

DOMESTIC

EAST AFR. PROT.

No. 14163

14163

Rec^d
23 APR 06

(Subject.)

Rupee Currency

Encloses extract from a paper he is preparing on E. Africa, dealing with the question of rupee seignorage charged by the Govt. of India and suggests that the question need do both

(Mentions)

To Read.

Since the date of his Dominion's independence the rupee has been made legal tender and currency notes (in rupee values) have been sent out and are by this time, probably in circulation.

The 100. is to be of nickel-brass, but silver, the 50. is not to be made for the present, others will be 2 1/2 c. circulating in Uganda.

The question of showing the profit on the rupee was raised in 1904. The E. A. said

"no profit is enjoyed by the East of India from the coinage of the rupee, since the value amount by which the gold price of coined rupees exceeds that which an equal amount of uncoined silver would command is not made

to form the Gold Reserve Fund, and this
fund is approximately left for the sole purpose
of paying off loans of occasion should arise to
maintain the maintenance of the interest

If the S.P. were allowed the benefit it
would have to take the responsibility of
maintaining the rates at 4% and would have
to start a reserve fund by putting aside the
profit, which could not possibly be carried
to aid revenue. It would, in fact, be in
the same position as if it carried its own
refuse, as rather a serious proposal which
was rejected by you on the wrong recommendation
of your great father the argument as to
the accumulation of refuse the greater the
number of refuse that are hoarded, the
greater the prospect of them being retained
in large quantities in time of stress, which
ought to make a small advantage
of the S.P. is considerable
if the value of the India guarantee were
increased.

As for the protection of India, in any hope
that the country will come to be
the dependant of India for imports, and
that the exports to India will greatly
increase but according to our latest
figures (1905) the exports to India
were only 4.2% of the imports from
India.

No East Africa Protectorates are not the
sole possession - administered by the G.O.
which is dependent on the Indian Government
and the Indian Government.

It means
the balance
sheet is
in a
state of
equilibrium
and the
country
is in a
state of
prosperity.

With Indian surplus and maintenance
at all events, could do very well with
the profit of the Govt. of India
would allow it and the step here is
itself desirable. In Govt/1875/63, Ceylon
the question was raised in a modified
form, as the Govt. of Ceylon wanted
to import refuse freight free. Please
see minutes and diff on that subject
and Mr. Abraham's Memo attached
to it.

6/6/13

Yes, the S.P. is far too low &
too small to be based on the
bottom in the matter of financing
the S.P.

W. Arthur
D. P. P.

H. J. R.

3/5

Mr. Churchill
I send Mr. Rowen a copy
of Mr. Bottomley's minute as
allotted in pencil.

W. May 4

So Reply

5/11/13 done

TELEGRAMS
LONDON

100

*the Committee has asked that a said be written
look into the matter*

14th April

*Ston
21/4*

14163
REC'D
2ND APR 1936

Mr Dear Winston

I have been writing a paper on "East Africa", & the enclosed two sheets deal with the question of the rupee seignorage. If the Gov of India has thus far made a profit of say £150,000, they might as they are now rich disgorge one third of it for the needs of this deficit ridden country.

It occurs to me friend to add that if you would like to make the discovery for yourself & not from some pages I write for a Review, I can omit these two pages from an article already over long. But it is very probable that it is no discovery that you have already got the matter before you. Or perhaps better still leave the discovery to be made on your trip next winter.

to form the Gold Reserve Fund, and this
fund is separately held for the sole benefit
of being applied if occasion should arise to
assist in the maintenance of the rupee at
par.

If the S.A.P. was allowed the profit it
would have to take the responsibility of
maintaining the rupee at $1/2^d$ and would have
to start a reserve fund by putting aside the
profit, which could not promptly be carried
to aid revenue. It would, in fact, be in
the same position as if it coined its own
rupees, an alternative proposal which
was rejected in 1904 (in Mr. Rowley's recommendation)
does not quite follow the argument as to
the accumulation of reserves. The greater the
number of rupees that are hoarded, the
greater the prospect of them being released
in large quantities in time of stress, which
might involve a small devaluation.
Like that of the S.A.P. is considerable
difficulty if the India guarantee were
removed.

As for the balance of trade, we may hope
both that the country will come to be
less dependent on India for imports and
that the exports to India will greatly
increase. But according to our latest
info. (1900-5) the exports to India
are only 4.2% of the imports from
India.

The East Afr. Protectorate are not the
only provinces administered by the C.O.
which are dependent on the Indian Standard
of the rupee.

