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REC'D
REC'D 11 MAR 21

ASSOCIATED PRODUCERS OF

E. A. AND UGANDA.

CURRENCY

1921

11th Moth

Forwards copy of draft scheme and copies of corres re
and comments on same

Last previous Paper

Gov 11524

Letter from Mr. Niemeyer on the sovereign
question also attached

See 11-9

3737

115
12502

Next subsequent Paper

Gov 12502



TREASURY CHAMBERS,
WHITEHALL

In reply
please quote Regd. No.

11th March, 1921.

Dear Mr. Jeffreys,

I do not dissent from the general tenor of the draft cables to East Africa but I think they are open to misconception on the point of technique.

I do not think we should make the sovereign standard coin. I do not recollect any parallel for such a proposal with regard to the sovereign. The definition of a standard coin is only required where there is a local currency such as the florin in East Africa, or the dollar in the ^{States} States, and it is necessary to fix the relation of subsidiary coinage to that coin.

Moreover, I do not think in any case the relation of East African coinage should be fixed to the sovereign as distinct from the pound sterling. If you relate the East African shilling to the sovereign you will be undervaluing it in terms of sterling, and will get into exactly the same difficulties as India has got into by trying

to

for the introduction of an East African shilling of unlimited legal tender. The new 50 & 25 cent notes also be issued.

If you would let me know whether the Board agree I will have a draft prepared on these lines.

Yours sincerely,

J.B. Jeffreys

J.B. Jeffreys, Esq.

to attach herself to a gold basis. What the people in East Africa do not understand is that their coinage is on a sterling and not a gold basis. The two things are not at the present moment the same.

What I think therefore we should do is to make the sovereign legal tender again as it used to be in East Africa, to leave the florin as the standard coin or possibly to make the shilling also a standard coin and to maintain the relation of the shilling to the pound sterling at 20/- to the pound sterling by the rate at which we sell exchange. There is no need and considerable disadvantage in fixing this by Order in Council.

The new Order in Council besides making the sovereign legal tender will have to provide for the marking down of the 1 cent, 5 cent and 10 cent pieces, at present related to the florin by schedule 2 of the Order in Council of 1920. It will also have to provide

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J. B. Jeffreys, Esq.

ASSOCIATED PRODUCERS of EAST AFRICA & UGANDA.

Secretary
H. JOWERS

78, CARLTON HOUSE,

REGENT STREET,
(Near Waterloo Place).

Telephone No.
GERRARD 8328

LONDON, S.W. 12th March 1921

W.C. Bottomley, Esq.,
Colonial Office, 122,

Dear Mr. Bottomley,

I was very glad to have an opportunity of conversation with you yesterday, but there are one or two points which I fear I have not sufficiently emphasised. As regards the scheme which was introduced by the Governor in the Legislative Council at Nairobi, I do not think the same objections could have been raised if it had not been proposed to reduce the florin as well as the rupee to 1/4d. This would, of course, have inflicted the same injustice on creditors as (according to our idea of the case) was inflicted on debtors by the stabilisation of the rupee at 1/4d. Imagine the position of the shipper who had sent goods to East Africa and drawn bills in terms of florins on East Africa. Naturally all commercial men were against this proposition. Our suggestion, as you will see in scheme B, is to isolate the period after the stabilisation of the rupee until a new departure is made, maintaining all contracts made in that period in terms of sterling at 10 florins to the pound or 15 of the new East African rupees if these are to be produced.

Another point which we must very strongly insist that there be introduced is of shillings and pence in Kenya and Uganda. It is nothing to talk of production of 1000000 shillings will, as we have pointed out, necessitate the issue of coins of one shilling for one coin of two shillings. The Legislative Council and its committee do not appear to realize that they already have what is practically the shilling in the shape of the old E.A. half rupee, which, at the present moment, is current at 20 to the pound. Before the stabilisation of the rupee, of course, they were 40 to the pound.

(2)

new coin becomes "the standard coin or coin of use of the country" without alteration in the tax and poll tax at present paid in florins, or of Government rentals, railway freights, etc. at present paid in terms of florins, there will be no reduction in the costs of production. And possibly in the future it might be possible to strike a closer bargain.

The question of pre-stabilisation debts is, of course, a separate issue by itself. It is not integral to scheme B, and might be eliminated without destroying the whole scheme. It is a simple issue between the debtor and creditor interests, but we feel here that it is a matter of equity and that it concerns a very deserving class.

Yours sincerely,

David Jones.

ASSOCIATED PRODUCERS
of
EAST AFRICA & UGANDA.

769

Secretary
H. JOWERS

Telephone No.
GERRARD 3328

78, CARLTON HOUSE,

REGENT STREET,
(Near Waterloo Place).

