is far from being exhausted.

"We all know how the change was brought about. Germany altered her standard from silver to gold. France and the other States of the Latin Union closed their mints to silver. The United States, where the currency was for the time inconvertible and depreciated paper, abandoned the system of double legal tender, a change which had the most serious results when a return was made to *spécie* payments.

"Other nations followed in the same direction, and in India we were suddenly brought face to face with the great currency problem in the most disagreeable form by finding that the gold prices of silver fell while the exchange on England went down and became subject to excessive fluctuations.

"It so happened that I was employed in the Finance Department of the Government of India at the time, and my recollection is that, in the first instance, the general impression was that the mischief was due to the great Comstock Lode, which was supposed to be pouring out unlimited quantities of silver. Discussion and enquiry followed, and gradually it came to be recognised that probably the most momentous currency change that has ever taken place had been carried out with, I may say, the most complete failure on the part of the civilised world to recognise the nature of the change or to appreciate the consequences that must follow. The question has been investigated by a Special Committee of the House of Commons and by a Royal Commission. It has formed the subject of three International Conferences and given rise to a

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flood of currency literature. I will not say that no progress has been made in the education of the public mind, for I am satisfied that very much light has been thrown on the problem by the discussions that have taken place during the last twenty years. But, I am sorry to say, increase of knowledge has not led to unanimity of opinion, and, what is more to be regretted, it has not led to the application of any remedy.

“The disputants may roughly be divided into two camps—those who urged that the world should return to the old system of double legal tender, and those who maintained that financial salvation was not to be found outside the pale of monometallism. The thorough-going monometallists advocated the gradual extension of the single gold standard to the whole civilised world, silver having become, in their opinion, a discredited metal, no more worthy to be treated as a standard of value than cowries or cockle shells. Another, and I believe a larger, section of the gold camp favoured the adoption of the gold standard by one-half the world, and of the silver standard by the other. The latter proposal always appeared to me to be wanting in the elements of finality. It would have left the civilised world exposed to the evils of a break of monetary gauge, and I was unable to discover any good principle on which it could be decided what countries should adopt the gold standard and what countries should adopt the silver standard, or how a country could be prevented from deserting from one standard to the other with all the attendant monetary disturbance which necessarily results from such changes.

“It was said at one time, and I believe quite seriously, that all the rich countries should choose gold and the poor ones silver. It is instructive to form a mental picture of the proceedings of an International Conference assembled for the purpose of settling the monetary affairs of the world in accordance with this remarkable principle. Unanimity of opinion would, for the first time in the history of such conferences, be secured, but it would be secured by the representative of every nation declaring that he appeared on behalf of an undoubtedly wealthy and solvent community, and one that was determined to march in the van of civilization. If by any accident a nation could have been found willing to admit that was too poor to enjoy the luxury of a gold standard, it would have been necessary for it, in order to maintain the currency equilibrium, to admit not merely that it was poor in the present, but that it intended to remain poor in the future, as any access of wealth at a future date would have involved the adoption of the more fashionable standard.

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"For my part I have always recognised that there was no permanent halting place between a return to the old system of double legal tender and the gradual extension of the gold standard to all civilized countries.

"In the very first Financial Statement which I had the honour to deliver in this Council, I made the following remarks:

'It is needless to say that the question of the future relations between the gold and silver standards is one of great importance for India. The present condition is not one of permanent equilibrium. Either there will be continuous progress in the direction of demonetising silver and substituting gold, or the world will revert to the old system of double legal tender.'

"In the twenty years during which the Battle of the Standard has raged no practical measures have been taken for the purpose of restoring the old stability of value between the precious metals, and the only measure that has been adopted with the view of maintaining the value of silver is the purchase of that metal by the United States. That country has made a great effort to maintain the value of silver, firstly by large purchases under what was known as the Bland Bill, and latterly by still larger purchases under the Sherman Act. As it happens, the purchases of silver by the United States have latterly been contemporaneous with one of those great increases in the production of that metal of which the history of the precious metals affords several examples. The Government of India have also kept open their mints, and in recent years India has absorbed a very large amount of silver. But the crisis to which I called attention in March 1889 has at length arrived. No international agreement has been obtained; Austria-Hungary and Roumania have definitely adopted the gold standard, and Russia is known to have accumulated large quantities of that metal. When I explained the financial position of the Government of India at the beginning of the current year, I had to point out that in two years the fall in the rate of exchange had added Rs. 4,142,000 to the Indian expenditure. Gloomy as was the account which I then rendered to this Council, I am far from suggesting that the case was hopeless if only we could have secured some stable rate of exchange. On the contrary, I am satisfied that if exchange did not fall below the very low figure taken in the budget, or if it did not fall materially below that figure, there would have been no insuperable difficulty in the way of restoring financial equilibrium. But the really serious feature of the case was that there was no reason for hoping that exchange would not fall below the very low figure of last March, and that there was, and could be, no guarantee against frequent and

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excessive fluctuations. Above all, we were exposed to the risk that the United States might suddenly cease to purchase silver. I estimate that, if these purchases were suddenly stopped, India would have to absorb a further sum of about Rx. 8,000,000 worth of silver yearly, and an additional burden of this magnitude suddenly thrown on India's trade with Europe would have a depressing effect on exchange, the extent of which it is impossible to foresee. The additional expenditure imposed on India by this cause would have brought us to national bankruptcy, or within a measurable distance of it.

