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India Board

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NOTES

ON THE

MONETARY SYSTEM,

AND

CINNAMON REVENUE

OF

CEYLON.

TO WHICH ARE APPENDED

SOME OBSERVATIONS

ON THE CHANGE OF POLICY IN 1833.

CHIEFLY WRITTEN IN 1841 TO 1845.

PRINTED FOR PRIVATE CIRCULATION,

BY

JAMES STEUART.

COLOMBO:

PRINTED AT THE EXAMINER PRESS.

1850.

COLOMBO, 25th April 1850

TO THE HONORABLE
THE SECRETARY TO THE
SUPREME GOVERNMENT
OF INDIA.

SIR,—I have the honor to transmit to you herewith a few copies of a Pamphlet, which I humbly conceive may not be deemed uninteresting to the Rulers of the East Indies. They result from close observation of the attempt made to convert this Indian possession into a Colony.

You will be pleased to observe that, although I have printed, I do not publish, my views; as my object is not to thrust them upon the public;—but to offer them most respectfully to the Governments of India, and to guard against similar attempts *being* practised on Hindostan under a misconception of the success of such policy in Ceylon.

I have the honor to be

Sir, Your obedient Servant,

JAMES STEUART.

ERRATA.

- Page 5 Line 20 for *soldiers*, read *soldier*.
- „ 7 „ 20 for ~~was~~^{wa} read *was*.
- „ 9 Foot Note, for *coins* read *coin*.
- „ 11 Top line for *a* read *as*.
- „ 15 Line 9 for *effect* read *affect*.
- „ 16 „ 4 from bottom for *increased* read *received*.
- „ 17 „ 18 for *are* read *were*.
- „ 37 „ 7 for *state* read *states*.
- „ 5. „ 2 from bottom for *we must suppose* read *we must not suppose.*]
- „ 42 „ 8 from bottom for *in British Silver Coins* read *in British Silver and in foreign Coins*.
- „ 44 „ 3 for *thus* read *the*
- „ 45 „ 5 for *but uncontrollable* read *but the uncontrollable*.
- „ 45 „ 14 for *Paper* read *Rupee*.

Monetary System.

Some time has elapsed since I was requested by two Gentlemen of the Ceylon Branch of the Royal Asiatic Society, to draw up a paper on the Monetary System of this Island; but at the period this proposition was made, my leisure hours were employed upon a different pursuit, nor is it likely that I should have been diverted from such occupation, had not a friend in England sent me the Blue Book of Ceylon Affairs, containing Mr. Bernard's Report on our Monetary System and Lord Torrington's Dispatches in reference to it, and the Commercial Policy upon which His Lordship has ventured to take his stand.

It is my present purpose to confine my observations, as much as possible, to our Monetary System, for the purpose of showing how much better it would be for the community of Ceylon, that all the accounts in the Island, both public and private, should be kept, that all proceedings involving the consideration of money in the Courts of Law, should be conducted, and that all stamps should be expressed in Rupees, Annas and Pice,—instead of being kept, conducted and expressed in Pounds, Shillings and Pence—as is the case at this time,—and further, that East India Company's Rupees, which have effectually displaced the legal currency of Ceylon, should be by Law established a legal tender for every debt, and in every account in this country,—and in order to insure the full development of this

interesting subject in as clear and in as methodical a manner, as a man of no method may be expected to succeed in accomplishing—it is necessary that I should make some allusion to Bertolacci's treatise on the Coin and Currency of Ceylon.

Bertolacci tells us, in the first instance, how very badly the Dutch managed their currency affairs, and he relates a great number of expedients resorted to by the various Dutch Governors to supply the Island with circulating medium.

About the year 1780, one of these Gentlemen commenced the issue of Rix Dollar Treasury Notes* payable to Bearer on presentation in Ceylon Copper Coin, at the rate of 48 Stivers for each Rix Dollar. But strange to say, there was *at that time* no particular coin representing the Rix Dollar: it was merely an ideal one. After an attentive perusal of Bertolacci on this subject, it will be seen how injurious to the country and to its Government, and how much to the advantage of the Public Servants, was the coin and currency system of the Dutch. Bertolacci tells us at Page 82, that "there is no doubt that this state of things must have afforded to many of the servants of that Government, an ample opportunity to make great profits; and we know that many opportunities of this nature must have existed, otherwise they could not have accumulated such large fortunes as many of them did, notwithstanding their scanty salaries." And I am constrained to say, the same writer shows very clearly, that the system of English *early* rule was

* Called Credit Brieven.

upon no better foundation, and that Public Servants of those days, and I may add even up to a period within my own remembrance, rapidly increased their fortunes by dealing as Cambists in Government Bills. To the honor of Sir Robert Brownrigg it is right to mention, that he declined to participate in such advantages, notwithstanding some of the Judges of the land were profiting in Government Paper, and, as I have been told, invited him to do the same. It is evident that the profits thus made by individuals entailed equivalent losses on the Government, and consequently on the community. They—the Public Servants—were not likely to see their gains in the light I have placed them, for Bertolacci is continually alluding to the loss the Public Officers would sustain by Government selling all its Bills of Exchange by auction, instead of issuing a portion of them to its Civil Servants at a fixed rate. He, and the Civil Servants of his day, looked upon their salaries as being fixed in England, and that they were fairly entitled to have Bills on England for such amount as they required at a fixed rate of Exchange. It seems never to have occurred to him, or to them, that it would have been more to the advantage of the state and to the general community, for Government to have imported the proceeds of its Cinnamon and the remittances for Military Expenses—in Silver from England, which Silver being issued to the Public Servants in payment of their salaries, instead of Bills, would have increased the coin for general circulation. Such importation would have cost money for freight and insurance:—but it would have been found less expensive than selling Bills of

Exchange at fixed rates, which inflicted injury on every interest, except the Public Servants— who by the adoption of such a system, increased their fortunes.

On the 13th March 1812, I find a Proclamation—the very first issued by Sir Robert Brownrigg—stating
 “ that in consequence of representations made to His Ma-
 “ jesty’s Ministers by his predecessor General Maitland
 “ since his arrival in England, His Royal Highness the
 “ Prince Regent in the name and on behalf of His
 “ Majesty, had been graciously pleased to grant a ma-
 “ terial relief to the Civil and Military Services in the
 “ rate of Exchange between the Rix Dollar of this
 “ Island and the Pound Sterling.” By this Procla-
 mation the value of Rix Dollars is fixed at 1s. 9d. or
 at the rate of Rix Dollars 11, 9-21 to a Pound Ster-
 ling—instead of 2s. 1½d. or 9½ Rix Dollars, as was the
 case previously.

The fixed pay and other expenditure of the Army being voted by the British Parliament in Sterling, would render some arrangement necessary, in regard to the payment of the equivalent of such sterling money to the Troops serving abroad, unless indeed gold or silver coin should be sent from England for the purpose of making all such payments.

In 1812 gold coin was exceedingly scarce in Europe. Its Exportation from England, except by Government was illegal. It was bought by smugglers at various high rates of premium—sometimes as high as 25 shillings for a Guinea—to be conveyed to France to pay the expenses of the French Army. At the time we are speaking of, the silver coinage of England was in a sadly debased state,—Crown pieces were made current

at 5s. 6d. instead of 5s., and Spanish Dollars were in circulation,—and Bank Notes were made to supply the place of gold. In sober truth—it may be doubted, whether the payment of 27 shillings in such a depreciated currency, was more than the golden guinea was intrinsically worth.

