

M. Jewell

E. Africa Dist
C.O.

2615
REV. 15 JAN 20

436

Capt J Sumner of Althorpe House,
Gloucester Road, W. 7, has informed
us that his father det. J. A. Sumner, late
Regal Band in India for the E. Africa Dist.
died on the 7th of Dec.

We ask whether the widow is entitled
to a pension. We do not know or perhaps
you could send her an answer.

M. Jewell
C. O. Office
19 12 19

Major Parkinson

Tell Capt J Sumner that the Sumner
Sumner - not eligible for a pension
(with ref. to his enquiry address)
th. CA file

M. J. 2 6 20
A.C.P.
2.1.20
at work

FOR THE RECORDS SECTION OF THE
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DRAFT.

J. S. Sisson
Hawthorne
Concrete Road SW 7
MINUTE.

Jan 5 1930
R. S. Sisson

- 11. Grindles
- 11. Lumber
- 11. Road
- 11. F. idles
- 11. many
- 11. Milner

S. S. Sisson
with ref to your recent

copying address to the C.A. for the
Chronics. I am directed to inform

you that the widow of the late
Agent General Mr. J. A. Sisson
late Agent Genl of air India for the
E. A. Prots., is not eligible
for a pension of from
Colonial funds.

Copy to Sisson
Bliss

(Signed) H. J. Smith

C.O. 533

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EAST AFR. PROT

7293

24 DEC 1919

438

1919

Dec

Currency

Previous Paper

1/3
2/5

Sir H. Read

Sr J. Fisher

Mr. Ezechiel's minute attached was discussed with Colonel Amery last night. Mr. Darling and I were present. Mr. Darling agreed with Mr. Ezechiel's proposals as a suitable basis of adjustment, and Colonel Amery decided to approve them. He preferred, however, that the commencing date should definitely be the 1st of July and not earlier than that date, and he hoped that the limited period (see para. 5) might be definitely taken as expiring on the 31st of December.

Sir William Mercer feared that there would be great difficulty both from the point of view of getting the necessary notes and the coins for starting on the 1st of July. The best arrangements he had been able to make were for half a million a month, which for the eight million 1000s notes which were required would be 16 months. He agreed to look further into this matter and see if quicker delivery could be secured. It will also be the taken active steps for the preparation of metal dies which will indicate the appearance of the new coins.

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coins and the full fineness which is necessary.

The necessary Order in Council will require careful examination, but it seems essential that we should not wait for the approval of the new Order before making a public announcement on the subject of the changes to be made.

It was decided, however that we should get the Treas. to agree to our making an announcement without waiting for the O. in C. and I submit draft to the Treas. herewith.

With regard to the concluding portion of my draft, the continuance of the provisional arrangement for issuing local salaries in rupees is a serious matter, but it is perhaps not more serious than the contrary which we should have had if we adopted a new rupee at the rate of 15 to the £. When we contemplated that rate we were going upon the assurance that it would not involve any material increase in the cost of wages or commodities. We have now been very definitely told that it would involve serious increases in those respects. It remains to be seen whether the 2/- rupee will not itself mean some increase in wages and cost of commodities, especially if the Indian rupee rises much more.

I confess to some doubt whether the change, which will certainly involve a great amount of trouble, and will probably please nobody, is justified, but the necessity for stabilising exchange in the interests of the settlers must no doubt be a pre-dominating factor.

24.12.19

*My draft has been delayed as a result of various alterations with the
Treas. and the O. in C. and I submit it
as a final draft.*

Other action necessary is:

(2) Semi-official letter to the Members of
Treasury, asking that an official letter
may be drafted into with all speed. 439

(2) Copy of draft & enclosure to Sir E.
Northey, and, when we have that the
arrangements are safe & ready.

(3) Tel. to Sir E. A. & 2 or 3 others explaining
the new arrangements & asking whether they
will accept all come in. This would
affect total points & value the quantities
of coin & notes to be obtained.

603 27/12/41

H. J. R.

27/12/41

We are getting into very deep waters, but as the
minutes state that Col. Amery has asked, these
points I had passed to Sir E. for his

27/12/41

1. Since Colonel Amery's conference with the banks on the 12th instant, we have discussed the matter further with Major Leggett of the British East Africa Corporation and Mr. Chalbers of the Imperial Bank of India; and the scheme which we put before them, and which they seemed prepared to accept, may be set out as follows:-

2. On a date after the necessary Order in Council is passed (let us call this the date of announcement) it will be announced that from a date to be fixed hereafter but not earlier than 1st July 1900 (let us call this the commencing date) the standard unit of value in the East Africa Protectorate and Uganda will be no longer the Indian Rupee but the British £ sterling. The British sovereign will be legal tender at 21 sterlings.