"It has been urged upon me by an authority upon questions of Indian currency, and one whose opinions I highly value, that even in the case I have supposed it would be better for India to repudiate her obligations, and accept bankruptcy rather than attempt to change her standard. That opinion I do not share although I have been a bimetallist for years, am still a bimetallist, and am by no means certain that the Battle of the Standard will be finally closed by any measure this Council may pass to-day, or even by the cessation of her silver purchases on the part of the United States of America. For weal or woe, India has entered the ranks of civilization. Her territory has been opened up by railways; the progress of human invention has brought her into close and daily contact with the great countries of the West; her trade and commerce increase year by year, and the tide has so far turned in her favour that she has made a most promising beginning in the export of manufactured goods. The adoption of the same standard of value as that of the countries with which she maintains intimate financial and commercial relations, and whom she hopes to rival, is a necessity of further progress, and the discredit of national bankruptcy cannot and will not be accepted on her behalf.

"The Government of India have striven long and earnestly for such a settlement of the currency question as would leave India in possession of the monetary standard to which she has been accustomed, and they have striven unsuccessfully. In the opinion of Her Majesty's Government, the time has come to take a new departure.

"A recital of the efforts which have been made by the Government of India during the last twenty years for a settlement of the monetary question would be a dreary catalogue of repeated failures. No practical purpose would be served by recalling them to mind at the present time; but it may not be uninteresting to the general public to call attention to the recent proceedings which have led up to that decision to establish a gold standard in India which I am now explaining to this Council.

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"In the beginning of 1892 the Bengal Chamber of Commerce called the attention of the Government of India to the fluctuations in the relative value of gold and silver, and, with reference to the fact that the United States had invited the different Powers to a Conference for the purpose of considering the monetary question, the Chamber urged that the Government of India should promote an international agreement for the free coinage of gold and silver at a fixed ratio, and that, failing any such agreement, steps should be taken to have the question of a gold standard for India carefully and seriously considered by competent authorities. The Government of India practically accepted the views of the Chamber, and recommended to the Home Government, firstly, that if the United States of America or any other Government should make proposals for the holding of an International Conference for the settlement of a silver question, the strongest support should be given to those proposals; and, secondly, that if it became evident that the International Conference was unlikely to arrive at a satisfactory conclusion, and if a direct agreement between India and the United States was found to be unattainable, the Indian mints should be closed to the free coinage of silver and arrangements made to introduce a gold standard.

"An International Conference was duly held, and the representatives of India took part in it, but no conclusions, satisfactory or otherwise, were arrived at and no separate agreement between India and the United States was concluded. In the meantime, and before the International Conference met, a Committee was appointed under the presidency of Lord Herschell to advise as to whether it was expedient that any steps should be taken to modify the Indian Currency Act. This is the Committee which has attracted so much attention in India, and which has recently made its report to the Secretary of State.

"It will be understood that the attention of the Committee was not directed to the question of the expediency or feasibility of obtaining a remedy by means of a general international agreement, or by means of an agreement between India and the United States, but solely to the question of the expediency of attempting to establish a gold standard in India, that being the remedy which the Government of India had advocated in the last resource, and failing the other suggested remedies. The question referred to the Committee is thus stated in the first paragraph of their Report :

'The question referred to the Committee by Your Lordship is whether, having regard to the grave difficulties with which the Government of India are confronted through the heavy fall in the gold value of silver, it is expedient that Her Majesty's Government

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should allow them to carry into effect the proposals which they have made for stopping the free coinage of silver in India with a view to the introduction of a gold standard. And if we are of opinion that there is no sufficient ground for overruling the Government of India, but that the measures by which they propose to attain their object require modification, we are asked to offer any suggestion that we think fit for the purpose.'

"The practical measures which the Government of India had proposed for the introduction of a gold standard into India, assuming that the other suggested remedies had failed, were the following:—

1st, the stoppage of the free coinage of silver at the Indian mints by legislative enactment;

2nd, the grant of power to the Government of India to declare by notification that sovereigns were legal tender in India at any rate not exceeding 1s. 6d. per rupee.

"It was not proposed that the mints should be opened to the free coinage of gold as soon as they were closed to silver, or that a ratio should be declared at once between gold and the rupee; but it was intended that the effect of closing the mints should be watched for some time, and, if it were found that the rate of exchange was rising to an extent which was injurious to the welfare of the country, that the Government should interfere at once and check the rise by declaring the sovereign to be a legal tender at a certain rate. The highest rate which the Government of India were to be authorised to declare under any circumstances was 1s. 6d. per rupee.

"The Committee discussed the question of a gold standard for India in all its bearings. Their Report will be published to-day in India, and to that Report I must refer those who wish for full information on the subject. They came to the conclusion that, although there are objections which possess weight to any attempt being made to introduce a gold standard into India, yet, in view of all the circumstances of the case, this is the course that should be adopted, and they proposed one modification of the scheme put forward by the Government of India. The Government of India had proposed to close the Indian mints to the free coinage of silver, to take power to declare the sovereign to be a legal tender at a rate not exceeding 1s. 6d. per rupee, and to await the result of closing the mints, and be guided by the experience thus obtained in deciding on future action.

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"To these proposals objection was taken on the ground that, if the mints were simply closed and no further steps taken, there might be a sudden and considerable rise in exchange which would have injurious consequences and excite apprehension in the public mind.

"For these reasons the Committee recommended that, as soon as the mints were closed to silver, arrangements should be made for the issue of rupees at the Indian mints in exchange for gold at the rate of 1*s.* 6*d.* the rupee, and for the receipt of sovereigns at the Indian Treasuries in payment of Government dues at the rate of fifteen rupees per sovereign. These proposals have been accepted by the Government of India and approved by Her Majesty's Government, and the Bill which I now propose to introduce is intended to give practical effect to the scheme.