LONDON, S.W. 25th March 1921.

W.C. Bottomley, Esq., O.B.E.,
Colonial Office,
S.W.

Dear Mr. Bottomley,

I write to let you know that the sub-committee sat yesterday and received the criticisms of the Banks on the draft which I sent you with my letter of March 3rd.

Naturally this will have to be agreed by the Banks before I forward it to you, but I hope to do this at an early date.

Yours sincerely,

Harold Jowers

TELEGRAMS, AIRMAIL
TELEPHONE EAST AFRICA

52, DRAYCOTT PLACE,

S.W.3.

7th March, 1931

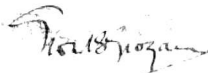
Dear Botkin

The other day I gave you the gist of a cable received by Granworth from Delamere. I now have one from Delamere which makes the position clearer. It is addressed to me and reads as follows:-

"Don't misunderstand my cable to Granworth. I totally disagree with resolution (Legislative Council) but consider any efforts should be made within four corners of it since it was passed by our elected members. Am willing help any way on those terms. Personally I support proposal put forward by Thomas Manager National Bank of South Africa that time of conversion at two shillings should be short after which rupee should be done away with as coin of the country but should be made legal tender at rate of day as a foreign coin available for paying native labour and debts incurred on old scale practically dual currency."

This cable is interesting as showing that the Manager of the National Bank of South Africa at Nairobi is advocating what is in every essential principle the same proposals as have been approved by the Sub-Committee here and of which you have a copy from Jowers.

Yours sincerely,



P.S. It also appears to propose the release of the old rupee debts from their bondage

770

TELEGRAMS DEPART
TELEPHONE 4487 KEMERSON

52, DRAYCOTT PLACE,
S. W. 3.

7th March, 1931

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Yours sincerely,

Northcote

P.S. He also speaks of expansion of the volume of the
of paper debts from their bondage

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ASSOCIATED PRODUCERS
of
EAST AFRICA & UGANDA.

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H. JOWERS.

78, CARLTON HOUSE,
REGENT STREET,
(Near Waterloo Place).

RECEIVED
MARCH 11 1921

LONDON, S.W. 11th March 1921

W.C. Bottomley, Esq., O.B.E.,
Colonial Office, S.W.

Dear Mr. Bottomley,

East African Currency

Many thanks for your letter of March 10th. I hasten to let you know exactly what the present position is. The sub-committee consisted of the members named in my official letter of March 3rd, but Mr. Soper did not attend the meetings, and Mr. C.B. Hausburg was replaced by Major Crowdy. As I told you in my semi-official letter of March 3rd, the sub-committee had been in agreement on all matters of principle, and the last meeting was held to pass the report in its final form and to obtain the views of the Banks. No alterations were made in the draft as far as paragraph 4, except a few verbal ones which I enclose on a separate sheet headed "corrigenda". Leggett, however, dissented to a certain extent at the last meeting. He had, in case he was unable to attend, put his views on paper, and I enclose a copy of his letter. I also enclose a copy of a letter which I sent yesterday to the Banks, forwarding a draft embodying the views which they expressed at the meeting. I have not yet, of course, obtained confirmation of the correctness of this draft.

The proposals contained in this draft report of the sub-committee were accepted by the members of this Association on the sub-committee as affording temporary relief to the much-tried industries of Kenya and Uganda. We were given to understand, too, that these proposals were more likely to meet with general acceptance, more especially from the Banks and the commercial interests, and, as you

The attitude of the Banks on the present position as indicated at the meeting of the East African Currency Sub-committee, was very much that expressed in the sentence of Leggett's letter which begins: "What was done last year by the State at the wish of a section of the Community", etc. We do not know here of any section of the community that asked for stabilisation of the rupee at 2/-, nor can the producers be held responsible because, from the moment that the rupee began to rise, they made urgent representations to Government as to the fatal results that would ensue if action were not taken to control the currency. It may be true that the Banks and the commercial community deprecated any interference. No doubt the banks were not averse to receiving 2/8d when they had lent 1/4d, nor did the members of the commercial community find it distasteful to reap the profits which they had gained by trading on a rising silver or rupee market. But it is absurd to suggest that anybody foresaw the rapid fall in the rupee, or that that was the reason that the banks and the commercial interests objected to interference.