3. New local coins and notes will be prepared, and will be issued in the Protectorates on and after the commencing date as supplies can be made available.

4. Among these coins will be a new East African Rupee, which will have the value of one-tenth of a £ sterling (i.e., 2s/-), and will, from the commencing date, be unlimited legal tender. Steps will be taken to maintain this rate of 2s/- as the parity rate of exchange with the United Kingdom by the establishment of a Currency Board in London, which will, under proper conditions, sell in London at this rate currency to be delivered in Africa, and accept currency from the banks in Africa paying sterling for ~~it~~ in London at the same rate.

5. Indian rupees will form a limited part of the currency after the commencing date (to be fixed in the Order) to be exchanged by

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the Protectorate Governments, and by the Banks on their behalf, so far as supplies of the new currency are available for the purpose, at a rate in terms of the new currency which will be published from time to time (say once a week) and will be decided on the principle that if the exchange value of the rupee in India is at or above 2s/10, the rate will be half-way between that value and 2s/6, and if the exchange value of the rupee in India is below 2s/10, the rate will be 1d less than that value.

6. During this limited period, but no longer, the Indian Rupee will continue to be legal tender, at the rate referred to in the previous paragraph.

7. Indian 1-Rupee notes, the Protectorate notes of Rs. 3 and higher values, and the 50c. and 25c. silver coins, will be treated in the same way as Indian rupees, and will gradually be replaced by new notes and coins as required at proportionate rates. The nickel coins ranging from 10c. to 10c. will, from the commencing date, be legal tender (up to the same limit as hitherto) as fractions of the new Rupee, and will not be replaced by new coins.

8. The export of Indian rupees, of Indian R.L. notes, and of silver, will be prohibited up to the end of the limited period and for as long thereafter as may be found expedient.

9. Debts payable in the Protectorates in the old rupees during the limited period, will (unless otherwise agreed) be payable in terms of the new rupee at the published rate. Debts originally payable after the end of the limited period will (unless otherwise agreed) only be payable at par.

10. The above scheme is of course by no means perfect or free from serious criticisms, but it is the best that we have been able to devise having regard to

(1) the desirability, admitted on all hands, of stabilising the East African Exchange with the country as soon as possible,

(2) the desire of the Secretary of State to do something for the settlers, old and new, by meeting their demands to at least some extent, and to do this something early so as to restore confidence for the introduction of new capital,

(3) the necessity of obtaining for any scheme that may be introduced, the willing co-operation of the banks, and particularly of the National Bank of India, which is the pioneer bank of the country, has far the largest business of the three banks operating there, and has much the most to lose by any reduction in the exchange value of the present Rupee in the Protectorate below its value in India,

(4) the necessity of using every means possible to avoid giving opportunities during the introduction of the scheme of gambling on the situation, which might lead to violent fluctuations of exchange and entirely dislocate business, or even produce a crash,

(5) the necessity of allowing ample time for the preparation of the new coins and notes, which presents problems of great unusual difficulty at the present moment.

The scheme outlined above differs in important respects from that which the Colonial Office has had in hand with the Treasury, and some explanation is therefore due

to the reasons for the proposed change. It will be seen that the British East African Currency Board, as a preliminary to this proposition, it is well to refer to the probable effect of the introduction of the scheme (1) on exchange (2) on prices and wages.

12. As regards exchange, as soon as the announcement is made, holders of Indian rupees will seek to exchange them before the "commanding date", but buyers will not offer the full Indian rate, and exchange operations will at once be conducted on a basis half-way between 2s/- and the Indian rate of the day. Some days must be allowed for the effect of the scheme to be thoroughly understood, and during those days there may be some excitement in the market, but a system of propaganda should be carefully arranged to meet and mitigate this.