"The Bill which I am about to introduce provides for the closing of the Indian mints to the free coinage of silver, Government retaining the power to coin silver rupees on its own account.

"The arrangements for the receipt of gold at the mints at a ratio of 1*s.* 4*d.* per rupee will be made by executive order, and so will the arrangements for the receipt of sovereigns in payment of sums due to Government at the rate of fifteen rupees for a sovereign.

"Gold coins will not for the present be made a legal tender, and consequently nobody will be compelled to receive them instead of silver rupees unless he is willing to do so.

"The Government have also abandoned their intention to take power to declare sovereigns a legal tender at any rate not exceeding 1*s.* 6*d.* per rupee.

"The ratio of exchange between gold and the silver rupee has not been finally settled. The making of gold legal tender, and the ratio of exchange as compared with the rupee at which gold shall be made legal tender, are matters which must be settled hereafter by legislative enactment and in the light of future experience."

The Motion was put and agreed to.

The Hon'ble SIR DAVID BARBOUR said :—"I now introduce the Bill, and move that it be taken into consideration at once. The provision of the Bill are extremely simple, and the only change of any importance that it is intended

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to effect by means of it is to provide for the stoppage of the free coinage of silver at the Indian mints.

“As, however, the Bill, though so simple in itself, is intended to carry out a most important change in the Indian currency, I will explain its provisions in detail.

“In the first place, the Bill repeals sections 19 to 26 (both inclusive) of the Indian Coinage Act, 1870. These are the sections which provide for the coinage of all gold or silver brought to the mints by private persons. The quantity of gold brought to the mint for coinage is quite trifling; and as the gold coins now coined at the mint are not legal tender, and as they will doubtless be superseded altogether when gold is made a legal tender, it is undesirable that any more of them should be coined. This is the only change which is made in the Indian Coinage Act, 1870.

“The Bill also repeals clauses (b) and (d) of section 11 of the Indian Paper Currency Act, 1882, and the proviso to that section.

“Clause (b) refers to silver coin made under the Portuguese Convention Act, 1881; and, as that Convention has come to an end, the clause is no longer required.

“Clause (d) provides for the issue of notes by the Department of Paper Currency in exchange for silver bullion or foreign silver coin; and, if it were retained, it would permit of rupees being obtained for silver as at present.

“The stoppage of the free coinage of silver at the Indian mints necessarily involves the repeal of clause (d), and the proviso ceases to have any meaning when clause (d) is repealed.

“In section 12 of the same Act an allusion to clause (b), which is now repealed, is struck out.

“Section 13 of the Indian Paper Currency Act provides for a portion of the metallic reserve of the Paper Currency Department, not exceeding one-fourth, being held in the form of gold. As the standard of India will in future be gold, the limitation of one-fourth is no longer required, and so much of the section as limits the proportion of gold to one-fourth is repealed. Sections 14 and 15 of the Act are entirely repealed. They refer to bullion or foreign coin tendered under section 11, clause (d), or section 13, and they are

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no longer required, because clause (d) of section 11 will now be repealed, and because it is not intended for the present that private persons should be allowed to tender gold for notes under section 13.

"Certain alterations are also made in sections 21 and 28 to bring these sections into accord with the Act as now proposed to be amended.

"I may here mention that a notification will be issued under authority of section 13 of the Paper Currency Act, 1882, as now amended, providing for the issue of notes by the Paper Currency Department in exchange for gold on the requisition of the Comptroller-General. The object of this notification is to enable that officer to pass gold into the Paper Currency reserve if it should accumulate to an inconvenient extent in the Government Treasuries.

"A notification will also be issued under executive authority authorising the public treasuries to receive sovereigns of current weight in payment of Government dues at the rate of fifteen rupees for one sovereign.

"Another notification will be issued under the same authority authorising the Masters of the Mints at Calcutta and Bombay to issue, under suitable conditions, silver rupees for gold at the rate of one silver rupee for 7·53344 grains troy of fine gold. This corresponds to an exchange of 1s. 4d. per rupee.

"These three notifications will be issued as soon as the Bill is passed.

"Before calling on the Council to pass the Bill, it will be well that I should notice briefly some of the objections which have been taken to the introduction of a gold standard into India. These objections have been very fully discussed by the Committee of which Lord Herschell was President, and the arguments for and against the proposal to introduce a gold standard into India will be found stated at length in their Report.

"It has been said that the divergence in the relative value of gold and silver is due to the appreciation of gold and not to the depreciation of silver; and, if this be the case, it may fairly be argued that the introduction of a gold standard into India is wholly unjustifiable.

