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GOVERNMENT NOTIFICATIONS.

HIS EXCELLENCY THE LIEUTENANT-GOVERNOR has been pleased to direct that the following copy of a despatch from the Right Hon. the Secretary of State for the Colonies be published for general information.

Colonial Secretary's Office,
Colombo, August 2, 1893.

By His Excellency's command,
J. A. SWETTENHAM,
Acting Colonial Secretary.

The Right Hon. the SECRETARY OF STATE to Lieutenant-Governor
Sir E. NOEL WALKER, K.C.M.G.

Ceylon.—No. 157.

Downing street, July 7, 1893.

SIR,—I HAVE the honour to acknowledge the receipt of your telegram of the 21st ultimo requesting instructions in connection with the Report of the Committee on Indian Currency.

2. This request may refer either to the effect of the new policy of India on the grievances of the Civil Servants, or to its effect on the trade and development of the Island.

3. As regards the first of these matters, I would point out that the action of the Legislature of India in adopting the Report of the Committee has incidentally conferred a distinct, although not extensive, boon. The rupee has at present been raised from a little over 1s. 2d. to just under 1s. 4d., and any substantial fall in the near future appears improbable. I do not, however, desire to be understood as committing myself to an opinion that a steadying of the exchange rate of the rupee at 1s. 4d. disposes entirely of the grievances of Public Servants which were brought under my consideration in Sir Arthur Havelock's despatch No. 368 of the 20th of September, 1892. I do not consider the time as yet ripe for me to express any opinion on that subject one way or the other.

I understand that the grievances of the Indian Services in the matter of the fall in exchange are still under the consideration of the India Office and the Government of India, and it appears to me expedient on many grounds to wait and see what action is taken in India before committing myself to any final opinion as to the grievances of the Public Servants in the Eastern Colonies. But in saying this I would not desire to be understood as implying that a boon granted by India to its servants need necessarily be extended in part or in full to Colonial Servants in the East. Before deciding the matter, it would be necessary for me to examine the evidence and arguments on which the Indian decision rested, and to consider how far the Colonial Servants have been already compensated by advantages which have not been extended to the Indian Services.

4. As regards the commercial and economic aspect of the question, I may remark that the Tea Planter of Ceylon will, under the new currency system adopted by the Indian Government, be placed at no disadvantage as compared with his Indian competitor; and I should hope that the moderation of the views of the Currency Committee and the Indian Government will have disarmed any agitation which may at one time have seemed likely to arise for the severance of Ceylon from the Indian currency system. Had the Government of India sought to raise the rupee suddenly to the high rates of former years, such as 1s. 10d. or even 1s. 6d., I should have anticipated such an agitation on the part of those planters and merchants who believe that it is through low exchange that Ceylon has been restored to its old level of prosperity. The enclosed printed copy of an able letter from Mr. T. North Christie* (which was previously communicated to you in my despatch No. 364 of 2nd December last) indicates the grounds on which such an agitation would have been based. But much of what is said by Mr. Christie becomes less convincing so long as the rate does not go above 1s. 4d., and so long as the future bullion value of silver remains in its present state of uncertainty. If, however, silver should remain at a very much lower level than in the recent past, so as to produce a wide divergence of value between the coined rupee and its equivalent in bullion, the Ceylon Government might find itself in face of an agitation on the part of planters and others for a severance of the currency connection with India; and should such an agitation arise I do not perceive that your Government could refuse to discuss the arguments of those who advocated the change.

5. Whether it would be wise and equitable to make such a change is a wholly different matter. If and when the difficulty arises, it must be met according to the circumstances as they then appear; but, as at present advised, I should anticipate that the balance of advantage would be held to be greatly against a change. Whatever the line taken in other matters, one thing must be imperatively insisted on—that is, that the case must be decided in accordance with the interests of the community as a whole, and not in accordance with those of any particular class. The direct interest of the Government must always be strongly against a change which would enhance the burden of its sterling home charges, such as the military contribution, the service of the sterling debt, and the payments made at home on account of stores supplied, as well as those made to or on behalf of Public Servants at a conventional rate. The community itself as consumers of imported goods would suffer directly by the increased cost of piece goods and other commodities coming from gold-using countries.

6. On the other hand, it may be doubtful how far the planting and other producing classes would gain by the change to a rupee circulating at its varying bullion value. The plantations of Ceylon are largely cultivated by the labour of Tamils coming from and returning to the mainland. The wages to be paid to these immigrant labourers are a matter of bargain, and must be sufficient to induce them to migrate. If they were offered wages measured in a rupee of less exchangeable value than the Indian rupee, they would expect to receive a larger number of rupees. The direct advantage would thus be lost, and, indeed, it could not be other than a hindrance to immigration if the labourers were paid in a coin which did not circulate in India, and which they would have to exchange for Indian rupees, probably at a loss, before returning to their homes.

7. As regards the purchase of land for planting purposes, I do not perceive that a change in the currency would make any difference. The planters, whether they purchase from the Government or from private owners, must be assumed to offer as much as they consider that they can profitably do, having regard to the cost of production and what their produce fetches in the market of a gold-using country. If a rupee of lower value is adopted they will be tempted to offer, or the owner will be disposed to ask, a larger number of rupees than if the Indian rupee had been retained.

8. As regards rents, debts, and mortgages, I have to observe that a change in the currency system could not properly be allowed to operate so as to lighten the burden to the tenant or debtor. A subsisting contract to pay in rupees is a contract to pay in Indian rupees, and the rights of creditors in the matter would have to be safeguarded by a re-enactment of the 2nd and 8th clauses of the existing Order in Council of 1892.

9. In conclusion, I may observe that without expressing any opinion on the question, whether Ceylon as a whole has derived advantage from a low exchange, it appears to me that low exchange does not seem to have much to do with the growth of the great tea industry. The industry increased very rapidly during the years 1888, 1889, 1890, in the face of rising exchange. Many other causes have affected it which cannot themselves be affected by the state of the exchanges, such as greater facilities of transport, the lowering of the duty at home, and the growing reputation of the article among consumers.

I have, &c.,

* Not printed.

RIPON.