

EAST AFR. PROT

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DEC 21 1917

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Bouring
Para
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FINDS FOR PAYMENT OF CARRIERS

1917

19
Dec

Submits views as to provision of.

Last previous Paper.

J.O.
60842

Mr. Collins

I shall be glad if you
obsons on this matter again.
We are thrown back on the
two original alternatives - (1)
importation of rupees or (2)
a local 1 rupee note issue
with a guaranteed fund the
composition of which is to be
held in India.

C. W. S. 21/12/17

Mr. Bottomley

Please see minute attached.

Next subsequent Paper.

no
63357

Arc

22 12 17

Mr. [unclear]
[unclear]

I submit draft let. I am glad to
have my own confirmation of my suspicion
as to the correctness of Mr. Bourne's views, but
he is an old Treasury official and one
of the original Currency Commissioners
for E. A., so I think we must give him
reasons for not accepting his views.

Para: 3 of my draft gives in the form of
a specific illustration what I take his
para: 3 to mean. But I am not clear
why, if only $\frac{1}{2}$ of the men are to be paid off
at the first occasion, so large an amount
is needed to begin with.

Para: 4 of my draft is necessary so far as the
Carriers are concerned. Notice complaints
probably do not pass, but it is as well to
say that they are not overlooked.

When this E.A. matter is on definite lines we
must ask Mr. Byatt if he wishes corresponding
action to be taken as regards carriers
recruited in G. E. A.

L.C.S. - 22.12.17.

A.C.C.

26.12.17

at once
+ [unclear]
27/12/17

Mr. Bottomley,

I have noticed before that Mr. Bowring who fancies himself an expert in currency matters is both muddleheaded and obstructive in such matters. It is exasperating to have to chase each of his hares but I will ask you to weigh the following considerations, ~~which are not of course of equal weight.~~

1. Of course the best solution would be rupees, and you have tried to get them, unsuccessfully so far. I don't think you will succeed. The price of silver has fallen but the price of silver is only one of the reasons for the famine of rupees in India. The real reason is that the balance of trade is enormously in India's favour.
2. The local note proposed by Mr. Bowring is not possible. You cannot get rupees in India to form the coin portion of the guarantee fund. If you could you could get rupees from India. As to investments, it would not be safe, to invest any part of the guarantee fund for such an issue. As to ordinary note issue profits, to talk of them in such an emergency is childish.
3. Mr. Bowring's contention that the Indian note would upset their banking and currency arrangements is unsound. They might be sent in dribblets to India by private persons it would not matter if they were. It is not at all likely that they would be sent back - they would be cashed in India. The notes can be ousted by being made no longer legal tender in the future. If they are then not paid in to the Banks they will be at a discount. If they are hoarded all the better for India.
4. As to the cost of the notes I think the I.O. are charging

you

nor is it likely that any other one Rupee notes would be sent from India to East Africa, except in dribblets which would not matter.

you too much, seeing that the notes will take a long time to reach India for the most part.

5. The Banks have to remit to India for the payment of the balance of E.Africa's debt to India. When the ordinary means of remittance are exhausted, the Banks would have to ship rupees. It is cheaper for them to ship notes. The carriage is cheaper, and there would be no need to ensure against total loss since the Government of India would, no doubt pay the notes on proof of total loss, following the Treas. practice. I see therefore no reason why the Banks should not be induced to cash the Indian notes free, since they will be legal tender and accepted and indeed encouraged by Government freely.

ACC

22.12.17

62495

REC.
REV. 21 DEC 17

John 351

Paraphrase.

Telegram. The Officer Administering the Government of the East Africa Protectorate to the Secretary of State for the Colonies.

(Received, Colonial Office, 12.15 a.m. 20th December, 1917)

19th December. With reference to your telegram of 11th December.

Paragraph 1. I consider that various objections exist to the use of Indian notes, of which chief impossibility of making them legal tender would upset our banking and currency arrangements as the notes could be used as a means of uncontrollable remittances between India and East Africa as the exchange to and from India fluctuated. Difficult therefore to oust notes ultimately. An objection of secondary importance is the cost of proposals and the loss to the East African Government of any ordinary note issue profits.

2. Unless therefore War Office can arrange to lay down necessary quantity of actual coin in East Africa (and owing to fall in price of silver/ this now appears to be possible) I trust special East African Currency can be issued.

3. Our requirements are as stated in your telegram. The repatriation is estimated to extend over a period of eight months from the date of commencement of which you will be duly notified. Requirements will thus it is estimated be reducible by half a lac monthly per month from that date.

4. The only ones of any use are Notes of one rupee value.

5. Though I believe it will be found that the natives will tender the Notes in payment of hat tax in preference to any rupee in their possession, I do not anticipate that the notes would remain actually bona fide in circulation to any extent. It is however impossible to estimate how long natives would hoard them.

6.

6. While banks could not be expected to agree to cash Indian notes free, same objection would not hold in the case of East Africa notes as they could be exchanged by Government of East Africa Protectorate for telegraphic transfers on India and destroyed locally avoiding in this way insurance charges and loss of interest during transit. Government will do everything possible to establish confidence in the note issue through the district offices and with the assistance of banks.

7. If the urgency of our requirements is responsible for the difficulty of providing East Africa notes I will, on being informed how soon such notes could be provided, report further as to feasibility.

BOWRING.

coln

PARAGRAPH TELEGRAM from the Secretary of State for the Colonies to the Officer Administering the Government of the East Africa Protectorate.
(Sent 4.10 p.m. 27th December, 1917.)

Ans- 2252/18

27th December

With reference to your telegram of 19th December as to currency.

There is no possibility of rupee being exported from India to the amount required or of Government of India holding rupees in reserve against local note issue. As regards the latter it would not be possible for any part of the value of the notes to be invested and the factor of profit may therefore be neglected.

I propose in these circumstances to arrange if possible for Indian rupee notes to be supplied and I do not think the objections which you raise are sound. With regard to your paragraph one there is no sufficient reason to suppose that banking and currency arrangements in the Protectorate would be upset as private remittances of notes to India would be small and negligible from India.

As to your paragraph six I see no reason why banks should make a charge for cashing notes which will be legal tender and will be accepted and even encouraged by Government of the East Africa Protectorate.

Notes

Notes will be cheaper and easier than rupees for Banks to remit to India in settlement of adverse balance against the Protectorate.

3. As I understand the matter if demobilization begins on March 4th you will require 91 lakhs at that date, 34 lakhs on April 4th and 50 on

4. You should ascertain and report what will be similar requirements of Uganda for carriers. Have you considered question as regards other natives who are now in military employment.

LONG.