

A decimal coinage system for South Africa

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The South African Minister of Finance, Dr. T. E. Donges, announced recently that legislation would be introduced early this year for the adoption of a decimal coinage system in South Africa, probably by 1961. This decision was prompted by a private member's bill introduced by Mr. P. A. Moore, M.P., which was followed by the appointment of the Decimal Coinage Commission. The Commission, on which Mr. Moore served, made recommendations in favour of the adoption of a decimal system. In the following article, Mr. Moore describes the events that led to the proposed change in South Africa's currency, and discusses some of the problems that will have to be overcome during the transition from the old to the new system.

THE South African Decimal Coinage Commission, which was appointed in August, 1956, presented its report two years later—in August, 1958—during the first session of the Union's twelfth parliament. The publication of this report marked the final stage in a long period of investigation and deliberation extending over fourteen years. In these years there have been reports by two committees and a commission; there have been notices of motion in parliament; and there has been a debate in parliament on a private member's "Bill to provide for Currency, Coinage and Legal Tender and matters incidental thereto, to be known as the Coinage Act 1956."

The report of the commission contains 74 recommendations and conclusions. The first in order of these recommendations is also the first in importance. It emphasizes that it is imperative that the Government should come to an early decision.

"At the very outset your Commissioners deem it their duty to stress the urgency of an early final decision on the part of the Government, as to whether

the matter is to be proceeded with or not. The present state of uncertainty is disruptive to both monetary machine users and suppliers, while the task that would be involved, if the decision should be in the affirmative, is so colossal that the earliest possible notification of the Government's intentions is essential to enable an early beginning to be made with the necessary planning on the part of those directly concerned."

While this inquiry and discussion have been taking place in South Africa there have been similar developments in other countries of the Commonwealth. India made the change to a decimal coinage in 1957; the New Zealand House of Representatives has debated the decimal coinage bills of the Hon. H. G. R. Mason for six years; and there is an important movement towards decimalization in Australia. Besides the Commonwealth countries of Canada, India, and Ceylon, there are several colonies or dependencies of the British Empire where decimal coinage systems prevail. The number is likely to increase.

So far as Britain herself is concerned, for over a hundred years she has been aware of the benefits that would accrue from the adoption of a decimal system. Following on the decimalization of the coinages of the United States and France at the close of the 18th century, she began an important series of investigations in the 19th century.

IN BRITAIN

In 1824, Sir John Wrottesley, afterwards Lord Wrottesley, moved in the House of Commons that the British coinage should be decimalized. In 1841, a Royal Commission invited attention to the advantage and facility of establishing a decimal system of coinage. In 1843, another Royal Commission was appointed on the same subject, and it proposed that the recommendations of the 1841 Report should be carried out. In 1847, Sir John Bowring brought in a motion in the House of Commons in favour of the coinage and issue of silver pieces of the value of 1/10th and 1/100th of the pound sterling. In 1853, a Select Committee of the House of Commons reported in favour of decimalization, with recommendations which were in substance identical with the propositions made in the House of Commons in 1824 and 1847 and the recommendations of the two commissions of 1841 and 1843.

The British Decimal Association was founded in 1854 with the object of promoting the adoption of a decimal system in money, weights and measures. The following extract is taken from a speech by Mr. Gladstone, then Chancellor of the Exchequer, in answer to a deputation from the association:—

“I cannot doubt that a decimal system of coinage would be of immense advantage in monetary transactions. The weight of authority on that head is irresistible, but I do not think, when we come to the adoption of a system, that we have obtained sufficient evidence as to the sense and feeling of the country with respect to it. It is true that those people who have studied and paid attention to the question of a decimal coinage are unanimous in recommending it on account of the many advantages it possesses over all other systems.”

And so the story in Britain has dragged on. Every decade has had its Royal Commission or committee or association reporting in favour of decimalization. With the expansion and development of the colo-

nies, dominions, and the Commonwealth, other countries have joined in these discussions. At the Colonial Conference held in 1907 the following resolution was proposed by the Commonwealth of Australia:

“That the Imperial Government be requested to appoint a Royal Commission, which would include representatives of the colonies, to take evidence and consider the advisableness of establishing a system of decimal coinage applicable to the whole Empire.”

A similar resolution was proposed by a representative of Australia at the Imperial Conference in 1911. This resolution was discussed together with another moved on behalf of New Zealand:—

“That it is in the best interests of the Empire that there should be more uniformity throughout its centres and dependencies in the law of currency and coinage.”