Under such a state of things, England could not have conveniently spared gold coin for the use of her possessions abroad, nor had she good silver coin to spare for the purpose. It was therefore the best arrangement she could have made, to pay her Troops in Ceylon by giving them the silver coin of the country at the intrinsic English value of the silver it contained—the Military Officers being at liberty to draw their pay by Bills of Exchange on their London Agents.—Such an arrangement, if confined to the Soldiers, could have been managed by the Government upon a fair and equitable adjustment without seriously affecting the Colonial community. But I am compelled to say, the arrangement made by this Proclamation, although a great gain occurred to the Soldier in comparison with the former system—was hardly fair; as it gave him 1s. 4½d. which was the intrinsic value of the Silver Rix Dollar, and charged him 1s. 9d. of his English pay for it. Now as regards the Island's Military allowances to Officers; the pay of all other Public Servants and Native Troops; I conceive that such respective payments could have been fixed in the coin or currency of the Island, and instead of telling a Civil Officer that his pay would be £1000 Sterling—he might have been informed that his salary per annum would be Rix Dollars 11,428 paid in Ceylon; such being the currency in which the Revenue was collected out of which he was to be paid.—They do so in India.

Bertolacci at page 95 of his work, informs us "that in consequence of the depreciation of the currency since 1802, His Majesty's Government, by the Proclamation of the 23th March 1812, thought it right to grant an increase of pay to the Public Servants, by rating their salaries, which were fixed in Pound Sterling at 1s. 9d. for each Rix Dollar, instead of 2s. 1½d. which had been the rate since 1802." It does not appear, however, that the Home authorities took into consideration the effect of this Proclamation upon the Inhabitants, including those Public Servants, whose incomes were fixed and received in Rix Dollars, and upon the value of all property estimated in that currency at the rate of 2s. 1½d. each Rix Dollar. Notwithstanding, at Page 86 he alludes to the effects of a former depreciation in the currency having been felt severely by the people.

Great allowances are however to be made for the Home Government at that period (1812.) We must not forget that Great Britain was engaged in an expensive war, and incurring a debt of a most fearful magnitude which debt, I believe, had the great Mr. Pitt been spared to see the successful issue of the war, would not have been wholly saddled on Great Britain: but in accordance with the principle we pursue in India and towards the Chinese, would have been recovered in part *at least* from other countries.

Reverting to the Government Proclamation of 1812, we see that it established as the currency of Ceylon the Silver Rix Dollar, as equivalent to 1s. 9d.; its representative in paper, and the various sub-divisions of the same.

With a coin so highly seignoraged as the Silver Rix-dollar, varying in intrinsic value from 1s 4½d to 1s 6½d. each, and made current at 1s. 9d.,—it would not have answered to have sent from England silver coins of a higher comparative intrinsic value, and therefore it was intended that the remittances on account of the proceeds of the sale of Government Cinnamon, and the pay of Troops should be effected by Bills drawn by the Ceylon Government on London and on the Presidencies of India, and sold in Colombo to the highest bidders or tenders.

It is worthy of our attention to mark the effect produced by a scarcity of food in 1812, on the prices bid for these Government Bills, which Bertolacci mentions at Page 127 in the following words:

“ I was one of three members of a Committee appointed there to dispose of the Government Bills, in the year 1812, during the scarcity of grain. The rapidity with which they rose in price was matter of distress to every feeling and reflective mind. It was followed by a proportionate rise in the price of food in all the markets; until Government was under the necessity of putting a stop to the sale of bills by Auction, and to grant them to Merchants, for a time, at a fixed rate, for the importation of rice, which effectually prevented the increasing evil.”

Now, it does appear, that it would have been a more sound proceeding to have continued the sale of these bills by Auction, and to have applied the premium on their sale to the purchase of Rice for distribution to the poor and needy.

The demand for food in 1812, seems to have been

so very great, that the Island was drained of its silver Rix Dollars, and much of its copper coinage, to purchase rice in India. The loss sustained upon the coins of Ceylon exported to India, where they would be taken in exchange for rice—not at their nominal value in Ceylon, but at their intrinsic value in India—must have been very great, and it furnished a practical illustration, at that time, of the serious injury inflicted on a country by imposing on it a current coinage so highly seignioraged as the Ceylon Rix Dollar was.

When Governor Sir Thomas Maitland left Ceylon in March 1811, the Puisne Justice was on leave in England, and the Government of the Island was administered by Major General Wilson. The Puisne Justice returned as Chief Justice in November of that year, and not only as Chief Justice, but also as President of the Council with the privilege of receiving his salary in Pagoda Bills drawn by the Ceylon Government on Madras. He availed himself of this privilege, which was disapproved of by Sir Robert Brownrigg, a man of singular integrity of purpose. Bertolacci does not tell us the profits on these Pagoda Bills issued to the learned Judge, who, after seven years exile and toil in Ceylon on £7000 a year, paid, whenever he pleased in Pagoda Bills, retired to his native land on a pension of £1600 a year, after his successful exertions in obtaining *for Ceylon* the doubtful blessing of Trial by Jury in Criminal cases.

On reference to the concluding paragraph of the Proclamation of the 13th March 1812, we find that the benefit afforded by its provisions to the Public Servants, was intended to be in lieu of all advantages which they previously enjoyed from the issue to them of ac-

commodation Bills, and certain other priviledges. But the Kandian war which commenced early in 1815, and the subsequent rebellion which lasted until 1818, involved the Government of Ceylon in heavy expenses, and occasioned it to make extraordinary demands on the Imperial Exchequer. On the 21st February 1817, we find it was constrained to issue Bills of Exchange in payment of salaries at the rate of 12 Rupees and 6 fanams for each Pound Sterling, and 5 Rix Dollars for each Star Pagoda. * By this arrangement considerable loss was inflicted on the Public Servants; but the period was not of long duration—for on the 17th of November 1819, they were indulged with Bills on England; or Madras, at Par,—that is 1s. 9d. per Rix Dollar, or 11½ Rix Dollars per Pound Sterling—and this, while Bills on England fetched at the periodical Government sales as much as 15 Rix Dollars per Pound Sterling. So that ample amends were made to the Public Servants for the loss inflicted on them during the latter part of the Kandian Rebellion; and we know, that many of them profited greatly by making use of this indulgent change in their favour.

By the Governor's Minute of 1819, fixing the rate in Rupees at which Bills on England were to be issued, it would appear that it had been found necessary to put that Indian coin into circulation to meet the demand for coinage during the wars in the interior. But on the 29th of August 1822, we have the Governor's Minute providing, that "should it be at any time expedient to issue foreign coin in lieu of Rix Dollars"

* Foreign Coin, not legally current in Ceylon;

the same should be issued at the relative value of which such foreign coins bore to the standard coin of the Island, which was the Rix Dollar at 1s. 9d. There is however, provided in this Minute of 1822, a species of safety valve, granting European Civil and Military Officers septennial Debentures for any portion of their salaries, not exceeding three-fourths, bearing interest at six per cent, which they gladly availed themselves of, and thereby lessened the demand for silver money.

Before we proceed further in our inquiry,—it would be better to state the relative value of the present coinage of Great Britain, and the number of grains of precious metal they respectively contain, and as the East India Company's Rupees form at this time almost exclusively the silver circulating medium of Ceylon, it is proper, we should notice them also.

The standard coinage of Great Britain is the "Sovereign," which contains 113 grains of pure gold.

There is a curious fact connected with this gold coin, which may not be deemed unimportant to relate. It is found necessary for the purpose of coinage, that pure gold should have a small portion of some inferior metal mixed with it, which we call "alloy." In former days, it was usual to use copper for this purpose; but the gold coinage alloyed with copper proved expensive to Government, in consequence of the soft nature of the alloy, which did not prevent its losing weight by wear in a comparatively short period of circulation. It was then deemed advisable to use silver as a harder and more durable metal than copper, Sovereigns were coined accordingly alloyed with

with silver, but containing the same quantity of gold as when alloyed with copper. Mark the consequences!—

Notwithstanding the alloy forms so very small a portion of the Sovereign, still the London Jews discovered, that it would pay them to melt down the Sovereigns alloyed with silver for the sake of the silver, the value of which had not been taken into consideration in the coinage. They did this to such an extent as to compel the Government to revert to the use of copper as alloy.

Another curious fact is, that the gold, obtained from “Sovereigns” which have been alloyed with silver, is found to be improved in quality by the alliance: but this is not the case when alloyed with copper.

