

EAST AFR. PROT

C/O
47614R.L.C.
D. 15/11/50

47614

Currency Crisis

1919

15 Aug

Subsequent Paper

H/952

In suggestions by Mr. Home,
manager of Natl. Bank of S. Africa

In H. Home

It is very well known that the
the many suggestions made from
from the Bank of S. Africa
regarding the currency crisis

do not see what we can do
to help the situation. It is
rather a cooperative effort
which is being made.

We must not forget that we are
the local bank and we
are far from the main fields
do not

It is a very serious matter

Subsequent Paper

Resort

49544

the for Col. Army & 2000
reply to major in Japan
filling here that we have
submitted detailed proposals
by tel. to you earlier in
August - that we are fully
aware of the ^{unpleasant} position
position created by the further
rise in the rate of exchange -
that we must wait for Governor's
reply - that as we do not
wish to make any public
statement at all. We can
only tell the U.S. Chamber
of Commerce that the position
is receiving careful attention

1 Oct.
1948

Colonel Army

reply from the ~~bank~~ ^{office} on the end of
the book

46 Please keep the book
for the Jan 1948 version

The book is ^{not} to be
made. I think we will make
it a ~~part of the book~~ ^{part of the book}

475 52, BRAYCOTT PLACE,
S.W.3.

16th August, 1919.

Under Secretary of State,
Colonial Office,
Whitehall Street, S.W.

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East African Exchange.

I have to-day received a cable from the President of the Nairobi Chamber of Commerce which reads as follows:-

MEMORANDUM STRONGLY URGES INSTITUTION OF TEMPORARY DUAL CURRENCY, NAMELY RUPEES AND STERLING (SEE TANNAHILL'S REPORT PUBLISHED, STANDARD TWELFTH JULY 1919, PAGE FIFTY AND "PROGRESS")

The letter from Mr. Tannahill referred to and the copy of the East African Standard referred to have not yet reached this country. I am therefore in some doubt as to exactly what is meant by "institution of temporary dual currency".

Mr. Thomas who signs as President is the local Manager of the National Bank of South Africa. The following passage from a letter received by me some time ago from Mr. Tannahill probably throws some light on the proposal. It reads:-

Mr. Thomas put forward a suggestion which may possibly be, namely, that the Banks should be asked to keep two Accounts, one in Sterling and Rupees, so that, if a man wants to send money here, it can be credited to his Sterling Account at par.

He suggests that if this was done by a large number of Banks it would be found possible to Exchange Cheques where the man had Sterling Accounts. If, on the other hand, a man

with a Sterling Account wished to convert it into Rupees he could, of course, then have to pay the Exchange.

In the meantime people should press for an alteration in the Currency from Rupees to Gold Standard, possibly based on securities in England.

Thomas also says that this method of Banking is already in practice in Portuguese East Africa and the Banks there keep separate Accounts in English Sterling and Portuguese Currency, namely, Escudos.

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The cable in question is dated the 9th, Nairobi. I am inclined to think therefore that it was despatched before the recent rise of the Rupee to 1/10. A 1/10 rupee will certainly mean the early closing down of nearly all the sisal plantations in the country, and I imagine will have a similar effect upon the Magadi soda, which of course means the practical closing down of all additional bank facilities, the Banks naturally being unable to take the risk of a fall. I am quite convinced that unless a very early remedy is found British East Africa will drift to virtual bankruptcy. The remedy proposed is so obvious and should be so easily applied that it will be very difficult to satisfy the ruined people of East Africa that there was any real reason for the long delay in action at this end.

I should be grateful if you could suggest to me what I may safely say in answer to their request for a cable report - progress on this side.

I am,

Sir,

Your obedient Servant,

W. G. S. G. G.

17 KING STREET,
S.E. August, 1919.

My dear Grogan,

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I am replying semi-officially to your letter of the 30th on the subject of East African Exchange.

We telegraphed detailed proposals to the Governor of the East Africa Protectorate early in August; and his reply has not yet been received.

We are fully alive to the critical position created by the further rise in the rupee to 1/10, and we cannot move now until Sir Shortt replies.

As you know, we do not wish to make any public statement at all on the matter, and Sir Shortt has also stated that the proposals sent to him for consideration must be regarded as absolutely secret. In the circumstances I think you can only tell the Nairobi Chamber of Commerce that the whole question is remaining under consideration, but I do not see any

S.B.G.M.

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LONDON
MISSION OF THE
E. LONDON

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25

...ction to the "dual currency" arrangement being
...ted at once, if the local banks are willing to do
... If it is not apparently a matter in which any action
...red on the part of the Colonial Office.

Yours sincerely,

(S) L. S. Amery

9/47614 D.P.P.

L. 21

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Agreement

for Col. Amey's
regulation

DRAFT

Major L.S. Grogan

21st August 1919

MINUTE.

by Gen. ~~Major~~ Grogan

22/8/19

I am replying Gen. Officially

to your letter of the 15th on the

subject of our African

exchange.

26/8/19

We telegraphed

detailed proposals to the

Gen. after Col. Amey's request

& ~~our~~ his reply has not

yet been received.

We are fully alive to

the critical position created

by the further increase in the

number of...

cannot move now until

Mr. Mather replies.

As you know, we do not
wish to make any public
statement at all on this matter,

Mr. Mather has informed that
the proposals sent to him for
consideration must be regarded as
absolutely secret. In the light

I think you can only tell the
Department of Commerce that the

whole question is receiving careful
consideration. But I do not see any
objection to the "dual currency"
experiment being initiated at
once by all local banks, and

subject to the approval of the

Secretary of the Treasury, in which
any action is required.

The Board of the Federal Reserve

is also of the opinion that