"With regard to this argument, I have a preliminary observation to make. The words appreciation and depreciation as applied to the standard of value are ordinarily used without a precise meaning being attached to

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them. They are words which I would rather not use at all if their use could be avoided, but in answering the argument to which I have just referred I must employ them, and I wish to be understood that for present purposes I attach to them the somewhat indefinite meaning which is usually given to them. In other words, by appreciation or depreciation of the standard of value I intend to denote a rise or fall in value due to causes primarily affecting the metals themselves rather than the commodities of which the price falls or rises as the standard appreciates or depreciates. Using the terms in the sense, I have to remark that, when gold and silver alter in relative value, it does not necessarily follow that the whole change is due to the appreciation of the one metal or the depreciation of the other. There may be simultaneously appreciation of one metal and depreciation of the other. Or a metal may appreciate at one time and depreciate at another. I must say that it does appear to me that there was appreciation of gold after 1873 rather than depreciation of silver. There was a greatly increased demand for gold at that time, while the production was rather falling off, and there was a very great fall in prices. These facts seem to me to point very clearly to appreciation of the gold standard, and there are other arguments leading to the same conclusion which I need not enumerate at present. On the other hand, there is equally good evidence that silver has depreciated during the last few years. Notwithstanding the fall in the price of that metal, the total production has continued to increase rapidly, and, notwithstanding the fall in exchange, the imports of silver into India are larger than before. There has also been a distinct tendency during the same time towards a rise in Indian prices, and many complaints have been heard from persons on fixed incomes.

“The introduction of a gold standard at the present time may, therefore, be more correctly described as a measure intended to stop the present process of depreciation rather than as causing appreciation.

“It may, of course, be argued that there is likely to be an injurious appreciation of the gold standard in the future, and here we enter on very debatable and speculative ground, and there is really no means of coming to a positive decision either one way or the other. The question appears to me to resemble those problems that certain people are so fond of putting forward, such as what will happen when all the coal in the world is used up. It is not possible to arrive at any conclusion on such questions, and from a practical point of view they possess little interest for us. If it is the case that the entire store

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of coal will in time be exhausted, we possess no means of averting that result, and we had better leave the problem to those who will be affected by such a calamity. At present the production of gold is increasing, and there appears every prospect of its continuing to increase for some years at any rate. Whether in the long run demand will outstrip supply to such an extent as to cause an injurious appreciation of the standard is one of those questions affecting the future which we have no means of deciding, and with which we need not concern ourselves.

"If gold does appreciate, we shall at any rate be no worse off than the other nations which have adopted that standard; on the contrary, we shall be better off, for we shall have escaped any appreciation which may have occurred in the last 20 years.

"Another objection is that with an over-valued rupee there will be great risk of false coining. I do not say that there will be no risk of false coining, but the experience of countries in which the silver currency has been over-valued for a number of years shows that this danger has been exaggerated. False coining on a small scale is not very profitable, and would not be productive of much mischief so long as the coins were made of good metal. False coining on a larger scale could not be carried on without the use of expensive machinery, and is practically impossible. In any case, if there is to be false coining, it will affect other countries long before it becomes common in India. The inducement to manufacture and issue false coin is the amount of profit to be made, and the amount of profit will be much greater in America, France, England and other countries than it will be in India, because the silver coins will be over-valued to a greater extent in those countries than they will be in India.

"It has also been said that, if India has a gold standard, the countries which retain the silver standard will have an advantage over India in the production of commodities for export. I attach no importance to this argument so long as the Indian standard is in itself a good one. A sudden rise in exchange will injuriously affect certain industries for a time. A sudden fall in exchange may give them an undue amount of profit and supply a temporary and artificial stimulus. But the principles which regulate international trade rest on a totally different basis, and it seems to me an obvious truism that our manufactures and our commerce will advance more rapidly under a system which gives India the same standard of value as her principal customers than they could possibly do under a system which give us one standard of value and our chief customers a different one, the two standards varying in relative value from time to time in a manner which defied calculation.

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"There remain certain objections which appear to me to possess weight.

"There is no doubt that the making of the rupee a token coin will be a source of loss and inconvenience to persons in India who possess uncoined silver, and that the adoption of a gold standard by India will injuriously affect to a greater or less degree our trade with silver-using countries beyond sea, our trade with the Native States of India, and our frontier trade with Foreign States.

"The answer to these objections is that the question of the adoption of a gold standard must be decided not with reference to any one consideration, or to a limited number of considerations, but after a careful examination of all the circumstances of the case, and that we must decide where the balance of advantage lies and act accordingly. It is true that persons who hold uncoined silver will lose; but, on the other hand, the same persons generally hold rupees also, and in respect of their coined silver they will gain. If our trade with silver-using countries will be injuriously affected, our trade with gold-using countries will be beneficially affected in a corresponding degree; and the latter branch of our trade is much larger and more important than the former. It is more than probable that some of the silver-using countries with which we trade will also adopt the gold standard, and as time goes on the tendency will certainly be in that direction if we succeed in establishing gold as the standard of India. It is also quite possible that some or most of the Native States of India may decide to adopt the gold standard; and our land trade with foreign countries is not very important, and is subject to so many drawbacks already that a difference of standard will be anything but an insuperable obstacle.

"There is one difficulty connected with the introduction of a gold standard into India which requires special notice. When the Indian mints are closed to the free coinage of silver, the currency of India will become a token currency of unparalleled magnitude without a reserve of gold, and this currency will be liable to have additions made to it by rupees being returned to India from the various foreign countries in which they now circulate, and by rupees being transferred from the boards in which they are now held.

"Under such circumstances it may well be asked whether it will be possible for us to make gold standard effective at once. In other words, will the rupee be worth as much as 1s. 4d. from this day forward?

