

INDIAN
AND
BRITISH CURRENCY

BY
SIR JOHN PETER GRANT
K.C.B., G.C.M.G.

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TO

THE RIGHT HON. G. J. GOSCHEN.

THE peril to India, of leaving this question of Currency "to drift in the future as it has drifted in the past," unheeded, is so imminent, that I venture in this Pamphlet to press it on the attention of the greatest and most successful financier we have amongst us.

J. P. GRANT.

ON THE TERRIBLE FALL IN THE GOLD PRICE OF SILVER.

EVERYBODY is much disappointed at the report of the Royal Commission on the Currency Question, which comes to no conclusion in which the whole commission can agree. This disappointment is greatest among Indians, for in respect to India the Currency Question is one of primary and vital importance, which is not the case in respect to Great Britain, where no change in the currency law is necessary.

Therefore, in Great Britain, we can patiently await the consent of the other great powers before making any change, but not so in India, where the revenue is on the brink of ruin, and great danger is imminent. Sir Louis Mallet, who was evidently appointed upon the Commission to represent the Council of India, could neither ignore nor shirk, as

the other members have done, the critical situation in which India is placed by the present anomalous state of its currency ; for surely there can be few greater anomalies than that a great country, like Great Britain, and such a magnificent Dependency as British India, should have different currencies, and different laws relating to currency.

I do not wonder at the failure of the Royal Commission to arrive at any conclusion, for if the currency is to be on the bi-metallic principle, I find it very difficult to frame a method of working it with coins either wholly of the one metal or wholly of the other.

The French system of allowing the debtor to pay the creditor either wholly in gold or wholly in silver, results practically in a mono-metallic system, with this disadvantage : that, whichever metal be adopted, it is not likely to remain the one metal practically in use for any long time together.

Even already there seem to be signs that gold may become comparatively the cheaper of the two precious metals, in consequence of the constant discovery of new gold-mines, and of improved methods of extracting pure gold from the ore.

This being so, I am not quite sure that it would be worth while for this country to adopt bi-metallism, so far as its general trade is concerned ; but the case is very different so far as its trade with India is concerned.

To save the Indian Revenues, and secure the Indian Empire, it is not bi-metallism that is requisite, nor mono-metallism either. What is requisite is, that the currency law in the two countries should be identical. As gold now forms the sole currency of Great Britain, and silver the sole currency of India, so far the problem is one of extreme difficulty, perhaps of insurmountable difficulty ; but if the coinage were itself made bi-metallic, all difficulties would disappear. I cannot see why the present system should be maintained.

I will cite what Sir John Strachey says in his very admirable book on India, lately published :

“How, apart from the interests of the Government and the tax-payers, the economical interests of Indian producers and traders have been affected by these changes in the relative value of the precious metals, is a question into which I shall not enter.

“ The last few years have been a period of much prosperity in India.

“ Prices in India itself have hitherto hardly been affected, and, looking at what has occurred in Europe, we may believe that India has gained no small advantage from the comparative stability of her silver standard in relation to commodities other than gold.

“ However this may be, there can be no question regarding the serious nature of the difficulties in which the Government is involved. No one can say where this continuous depreciation of silver is to stop, or when we shall see the end of the constantly recurring increase in the liabilities of the Government, which follows as the inevitable result.

“ Recourse has already been had to taxes that are economically objectionable, and which place fresh burdens upon the poorer classes, and we are perilously near the time in which we may be called on to adopt measures which may be politically dangerous or inexpedient. We have hitherto never introduced into India any strange and unpopular taxation affecting the masses of the population. If we were to change this policy,

and were to impose heavy burdens of a kind hitherto unknown, our position might become very different to what it has been in the past. Our difficulties would be seriously increased if such burdens were to meet charges from which the Indian tax-payer derived no benefit, the nature of which he was unable to understand, and which were the direct result of the existence of a foreign dominion. But the truth is that, for such a state of things as that which exists, no readjustment of Indian taxation could afford a remedy. Even if India were a country like Great Britain, where the public revenues, in case of necessity, can almost at any moment be largely increased, she would find, while her standard of value differed from that of England, and while the gold value of silver continued to fall, no relief from pouring into the bottomless pit of her treasury constantly increasing supplies of silver.

"I do not now propose to discuss any of the measures by which it has been suggested that relief might be afforded, but no language that I could use would be too strong to express my sense of the gravity of this question. There is

no Indian authority who does not feel that, if it be allowed to drift on in the future, as it has drifted in the past, we may some day find ourselves in a position, not only of extreme financial difficulty, but of political peril."