13. The effect on local prices and wages is far more uncertain, because it depends partly on the manner in which they have been affected during the last four or five months by the rapid rise in exchange, on which we have no reliable information, and partly on the "psychology" of the community - particularly of the native and of the Indian petty trader who has been selling goods to the native. If, however, we can assume that the petty traders, and/or the merchants handling the goods before him, have made some extra profits out of the situation, it may not be rash to infer - (having regard to the comparatively small reduction in the sterling exchange value of the currency and to the retention of the nickel coins with which no doubt the native makes a large proportion of his purchases) that the general level of prices to the native will probably not rise, either after the first announcement, or after the end of the limited period, and that consequently it will be possible to keep wages down at the same level measured in the new rupees without decreasing the real value of those wages to the labourer. This would be a real benefit to the settler.

14. So much for the probably effect of the scheme.

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Next as to the reasons for the selection of its special features.

15. In the first place, it may be asked, why make any immediate announcement instead of keeping the whole matter secret until the commencing date, as previously contemplated? Colonel Amery suggested such an announcement, and it would have, under the scheme proposed, the immediate effect of halving the fluctuations of exchange, and thus reducing the present unwillingness of settlers to introduce capital into the country. Openness, one may say, is always politically more expedient when it is possible. Immediate announcement will lengthen the interval during which difficulties may be created by illicit exportation or hoarding of Indian currency; but on the other hand the temptation to this (measured at present rates by the difference between $2s/2d$ and $2s/4d$) will be much less than under the $1s/4d$ scheme, and it may be hoped that few will consider the game worth the risk and the cost of waiting. Moreover, it can hardly be hoped that some rumours of the new scheme will not leak out, and expectation that something will be done is already rife. Any gambling that might be indulged in because of this expectation will be stopped, provided that the announcement is - as proposed above - complete.

16. Sterling and not gold has been taken as the future standard of value, because the desideratum is to secure a fixed parity of exchange with this country.

17. Next, why has $2s/-$ been chosen as the standard value of the new current coin, in preference to another figure? $2s/-$ is a convenient unit, rounding with the wanted complete decimal system based on the £ sterling, and it is $100/100$ for the present exchange value of the Indian rupee. A $1s/4d$ scheme would involve greater losses to the National Bank of India than they would

accept without determined hostility. At 1s/4d it seems certain that there would be a very heavy rise in prices - how much we cannot tell, but possibly so much that no real benefit may accrue to the settlers. A 1s/4d rupee would also require a far more complete review of taxation, railway rates, salaries, and estimates of expenditure. A value above 1s/4d and below 2s - would involve difficulties in these matters. The main object is to effect stabilisation. The second is to secure the exchange value of the rupee to so much as will not seriously throw the existing commercial arrangements out of gear. Persons in this country who wish to export capital cannot complain if they get ten rupees to the sovereign. Under the present circumstances they do not really lose by converting a sovereign into Indian rupees - they get the full value of the sovereign in another currency. Under the proposed scheme they will get rather more, and the exchange will be fixed. Probably the uncertainty of the position and the

course of a great change are the main hindrances at present.

16. As regards the rate of redemption of the existing currency during the limited period, we propose to allow the holder 50 per cent. of the excess of the Indian exchange over 2s. Any other percentage might be chosen, or a fixed amount (say 5s) might be paid on the Indian rate. If 75 per cent (say) were allowed instead of 50 per cent, the profit to the Government on redemption would be 25 per cent, the loss to the bank would be less, the fluctuations of exchange during the transition stage would be larger, and the apparent benefit - and also the real benefit - to the settler would be less. At 50 per cent the stabilization of exchange value from the date of announcement to the

commencing

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It would be very simple - a consideration not without importance. To take a fixed amount off the Indian rate would not reduce at all the fluctuations of exchange during the transition stage. In the unlikely event of the Indian rupee falling below 100 before the end of the limited period, there should be no difficulty, as the discount of ~~10~~ will suffice to cover the cost of redemption.

19. The Indian Rs. note must be redeemed as equivalent to the coin. We propose to treat the present Protectorate notes of Rs. 5 and upwards in the same way and redeem them as equivalent to Indian rupees. This means that the whole of this note system must be changed and replaced by new notes clearly different in appearance; but no other course seems defensible against the charge of broken promises, seeing that the notes are embossed with the words "The Government of the East Africa Protectorate promises to pay on demand the sum of Rupees", and that "Rupees" at the time the promise was made clearly meant Indian Rupees.

20. The silver pieces of 500 and 250, if it is proposed to redeem on the same basis rupees, though less fine than the Indian ones, they may become at any time, even if they are not already, intrinsically worth more than the corresponding fractions of a rupee. The redemption will in any case be profitable to the Government because the new coins to replace them will intrinsically be worth less.