The “Sovereign” with Saint George on the reverse is alloyed with silver: but being generally under weight, in consequence of what is called sweating by the Jews, it escapes their melting process and fetches a higher price both in Ceylon and India, sometimes as much as six pence more than those alloyed with copper—which shows that the Ceylonese and Hindoostanese are good judges of the precious metals.

After this long digression, I repeat that gold is the standard coinage of Great Britain and a legal tender up to any amount.

The silver coinage of Great Britain, is a legal tender up to 40 shillings, beyond which amount no person can be compelled to receive silver in one payment.* The legal tender of copper coins is limited to 12 pence.

* When remittances of British Silver coins are sent from the Colonies to England,—the importers feel it a grievance that the Government do not relieve them of the coin [as it subjects them to the inconvenience of having to hold the Silver at the call of their Bankers, who take it from them by the £100 at a time, instead of obtaining their supply from the Mint or the Bank of England.

A pound weight of British standard silver used to be coined into 66 shillings. By information obtained lately from the Bank of England, it appears that a pound of silver can be purchased in the market for 60s., and that it is now cut into 65 shillings, but the great wear to which silver coinage is subject in the course of circulation soon diminishes its weight.

It has been found, by the experience of half a century that the two metals, gold and silver in relation to each other, are almost inva riable. Silver has been as high as $15\frac{1}{2}$ grains to one, and as low as $15\frac{8}{10}$ ths to one :— but the mean of such small fluctuation is generally taken at $15\frac{7}{10}$ to one, by which it appears that the 20th part of a Sovereign is equal to about $88\frac{1}{2}$ grains of pure silver, and two shillings to 177 grains. Now it is, indispensable to a clear understanding of the important matter, that it should be borne in mind, that two English shillings—the 10th part of a “Sovereign” contain 177 grains of British standard silver, and that the East India Company’s Rupee, which we receive here for two English shillings, has only 165 grains of British standard silver in it. The difference being 12 grains.

On my arrival here in my ship the *Mediterranean*, in December 1824, the then Governor told me he was desirous I should take office as Master Attendant without delay. I obtained, however, his consent to proceed to Calcutta to dispose of my Ship, and on my return from Calcutta in May 1825, having to effect considerable remittances to England, being the proceeds of the sale of my investment in cargo for Ceylon, I had to pay 16 Rix Dollars per Pound Sterling for Bills on England

at 30 days' sight. Mark this! Private Bills at 30 days' sight, sold in May and in June 1825 at 16 Rix Dollars the Pound Sterling, and then consider how astounded I must have been by the appearance of the New Law or Regulation of Government No. 8 of July 1825, which drops the comparative nominal value of the Rix Dollar from 1s. 9d. to its real value 1s. 6d.; as well as by a declaration which appeared at the same time, that Bills drawn on the Lords of Her Majesty's Treasury would be sold in future at 3 per cent premium or the equivalent of Rix Dollars 13. 8s. 3p. Here was a voluntary relinquishment by Government of two Rix Dollars in the Pound Sterling on the Bills drawn by it on the Lords of the Treasury, and for what purpose? To fix the rate of exchange, and to keep the British Silver coinage introduced by the same Regulation No. 8 of 1825, as the future currency of Ceylon!

It is no easy matter to convey to the minds of persons who have not paid attention to such matters, a clear apprehension of the distinction which exists between the course of exchange within one country in its intercourse with other states, and the fixed relative value of the coin made current in that one country. It is clearly within the power of the Government for good, or for evil, to fix the current value of its coinage: but its power becomes impotent when applied to the rates of exchange between the country it governs and foreign states; and every attempt to control such rate of exchange will always be attended with losses to those who attempt it.

I remember hearing it said, that our Ceylon Banks

had regulated the exchange between Ceylon and England, very much to the advantage of the Planting interest. Whereas, in reality, the whole Bill transactions of Ceylon have about the same effect on the course of exchange between India and England, as the fresh waters of our rivers have upon the salt waters of the sea.

The rates of exchange—except in very minor instances and under very peculiar circumstances—depend on the abundance or the want of money in India, including transactions with China. To illustrate the principle, or rather the fact, herein contended for, let us consider the effect of war in India and counter-effect of peace upon the rate of exchange. In times of profound peace, it is by no means unusual to see Rupees shipped as remittances from India to England:—but in war, there is unfortunately too much use for them in the country. Again the opening, or the closing, of our trade with the Chinese; the abundance, or the failure, of Indian exportable produce, and the glut of markets in India and in Europe for India products: all have more or less their uncontrollable effects on the exchanges in India generally. The close proximity of Ceylon to the East India Company's possessions, renders it so accessible to the effects of the changes in the value of money in that Empire, that any attempt of the Ceylon Government to fix, or to regulate, the rates of exchanges would be as futile as the attempt to build the Tower of Babel—for Ceylon is a part, and but a very small part, of India, and the rate of exchange in it must always be governed by the rate of exchange in the Presidencies of India,

I remember to have heard it said, that before the Banks were established in Colombo, the Houses of Agency at Madras fixed the rate of exchange as they pleased. Now nothing could be further from the truth than this supposition. It is imputing to the Madras Merchants a power which is denied to the Government of a Country. What the Madras Merchants did was this. They collected all the information they could obtain of causes likely to affect the value of money all over India and China, and with a digest of this information and their own practical experience they fixed a rate of exchange among themselves, so that they should all be guided in their Agency transactions by one uniform rate;—but when unforeseen circumstances in the political and commercial Eastern world arose, which affected the value of money—the Madras Merchants, like all people in all parts of India, were compelled to abandon their uniform rate of exchange and adopt another. They did no more then, than they do now, which is, to adopt among themselves an uniform rate of exchange in their Agency transactions for the time being; and that is precisely what the Directors of the Oriental Bank do now.

There are of course, there always will be, some slight local advantages to be reaped: but they are merely sufficient to prove the general force and truth of what is herein advanced.

If the attempt to fix the rate of exchange between this country and England, by the sale of Bills at 30 days' sight drawn by this Government on the Lords of Her Majesty's Treasury at 3 per cent premium be excepted, there are few persons who would venture to

question the apparent soundness of the [principle involved in the Regulation of Government No. 8 of 1825, and its attendant Minute by the Governor. It has however proved to be ill-adapted for this Island ; it has occasioned great inconvenience to its Rulers, and inflicted a considerable loss on the community. Nor is the general principle, upon which it is founded, by any means, so sound as its promoters considered it to have been : but on this subject we may touch hereafter.

It will be seen by the Regulation No. 8 of 1825, that Treasury Notes, expressed in Rix Dollars, were to continue to pass current at 1s. 6d. each Rix Dollar.

Besides these Rix Dollar Notes, others expressed in Pounds Sterling, payable on demand in the currency of the Island, were first issued by the Treasury in virtue of a Proclamation dated the 27th of April 1827, and full legal effect to their currency, was subsequently given by a Regulation of Government No. 8 of 1827 in the following words :

“It is hereby declared and enacted by His Excellency
 “ the Governor in Council, that from and after the date
 “ hereof, all Government notes that may have been issued or that may hereafter be issued by this Government expressed in Pounds, that is to say, Notes for
 “ one Pound, Two Pounds, Five Pounds, Ten Pounds,
 “ Twenty Pounds, Twenty-five Pounds and Fifty Pounds,
 “ payable at the General Treasury in the currency of
 “ this Island, shall pass current and be ~~increased~~ [and
 “ taken in all matters and transactions of debt or account, throughout this Island and its dependencies,
 “ at the relative value to British currency of Twenty

“ Shillings for each and every Pound that may be there-
 “ in respectively expressed.” Notwithstanding the Secretary of State’s desire frequently and positively expressed, that the Rix Dollar Notes should be withdrawn from circulation, as the Pound Notes were issued, it was found that the withdrawal of Notes of such small denominations as those expressed in Rix Dollars, subjected the community to [very great inconvenience, as small money transactions could not be liquidated with Pound Notes, that Pound Notes did not meet the convenience of traders, nor replace the general use of those expressed in Rix Dollars, and therefore it was not until the end of 1831, that, contrary to the wishes, I may say, of the people of Ceylon, the whole of the Rix Dollar Notes were withdrawn from circulation.— Of course, such withdrawal increased the demand for Silver coin.