"To this question I cannot give a confident answer, and I do not believe that it is possible for any one to do so. I have no doubt but that rupees will be

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returned from foreign countries ; but I do not think the amount so returned will be excessive. There is some risk of large quantities of rupees being thrown into the circulation from hoards, and I was formerly of opinion that the probability of this course being followed amounted to a serious danger. In recent years I have attached less importance to this aspect of the question. I think that the process of bringing rupees out of the hoards in which they lie would in any case be slow ; that it might never take place on any considerable scale ; and that the risk would be greatly lessened if the business of establishing the gold standard be so managed as to maintain confidence and prevent panic. It may be that the gold standard can be made effective from the first, though it will not be secure until there is a considerable amount of gold in our treasuries and banks. Or it may be that the making of the gold standard effective, and the establishment of it on a secure basis, will involve a long and arduous struggle and necessitate heavy sacrifices. Time alone can show which view is correct. But, whatever the sacrifice and trouble of attempting to establish a gold standard may be, they must be faced, and the object we have in view is one which would, I submit, justify us in running even greater risks. Our present position is not such that we can avoid risk and loss by avoiding action, and an attempt on our part to permanently maintain the silver standard under present conditions would, in my opinion, involve peril to this country of the most serious character."

The Hon'ble MR. MACKAY said :—" I have had occasion to say a good deal on the Indian currency question during the past year or two, and I do not consider it necessary to say more at this time ; but I cannot give an altogether silent vote on such an important Bill as that now before Your Excellency's Council.

" I am completely in accord with the provisions of the Bill just introduced by the Hon'ble Sir David Barbour, and with the greatest deference I venture to congratulate Your Excellency on having succeeded in bringing forward a measure which will have the effect not only of restoring the finances of the country to a satisfactory condition, but which will also impart to trade and commercial transactions that legitimate amount of certainty of which they have been deprived for the past twenty years. The measure at the same time relieves the country of that dread of additional and seriously disturbing taxation which has been weighing upon it for some time past. I look forward to a new era of prosperity and progress for India, and also to a great development of the resources of the country through the attraction which will now be given to British capital, and I look upon the assimilation

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tion of the English and Indian standards of value as a removal of the only barrier which has hitherto prevented India from taking her place amongst the great commercial and industrial nations of the world. It would have been well for India had the step taken by Your Excellency's Government to-day been adopted fifteen years ago. In the interval not only has the natural progress of the country been retarded, but actual and serious injury has been inflicted on many important interests. However, it is useless to look back with regret on what might have been. We are content to accept the benefit, late as it is, which is now at last being conferred upon the country, and we look forward to the future with renewed hope and confidence."

The motion was put and agreed to.

The Hon'ble SIR DAVID BARBOUR said:—"I now move that the Bill be passed, and in so doing I wish to add a few words, by way of caution and advice, to what I have already said. It is impossible to exaggerate the importance of the step which Her Majesty's Government and the Government of India have taken in deciding to establish a gold standard in India; but that step has been taken after the fullest discussion and with a deep sense of the responsibility which has been incurred. It is the intention of the Government of India to carry the measure to a successful issue if it be within their power to do so, and I trust that they will receive the unswerving support of the Indian public in the course which they have adopted—a course which was adopted in the belief that it was essential to the welfare of the whole Indian community.

"If it should happen, as it may, that the gold standard is effectively established in India from this day, I desire to urge that no undue elation should be exhibited, and that no precaution should be relaxed. The change of the Indian monetary standard is a measure which will have far-reaching and possibly unexpected results; and the gold standard cannot be considered to have been securely established in India until it has stood the test of time, and borne the shock of those financial storms which sometimes arise in the clearest skies. On the other hand, I would equally urge that we should not give way to alarm and despair if we should find ourselves confronted with serious and unexpected difficulties. The measure which we are engaged in carrying out has been adopted both with a full knowledge that serious difficulties might be encountered, and with a firm determination to overcome them if it be within our power to do so. The secure establishment of a gold standard in India may

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be a work of time, and may involve heavy sacrifices ; but what other road to safety is open to us ? We all know the troubles that have been brought upon this country during the last twenty years by the difference of standard between India and England. Are we prepared to face another such period, and are our troubles likely to be less if we go back to the old state of things after hastily abandoning the attempt to establish a gold standard ?

" It has sometimes appeared to me that there were persons who held the opinion that the establishment of a gold standard would be a source of endless wealth to the Government of India. I know no good foundation for that belief. I hope and believe that the establishment of a gold standard will relieve the Government of India from an ever-growing cause of expenditure and from harassing fluctuations, and that it will promote the general welfare of the community. But the gold standard is not in itself a source of income, and it will be as necessary under a gold standard to practise the old-fashioned virtues of economy and prudence as it was under the silver standard, and the neglect to do so will involve the same consequences in both cases. I will even go further and say that economy is specially incumbent on the Government of India during the next few years. Confidence is a plant of slow growth in the financial world, and the people of India are apt to distrust anything that presents a novel appearance. If the public lose confidence in the success of our measures, the difficulties of establishing and maintaining the gold standard will be enormously increased.

" There are two lines of policy by which I think it is possible to promote confidence, and I earnestly commend them to those who may be entrusted with the management of the Indian finances during the next few years. The first is to take care that each succeeding year shall close with a substantial surplus, and the second is to avoid at all hazards any increase of the home charges.

" I am afraid there is not much originality in these recommendations, but they are the best which one-and-twenty years' experience of Indian finance enables me to offer."

His Excellency the PRESIDENT said :—" I should like to say a few words before I put the motion of the Council.

" We shall not, I trust, be considered open to criticism because we are disposing of this question—one of the most important which has ever come before the Legislature of this country—without going through the usual forms

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of our legislative procedure, and in the absence of those Additional Members of Council who do not happen to be in Simla. It will be obvious to every one that, for reasons upon which I need not dwell, the decision which has been arrived at must be carried out forthwith, and that a prolonged discussion of this Bill, or even its amendment in any essential particular, would not be admissible.