21. The proposed retention of the present nickel coins (1d.5c. and 10c) as substitutes for fractions of the new rupee is justified on the principle mentioned. It is explained above, but to keep down prices and wages.

It would be very simple - a consideration not without importance. To have a fixed amount of the Indian note would not reduce at all the fluctuations of exchange during the transition stage. In the unlikely event of the Indian rupee falling below £1d before the end of the limited period, there should be no difficulty, as the discount of ~~£~~ will suffice to cover the cost of redemption.

19. The Indian Rupee note must be redeemed as equivalent to the coin. We propose to treat the present Protectorate notes of Rs.5 and upwards in the same way and redeem them as equivalent to Indian rupees. This means that the whole of this note system must be changed and replaced by new notes clearly different in appearance; but no other course seems defensible against the charge of broken promise, seeing that the notes are engraved with the words "The Government of the East Africa Protectorate promises to pay on demand the sum of ... Rupees", and that "Rupees" at the time the promise was made clearly meant Indian Rupees.

20. The silver pieces of 500 and 200, if it is proposed to redeem on the same basis, though less fine than the Indian rupee, they are at any time, even if they are not already, intrinsically worth more than the corresponding fractions of a Rupee. The redemption will in any case be profitable to the Government because the new coins to replace them will intrinsically be worth less.

21. The proposed retention of the present silver coins (1d, 5c. and 10c) as corresponding fractions of the Rupee is justified on the principle mentioned. It may, as explained above, help to keep coin price and wages.

22. Different opinions have been expressed as to whether the new currency should be called rupees or by some other name, such as "florin" or "dollar" to distinguish it from the old rupee. A great consideration is that the name rupee is familiar to the native. Its retention might facilitate the process of replacing the old coin by the new. Considerations as to the international committee with regard to the German rupee in German East Africa, where it is proposed to make the new currency legal tender, may be in favour of retaining the rupee. On the other hand, bargains and accounts in two different kinds of rupees during the transition stage would of course be confusing, even if they were distinguished (on the Egyptian analogy) by some such symbols as \times and $\#$. If a different term is preferred, "florin" seems the most suitable on the proposed basis. The shilling could not be introduced as the unit of measurement without altering the denominations of the nickel coins. Later on when E. and S. Africa meet, as they undoubtedly will, some day, a change to shilling could be made with such ease.

23. As regards the character of the new coin, the main point for practical success is that it should be readily accepted by the citizen. For this purpose Major H. Pitt advises that the weight and colour (including presumably brightness) should be retained as closely as possible, while size and thickness are less important. So far as it is necessary to specify weight and thickness in the Bill, these points require to be settled at an early date.

24. The regard by which it is proposed that the Currency Board in London should maintain the exchange is that suggested by adopted in W. Africa, with such modifications as local circumstances, and the

negotiations with the Banks may require. Both Major Leggott and Mr. Chalmers seemed to welcome this plan.

25. The date of announcement should be as soon as possible, but must of course wait till the O in C can be passed. Major Leggott would like 1st January next, because of the cotton crop season, but that is hardly possible now. Mr. Chalmers would like to postpone the announcement a short time before the commencing date; an interval of six months he thinks rather too long. The commencing date should be as soon as a substantial supply of new coins and notes of all or nearly all denominations can be delivered in the Protectorates, and this can hardly be before 1st July, and possibly may not be then.

27. The limited period should not end until there is a sufficient supply of new coins or notes to meet all demands for redemption. It cannot therefore be determined until the necessary orders have been given and delivery can be relied upon. It might be fixed on the commencing date and extended later if found necessary. As there will during this period be two legal tender currencies in the Protectorate, and owing a variable gold, the period should be shortened as much as possible.

28. It will be advisable to prohibit the export of silver and Indian notes as well as of Indian rupees (if that has not already been done), and to threaten to enforce the prohibition after the end of the limited period, in order to discourage hoarding. The threat need not, however, be acted upon.

29. It will also be advisable to prohibit, up to the commencing date, the import of British sovereigns, which are now and will remain up to that date legal tender at 15 Rupees, while after that date they will be equivalent to a less number either of the old or the new rupees.

OK 22 Dec. 1919.