In 1812, 1813 and 1814, we learn from Bertolacci, that
 “ the whole currency of Ceylon consisted of Copper
 “ coin and Treasury Notes expressed in Rix Dollars ;
 “ for, all the Silver Rix Dollars had been exported, and
 “ the copper coinage was excessively scarce, barely sufficient for the purpose of payments in the most minute
 “ retail sales in the bazars.”

We gather also from the same authority, that the paper circulation amounted to Rix Dollars 1,391,515—upwards of £110,000, and that no fears were entertained of State Bankruptcy. If Ceylon, at that period, when its trade with England was confined to the Government, and its commerce in the East not extending beyond Hindostan, with one or two ships yearly from China, could safely keep upwards of £110,000 in paper

circulation without difficulty, on what ground can that enduring alarm rest, which has so long deprived the community of Ceylon of the very great convenience of paper circulation in Notes of smaller denomination than one Pound, similar to those in use in former days? Such small Notes would not only have been of great use to the native dealers in their petty transactions; but of equal convenience to the Planters in the payment of their establishments, instead of their having the trouble and the risk to convey the whole of the funds required for that purpose in Silver Rupees through the forests of the Interior. Had Treasury Notes, not Bank Notes, of smaller denominations expressed in the currency of the Island, been judiciously introduced, there cannot be a doubt, but that instead of £110,000, as in the days of Bertolacci, and of £87,000 of the present day, we could have employed with great convenience and no risk whatever, at least £200,000 in paper money. But we have now two *beautiful* buildings in Colombo called Banks; and in Bertolacci's time there was certainly no fear of the Government and the community becoming Bank-ridden.

It is not, however, the object of this paper to advocate the unrestricted use of paper money—very far from it—I have for many years contended, that the issue of paper money should rest exclusively with the Government. The Natives of Ceylon look up to the Government, as children do to their parents, for all that is good. They have perfect confidence in Treasury Notes; but as Government declines to receive Bank Notes in payment of Revenue—the inhabitants of Colombo have evinced much hesitation in receiving them, and the Natives at outstations generally regard them as waste paper,

At the time the charter was granted to the Bank of Ceylon, the inconsistency displayed by the Home Government was pointed out:—those authorities, while condemning the principle of monopoly by throwing open the Cinnamon Trade, and while refusing a charter to limit the liabilities of the shareholders in the Agricultural Joint-Stock Company, granted the Bank a charter, which limits the liabilities of its shareholders, and conferred upon it one of the attributes of sovereignty—that of issuing paper currency—thereby conferring upon it a monopoly in money—of all others, the very last that should have been granted. It may be said, that the establishment of the Oriental Bank has broken up that monopoly: but that is not the case, for such monopoly is only to be broken up in two ways, one of which is, to relieve all Promissory Notes from the Stamp duties, as the Promissory Notes of the Banks were illegally relieved, and then every man could issue his “promise to pay on demand” on the same terms as the Banks. Such was the paper Monetary System in New South Wales in 1808; and a very bad system it was. The other course, which cannot be too soon adopted, is, that the Government should resume its sovereign right exclusively to provide the community with all the circulating medium. We have now in Ceylon unfortunately, a practical illustration of an opposite course to this. By the Government allowing the Banks to issue paper money, we have the anomaly of a Bank exercising a right of sovereignty by paying its debts with its own paper money, and lending the money, which the paper represents, to the Government on interest. If convenience constrain the community of this Island to assent to

receive Bank Notes, how much more satisfactory would it be to have this convenience met exclusively with Treasury Notes? Instead therefore of the Government borrowing money from the Bank on interest, how much better would it have been for us all, if all the Bank Notes had been called in and Treasury Notes issued in their stead, we should then have avoided not simply the payment of interest on a loan, but the risk of the state becoming Bank ridden, by its becoming a debtor. This is a more important consideration than is generally supposed.

I wrote much on this subject in 1842, and printed part of what I had written in 1843. In 1844, I had reason to congratulate myself on finding that the principle contended for by Sir Robert Peel in his grand financial measure of that year, was precisely the same as that which I had contended for two years previously in Ceylon, namely, that the issue of paper money should rest exclusively with the Government of a country, and that it was the duty of a Government, not to suffer paper money to be put into circulation which did not represent real security of equivalent value at its disposal. I could not but feel gratified on finding, that what had suggested itself to my mind, agreed so very closely to the views of so great a man; views also supported by the opinion of Earl Grey and so clearly expressed in His Lordship's dispatch to the Governor of New Zealand.

The financial measure of Sir Robert Peel, excited almost universal attention: the late Sir Colin Campbell appears to have been strongly impressed with the doctrine laid

down by that leading Politician ; but, unlike Bertolacci, who considered the yearly revenue of Ceylon, in his days, sufficient to support the credit of about "thirteen lacs of Rix Dollars," issued in Treasury Notes; Sir Colin Campbell, regardless of the large Revenue of his time, and the increased value of Government property, desired to retain hard cash in the Treasury vault, in order to meet a possible, but very improbable, run upon its coffers, and no small abuse was heaped upon him by those very persons, who would now have it believed, that Sir Colin Campbell's administration was not aware that Treasury Notes *in circulation* involved a liability on the part of Government, notwithstanding the public accountants returned, as they were bound to do so, such Notes as money, when in their possession. There is no doubt, that in addition to the influence of Sir Robert Peel's declaration on the mind of the late Governor, the good old Gentleman had heard of the incident printed in the last Blue Book page 29, i. e. that "a merchant
 " of long standing on one occasion when he was under
 " the absolute necessity of remitting £3,000 in Silver
 " to the opposite Coast, by a vessel on the point of
 " sailing, presented £3,000 in Government Notes at the
 " Treasury, (probably there were then no Banks) and
 " demanded Silver. The Treasurer, however, owing to
 " the general scarcity of coin, was so ill-provided with
 " specie, that he hesitated to pay the amount, until a
 " threat was held out to him, that if the amount were
 " not forthcoming in the course of the day, every one
 " of the Notes should be protested before a Notary."
 This circumstance is very likely to have had some in

fluence with His Excellency in his desire for a strong reserve of hard cash.

We are not told in the Blue Book, what description of Silver this Merchant required in exchange for Treasury Notes;—but as it was for transmission to the opposite Coast, we may safely infer that he required 80,000 Rupees. Now had I been the Treasurer *at that time*, and had received such a threat, I have no doubt, but that I should have allowed it to have been put into execution, and when the notice of protest had been served on me, I should have ordered the Treasury Cashier to have issued to the Gentleman, in exchange for £3,000 in Treasury Notes, the like amount in British Silver coins, the legal currency of the country; and as to his protest, it might have been given to the winds. It is probable, however, that the same mind which conceived the bright idea of protesting the Government paper currency, although not contemplating how very soon cash payments might be suspended by Proclamation and confirmed by Law, might nevertheless have known, that £3,000 in British Silver would be worth considerably more at Madras than 30,000 Rupees, and have sent the English money to that Presidency and have profited considerably by a Treasury retort.

We must now go back, after this long digression, to the Regulation No. 8 of 1827 which provides for the issue of Treasury Notes for One, Two, Five, Ten, Twenty, Twenty-five and Fifty Pounds, payable at the General Treasury in the currency of the Island. Now to the community of Ceylon, it is a mere waste of words, to say that Notes above five Pounds are not required here, and that Pound Notes have not, and cannot, meet the

inconvenience occasioned by the withdrawal of Notes of smaller denomination than one Pound. Surely the inhabitants of a country are the best judges of their own convenience, and it is purely as a matter of public convenience, that I notice the subject in this paper. Ceylon is well able to pay for the paper and the printing; then why should this great convenience be denied it? If on the view taken by Sir Colin Campbell, it should be held that specie representing the paper circulation should remain in the Treasury vault; be it so. There need be no great difficulty in conceding all this:—for with a revenue of £400,000 a year, we ought not to be very long in collecting a sufficient deposit.