"We may, however, fairly contend that, if the question is being dealt with at this stage as if it were a matter of executive administration rather than one for the deliberate consideration of the Legislature, no question has ever been subjected to more thorough discussion out of doors than that with which we are concerned this morning. No debates in Council could be so instructive or so exhaustive of the subject as the discussions which have been proceeding in the public Press and at public meetings upon the currency question during the last year or two.

"There is, therefore, I venture to think, no occasion for travelling again over the old ground, or for arguing at length whether it was, or was not, safe to leave this country at the mercy of a fluctuating exchange, or whether the alleged advantages accruing to certain branches of our trade under a falling exchange were, or were not, greater than the troubles and difficulties which have already overtaken us, or than those further troubles and difficulties which would have beset us had exchange been allowed to fall to a still lower level.

"It was, I think, pretty well understood that the Government of India had some time ago arrived at a conclusion both as to the extent of the danger and as to the proper means of encountering it. The scheme, however, which we are laying before you does not rest upon our authority alone, and we are relieved from the necessity of justifying it, as we should have been expected to justify it, if it had been accepted by the Secretary of State merely upon our unsupported recommendation. We are in this position, that the proposal which we had laid before Her Majesty's Government a year ago is now accepted not only by them, but by that Committee of experts for whose verdict we have been waiting so impatiently during the last few months.

"When the composition of that Committee is considered; when we remember how many different schools of economical science were represented upon it; when we recollect how confidently it was predicted, even up to the last moment, that its members could not possibly agree in their conclusions, the fact that they have found it possible to sign with practical unanimity the

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Report which will be published in to-day's Gazette shews, I cannot help thinking, conclusively how strong our case was, and gives to the recommendations of the Committee a weight and a force which may be described without exaggeration as overwhelming. I feel, therefore, that I should be merely wasting the time of the Council, without contributing anything to the information which will shortly be accessible to the public, if I were to attempt to add to that which will be found within the limits of Lord Herschell's Report. I will, therefore, merely venture to call the attention of those who will read that remarkable State document to one or two of the conclusions which it has established. And here let me, in the name of the Government of India, and I hope, I may say, in the name of the people of this country, express our obligation to Lord Herschell and to his colleagues for the patience and thoroughness with which they have investigated this intricate problem, and for the thoughtfulness with which they have taken into their consideration all the different aspects of a question in which so many interests and classes are concerned.

"The Report of the Committee will, in the first place, I think, render it no longer possible for any one to tell us, as we have sometimes been told, that this currency question was merely a grievance of the Indian services, or that the Government of India was interested in it only because we desired to extricate ourselves from the embarrassment occasioned by the instability of our finances. The Report of the Commission has, once and for all, shewn that far wider issues than these are involved—issues affecting not merely certain interests and certain classes of the community, but every interest and every class throughout the Indian Empire.

"Upon the question of the effects of fluctuations in exchange upon the commerce of India the Committee speak with no uncertain voice. They report that there seems to be a common agreement amongst those who differ in their views upon almost all other points that trade is 'seriously harassed' by these fluctuations, and, after a careful examination of the arguments adduced in support of this view, they express their opinion that 'it cannot be doubted that it would be well if commerce were free from the inconveniences of fluctuations which arise from a change in the relation between the standard of value in India and in countries with which her commerce is transacted.' And with regard to the deterrent effect of these fluctuations upon the investment of capital in India, they observe that 'there can be no doubt that uncertainty as to the interest which would be received for the investment, and as to the diminu-

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which the invested capital might suffer if it were desired to retransfer it to this country, tends to check British investments in India.' That is precisely the view which has been again and again urged with great ability by the Association over which our hon'ble colleague Mr. Mackay has presided, and which has done such excellent service in familiarizing the country with the details of the currency question. It is a view which, as I have on more than one occasion publicly said, has always seemed to me indisputably sound, and it is satisfactory to find that this view is unreservedly accepted by Lord Herschell and his distinguished colleagues.

"In another passage of the Report the Committee mention that the evidence before them points to the conclusion that during recent years the silver price of Indian produce has risen ; and they add that 'if, as experience shows, wages respond more slowly to the alteration in the value of the standard, this rise in the price of produce must have been prejudicial to the wage-earning classes.' They sum up this part of the case in these remarkable words :

'The above facts give reasons for believing that the recent fall in silver, coupled with the open mint, has led India to import and coin more silver than she needs, and the worst of the evil is that it is a growing one. Every unnecessary ounce of silver which has been, or is being, imported into India is a loss to India so long as silver is depreciating in gold value, for it is, *ex hypothesi*, not needed for present use, and it can be parted with only at a sacrifice. So far as the open mints attract unnecessary silver to India, they are inflicting a loss upon the people of the country, and benefiting the silver-producing countries at the cost of India.'

"While these are the effects which have been produced by fluctuations in the rate of exchange up to the present time, the Committee leave us in no doubt that the evils which we have hitherto experienced may be as nothing compared with those still in store for us if we are content to allow matters to drift.