It is
the balance
trade
I get
from
your
report

99
The Indian rupee as a guarantee
at all events, could do very well with
the profit of the Govt. of India
would allow it and the step were in
itself desirable. In Govt/1825/10 36 Ceylon
The question was raised in a modified
form in the Govt. of Ceylon would
to import rupees for export free. Please
see minutes and diff. on that subject
and Mr. Richards' memo attached
to it.

65.6.15

Yes, the S.A.P. is far too far
from normal to be based on the
bottom in the matter of currency.

W. Arthur

J. P. P.

H. J. R.

3/5

Mr. Churchill

I find Mr. Rowley's copy
of Mr. Bottomley's minute as
attached in pencil.

W. H. May 4

So Reply

11.5

done

R. S.

TELEGRAMS
"TRAVEL LONDON"

100
"2008 11/10"

STY. OF CHAMBERLAIN'S PALACE

*the Chamberlain has asked me to send the written
look into the matter*

14th April

*Ston
21/4*

14163
REC'D
REG 2nd APR 36

My Dear Winston

I have been writing a paper on "East Africa", & the enclosed two sheets deal with the question of the rupee seignorage. If the Gov of India has thus far made a profit of say £150,000, they might as they are now rich disgorge one third of it for the needs of this deficit ridden country.

It occurs to me friend to add that if you would like to make the discovery for yourself & not from some pages I write for a Review, I can omit these two pages from an article already over long. But it is very probable that it is no discovery that you have already got the matter before you. Or perhaps better still leave the discovery to be made on your trip next winter.

By the way, *Baron* the Treasurer - a very nice fellow, was at school with Jan.

Jan com.

(Morton Freeman)

14163
REG 22 APR 36

RUPEE CURRENCY OF UTA P.

The current money of the Protectorate is the rupee of the Government of India,

Introduced but a few years since it has won its way far into the interior & is widening the trade of Central Africa west of Uganda. Of all human machinery wrote Wolowski, money is that which costs the least considering the services it performs; it is therefore machinery which should when introduced be entirely up to date. The Indian subdivisions of the rupee, sixteen Annas, each further divided into four copper pice, are bewildering & Mr Bowring the Secretary has advised the decimal division of the rupee, a system which has proved so convenient in Ceylon. Thus the division of the rupee would be into a silver half rupee (50 cents) a silver quarter, a silver ten cents & into copper fives & one cents. In a country such as this where money is still in its earliest infancy & where there is neither custom nor tradition to upset, & from whence it may presently cover half a Continent, Mr Bowring thinks very properly that it is extremely important to make a fair start with the decimal system. And especially is this the case with a vast wholly illiterate community. In his elementary mathematical calculations the native already employs his decimal digits; his fingers are his unit of enumeration, & the rupee subdivided as above would quite apart from its work in currency prove a useful arithmetical primer. There is a natural sentiment on the part of the few English settlers who have already arrived in favor of the English currency of pounds shillings & pence; but where wages are so low as four rupees a month & a coin such as the rupee with the prerogative of unlimited legal tender, its convertibility secured by the exchange conditions in India, is essential. Fort Hall alone collects yearly quarter of a million rupees in hut tax; what could the collector do were some three hundred & fifty thousand shillings thrown on his hands, possessing only a limited legal tender, & therefore inconvertible into sovereigns. Then also, unlike the sovereign the rupee exchange will stimulate such exports as coffee rubber cotton vanilla & other products which have to compete in European markets with similar products coming from other countries which have a legal tender silver currency.

is making a profit of fivepence on every rupee brought over to the African circulation. The Government of India buys the silver contents of a rupee for less than elevenpence, stamps it & sells it to the Banks & merchants who buy it at the Council drafts for sixteen pence. This profit is very excessive & as the volume coming to Africa is certain to swell to great dimensions it should be a matter for negotiation between the Gov. of India & the Treasury how the seignorage should be fairly divided. There is no doubt of the Government of India is that they are entitled to the seignorage because they guarantee, or at least secure the convertibility of any fifteen rupees to a pound. This is true, but in a very short time I should expect that the balance of trade now against India will favour East Africa, in which case her exchange will need no assistance & indeed will assist its sterling exchange for the Government of India. Through the National Bank of India alone there were exported to Mombasa between the years 1896 & 1902 more than fifty five lakhs of rupees - nine & a half million rupees. The natives are already commencing to suck the rupee out of the currency & into their hoards, & as the rate of wages rises & exports increase it is safe to anticipate an immense absorption of rupees in East & Central Africa.