

~~CONFIDENTIAL~~
East Afr. Prot.
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OFF. 7

Standard Bank
Africa Ltd.
1919
27th Dec.
Last previous Paper.
72272s

Currency

Comments on C/O proposals.

~~Mr. Barkson~~
Mr. Bollenby in Agreed in J. Fildes.

We now have the detailed
opinions of the banks resulting from
the conference held on the 16th in
71481, 71673, 72272 and this.

Mr. Eychiel has seen all these
letters and I understand from him
that events have moved on since
the conference, and that Mr. Chalmers
and Major Leggett have been sounded
with regard to the 2/ proposal and
there is some likelihood of their
agreeing to it. Mr. Eychiel does not
anticipate any serious difficulty with
the other banks if we can secure the
agreement of the National Bank of India.

File 5

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PUBLIC RECORDS OFFICE, LONDON

It may be noted that the
National Board of S. Africa (7/16/27 p. 4)
are not in favour of the 2/ idea;
and the general consensus of opinion
is ~~not~~ in favour of making no
change pending the introduction of
a sterling currency.

Await the result of
Mr. Ezechiel's negotiations.

C.J.R. 22/12/27

ALL

23/12/27

I understand that Mr. Ezechiel will report
to the Board this afternoon - that, generally
speaking, his plan is to have a 2/ base
note & to recognise the Indian rupee
at half value between 2/ & the price of the
day.

It is of opinion that we must recognise
only local currency with issue as separate
Indian rupee, that means that we must
replace all that issue & have fresh design
made & use notes printed.

N.J. | I am not at all sure that it is
X.J.R. | worth while going on, but I have my own
feel Mr. Ezechiel has stated his proposals.

C.J.R. 23/12/27

J. J. R.
23/12/27

This may now be put by.

C.J.R. 17/6/28
at once.

Private and Confidential.

The Standard Bank of South Africa Limited.

354

10, Clements Lane, Lombard Street,

London, 17th December, 1919.

Ref: 63514/1919.

The Under Secretary of State,
Colonial Office, S.W.1.

Sir,

East African Exchange.

I have the honour to refer to your letter of the 15th ultimo, and I am directed by my Board to thank you for the kind reception you gave to Mr. Jennings and Mr. Lowndes as Representatives of the Bank at the Conference on the 12th instant.

As desired by you we now beg to record this Bank's views regarding the proposals you have placed before us in your letter of the 15th ultimo for alleviating the hardship said to be caused to Settlers in the East Africa Protectorate and Uganda by the present high value of the Indian Rupee as compared with Sterling. We note particularly that it is proposed to declare by

/ Order

The Under Secretary of State, 17th December, 1919.

Order in Council that the value of the East African Rupee is to be 1s.4d. in the East African Protectorate and Uganda and further that it is proposed to buy up the present Indian currency at a premium in local paper currency.

We understand that you are not able to say at what premium the Indian rupee would be exchangeable for the new East African rupee. We also understand that it is not the intention of the Government to allow any premium for the East African paper currency now in circulation.

Further, we understand that the proposed new East African rupee will apparently be regarded as the equivalent of the local rupee at present in circulation in East Africa in connection with contracts and obligations incurred before the proposed change.

I am directed by my Board to say that they are in sympathy with the desire to bring the East African currency back to a direct relation to the currency system of this Country and to diminish its dependence on

/ the

17th December

1919

The Under Secretary of State
Colonial Office, Whitehall

Sir

East African Rupee

I have the honor to refer to your letter of the 12th inst. and I am directed by my Board to thank you for the kind reception you gave to Mr. Jennings and Mr. Lowndes, as Representatives of the Bank at the Conference on the 13th inst.

As desired by you we now get to record the Bank's views regarding the proposals you have placed before us in your letter of the 12th inst. for a new East African Protectorate and Uganda by the present value of the Indian Rupee as compared with Sterling. We note particularly that it is proposed to declare

Order

The Under Secretary of State. 17th December, 1919.

the currency system of India, but I am to submit, with the greatest respect, that the proposals now made are, in the opinion of my Board, altogether too indefinite to enable them to express an opinion on the subject, and that any change made without full consideration of all the aspects of the problem might be fraught with the gravest danger to the interests of the general community in the East Africa Protectorate and Uganda. They feel that it is almost impossible for anyone to forecast the result of such a radical change as an arbitrary writing down of the value of the rupee from 2s.4d. to 1s.4d.

My Board suggest that the most careful consideration may be given to the following points:-

- (1) The enormous increase in the cost of living which must inevitably follow on such a change.

(The merchants and traders in the East Africa Protectorate and Uganda would immediately mark up the rupee price of their imported stocks which are now being paid for at approximately 9 rupees for the invoice value of one pound sterling).

/ (2)

The Under Secretary of State. 17th December 1919.

Order in Council that the value of the East African Rupee is to be raised in the East Africa Protectorate and Uganda and further that it is proposed to pay the present Indian currency a premium in local money.

We understand that you are not able to say what premium the Indian rupee would be exchanged for the new East African rupee. We also understand that it is not the intention of the Government to allow any premium for the East African paper currency now in circulation.

Further we understand that the proposed East African rupee will apparently be regarded as the equivalent of the local rupee at present in circulation in East Africa and connected with contracts and obligations entered into before the proposed change.

I am directed by my Board to say that it is in sympathy with the desire to bring the East African currency back to a direct relation to the currency of this country and to maintain its dependence

The Under Secretary of State. 17th December, 1919.

- (2) There might be an increase in the rupee cost of living which would inflict a great hardship on the Native, who would find that his rupee would not purchase so much as before. The Native would naturally demand a higher wage, which would probably result in the Settler losing any advantage he might otherwise gain.
- (3) There is a grave danger of some information regarding the proposed change leaking out and causing a serious run on the Banks by those persons who would wish to remit money from the Protectorate before the fall in the sterling value of the rupee. Realizations of property of all descriptions would be attempted with the same object.
- (4) The Settler in East Africa is being compensated to some considerable extent for the adverse rate of exchange for remittances from this Country by receiving an enhanced sterling price for his produce. We believe

/ that

The Under Secretary of State. 17th December, 1919.

that even the rupee price which he now receives for his produce is higher than it was before the War.

(5) As the imports of the East Africa Protectorate and Uganda are largely in excess of the exports, the general community benefits by the present high exchange value of the rupee.

(6) As the value of the rupee is proposed to be largely written down it will be evident that persons who have more to pay in rupees than they have to receive will gain, while those who have more to receive than they have to pay will lose.

As already indicated, my Board are in sympathy with the Government's desire to stabilise the rate of exchange between Great Britain and East Africa and they are disposed to think that it might be practicable to do so with advantage if the Government awaited a more favourable opportunity. At the present moment Great Britain is not on a gold basis

The Under Secretary of State. 17th December, 1919.

nor on a metallic basis of any kind, and does in fact make use of an inconvertible currency which may fluctuate in value to any extent and in any direction. Under such circumstances to link the East African currency with sterling at a fixed rate of exchange would be a retrograde measure and might give rise to difficulties in the future which are at present unforeseen.

After most careful consideration my Board feel that the Government would be well advised to leave the matter in abeyance until things generally are in a more normal state, and they find themselves unable to support or give a useful opinion on any scheme which has not been put before them in a definite and final form.

My Board would be glad to know whether it is the Government purpose to place the currency in the Zanzibar Protectorate and the Territory formerly known as German East Africa on the same basis as the currency in the East Africa Protectorate and Uganda?

The Under Secretary of State, 17th December, 1919.

I am, Sir,

Your obedient Servant,

Robert H. H. H.

Secretary.