Having spent thirty-four years of my life in the Indian Service, and having served in six of the many nations composing our Indian Empire, viz. Rohilcund, Hindostan, Bchar, Bengal, Ganjam, and Mysore, and having held, among other minor appointments in India, those of Accountant to the Government of Bengal, and Member of the Calcutta Mint Committee, I hope I am not presumptuous in saying that I thoroughly agree with every word of the above citation, and I believe that nobody acquainted with India will differ from me in this. How, then, can this absence of a common standard be corrected?

The case is so perilous, that no remedy can be too novel or violent, if only it be effective. I think that the following method would be effective. Hitherto, it appears to have been taken for

* Sir J. Stachey's "India," Lecture IV., pp. 118, 119.

granted that all coins in the United Kingdom which are to be legal tender above a certain amount in value should be in gold, and coins below a certain value in silver.

I do not see what necessity there is for persisting in this principle. I would propose that bi-metallism should be introduced in the following manner: I would have all coins composed of a bi-metallic alloy, of which half in value should consist of gold, and half in value of silver, at a fixed ratio, to be determined by experts. I see that the maximum and minimum ratios mentioned by the Royal Commission are between 20 of silver to 1 of gold, and 15 of silver to 1 of gold; $15\frac{1}{2}$ to 1, I see, is the ratio generally recommended. To this, I myself would prefer 16 to 1, 'because fractions are troublesome to unready reckoners, and 16 to 1 is a little nearer the present market rate than $15\frac{1}{2}$ to 1.

The only objection that I can see to this measure, is the great weight of the coins that would replace the sovereign. But it is to be remembered that all coins would be but imperceptibly heavier than half the weight of the old silver coins

of which they would be the equivalent. The loss occasioned by the waste of the gold currency is far greater than is generally supposed.

I well remember when no one could get a sovereign changed without paying fourpence for every sovereign. I also well remember when a shilling had no visible impression upon it, and looked more like the tinfoil cover of a sodawater-bottle than anything else.

It is supposed that, in order to save the country the loss occasioned by the waste of the gold currency, Mr. Goschen contemplates the issue of legal tender £1 notes, presumably by the Bank of England, to be secured by a deposit of the precious metals. These notes would be legal tender everywhere but at the bank which issues them, and this would do away with the objection as to the excessive weight of the bi-metallic sovereign.

I may add that it does not seem to me that every bank^{*} issuing paper money should be required, in order to admit of its notes being a legal tender, to deposit the full amount of its issue in the precious metals. It further seems to me, that if all banks

issuing paper money were to enter into an agreement to guarantee the issue of any bank that might fail, it would probably be sufficient that much less than half the value of its issue should be deposited by any one bank. I do not think that there would be any objection to the notes issued by banks entering into the above agreement, being made by law legal tender. All the changes I have suggested as being requisite for the uniformity of the Indian and British currency would, I believe, be good in themselves.

Many people now alive will remember Sir Walter Scott's clever and, fortunately, successful paper signed "Malachi Malagrowther," which cleverly defended the issue by private banks of £1 notes, which then, as now, practically formed the currency of Scotland. Every Scotch bank, I believe, issues its own notes, from which it derives a good profit, and every Scotchman knows the great advantage of the Scotch banks to traders of every description, as well as to agriculturists.* The popularity of Scotch bank-notes in their own country will be shown by a rather amusing incident which happened to myself.

Going into an exhibition of pictures on the Mound in Edinburgh, I found I had no change, and I offered the doorkeeper a sovereign, to be changed. As I did not owe him twenty shillings, but only one shilling, I could not force him to accept the sovereign, which he refused to do. I then asked him if he would change a £1 note, and he said, "Ay! I'll tak' a not'." I pocketed my nineteen shillings and got into the exhibition.

Only one point more remains to be discussed, viz. the expense of the mintage which the change proposed would cause. In India there is seignory of two per cent. on the coinage of silver; this is more than sufficient for the purpose.

In England there is no seignory charged upon the coinage of gold. I do not know why the State should undertake to change the bullion into coin without payment for the cost of so doing. A charge of one per cent. for coining bi-metallic money, such as I have proposed, would be about equivalent to the charge of two per cent. upon silver; it would certainly be sufficient for the purpose, and would be moderate.

I never heard of any complaint of the Indian seignory of two per cent.

Is it not self-evident that a measuring-rod compensated so as not to increase or decrease with the temperature, is better than one not so compensated? and is it not equally self-evident that a coin which is legal tender, so compensated as not to alter its value with the perpetual fluctuations of the relative value of gold and silver, is better than one not so compensated? Here I leave the question to be decided by wiser heads than mine.