In a very able dispatch to the Governor of New Zealand in 1847, Earl Grey expresses a strong desire to secure to that colony the great advantages which could not fail to result from the establishment of a paper currency regulated upon the most correct principles, and then gives his view of what these correct principles are, in the following words:—“ The business of banking or of dealing in money, and that of issuing paper money, I consider to have not merely no necessary, but no proper connection with each other. The former is a branch of commercial business, which should be left, like every other, to private enterprise. But to issue money, that is to furnish the authorized medium of exchange, is one of the peculiar, and not the least important, functions of the Government. With respect to the coinage, this principle has always been recognized; nor is there any attribute of sovereignty which has been more strongly insisted upon and more rigidly

" guarded from invasion by the supreme authority of
 " almost every state, whether of ancient or modern times,
 " than the exclusive right of coining money for the use
 " of its own subjects. As to the issue of paper money,
 " a different rule has generally been followed, but, as
 " experience has proved, with the very worst result.
 " By allowing the issue of paper money to become a
 " commercial speculation, the amount issued from time
 " to time has been made to vary, not according to the
 " real wants of the community, but according to the
 " interest of the issuers." Such is Earl Grey's opinion ;
 clearly and forcibly expressed in a most able dispatch,
 printed in the Blue Book, the perusal of which, would
 amply repay any person, who may take an interest in
 monetary matters. I have merely quoted that part of
 it which bears upon the issue of paper money, and which
 supports the view which appeared to me to be sound
 in 1842. You will observe towards the close of the
 above quotation from Earl Grey's Dispatch, that His
 Lordship explains the general objection to the issue of
 paper money to be, that "the amount issued from time
 " to time is too frequently made to vary, not according
 " to the real wants of the community, but according
 " to the interest of the issuers." Is this not likely to
 have been the apprehension of the Home authorities
 respecting the power of issuing paper money by the
 Governor of a remote possession, such as Ceylon was
 before the introduction of Steam Navigation? and is it
 not likely that it was this which made them so ex-
 tremely averse to listen to the repeated representa-
 tions made to them, by every succeeding Governor,

of the great inconvenience consequent on the withdrawal of Treasury Notes of small denominations from circulation in Ceylon? It would seem very probably to have been the case, as such power, possessed by an extravagant Governor, might have been attended with serious injury.

Before quitting this part of my subject, I would refer to the opinion of a friend in England, with whom I have had much correspondence on our Monetary System. This Gentleman writes, in reply to a letter of mine dated the 20th November 1843, as follows:—"I cannot delay
 " acknowledging the receipt of your letter of 20th November, as the subject to which it chiefly refers, is
 " to me of the greatest possible interest, you describe
 " your apparently thriving colony to be under the har-
 " row (or rather in that state which must inevitably
 " soon place it so) of a couple of rival Banks, one of
 " them having a charter of limited liability, and the other,
 " being the Branch of a Parent Bank which pro-
 " fesses to have its capital in India. Therefore it would
 " seem that the good people of Ceylon entrust their
 " deposits, receive the notes and purchase the drafts
 " upon remote places, of either of these Establishments
 " without the security of a single Rupee of domesticated
 " or irremovable capital. From what you say and from
 " the advertisement that I have seen both in the Lon-
 " don and in the Island Newspapers, I am inclined to
 " think that the business which the Banks are under-
 " taking is, as yet, attended with some immediate pro-
 " fit; but if I am right, the principles on which they
 " have embarked are so erroneous, that they will in-
 " fallibly be led on to shipwreck and most likely in a

" storm of their own producing. When a society has
 " advanced by its industry and economy to such a
 " situation that its increase of capital is outrunning
 " its means of investment, one can understand that the
 " period has arrived for the institution of a Bank, in
 " which these hoardings may be safely lodged, while
 " the owner turns himself round in search of an
 " equally safe but more durable and profitable appli-
 " cation. But the modern fashion is to set up the Bank
 " when the means of investment are great, and the ca-
 " pital to be invested exceedingly small. The Banker
 " partaking of the dearth of capital, lends out the coin
 " which he takes in the way of deposit or for his notes
 " and bills, not indeed directly upon Land, but in such
 " a way and on such personal security, that it very
 " soon goes into land. This, at first, wears a profitable
 " appearance, the issues of notes are increased and the
 " produce of the land exchanges for more of those notes
 " in common language "sells higher" in the markets
 " of the producing country; thus stimulating a still
 " greater production, meanwhile that greater production
 " is answered very naturally in the consuming markets
 " by lower prices. Manufacturers, who have made ship-
 " ments, ask no longer for produce but for coin—coin
 " alas! there is little or none left, and the unfortunate
 " colony, in debt to all the world, remains with nothing
 " except its high purchased Estates and those cannot
 " be exported."

Let us consider how faithfully is the present state
 of Ceylon, in 1848 and 1849, pictured to us in the
 letter dated 30th January 1844, from which I have
 quoted. How many have been the victims of Bank

facilities in this place? How many are now paying the penalty of raising money upon the security of names, instead of on property fairly and soberly valued? The Merchants who had been in the habit of hypothecating their Bills of Lading in support of their Bills of Exchange, hailed the establishment of Banks which dispensed with such hypothecation.

The Agents of absent Proprietors of Plantations, were equally gratified by credit at the Banks without putting their constituents to the trouble of obtaining for them Letters of Credit from Messrs. Coutts & Co. or other unquestionable London houses. They did not contemplate the failure of their London Agents, or their absent landholders, until the news of such failures and their protested Bills of Exchange, fell upon them with crushing violence and then, too late, they saw their ruin consequent on there being no produce hypothecated in support of their drafts. So much for Bank facilities. One word for the fulfilment of the prediction mentioned by the writer whose letter I have quoted. These Bankers profess not to lend money on land, nor do they do so in a direct manner; but in such a way and on such personal security, that it very soon goes into land. All this is verified in this Island. Who would have supposed seven, or even 3 or 4 years ago, that "Rajawelle" would, in the very way just mentioned become the property of a Bank.

Under such circumstances, it would seem to be hardly correct to call such establishments Banks. They are, more strictly speaking, Loan societies and dealers in foreign exchanges. Cambists and money lenders, and like

professed money lenders, except under peculiar circumstances and when actuated by some well defined and approved principle—are, more or less injurious to the community. In support of this assertion let us turn to the Havannah where there are no Banks. We learn from thence that Coffee Plantations in Cuba have now ceased to be profitable, and that Proprietors are abandoning them in many instances, in order to give increased attention to the production of Sugar. Such changes give rise to a variety of considerations. We know that to produce a given value of Sugar in a year, demands a double or three-fold amount of capital in comparison with what could be required to produce an equal value of Coffee. Sugar planting also requires more skilled labour and more science than planting Coffee. In a word, Coffee planting is more of the nature of a Farm, and Sugar planting is more of the nature of a manufactory. Have they then in Cuba, that abundance of required capital to enable this conversion from Coffee to Sugar? Intuitively, we should have thought not; but, upon a little enquiry, we find that Cuba is the residence of very powerful capitalists, that they have abundance of skilled labour, and that as scientific manufacturers of Sugar, they surpass all the rest of the world. Old Spain is a poor country, poorer far than France, yet are large, very large, available capitals often found in the hands of the old Spanish nobility; while there are few, or no, instances of them in France. There was a Railroad in Cuba many years before there was a Railroad in France. It is not unlikely, but that the change in our laws, as to the admission of Sugar from

all countries to our home consumption, may have assisted in that conversion from Coffee to Sugar planting in Cuba. There has been no unnatural stimulus from Banks in that country; indeed we think we have seen the Havannah mentioned as an instance, that Banks are not necessary to an enormous interchange of merchandize; which goes on there without any monetary sign, except that of Gold or Silver coin, and without the disturbance of monetary panics, such as shake our colonies to the centre about once in every 10 or 12 years.