The interests of the three banks in East Africa are, of course, infinitesimal as compared with those which they have in other countries. The interests of the National Bank of India in East Africa are overshadowed by its Indian interests, and of the South African banks by their South African interests. We, as producers, do not know why the banks should be allowed to dominate the situation entirely. We are convinced, too, that any policy which hits production is self-condemned. The banks, the traders, the Indian community and everybody else in the country, are all ultimately dependent upon the prosperity of the producers. Sir William Mercer stated to me that West Africa, without any currency problem, was equally hard hit, and that the cocoa planters there were practically all ruined. This appears to me to be begging the question. Because West African planters are ruined, there seems to be no reason for procuring a situation which must lead to the ruin of East African planters.

As regards debts incurred in Indian rupees prior to the Ordinance of April 1920, the Banks, and, as you will see, Leggett, agree as to the propriety of a reduction in

some of
 will have seen, the recommendations made by the Nairobi
 Committee and the public meeting at Kampala, were embodied
 in them. But the scheme of which I enclose copy (marked
 "A"), is preferred by this Association, and has been
 approved by leading firms connected with East Africa
 (ie J. E. Gillist & Co., Newland Tarlton & Co., and others).
 It affords a final instead of a temporary solution; it
 avoids the difficulties and complexities of the other pro-
 posals. I refer more particularly to the position of cents,
 the provision of currency sufficient for the needs of the
 country immediately after the demonetization of the Indian
 rupee, and the complications of book-keeping and accountancy
 incidental to a system of dual currency; and it appears to
 be in conformity with the minority Report of the Nairobi
 Committee. The three members who composed that minority
 are, as no doubt you are aware, all able men, and are re-
 presentative of very different interests. Macmillan, a
 considerable landowner with large interests as a producer,
 Topsoed, for many years manager of the Standard Bank of
 South Africa in Nairobi, thoroughly conversant with the
 conditions and needs of the country and sympathetic to the
 banking interest; and Major, Chief of the Customs at
 Mombasa and consequently in touch with all the industries
 of Kenya and Uganda.

Our views on the subject of conversion can be gathered
 from the terms of our scheme. You no doubt know that the
 official estimate of the number of rupees circulating or
 hoarded in East Africa is 30 millions. An estimate in the
 current issue of the United Empire Review places the figure
 so high as 48 millions. A banker with many years' experience
 of East Africa recently told me that the latter figure was
 nearer the mark. If the former estimate be accepted, the
 loss to Government with @ 1/3d rupee would be £1,250,000.
 With the latter estimate, £1,800,000. I know it is argued
 that this loss will not really be incurred because the
 Government will redeem rupees with the florin, the cost of
 which is not more than 7d or perhaps 8d, but the sale of the
 existing rupees to India and the issue of florins at a profit
 to Government are clearly two separate transactions, and the
 fact that you make a big profit on the one does not alter the
 fact that you will make a big loss on the other, a loss which
 in the opinion of our Association, is unnecessary and entirely
 unjustifiable except in the case of Banks, whose lack of
 rupees deserves special consideration.

The attitude of the Banks on the present position, as indicated at the meeting of the East African Currency sub-committee, was very much that expressed in the sentence of Leggett's letter which begins: "What was done last year by the State at the wish of a section of the Community", etc. We do not know here of any section of the community that asked for stabilisation of the rupee at 2/-, nor can the producers be held responsible because, from the moment that the rupee began to rise, they made urgent representations to Government as to the fatal results that would ensue if action were not taken to control the currency. It may be true that the Banks and the commercial community deprecated any interference. No doubt the banks were not averse to receiving 2/8d when they had lent 1/4d, nor did the members of the commercial community find it distasteful to reap the profits which they had gained by trading on a rising silver or rupee market. But it is absurd to suggest that anybody foresaw the rapid fall in the rupee, or that that was the reason that the banks and the commercial interests objected to interference.

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Government rentals to the sterling figure at which they originally stood. This, of course, gives away their whole case. There is no difference in principle between a Government rental and an overdraft at the Bank. Had it not been for the stabilisation of the rupee those overdrafts could now be repaid in Indian rupees at a lower value in exchange than has ever been reached in the history of East Africa. In his speech in the House of Commons last year Colonel Amery said, "that no man had any legal complaint in East Africa if he had to repay in rupees and could not pay in British sterling." The debtor, now, is not allowed to pay in Indian rupees, and finds that his debt is 50% higher than it would have been had for the stabilisation of the rupee. The majority of the debtors, those old settlers, nearly every one of whom went out and fought in the War and came back to find their estates embarrassed and an increase in their liabilities in terms of rupees owing to the impossibility of obtaining efficient managers during the absence of the greater part of the male population at the front. On top of that they are saddled with a 50% increase in their liabilities.

The first meeting of the Currency sub-committee had been fixed for Tuesday, 10th July. It was held the difficulty of getting the necessary members together at intervals. Barden, the Minister, will be away on business from to-day until the 12th. What is the best possible time to get the meeting together in time to be of use I do not know. I will have the report of the sub-committee at the end of the day.