Mr. Asquith, the president of the conference, expressed the view that there was very little possibility of any practical change in the direction suggested by the resolution, the difficulty lying in the opinions and habits of the British people. The resolution was withdrawn.

After about 100 years of discussion, another Royal Commission was appointed in 1918 “to consider whether it is advisable to make any changes in the denominations of the currency and money of account with a view to placing them on a decimal basis.” This, like the previous ventures in this field, reached no final conclusion, probably for the reasons which Mr. Asquith gave in 1911, and Britain has remained on her traditional system. But while Britain has, for more than 100 years, considered and discussed, the decimal system has spread over Europe, and now the prospect of a European common market and a free trade area has inevitably led to a British revival of interest in decimalization.

IN SOUTH AFRICA

In the Union of South Africa the history of decimalization may be said to have begun with a Bill drafted in 1932 by Mr. Havenga, then Minister of Finance. That Bill, however, was never discussed and the subject remained in abeyance until 1945. In that year Mr. J. H. Hofmeyr, as South African Minister of Finance and Education, approved of a suggestion by the National Anti-Waste and Conser-

vation Organization, appointed during the war, that an inquiry be held into the possibilities of decimalizing (a) our coinage and (b) our South African weights and measures. Mr. J. T. Becklake, former Director of the South African Mint, was appointed chairman of this inquiry.

After two-and-a-half years of investigation the Becklake Committee found that "a clear majority of authoritative views from a responsible and representative cross-section of public opinion was in favour of a decimal system of currency, stating as reasons that such a system would have the following permanent advantages:—

(a) A simpler and more expeditious form of trade accounting.

(b) A more precise and effective method of costing and pricing.

(c) A more readily comprehended method of reckoning in household and other consumer monetary transactions.

(d) An appreciable economy of time and effort in educational institutions."

The committee reported further:

"The survey has clearly disclosed widespread support based on sound reasons, and a substantial majority of opinion in favour of decimalization of currency in South Africa, in the conviction that such a step would result in far-reaching economies and other permanent advantages of great national importance to the country." It accordingly recommended:—

(i) "That the Government take the necessary steps to set up a decimal currency in South Africa."

Subject to the adoption of this recommendation, and, in order to assist in making the necessary preparations for the change-over, it added a second recommendation:—

(ii) "That an official committee be appointed representative of banking, industry, commerce, municipal undertakings, State departments, and other institutions affected, for the purpose of carrying out and co-ordinating the necessary preparations and of organizing appropriate education and propaganda preparatory to the change-over as well as to deal with incidental problems and details, which will arise during the transition stages."

The Government had not announced its acceptance or rejection of these recommendations when it went

out of office in 1948. Its successor, not yet committed to the principle of decimalization, asked the Council of the South African Bureau of Standards to carry on with the work which the Becklake Committee had begun. The Council therefore convened a representative main committee in the manner suggested in the second recommendation; and a Subcommittee for the Decimalization of Coinage was appointed to recommend a suitable system and to discuss the method and cost of changing over to the new system.

The 120-page report of the South African Bureau of Standards is an excellent piece of work. It sets out the requirements of a suitable decimal coinage system; it examines and estimates the cost of the change-over; it describes the procedure to be followed in carrying out the change. The Bureau's report gave the Decimal Coinage Commission of 1956 and its witnesses a basis of discussion which eliminated much stale controversy and irrelevant repetition.

THE DECIMAL COINAGE COMMISSION

In a debate in the House of Assembly in March, 1956, on a private member's bill, the Minister of Finance announced the Government's policy on the proposal to decimalize the coinage. The Government was sympathetically disposed towards the proposal. It was more than sympathetically disposed: it was prepared to support the decimalization of our coinage in principle. But the decision to decimalize could be taken only if the Government felt that it would enjoy the support of the general public and of commerce, industry and finance. The Minister added "that if the matter be taken further—and I have every hope that it will be taken further—there cannot be the slightest doubt that the Government will have to accept responsibility for compensation". The Government would accordingly appoint a commission, representative of all interests, to consider the practical difficulties involved in the change-over and whether the new unit should be 10s. or the £. But it would not be the task of the commission to consider the principle of decimalization, which the Government had already accepted, or to recommend a name for the new monetary unit, as this was a matter which the Government would have to decide.

The Decimal Coinage Commission of 15 members was appointed in August, 1956, "to enquire into and report on the following matters, with due regard to the reports of the Becklake Committee and the South African Bureau of Standards:

(1) The decimal coinage system which, after consideration of the advantages of the various possible decimal systems, it regards as the most appropriate for the Union.