Colonel Anergy

Mr. Ezechiel's minute represents much discussion and consideration, and I have only to add some remarks from a metallurgical point of view. At the present price of silver we could not mint a rupee 500 fineness, as proposed, for 12/6. The silver in such a coin would cost about 12/6, and there is also the cost of the other materials and of minting. It would never do for East Africa to incur a loss on a coin which is meant to be a token, and of course the higher the currency value of the coin the greater the profit - a very substantial consideration.

However it may not be necessary to have even 500 fineness to give the coin the colour and weight of silver. We ought to go into this matter at once, and I should be glad to receive your authority - without waiting for a settlement of the scheme - to

(1) get the Royal Mint - or failing them a Metallurgical laboratory I know of - to make and submit samples of metals (rolled), containing as little silver as is required to give the appearance of silver (i.e. with spelter or the like added), and of any other alloys which they would suggest for consideration.

(2) give an order to Messrs De la Rue to begin printing the 1R notes, the design of which is approved. I may mention that the design bears a promise to pay 1 Rupee, so that if it is left as it is it settles the name of the new coin.

I can arrange to finance the cost of minting the coins, but for this and all other purposes when

you

you have settled the general scheme it is desirable to establish a currency board which will be able to hold and deal in property. I suggest that this board and staff should be set up on the same lines as the West African Currency Board.

LOOM
25/12

1911/1919

Downing Street,

30 December, 1919.

Sir,

With reference to the letter from this Department of the 30th of September and various unofficial communications since that date regarding the position of currency and exchange in Eastern Africa, I am directed to transmit to you, to be laid before the Lords Commissioners of the Treasury, the accompanying copy of minutes which have been laid before Lieutenant Colonel Amery as a result of various discussions which have taken place on the subject.

2. Their Lordships will observe that the arrangements proposed in the minutes are materially different from those hitherto contemplated. The change has been necessitated partly owing to the great appreciation of the Indian rupee in recent months and partly as a result of confidential discussions with the three banks concerned and with the Managing Director of the British East Africa Corporation. It has been established that the standardisation of a local rupee at 15 rupees to the pound would meet with the determined opposition of the banks, owing to the very heavy losses which they would sustain in respect of the advances which they have made on the basis of the Indian rupee. In addition, the entire operation of financing the Kenya Government, which is worth about £1,000,000 would be seriously prejudiced by any belief that a change of this kind was in contemplation. It is

ASURY.

necessary for the buyers of seed cotton to find
as in very large quantities for their purchases
they will certainly not do so while any possibility
of the sterling value of the rupee locally
being reduced to 1/4d.

On the other hand, it is considered essential
steps should at once be taken for the purpose of
aligning the value of the current coin. While
countries in West Africa have shown the greatest anxiety
the rupee should be restored to its former value
of the pound, it is of greater permanent importance
that they should be assured of the value which
the rupee is to have in the future. The advantages
to be obtained from adopting 2/- as the new
value for the rupee are explained in the enclosed
and after careful consideration it is proposed
to restore that value and to put into force the arrange-
ments completed in the minutes.

On various points of detail arising out of
the above, I am to explain that
It is proposed that the new notes and coins
bearing the inscription "1 rupee or florin" etc.,
and subsidiary silver coins being marked "50 cents
or half a florin" and "25 cents or sixpence", no numeral
shall in any case other than that to which the
above is applicable.

It is not suggested that the new currency notes
unlike the present notes, be in the form of a
pay so many rupees. Consequently, no pro-
vision for convertibility will appear in the new Order
in

in Council.

(c) It is desirable that the whole of the arrangements should be put in the hands of an East African Currency Board in this country, similar to the West African Currency Board which already exists. The most important part of the new scheme will be the system of arranging remittances, by which alone the standard value of the new currency can be maintained, and this business must be conducted in this country, while, in addition, the formation of a central board has advantages in the case of a system which will apply both to the East Africa Protectorate and Uganda and which may be expected to extend almost immediately to German East Africa and ultimately, in all probability, to Senegal.

5. It is possible that delay in obtaining the necessary supplies of new notes and coin may render necessary a postponement of the "commencing date" beyond the 1st of July next, but every effort will be made to bring the new arrangements into force at the earliest possible date.