"The Report dwells upon the large purchase of silver made by the Government of the United States under the Bland and Sherman Acts, and upon the fact that, in spite of these purchases, the price of silver has fallen to its present low level. They go on to express their opinion that, even if no change were to be made in the currency arrangements of the United States, the experience of the past would forbid the conclusion that the price of silver would be stationary at its present level. It would, they say, under these circumstances be imprudent to act on the assumption that no further fall

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is possible, or even probable. It is, however, as we are all aware, a matter of notoriety that the early repeal of the Sherman Act is possible. The Committee dwell upon the heavy further fall which would certainly follow upon the repeal of the Act. They express their opinion that such a fall would not necessarily diminish the production of silver, and that under such circumstances 'it cannot be regarded as otherwise than within the reasonable bounds of possibility that the repeal of the Sherman Act might lead to a fall in the price of silver of even 6*d.* per ounce or more, and that there might be no substantial reaction from the level thus reached.' 'It may,' the Commissioners think, 'be said with practical certainty that such a fall would reduce the exchange to about a shilling per rupee, and would involve the necessity of raising at least Rx. 6,612,000 more than would be required by the Government of India to effect, even at the rate of exchange of 1*s.* 3*d.* per rupee, a remittance of the amount drawn last year, namely, £16,530,000 sterling, while the payment of £19,370,000 sterling, which is the present estimate of the drawings for 1893-94, would, at 1*s.* 3*d.* per rupee, require Rx. 30,992,000 and, at 1*s.* 0*d.* per rupee, Rx. 38,740,000, involving an increase of Rx. 7,748,000.

"These are not the gloomy vaticinations of harassed and querulous Indian officials, but the deliberately expressed anticipations of such men as Mr. Leonard Courtney, so well known as Chairman of Committees of the British House of Commons, and a recent convert to bimetallism; Sir Thomas Farrer, for many years the distinguished Secretary of the Board of Trade, and an eminent Political Economist and Free Trader; and Sir Reginald Welby, the Secretary of the Treasury, an official of exceptional experience, who had, moreover, previously been a Member of the Committee which in 1878 issued an unanimous report against another proposal founded upon the closing of the Indian mints to the free coinage of silver.

"With these prospects before them, the Committee find themselves face to face with that dilemma to which reference was made in the discussion upon the Financial Statement at Calcutta in March of the present year. It is recognised that the Government of India has to choose between a change in its currency arrangements and the imposition of increased taxation, which, if the figures which I have just cited are to be taken as a guide, might be of the most formidable and onerous character. The possibility of increasing our revenue by means of additional taxes is examined by the Committee in a series of paragraphs which I earnestly recommend to the attention of those who would have us leave the currency alone and restore equilibrium between income and expenditure by means of additions to the burdens of the country,

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"The Committee say that they are not in a position to determine whether the apprehensions which have been expressed to them that increased taxation cannot be resorted to without grave mischief are exaggerated or not, but they add this very significant observation :

'It is not easy to see how the burden of the added taxation which would be requisite to counterbalance the fall in exchange could be made to rest on those who might with the most justice be subjected to it, or how the added revenue could be provided, except in a manner opposed to second principles of taxation.

"I think, then, that I may sum up this part of the case by saying that it has now been established almost beyond controversy that to leave matters as they were meant for the Government of India hopeless financial confusion ; for the commerce of India a constant and ruinous impediment ; for the taxpayers of India the prospect of heavy and unpopular burdens ; for the consumers of commodities a rise in the prices of the principal necessities of life ; and for the country as a whole a fatal and stunting arrestation of its development.

"My Hon'ble Financial colleague has explained to the Council the precise nature of the proposals of the Committee—proposals which we have thought it our duty to accept—and wherein they differ from those which we had ourselves submitted to the Secretary of State.

"The scheme of the Committee may be described as being not so much an alternative to our own as a modification of it. It is our scheme with the addition of safeguards and precautions—safeguards and precautions which appear to us to be wisely conceived. The feature which both schemes have in common is the essential feature of both ; both are based on the closing of the mints to free coinage with the object of eventually introducing a gold standard into India upon terms as equitable as can be devised in the interests of all concerned, and with a minimum of disturbance to the business of the country.

"I may say, too, that both schemes have for their main object the prevention of a further fall in the value of coined silver rather than the enhancement of its value greatly beyond the present level. The difference between the Government of India and the Committee may be said to lie mainly in this, that the Committee have given more prominence than we had given to this aspect of the case. The keynote, so to speak, of the Report is to be found in the opinion recorded in paragraph 135, to the effect that 'to close the mints for the purpose of raising the value of the rupee is open to much more serious objection than to do so for the purpose of preventing a further fall.'

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"It is then mainly with the latter object that the Committee advocate putting a stop to the free coinage of silver. That is a view which will, I cannot help thinking, be generally accepted as a just and reasonable one. The step recommended by the Committee will not produce any violent disturbance of values. It will, to use the words of Messrs. Farrer and Welby, 'not materially alter the present relations between debtor and creditor, but, 'on the contrary, prevent those relations being altered in the future by a further fall.'

"It has also this further advantage, that it provides an automatic means whereby it will be possible to prevent the closing of the mints from leading to a sudden and violent disturbance in the rate of exchange. I refer of course to the provision that any person may hereafter bring gold to the mints and obtain for it rupees at the rate of 1s. 4d. per rupee, and that gold may be tendered in payment of Government dues at the same rate, which is equal to one sovereign for Rs. 15. I need scarcely explain that the effect of this will be that, should exchange show a tendency to rise in the open market beyond the rate originally fixed; should it, for example, rise to a ratio giving, let us say, 1s. 4½d. as the equivalent of the rupee, or something less than Rs. 15 for the sovereign, it will at once become advantageous to bring gold to the mint, and to exchange it at the full rate of one sovereign for Rs. 15. In this manner, by a self-acting process, a rise beyond the level which has been provisionally indicated will be rendered impossible so long as that limit remains in force.