(2) The method by which the recommended system should be introduced in order to limit as far as possible the cost of the change-over and the disruption of the economy during the transition period.

(3) The estimated cost of replacement of accounting and similar machines, as well as other costs connected with the change-over, on the assumption that the new system is introduced in the manner recommended.

(4) To what extent and on what basis compensation in respect of the cost of the change-over should be paid by the State, if the principle of compensation is accepted by the Government.

(5) Other practical aspects, not mentioned above, of the change-over to a decimal system."

THE 10s. CENT SYSTEM

With minor reservations by two members on the payment of compensation, the commission was unanimous in its conclusions on the cost of decimalization, the compensation to be paid, and the method of introduction of the new system. Only on the first term of reference—the choice of a decimal coinage system—was there a difference of opinion. The commission considered seven proposed systems, but, as the Minister of Finance had indicated, the choice of a major unit lay between the £ and a 10s. unit. The main report, signed by twelve members, recommends the adoption of a 10s. cent system, with provision for a $\frac{1}{2}$ cent and $\frac{1}{4}$ cent when this is necessary. A minority report by three members favours a £—cent—decime system.

The retention of the £ as the major unit would, in practice, necessitate the adoption of a three-decimal system. In the opinion of the majority this is a serious disadvantage which outweighs the many advantages associated with the £ as unit. A suitable system should have two decimal places, not three.

The minor unit should be 1/100th part of the major unit, not 1/1000th part. Of the 145 countries in the world that have a decimal coinage, 138 have two-decimal systems. The seven three-decimal countries form a group in the Middle East.

The weight of evidence was strongly in favour of the 10s. cent system. This system was supported by 75 per cent of opinions expressed in memoranda and by witnesses. It had been recommended by the South African Bureau of Standards, and was the system favoured by the British Decimal Association and incorporated in the bills before the New Zealand House of Representatives. Under this system all our bank notes and silver coins in circulation could be retained. The first decimal would always signify a corresponding number of shillings, and the designation "shilling" could be legalized. Only cents and pence would require conversion. The change-over from £.s.d. to this system would take place with a minimum of disruption and irritation in the life of the country.

The commission was not required to offer suggestions on the designation of the proposed 10s. unit. It felt bound to say, however, that the designation should be distinctive, short, and similar in both official languages. (The name suggested in the private member's bill which preceded the appointment of the commission was the "rand").

PROBLEMS OF TRANSITION

Fifty years ago, or even twenty years ago, the introduction of a decimal coinage would have been a comparatively simple operation. It would, of course, have been necessary to prepare the general public for the change, but the transition to the new system could have been carried out with little disruption in the normal life of the people. To-day, changing over is more difficult. It will become more and more difficult the longer it is delayed—and more costly. The use of monetary machines has created a problem which was unforeseen by British commissions. In a supplementary statement the chairman of the South African commission poses the problem in this way: ". . . the adoption of a decimal coinage system by the Union is not primarily a coinage problem but indeed a machine problem, having regard to the present extensive use of monetary machines and the costs connected therewith. This point of view is

further substantiated by the fact that the Government decision in the matter will not depend upon the cost of supplying new coins but on the contribution which, in equity, it will have to make towards the cost of conversion and replacement of existing machines.”

In any country the introduction of a new coinage system requires a period for preparation. The public has to become familiar with the implications of the change. It is necessary to obtain their confidence and co-operation, as India has realized. The task is especially difficult in South Africa where rapid development in industry and commerce has led to employment on a large scale of monetary machines. It is for this reason that the commission has urged upon the Government the need for an early decision. The plan which has been prepared recommends this time-table:

- (a) The Government to announce its decision before the end of 1958.*
- (b) If the Government accepts the commission's recommendations, Parliament to be asked to pass the necessary legislation early in the 1959 session.
- (c) The Bill to provide for a preparatory period of two years.
- (d) The official date for the change to the new system, i.e. D (for decimal) day, to be fixed for the second Tuesday in February, 1961.
- (e) Conversion of monetary machines to commence four months before D day.

In the two-year preparatory period the existing £.s.d coinage would be the only official system. Business firms could introduce the new system in their internal accounting; educational institutions would prepare new arithmetic books and courses of instruction; but there would be no change in the day-to-day monetary transactions of the general public. The new system, with its new bronze coins, would be seen in operation for the first time on D day.