6. Their Lordships will recognise that the new proposals will involve the preparation of an Order in Council entirely different from that which is now being drafted. This will take some time, but it is essential that an early announcement should be made of the general principles which it is intended to adopt. It is known that the question of making a change in the currency arrangements is under active consideration and rumours are already rife as to the nature of the arrangements to be made. It is believed that a certain amount of speculation has begun, and

certtain that this speculation will increase and at any moment have a disastrous effect on the life of the country. In addition, the cotton 453 season in Uganda is about to begin. In these circumstances, I am to request that you will advise their Lordships to agree at the earliest possible date to an announcement being made by the Colonial Office, before the submission of the formal instrument to His Majesty in Council, giving the general effect of the arrangements proposed in the minutes. It is important that the announcement should be made before the meeting of Parliament.

7. I am to suggest that the draft (so far as it has been prepared) of the Order in Council originally contemplated would be a useful model for the consideration in this Office of the form of the new Order, and I am to request that it may be transmitted for this purpose with your reply.

8. It is necessary to draw their Lordships' attention to one particular effect of the proposals. The true amount of salaries of public officials in Eastern Africa is measured, not by the nominal sterling rate, but by the equivalent purchasing value measured in the rupees in general use in the Protectorates. At present each pound sterling of salary is worth 15 rupees locally, and it would follow that if the pound sterling is made equivalent only to 10 of the new rupees, salaries will in effect be reduced to two-thirds.

Three courses are possible:-

(a) To retain the present sterling rates and to continue, as an admitted anomaly, the practice of

issuing

Another effect of the change to the new
would be felt in the case of the Asiatic
of the Governments, who have hitherto
to remit their savings to India at par.
It is necessary to allow them to continue to do
at one half of salary, the Government bearing
of the current value of the Indian rupee
in billings.

I am,

Sir,

Your most obedient servant,

SA. H. J. Riaz

CONFIDENTIAL AND MOST URGENT

DRAFT.

SECRETARY to
THE TREASURY

Downing Street,

30 December, 1919.

MINUTE

Sir,

With reference to the letter from this Department of the 30th of September and various unofficial communications since that date regarding the position of currency and exchange in Eastern Africa, I am directed to transmit to you, to be laid before the Lords Commissioners of the Treasury, the accompanying copy of minutes which have been laid before Lieutenant Colonel Amery as a result of various discussions which have taken place on the subject.

2. Their Lordships will observe that the arrangements proposed in the minutes are materially different from those hitherto contemplated. The change has been necessitated partly owing to the great appreciation of the Indian rupee in recent months and partly as a result of confidential discussions with the three banks concerned and with the Managing Director of the British East Africa Corporation. It has been established that

the

Ans'd
Treas/1483/S

- M. Bottomley 27/12/19
- M.
- M.
- M. Grindle
- Sir H. Lambert
- Sir H. Ross 27/12/19
- Sir G. Fiddes 29/12/19
- Col Amery
- Lord Milner

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RECORD OFFICE

standardisation of a local rupee at 15 rupees to the pound would meet with the determined opposition of the Banks, owing to the very heavy losses which they would sustain in respect of the advances which they have made on the basis of the Indian rupee. In addition, the entire operation of financing the large Uganda cotton crop, which is worth about £1,000,000 would be seriously prejudiced by any belief that a change of this kind was in contemplation. It is necessary for the buyers of seed cotton to find rupees in very large quantities for their purchases and they will certainly not do so while any possibility exists of the sterling value of the rupee locally current being reduced to 1/4d.

3. On the other hand, it is considered essential that steps should at once be taken for the purpose of stabilising the value of the current coin. While settlers in East Africa have shown the greatest anxiety that the rupee should be restored to its former value of 15 to the pound, it is of greater permanent importance to them that they should be assured of the value which the rupee is to have in the future. The advantages which would be obtained from adopting 2/- as the new value for the rupee are explained in the enclosed minutes and after careful consideration it is proposed to adopt that value and to put into force the arrangements contemplated in the minutes.

4. On various points of detail arising out of the minutes, I am to explain that (a) It is proposed that the new notes and coins should bear the inscription "1 rupee or florin" etc., the new subsidiary silver coins being marked "50 cents or one shilling" and "25 cents or sixpence", no numeral being used in any case other than that to which the native is accustomed. (b) It is not suggested that the currency notes should, like the present

notes

... be in the form of a promise to pay so many rupees. 457

... provision as to convertibility will appear in the new Order in Council. (c) It is desirable that the whole of

the arrangements should be put in the hands of an East African Currency Board in this country, similar to the West African Currency Board which already exists. The most important part of the new ^{scheme} arrangements will be the system of arranging remittances, which alone the standard value of the new currency can be maintained, and this business must be conducted in this country. While, in addition, the formation of a central board has advantages in the case of a system which will apply both to the East Africa Protectorate and Uganda and which may be expected to extend almost immediately to German East Africa and ultimately, on all probability, to Zanzibar.