Before concluding this part of the subject—bearing in mind the object we have in view, that of changing the currency of this Island from coins which we have not, to those which form the circulating medium of this Island, in a word from British Silver coins, to East India Company's Rupees, I would submit that Treasury Notes expressed respectively of forty, twenty, ten, five and two Rupees would be of great convenience to the public of this Island.*

Paper money of small denominations may not be necessary in England;—but we know that it is necessary in Ceylon. In England no less description of coin than a farthing is in circulation:—but here the Challie, which is half a farthing, is much used by the Native dealers in the Ceylon bazars.

We cannot judge properly of the convenience, or the

* I have been favored with a copy of a Bank Note put into circulation at the Mauritius, which, it will be seen, is expressed in Rupees. But unhappily, the Mauritius Bank has issued these Rupee Notes under an Ordinance of only last August containing this fallacious reservation—"the Rupee being of the legal tariff value of "one shilling and ten pence sterling."

wants, of the Ceylonese by the practises of Englishmen, and we should do well to refrain from concluding, that measures must be suited to the people of this land, because they are approved of in their application to the people of England. It is evidently the design of Providence, that there should be a difference, and we see that the inhabitants of the Tropics do not labour like those of the Temperate Zone: because it has pleased the Almighty to provide them with sustenance on more easy terms.

We come now to consider the Law, or, as it was called in those days, the Regulation No. 8 of 1825 and the Governor's Minute which accompanied it, in their bearing on the currency. It is necessary to keep in mind that the provisions of that Regulation, not of the Minute, are the law of Ceylon at this day. The Preamble is thus expressed: "His Majesty has commanded

Currency Commissioners of Mauritius.		
FIVE		FIVE
<i>No.</i>		<i>No.</i>
PORT LOUIS	18	18
<div style="border: 1px solid black; padding: 10px; margin: 10px auto; width: 80%;"> <p><i>We promise to pay the Bearer on demand in Gold or Silver Coin of the Value of FIVE RUPEES of the East India Company's present Coinage Value received.</i></p> </div>		
FOR THE COMMISSIONERS OF THE MAURITIUS CURRENCY.		
FIVE	5	Manager.
RUPEES	<i>Entd.</i>	

“ that an uniform currency shall be established in all
 “ his foreign possessions, * founded on, and referring
 “ to the currency of the United Kingdom, and that all
 “ accounts in this Island shall be kept in Pounds,
 “ Shillings, Pence and Farthings. His Majesty has
 “ also commanded that the Silver Rix Dollar of 1821
 “ current in this Island, and the Treasury Notes in
 “ the Island expressed in Rix Dollars shall pass current
 “ at one shilling and six pence; also that British Silver
 “ coin of 66 shilling to the lb Troy shall pass as the
 “ lawful coin of this Island; and British Copper coin
 “ also pass current, but no one be obliged to receive
 “ more of it at one time than Twelve Pence.

“ From 1st July 1825 all accounts of this Govern-
 “ ment shall be kept, entered and stated in Pounds,
 “ Shillings, Pence and Farthings.

“ British Silver coin consisting of Crowns, Half
 “ Crowns, Shillings and Six Pences, of which 66 shillings
 “ go to the lb Troy of Standard Silver, to be a *legal*
 “ *tender* for every debt and in every account in this
 “ Island.

“ Silver Mint Rix Dollars of 1821 and the Govern-
 “ ment Treasury Notes expressed in Rix Dollars to
 “ be received and taken at one Shilling and Six Pence
 “ the Rix Dollar.

“ British Copper coin consisting of Pence, Half Pence,
 “ and Farthings to be current in this Island.

* Had this command of His Majesty extended to the Territories
 of the East India Company it would have been much better for
 Ceylon.

“ Present Copper coin of the Island to be also current
 “ at the following rates ;

D.

1 Fanam at.	1½
½ do. „ ..	¾
1 Pice „ ..	⅔
¼ do. „ ...	3-16th.
1 Challie „ ..	½

“ No person is required to take more copper money
 “ at one time than Twelve Pence or Eight Fanams.”

We are in this Regulation told distinctly what a legal tender is, that it is certain British Silver coins to any amount, and British Copper coins to the extent of 12 pence only at one payment. We are also told, that the Silver Rix Dollar of 1821, mind of 1821 only—for Bertolacci has told us that the Island was drained of its Silver in 1812 to pay for Rice—was to pass current as an eighteen penny piece. We are further told, that the Treasury Notes of the Island expressed in Rix Dollars—mind not expressed in British currency, were to pass current also. It comes therefore to this, that at this present time, a legal tender in Ceylon in coins consists exclusively of British Silver Crowns, Half Crowns, Shillings and Six Pences, and all accounts are kept and rendered in English currency.

Now if legal tenders in payment of all debts are confined to the British Silver coins above enumerated, and Pound Notes made current in 1827, it is evident that no British Gold coins, nor British Silver Four penny pieces, nor the coins of any foreign state whatever, are legal tenders in Ceylon. We may say without

fear of contradiction that, we have none of the legal Silver coinage, and that we depend for circulating medium and for the payment of our debts in hard cash, on the East India Company's Rupees, which are not a legal tender for debts. Now this is not the position in which a community like this should be placed. How all this has come to pass, we shall have to explain hereafter.

Of precisely the same date as the above mentioned Laws of the Land, is the Minute of the Governor addressed to the public services, intimating that no issue of Debentures, or other security, or of accommodation Bills would hereafter be permitted, "and that when it may not be in the power of Government to issue the pay and allowances of the establishment in the British Silver currency, or in Ceylon paper or Silver Rix Dollars" certain foreign Silver coins were to be received at given fixed rates founded upon the value of Silver contained in them as compared with British Standard Silver at 5s. 2d. per ounce. This Minute of July 1825, gives the contents of pure Silver in a Madras Rupee to be 164 grains 7-10, and provides for its issue in payment of salaries at 1s. 11d. But on the 14th December 1833, the Governor issued a Minute reducing the rate at which foreign coins would be issued in payment of salaries and allowances to the public services; and by this Minute the Madras Rupee is fixed at 1s. 10d., which was a fraction under its comparative intrinsic worth.

With the great change of system introduced with the new Charter of Justice, and the orders from the Home

Authorities founded on the Report of Colonel Colebrooke's Commission of Inquiry, which reached this Island in 1833, much thoughtful consideration and considerable judgment became necessary on the part of the local Government, to steer clear of difficulty in working out these changes and their consequences, and, at times, to avoid embarrassment. Every description of compulsory labour had been abolished, and every man in the Island declared to be equally free and possessed of equal personal rights; the public services had been opened to all classes of her Majesty's duly qualified subjects, the cultivation, sale and export of Cinnamon had been thrown open to "all persons whomsoever;"—and the local Government strictly prohibited from exporting the spice.

The cessation of much of the revenue receipts, consequent on the throwing open of the Cinnamon trade, proved of much longer duration than had been expected. Purchasers did not come forward to buy the spice in Colombo, and the Government apprehended embarrassment from the want of funds:—for as now, it was restricted from increasing the paper circulation. Months rolled on without the sale of a single Bale of Cinnamon having been effected, except to me. A distinguished individual having called here on his way home from India and having a small part of his fortune in Rupees on their way to England on board the Ship in which he was a Passenger; * at my suggestion landed a portion of this money to be invested by me

* I would here observe that I have before said, that when Peace prevailed in India, remittances were sometimes made in Rupees—I am now relating an instance of the kind.

in Government Cinnamon. Thus, I became the very first purchaser of Government Cinnamon about nine-months after the opening of the trade.