Handwritten signature

COARLICE BDAParagraph 2, clause B.

For "upon a practically inconvertible" read
"practically upon an inconvertible".

Clause C.

After the word "period" insert ^{that} "as suggested."

Paragraph 3.

Read "for similar reasons we do not find ourselves
in complete agreement", etc.

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COPY

LETTER FROM THE ASSOCIATED PRODUCERS OF E.A. & UGANDA

19th March, 1951

The General Manager,
The National Bank of South Africa,
Circus Place, London Wall. E.C.

Dear Sir,

I am desired to forward herewith a draft which, it is understood, embodies the views of the Bank on the scheme submitted to them at the meeting of the East African Currency subcommittee on 28th Jan. I am not quite sure whether your bank was in complete agreement with the views expressed by the representatives of the National Bank of India and the Standard Bank of South Africa, and I am to enquire whether this draft correctly expresses your views.

Yours faithfully,

Secretary

SENT ALSO TO THE NATIONAL BANK OF INDIA

10th March 1921

The General Manager,
Standard Bank of South Africa,
10, Clements Lane,
Lombard Street. E.C.

Dear Sir,

With reference to the scheme which was submitted to you on the 8th March at the meeting of the East African Currency subcommittee appointed for the purpose by the Conference, I am desired to forward herewith a draft of the recommendations suggested by your Bank to replace those contained in paragraph 4 of the scheme. I am to enquire whether, in your opinion, this draft correctly states the views which you expressed at the meeting.

Yours faithfully,

Secretary

Paragraph 4 to read as follows:

Clause (a). That Indian rupees be demonetized and cease to be legal tender as from the date of demonetization; that they then be redeemed at 2/- within a certain time, not to exceed one month, to be fixed by proclamation, and that as soon as redemption is complete the embargo upon their import and export into East Africa be removed.

Clause (b). That no more florins be issued than shall be found necessary to provide the necessary amount of currency to meet the needs of the country after the demonetization of the rupee, but that, at the earliest convenient moment, the necessary supply of shillings (20 to the pound) be introduced as the coins of highest denomination subsidiary to the pound sterling.

Clause (c). That the cent be maintained as one hundredth part of the florin, and that half cents be issued.

Clause (d). That relief be given in respect of Government rentals, which have been increased by in terms of sterling by the stabilisation of the rupee at two shillings, but that no further interference be allowed in the case of debts contracted in terms of Indian rupees prior to the East Africa & Uganda (Currency) (No.2) Order of April 1920.

circulation at the rate of the day. They can do so without any permission and I should like to word the para: "It will then follow that the legal restriction upon import and export of Indian rupees be removed and that such local circulation of those coins that may thereafter continue would be at their exchange value of the day."

para (b) and (c) of Cl. 4 - agreed.

para (d) of Cl. 4. If this is an invitation or a request to Government to interfere in any way in the relations between debtor and creditor, then I am absolutely opposed to it. Enough harm has been done already by agitation for official action in that regard. If the advice of the Banks and business people had been taken in 1920, there would have been no Govt. interference then, and the present position would not exist. I fear that I cannot consider it as being either businesslike nor justifiable that the value of debts existing between any party and any other party be written up or written down by State dictum. What was done last year by the State, at the wish of a section of the community, amounted to confiscation of creditors assets for benefit of debtors in a proportion of eight twenty-eighths at the date it was done. In the long run the debtors, or some of them, have suffered. And the Indian rupee remained above 2s/-, as expected by those debtors themselves; they would not today be asking, or at any rate not with so much vehemence, for further revision, the matter being a closed jugée.

If we include request in any form for Govt. to reopen this question, we shall alienate all responsible commercial and banking sympathy from our other proposals. In my opinion the utmost that we should ask for is that Govt. may reconsider the incidence of its Crown rentals as fixed in Indian rupees prior to the rise in the latter, and should convert such rents at 1s/4d for each rupee of the rent.

I think that we - or some of us - may be overlooking that Govt. salaries are all fixed in £ Stg. and that the Govt. Notice under which they are being paid 50% bonus, f.e. 15 florins for each £ stg

salary) was careful to refer to the concession as a bonus and as temporary.

I have written my views very frankly for I am anxious that the sub-committee and anyone else should know precisely what my opinions are on these points. We are all driving at the same thing - to reduce costs of Govt. and private salaries; ~~the~~^{but} changes of coinage are not the way to approach that matter in my opinion. The changes we propose, i. e. to declare the Indian rupee an alien coin, and to get on to shillings as the common use coin, are practical and will do good.

Yours sincerely,

(Sgd) E.H.M. Leggett.