5. It is possible that delay in obtaining the necessary supplies of new notes and coin may render necessary a postponement of the "commencing date" beyond the 1st of July next, but every effort will be made to bring the new arrangements into force at the earliest possible date.

6. Their Lordships will recognise that the new proposals will involve the preparation of an Order in Council entirely different from that which is now being drafted. This will take some time, but it is essential that an early announcement should be made of the general principles which it is intended to adopt. It is known that the question of making a change in the currency arrangements is under active consideration and rumours are already afloat as to the nature of the arrangements to be made. It is believed that a certain amount of speculation has begun, and it is certain that this speculation will increase and may at any moment have a disastrous effect on the future of the country. In addition the cotton buying season in Uganda is about to begin. In these circumstances, I am to request that you will move Their Lordships to agree at the earliest possible date to an announcement being

made

C.O. 533 / 217

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made by the Colonial Office, before the submission of the formal instrument to His Majesty's Council, giving the general effect of arrangements proposed in the minutes. It is important that the announcement should be made before the meeting of Parliament.

7. I am to suggest that the draft (so far as it has been prepared) of the Order in Council originally contemplated would be a useful model for the consideration in this Office of the form of the new Order, and I am to request that it may be transmitted for this purpose with your reply.

8. It is necessary to draw Their Lordships' attention to one particular effect of the proposals. The true amount of salaries of public officials in Eastern Africa is measured, not by the nominal sterling rate, but by the equivalent purchase value measured in the rupees in general use in the Protectorates. At present each pound sterling of salary is worth 15 rupees locally, and it would follow that if the pound sterling is made equivalent only to 10 of the new rupees, salaries will in effect be reduced to two-thirds.

Three ^{courses} ~~alternatives~~ are possible:-

(a) To retain the present sterling rates and to continue, as an admitted anomaly, the practice of issuing local salary payments at fifteen rupees or florins to the pound, as ~~is done~~ ^{is done} in the case of those Protectorates ~~which continue to use the Indian rupee,~~ ^{at fifteen Indian rupees to the pound.}

(b) To increase the salaries, expressed in sterling, by one half in all the rupee-using Protectorates, and to reduce the local conversion to the rupees or florins or to the commercial rate of exchange in the case of the Protectorates continuing to use the Indian rupee.

(c) To express all sterling salaries in rupees, taking the fifteen-rupee rate as the basis for the new amounts.

9. In each case, as between the two groups of rupee-using Protectorates, there is a necessary disparity on account of the

the

the difference between the value of the Indian rupee and two shillings, and this disparity, not important at present, may be subject to material change and wide fluctuations. Any arrangements now would have to be subject to revision, especially in the light of any steps which may be taken for stabilising the rupee in India.

10. A more important matter is the comparison with Nyasaland, which uses sterling currency. ²The disparity of 50 per cent, between the salaries offered for appointment of the same grade in the East Africa Protectorate and Nyasaland could not fail to influence candidates, and for this reason ~~alternative~~ ^{course} (b) ~~was~~ ^{seems} inappropriate. On the whole, it seems desirable, in the first instance at all events to adopt ^{course} alternative (a).

11. Another effect of the change to the new rupee would be felt in the case of the Asiatic employees of the Governments, who have hitherto been able to remit their savings to India at par. It would be necessary to allow them to continue to do so, up to one half of salary, the Government bearing any excess of the current value of the Indian rupee over two shillings.

I am, etc.,

S. J. Read

459

CONFIDENTIAL

72911/1919.

Downing Street,
30 December, 1919.

Sir,

I am directed to transmit to you, for your information, a copy of a letter which has been addressed to the Treasury on the subject of the currency of the East Africa and Uganda Protectorates together with the original minutes referred to therein, for perusal and return.

I am,

Sir,

Your obedient servant,

SA H J lead

OFFICIAL SIR E. NORTHY, K.C.M.G., C.B.

RECEIVED
DEC 30th
1919.
AN 218-7

1	2	3	4	5	6	7	8	9	10

C.O. 533

217

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CA/72911 S/19

EAD

460

Confidential

30 Dec 1919

DRAFT.