"These precautions will, I hope, go far to allay the apprehensions of those who mistrust the idea of any attempt by Government to increase artificially the value of its currency. Upon the other hand, the provisional ratio which the Committee has recommended, and which may, should circumstances hereafter require it, be raised, is sufficiently high to afford the Government of India immediate and substantial relief from its most pressing difficulties. Had the ratio been fixed lower in the first instance, I do not see how it would have been possible for us to avoid adding to the taxation of the Empire.

"I would venture to ask those who take exception to the enhancement of the gold value of the rupee from the rates prevalent lately to 1s. 4d. upon the ground that such a fluctuation involves a disturbance of the markets whether this small fluctuation is comparable in its importance with those to which we have had to submit during the last few years, and to which, if we were to leave matters alone, we should, no doubt, still be exposed.

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"I will only add for the benefit of those who may not have leisure to study the Report that there should be no mistake as to the following points :

"First, although we propose to introduce a gold standard, no attempt is to be made to get rid of the silver currency to which the people of this country have been so long accustomed. The experience of other countries, as to which the Report has much to say, [and there is no part of it which is better worth reading,] has, the Committee tell us, shown that it has been found possible by the adoption of different systems to maintain a gold standard and a substantial parity of exchange with the gold-using countries of the world without a gold circulation, without a large stock of gold currency, and even with a silver currency not legally convertible into gold. The Committee admit with the fairness which characterizes their Report in no one of the countries of which they have cited the example has silver been so largely and so exclusively used as in India, and there can be no doubt that, as Sir Thomas Farrer and Sir Reginald Welby have put in their separate Report, the effect of this measure will be to give us a token currency of unparalleled magnitude. The Committee sum up this part of the case by the very reasonable observation that, although the cases of Scandinavia, Holland, Canada, the Dutch East Indies, and the countries of the Latin Union are not in all respects applicable as precedents to the case of India, the experience derived from the currencies of those countries is not without value as bearing on the questions which we have to consider.

"In the second place, it will be observed that for the present no attempt will be made to fix the legal tender price for gold. In this respect also the proposals of Lord Herschell's Committee differ from ours for reasons which have been explained by the Hon'ble Financial Member.

"Thirdly, it would be seen that the ratio recommended by the Committee is fixed provisionally and not permanently, and that the provisional ratio is well within the limits of recent variations.

"I might say more, but I feel that I cannot add usefully to what has been already said with an authority to which I cannot pretend in the Report of the Committee. I will make one other observation only. It is true that our responsibility in this matter has been, as I said at first, to some extent diminished by the fact that the measure before the Council has not only our support, but that of Her Majesty's Government and that of the Members of the Herschell Committee, but we do feel, nevertheless, very deeply the gravity of the step which we are about to take. For myself, I may say, that I

[*The President.*]

[26TH JUNE,

hold very strongly that all attempts to give a fictitious value by legislation to money or commodities are upon principle to be deprecated. The less Government has to do with such enterprises, the more we can trust to the ordinary influences of demand and supply, and to the open traffic of the markets, the better for all concerned. But a time may come when inaction is no longer possible, and when a Government would be unworthy the name of a Government if it were to stand aside and leave things to take care of themselves. We believe that such a time has come in India; we believe with Lord Herschell's Committee that a further fall in the gold value of silver is probably imminent, and that such a fall would have disastrous effects for this country if we were still to allow its mints to remain open for the receipt and coinage of any quantity of a depreciated and discredited metal. We know that other countries have discarded that metal and have prospered, and we see no reason why we should be precluded from following their example. We have borne long enough with a state of things which is becoming more intolerable with every year that passes, and which in all human probability would have become more intolerable still. We feel that, holding these views, we should be culpable if we did not attempt to place the finances of India on a more stable basis. We admit the immense difficulty of the problem and the uncertainties by which it is surrounded, and we offer this solution not as one which is ideally perfect, but as the best which can be devised.

"We are hopeful that it will afford relief not to ourselves merely or to our employes, but to the country as a whole. We are, however, far too well aware of the intricacy of the problem and of the risks attending such an experiment as that which we are about to try to take this momentous step with a light heart. In a case of this kind, the most obvious economic and scientific laws do not always prevail. You may provide for all the known factors in your calculations only to find that there are others which you have overlooked or been unable to estimate. But in spite of these misgivings we earnestly hope that our proposals may be fruitful of good; that the commerce of India may be relieved from an impediment which has retarded its progress; that the Government of India may be able to meet its obligations without adding to the burdens of the taxpayer; and that capital will flow more freely into this country without the adventitious stimulus which we have hitherto been unable to refuse. We trust, finally, that in process of time sufficient reserves of gold may be accumulated to enable us to render our gold standard effective, and thereby to complete the great change towards which we are taking the first steps to-day.

1893.]

[*The President.*]

"Time only can show whether all these hopes will be fulfilled or be disappointed. In the meanwhile, I earnestly trust that even those who regard this measure with most suspicion or reluctance will give us credit for having had the courage of our opinions, and for having taken the only course which seemed to us likely to relieve this country of a burden which has, we believe, seriously affected its welfare in the past, and which would, unless we had intervened, have still more seriously paralyzed her energies and retarded her advance in the future."

The motion was put and agreed to.

The Council adjourned to Thursday, the 20th July, 1893.

S. HARVEY JAMES,

SIMLA ;
The 26th June, 1893. }

Secretary to the Government of India,

Legislative Department.