The ideal plan for D day would be to replace all £.s.d machines by new decimal machines. This procedure, however, is unacceptable because the cost would be prohibitive. It would place an intolerable

financial burden upon the State. Thousands of good serviceable machines would be replaced while they were convertible for use as decimal machines. The only practicable scheme is a plan for the conversion of £.s.d machines to the new system, and this would require careful planning on a national scale.

Monetary machines would be in use up to the day preceding D day, and obviously it would be impossible to convert all machines and change accounting systems overnight. Business undertakings able to do so would change over on D day but few commercial firms would be able to introduce the new system so readily. Some special provision would, therefore, have to be made for firms awaiting the conversion of their machines.

This is the crucial problem in the introduction of a decimal coinage. Provision must be made for the smooth, uninterrupted transaction of business during the transitional period. The commission received much valuable evidence on this subject from commerce generally, and particularly from departmental stores and bazaars. It was found that the only satisfactory solution would be to sanction the concurrent use of both the existing and proposed coinage systems until the machine companies had completed the task of conversion. In practice this would mean the concurrent use of the old and the new bronze coins. Under a 10s. cent system, bank notes and silver coins would remain unchanged. Businesses continuing to use £.s.d would be required to advertise this on their premises. They would also be required to provide facilities for the exchange of cents and pence in minimum amounts of 2½ cents and 3 pence.

This solution to a difficult problem may cause some inconvenience to the public during the transitional period, but the commission's investigations showed that members of the public rarely tender bronze coins in making purchases. The dual currency plan would have the merit of being of great assistance to the South African Mint when it would be working under high pressure.

There is the special case of the commercial banks and the South African Reserve Bank. Because of their functions in the everyday life of the community it would not be possible for them to carry out the change-over gradually. They would have to operate on the existing system up to D day and on the decimal system on and after D day. On that day, all cheques

* The Government's decision in favour of a decimal coinage system was announced in December.

would be drawn and all bank clearances made in the new coinage system. To assist the banks in their formidable task, the commission has recommended "that all banking institutions and such other undertakings as may deem it necessary be permitted to remain closed to the general public on the Saturday and/or the Monday preceding D day."

These demands upon the banks and other financial institutions will involve them in abnormal expenditure in labour and equipment. This is unavoidable. It may be possible to reduce these costs by the purchase of high-capacity machines during the preparatory period, but, with the most thorough preparation, there will still be a need for a large capital outlay. And this is not the only section of our economy that will be affected. Every business undertaking, every citizen, will be called upon to make sacrifices.

Under a new system there will be changes in books of account, office stationery, price lists and price tickets. Staffs will have to be trained to carry out these changes. Schools will have new arithmetic books and a new syllabus. The British Royal Commission, which reported in 1920, feared that a change to a decimal coinage would bring with it a "risk of grave social disturbances" and that the labour costs would be "stupendous". Yet that commission did not need to discuss or report upon the most costly item of all in a modern change: the conversion of monetary machines. Were it not for the complications created by the mechanization of accounting, it would not be necessary to have an extended transitional period after D day. We could change to the new system without any fear of grave social disturbances or stupendous labour costs. Problems in adjustment will arise during the change-over. These difficulties should not be lightly dismissed—nor should they be exaggerated. They can be effectively reduced by consultation and careful planning.

The first main difficulty is cost. Now since the advantages of decimalization will accrue to the community as a whole, the cost of the change should be shared by all sections of the community. One cannot estimate the total expenditure, but the cost of converting machines is a special charge that can be determined. The owners of these machines deserve compensation. The South African Bureau of Standards and the commission agree that this charge should be borne by the State. They recommend "that the Government accept the principle of compensation, but that such compensation be restricted to expenditure incurred in the conversion or replacement of £.s.d machines". The amount to be paid would be approximately £9,000,000 over a period of four years—a comparatively small amount in these days of large budgets.

The second main difficulty is to secure the goodwill and co-operation of the public during the irritating period of the transition. In this regard agriculture, commerce and industry have already given proof of their readiness to assist. Education departments, the Press, and the South African Broadcasting Corporation can make valuable contributions in carrying out the plan. The Native Affairs Department, through its 6,000 schools, 1,200,000 pupils, and its publications can reach 70 per cent of our population and help them to understand the change.

The greatest task of all will devolve upon our government departments. But no department of State is staffed or equipped to direct and control this change. It has consequently been recommended "that the Government be guided, and that the introduction be supervised by a Decimalization Council to be appointed by the Governor General under the Coinage Decimalization Act."

With all these factors in our favour, it should be possible to carry through the change smoothly and efficiently.