Ans'd N
17/12/20

Sci,

I am directed

General Sci E. Morthey,
KCAG, CB

to transmit to you, for
your info, a copy of

MINUTE.

a letter which has been

Mr. Jeffries 20.12.19

addressed to the Treasury

Mr. Parkinson W/S

Mr.

on the subject of the

Mr. Grindle

currency of the E.A.

Sir H. Lambert

Sir H. Bead

Sir G. Fiddes

Col. Anony

Lord Milner

and Uganda Prots,

30 Dec 1919 (copy)

together with the original

(see in orig)

minutes referred to

Extraction

will not make

them, for perusal and return

I am,

Sr. H. J. Read

CONFIDENTIAL AND

MOST URGENT

Downing Street,

30 December, 1919.

Dear Hiemeyer,

We have to-day sent you an official letter containing somewhat modified proposals for the re-organization of East African Currency.

I am writing this to ask you to be good enough to see that our letter is dealt with with all possible speed, as you will see from it that the matter is now most urgent as the announcement of the proposals which is suggested in the letter should be made at once.

Yours sincerely,

Ed. W. C. Balfour

HIEMEYER, ESQ.

PUBLIC RECORD OFFICE					
1	2	3	4	5	6

Reference — C.O. 533

217

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CA/72921/19

E.A.P.

432

for Mr. Bottomley's
signature.

30 Dec. 1919

Confidential - most urgent

DRAFT.

Dear Mr. Meyer

We have today

sent you an official letter

containing somewhat modified

proposals for the reorganisation

of East African currency.

I am writing this

to ask you to be good

enough to see that our

letter is dealt with with

all possible speed, as

Mr. Jeffries 30/12/19

Mr. Parkinson 30/12

Mr.

Mr. Orinole

Sir H. Lamborn

Mr. H. Road

Mr. G. Fiddes

Mr. Amerly

Lord Milner

C.O. 533 / 211
PUBLIC RECORDS OFFICE, CHICHESTER

you will see from it that the
matter is now most urgent
as the announcement of the
proposals which is suggested
in the letter should be
made at once

Yours sincerely

W.C.B.

L. J. Diller

Sir H. Read,

I attach a letter from Lord Cranworth and I propose to answer as in the letter herewith. There can be no doubt that anybody who has incurred an overdraft will have to repay at the rate (in terms of the Indian rupee) at which he got the accommodation, but I for one have never suggested anything in the way of overdrafts.

The advice that people should draw locally on funds here is that which was given originally by Major Crogan to engineers under the land settlement scheme. It has certainly been repeated here, and now that there is no chance of getting local rupees on a basis of 15 to the £ it has in effect operated to the disadvantage of men who could have repaid at 1/10 and will not now do better than 2/-.

W.C.S.
1.11.20.

H. J. D.
1.11.20

Jan 71

Grundisburgh Hall,
Woodbridge,
Suffolk.

Mr Bottmley

464

accompanied a deputation of
Crows to the CO about a month
on this question of Exchange. After
some proceedings the advice was
given to us not to send out a penny
of capital than we could avoid.

was rather generally believed that
inflation in currency cannot take
place at least 6 months + that when
our overdrafts will have to be paid off

at the current rate of Exchange. I
in right therefore in thinking that
advice given no longer holds good? It
point out that up to the present it has
expansion to that large majority in form
of overdrafts.

All best New Year's wishes

Yours sincerely

Crawworth

Sir W. Reed,

Colonel Amery on Tuesday directed me to consult Sir E. Northey on the question of relieving the new settlers in the E.A.P. to some extent from the effects of the proposed change in the currency arrangements. They were, it is true, warned in our land settlement scheme of the appreciation of the rupee, the figure stated being 1/16. The rupee has of course, appreciated much since then and the figure proposed for the stabilised value is 2/-.

Colonel Amery thought that the new settlers might be given some relief, say 20%, in the amount of the payments due from them to the Government in respect of their land.

Sir E. Northey pointed out that the purchase price and the survey fees are payable by instalments spread over a very long period, and that it was impossible to say what the conditions would be later on. He also pointed out that he had given directions that any settler who considered that the assessed price of the land allotted to him was excessive shall be able to appeal for re-assessment. This will give ample latitude for dealing with hard cases.

As regards rent which is payable from the beginning, Sir E. Northey is quite prepared to make some reduction, but the amount (10 cents per acre) is nominal in any case.

The matter can be brought up again when we write to the local Government about the new currency arrangements.

W. R. S., 1. 20

B