But commercial speculators did not come forward so fast as was desired, some persons attributed such hesitation to the large sums of ready money required to pay the Government for the spice and the Custom House for the Export Duty. Much consideration was given to this subject by the late Sir Robert Wilmot Horton, and information invited by him from every person likely to afford it.

The Agents of the Ceylon Government at the Presidencies of India were invited to consider the advantages they might derive from Exporting Cinnamon, or by advancing the necessary funds to others to enable them to pay the Export duty on the spice, and receiving from Exporters, Bills of Exchange for the equivalent, supported by the hypothecation of the Bills of Lading. And with the Governor's approval and desire, an arrangement was made with the Agents at Madras, enabling me to become the medium of making such advances for them, and this I continued to do for some time. It was with the view of facilitating the flow of money from India for investment in Cinnamon and for advances on its shipment, as well as to provide a circulating medium for the convenience of the public, that Sir Robert Wilmot Horton felt himself constrained to issuing the following Minute.

MINUTE.

The Right Honorable the Governor is pleased to give

notice, that the undermentioned Silver coins will be put in circulation in Ceylon, at the following rates, viz.

The Company's Rupee... 2 Shillings.

Do. half do. ... 1 Shilling.

Do. quarter do. ... 6 Pence.

By His Excellency's Command,

(Signed) P. ANSTRUTHER,

Colonial Secretary.

Colonial Secretary's Office,

Kandy, 26th September, 1846.

Such a Minute calculated as it was to tempt persons to send Silver Rupees for investment in the produce of Ceylon, or in Bills of Exchange drawn against such produce, could not but be favourably received by the English Merchants in Ceylon. It was moreover an apparent convenience to the community to be supplied with two shilling tokens to replace the British Silver conveyed away by persons returning to England from Ceylon and from India. Sir Robert Wilmot Horton although well acquainted with "economics," was not over well versed in the relative value of money, nor in the causes affecting the rates of exchange. He was unconscious of the depreciating consequences of this measure on the currency of Ceylon.

His object was honestly to confer a benefit on the community and to obtain a revenue, and we may say he succeeded, in so far as he was concerned; for the community did not complain and the revenue increased.

When this famous Minute came into operation, and the Rupee slid into circulation at two Shillings: We

had English Silver money in circulation and we had also Silver Rix Dollars. We look in vain now for either, and we hear people ask what has become of the Rix Dollar? We shall come to the solution of this question very soon.

If Ceylon were effectually cut off from all intercourse with other state and countries, it would not matter to its inhabitants in their dealings with each other—what should be the circulating medium—Gold, Silver, Copper or even Sea-shells, the Cowrie which is used by the Africans—provided, the valuation fixed on the tokens received the assent of all persons. But fortunately for the inhabitants of Ceylon, they have extensive dealings with other countries, particularly with England and Hindostan. By the returns printed in the Blue Book, it appears that the annual transactions of Ceylon with Hindostan involve in amount 8,000,000 of Rupees, and it is this large sum involved in the dealings of Ceylon with India, which makes it so very important to ascertain, if it be really to the advantage of Government that the coin of another state should completely supersede the legal currency of the Island, and that Crowns, Half Crowns, Shillings and Six Pence, should be known in name only.

We must bear in mind that an East India Company's Rupee contains 165 grains of Silver, and that two Shillings contain 177, the difference being 12 grains. These Rupees are taken in at the Presidencies of India at their intrinsic value—165 grains, and given out to us as the equivalent of 177 grains. This is paying rather dear for tokens to displace English Silver coins,

which may be imported from England at a cost of 2 or 3 per cent. But being supplied with Rupees at a cost of 12 grains of Silver, or 7 per cent, we have to consider how much the Cloth and Rice Merchants of Hindostan will receive them for in payment for their goods, for it is in our transactions with foreigners, that our disadvantage becomes most apparent.

It is found in England, where, in ordinary dealings, the inhabitants and the Government consider eight half Crowns, or twenty Shillings, the same value as a "Sovereign" (although they are not so in fact, because, as I have before said; a pound weight of Standard Silver which is bought in the market for three Sovereigns, is cut into 65 shillings) that no foreigner will give the English the same quantity of goods for the Silver as for the Gold. Nor will the Merchants of Hindostan give us the same quantity of Rice, nor the same quantity of Cloth for 165 grains of Silver as they would for 177 grains. "Men in their bargains contract, not for denominations or sounds, but for intrinsic value." These words of Mr. Locke nearly a century and a half ago, which must be true in all time, were sadly overlooked when the Company's Rupee was put into circulation here at the equivalent of two Shillings.* The

* It may be objected to this recommendation that decimal divisions of the Rupee would be preferable to Annas and Pice. This we would not deny:—but the object we have in view being the assimilation of Ceylon currency and accounts with those of Hindostan;—such improvement in their coinage is left to the rulers of our Indian Empire. Had we been contending for a currency for Great Britain and all its dependencies, we should have been found among those who advocate decimal divisions of the currency throughout the British dominions, and Gold as the Standard of the Colonies and Indian Possessions as it is of the Mother country.

objection is not that the Rupee is in circulation *as a Rupee* : but that it is so at a false valuation as compared with the legal currency of the Island. It will be remembered that I commenced this paper by an express declaration, that the whole currency and accounts of this Island should be in Rupees, Annas and Pice:— for there is no doubt whatever, that the natural and obvious coinage for Ceylon is that of India, and as we cannot influence the East India Company to adopt the use of British Silver coins, we should lose no time in adopting the Rupee? *

It is hardly necessary to notice the demand there is for English Silver by Passengers returning home, and that the continued drain on the unreplenished Ceylon circulation has exhausted the whole of it. But where has the Silver Rix Dollar gone to? that does not go to England—no, certainly not, but it goes just where newly coined English Silver would go if it were brought to Ceylon, and there should be no better demand for it by homeward bound Passengers, and that is, into the Indians' crucible. The Silver Rix Dollar is, in comparison with British Silver, intrinsically worth a fraction more than 1s. 6d. Now the Rupee being in circulation as two Shillings, the Indian Rice and Cloth Merchants, in payment of their goods received four Silver Rix Dollars containing 531 grains (or rather more) of Silver as the equivalent of three Rupees containing 495 grains. We must suppose these keen Indian dealers would not make the most of their bargains, by selling the Silver

* Mr. Locke's words were equally lost sight of by the Imperial Government when it decreed British Silver, at 65 shillings to the lb Troy, to be the Standard currency of its Colonies.

Rix Dollars to their Silver Smiths, and not return them to Ceylon.

Observe how closely they calculate the value of precious metals in their bargains for "Sovereigns." At the present price of Silver, three "Sovereigns" per pound troy, a "Sovereign" will purchase 1920 grains of Silver which is equal to the quantity contained in eleven Rupees, ten Annas and two Pice. The Indians will generally give you for a "Sovereign" eleven Rupees and eight Annas— which in Ceylon we unhappily call twenty-three Shillings; but which is far from being so, for by the same rule 1920 grains of Silver, which is to be purchased for a "Sovereign," is equal to the quantity of Silver contained in twenty-one Shillings, eight Pence and one Farthing. This clearly explains, why Gold and not Silver coins are exported [from England to pay for Corn when grain is scarce. It also shows, that, on sound principles, England should have conferred upon its Colonies a Gold standard instead of British Silver. A moment's consideration will convince any person, that whenever 23 British Shillings are given for a Sovereign by an Englishman; he does so under an impression of their value having been reduced to the equivalent of half a Rupee each. But in truth, a person on his way to England would be extravagantly partial to Gold, if he were to give 23 British Shillings for a "Sovereign" to spend on his arrival in England, although any one from India would gladly give 11½ Rupees. But we must not forget, that although the "Sovereign" passes in England for no more than the equivalent of 20 Shillings, it is worth more than 20

British Shillings in any other country, and therefore it confirms the adage that the honesty of British Gold makes it a key to all languages in all countries.

The importers of Rupees from India take them in at the Presidencies at 165 grains, and issue them to us at 177 grains—the difference 12 grains, minus the expenses of conveyance, being their profit. Now it is an admitted principle in economics, that wherever some party gains, some other party must lose in proportion, although the loss may not be more apparant to the losers, than the Customs duty on Wine is to many of those who drink it. Still the loss in one case and the payment of duty in the other, are equally certain. When an Indian Merchant comes here with Cloth, or Rice, for sale, he fixes his prices with reference to the value of the Rupee in India, and not the false value we attach to it here, he takes it at 165 grains, notwithstanding we have received it as 177. Consider what this difference must amount to on transactions with India to the extent as stated in the Blue Book, of Rupees 8,000,000 per annum, and it will be found to involve a loss of Rupees 521,818 in one year to the community. I, however, believe this estimate is somewhat overstated, in as much as the loss is not forfeited in Ceylon on receiving the Rupee at 177 grains but on parting with it at 165 grains. Now as the imports from the Continent of India in 1848 actually amounted to Rupees 6,049,401, and were paid for in Rupees, or in Ceylon produce estimated in Rupees at 2s each, the loss to Ceylon in the past year was Rupees 431,956, or very nearly £44,000 in the present circulating medium. Take my salary as an instance. Now according to the legal currency of Ceylon, I am entitled to re-

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ceive from the Treasury 1,239,000 grains of Standard Silver, or its equivalent. Whereas by receiving 7,000 Rupees at 2s. each, I receive but 1,155,000 grains, the difference being 84,000 grains, which is equal to Rupees 509. By the same rule, the Governor of Ceylon loses, on payment of His Excellency's salary in Rupees, £509 at 10 Rupees to the Pound.

These are by no means the only losses which Ceylon sustains by the operations of Sir Robert Wilmot Horton's Monetary Minute of 1836. From the instant it came into operation the revenues of the Island were reduced 7 per cent, and so were the salaries and fixed incomes of every man in the community, the stock of trade of every Trader was equally reduced in value and the British Silver coins in circulation became equally depressed in comparative value:—two Shillings which contain 177 grains of Silver fell to the equivalent of a Rupee containing 165 grains; nor would they exchange for a greater quantity of commodities in the Bazaars. The upset price at which the Government of Ceylon was directed to offer its first class Cinnamon for sale, was 3s. 6d. per lb., and the Export Duty on its Shipment was 3s. per lb., together 6s. 6d., in the currency of the Island, that is, in British Silver ^{177.2 grs. costless} coins at the comparative value of the Silver contained in them, which made the Rupee equivalent to 1s. 10d. It will at once be perceived, that by receiving the Rupee in payment of the price of, and the duty on, Cinnamon, that the actual cost of the Cinnamon on Ship board was reduced from 6s. 6d. per lb., to 5s. 11½, which was equivalent to a reduction in the whole cost of 6½d. per lb. Thus the Govern-

ment of Ceylon, while actually prohibited by the Secretary of State from altering the price of, and the duty on, its spice, positively evaded this restriction, by receiving the Rupee for 2s. instead of 1s. 10d. It is therefore evident, that the effect of this Minute is to falsify all our official returns:—for, while the Revenue is collected in Rupees at 10 to the Pound, it is brought to account and officially reported to the Lords of Her Majesty's Treasury in Pounds Sterling, and thereby made to appear upwards of 7 per cent more than it really is. It is moreover the circulation of the Rupee as 2 Shillings, which prevents the importation from England of the legal currency of the Island, and excludes all other Silver coinage;—for as none but the Rupee would circulate for more than the value of the Silver it contains, no prudent person would import 177 grains of Silver to receive for it the equivalent of 165. It may be asked why should all this loss be inflicted on Ceylon and this deception be practised on England? Those persons who advocated the working of the Minute of 1836, answer, that it is to supply the Island with a foreign coinage which is not a legal tender, inasmuch as it can be done at a cheaper rate than we can be supplied with British Silver coins, which are a legal tender in the payment of debts to any amount. This is however, a very great error and we will endeavour to prove it beyond question.

Let us suppose that the Monetary Minute of 1836 had never been promulgated, and that Coffee planting had progressed as it has done. Under such circumstances, it may be asked, how could the necessary money have been provided? Simply by the transmis-

sion of British Gold and Silver coins at a cost for freight and insurance round the Cape of Good Hope of 2 or 2½ per cent, and the proceeds of Bills of Exchange drawn against shipments of Produce, some of which, Bills being realized in Company's Rupees, would thereby have provided, for Indian Coolies and itinerant Traders returning to Hindostan, an useful exchange for currency.

It would seem that the expense of the re-transmission of British Silver from Ceylon to England was taken into consideration by those authorities, who fixed the charge of 3 per cent premium on Ceylon Government Bills drawn on the Lords of the Treasury at 30 days sight. For instance, an Officer desirous of sending a part of his salary to England, could have sent English Silver coins home at a cost of about 2 or 2½ per cent, or he could have obtained a Treasury Bill at a cost of 3 per cent.

Under such circumstances, it was clearly to the advantage of Government to dispose of such bills, as they obtained 3 per cent premium on their sale; besides which, they saved the expense of importing British Silver from England to pay the Troops. But we must not forget that in all those transactions no coin but British Silver is contemplated. The case however, becomes very different when these Bills are to be paid for in Rupees at 2s. each. In the instance of British Silver, the Ceylon Treasury received, including the 3 per cent premium, 182,310 grains of Standard Silver for one hundred Pounds payable in London; and in the instance of Rupees at 2s. each, it received, also including the 3 per cent premium, 169,950 grains of Standard Silver; or, in

other words, in the one case, £108 for £100 payable in London, and in the other case £96. 0. 2. for £100 payable in London, and such would be the general result of adherence to the practice of selling the Government Bills at 3 per cent premium; but, uncontrollable action of the exchanges in India, I may say, has compelled the Ceylon Government to send its Bills to the Presidencies of India, to be sold in the Market and the proceeds placed to its credit;—a practice sometimes much complained of by the purchasers of Bills in Ceylon, when desiring to possess themselves of Government Bills at 3 per cent premium.

If the flow of British Silver currency from England into Ceylon, had not been stopped by the Rupee being circulated as the equivalent of two Shillings, the natural and obvious course of British Silver coinage would be from England to Ceylon on freight, and from Ceylon back to England, partly *via* Hindostan and partly by Passengers from Ceylon returning to England. It is therefore perfectly clear, that Ceylon could not be kept supplied with British Silver currency without a portion of the expense of its conveyance from England falling on the community:—but such expense would not necessarily fall on the Ceylon Government. In the first place, the freight and insurance on Silver coins sent from England to pay Her Majesty's Troops, would be paid by, or become chargeable to, the Imperial Government. Again in particular stages of the course of Exchange between India and England, it would become the interest of the Planting community to receive their remittances in Silver coin from England. But as it

is not the object of this paper to have the East India Company's Silver coinage in Ceylon replaced by British Silver, it may be necessary to repeat, that which is set forth at the commencement—namely, that it would be greatly to the interest of this community, that all the accounts in the Island, both public and private should be kept, that all proceedings, involving the consideration of money in the Courts of Law, should be conducted, and that all Stamps should be expressed in Rupees, Annas and Pice, instead of being kept, conducted and expressed in Pounds, Shillings and Pence, as is the case at this time, and further, that East India Company's Rupees, which have effectually displaced, as two Shilling tokens, the legal currency of Ceylon, should by Law be established a legal tender for every account in this country. *

That, the issue of paper currency should be exclusively confined to the Government Treasury, and that the Notes should be expressed respectively of forty, twenty, ten, five and two Rupees. These highly important changes, effected in our Monetary System, we may safely leave the rates of exchange with other countries to be adjusted by the powerful influences I have before alluded to, and by the usual checks of commercial competition.

* The change which is here proposed, is simply to call the money in use by its proper name. We now pay a debt of £100 with 1,000 Silver Rupees. It is proposed that we should call the debt 1,000 Rupees, which is in truth the proper term to apply to it, and not £100.
