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DECIMALIZATION OF THE JAMAICAN CURRENCY

The House will recall the proposal for the decimalization of the Jamaican currency first announced by His Excellency the Governor-General in the Throne Speech in April 1964 and more recently in May 1967.

2. In recent years most Commonwealth countries have moved from the £ s. d. system to the decimal currency system. Over the last decade, India, South Africa, Australia, Ghana, Sierra Leone and New Zealand have decimalized their currencies. Zambia and Gambia propose to decimalize next year and the United Kingdom in 1971. Nearer home, all the Eastern Caribbean Islands and Belize are on the decimal system. The Bahamas adopted the decimal currency system last year.

3. A Working Party was set up by the Bank of Jamaica at the end of 1965 comprising representatives of the business community and the Government to study the case for decimalizing the Jamaican currency and its implications. The firm recommendation of the Working Group was that Jamaica should adopt the decimal currency system because of clear advantages in education and for business. In the educational field there are distinct benefits to be gained from the simplification in teaching arithmetical calculations in schools involving money. It is estimated that the decimal system would result in saving in total teaching time of up to 2%.

The business community would gain from the saving in time and effort in money calculations which would mean economies in costs and increases in output. Furthermore, the business community would be in a position to take advantage of the more competitive international market for decimal office machines. When the United Kingdom decimalizes in 1971, as planned, the prime source of £ s. d. business machines would be removed. Jamaica would be forced to obtain supplies of equipment at a higher cost since £ s. d. machines would no longer be standard throughout the world.

4. WORKING PARTY RECOMMENDATIONS:

The main recommendations of the Working Party are as follows:

- (a) A decimal currency is both practical and necessary for Jamaica: failure to decimalize the currency could lead to a situation where no monetary machines on the £ s. d. system might be obtainable on an economic basis;
- (b) the system which would cause the least disturbance would be the 10/- unit;
- (c) legislation should be introduced which would include an official Conversion Table for banking and accounting purposes;
- (d) a preparatory period of 18 months to two years should be allowed between the announcement of the change and the introduction of the new system;
- (e) special arrangements would need to be made with the commercial banks, other deposit-taking institutions and certain Government departments to close for three or four days prior to conversion day in order that the conversion of all machines should be completed;
- (f) a Decimal Currency Board should be established to supervise the preparations and the actual change-over.

5. The Government has considered the Working Party's Report and the supporting recommendation of the Bank of Jamaica and the decision has been taken that Jamaica should change over to the decimal system of the currency in September 1969. In view, however, of the national importance of the change-over, the Government in July this year invited the views of the public on two aspects, namely:

- (a) the name of the currency, and
- (b) what currency system should be adopted, whether a 10/-, 5/-, 8/4d. or 4/2d. unit.

In the light of public comment in favour and against the different currency systems the Bank of Jamaica has re-examined its recommendation and, on balance, reaffirmed its support for the 10/- system.

6. THE NAME

As regards the name for the new currency, the results of the "Name Your Money" Competition organized by the Bank of Jamaica was that of 963 entries, some 317 or approximately one-third of the total number of entries were in favour of a major unit of the dollar and a minor unit of cents. There was no other discernible consensus from the entries on any other alternatives.

Some eighteen countries now use "dollars" and "cents" including significantly, most of the Commonwealth countries which have recently decimalized—notably Australia, New Zealand and the Bahamas. The great advantage to the use of "dollars" and "cents" is its international familiarity in a world of closely linked financial and trade ties. Locally, it is a name which is closely associated in the public's mind with money in view of the general familiarity with the U.S. dollar. There could, however, be a disadvantage from the confusion of the name "dollar" with different unit values to other recognized "dollars" circulating in the world.

7. THE CURRENCY SYSTEM

As regards the currency system, an analysis of newspaper articles and letters to the Editor, Daily Gleaner, published up to 14th September 1967 disclosed the following results:

10/- cent system	— 12 letters in support
5/- cent system	— 10 letters in support
8/4d. system	— 8 letters in support
4/2d. system	— 7 letters in support

In varying degrees each of these currency systems have advantages and disadvantages. The choice of a suitable system for Jamaica has therefore to be made in the light of a careful balance of the relative merits and demerits of each system having regard to our local circumstances.

INSTITUTE OF JAMAICA
WEST INDIA REFERENCE LIB
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The features of an ideal currency system against which each system must be measured are:

- (a) simplicity—ease of conversion;
- (b) easy association with the old currency system;
- (c) minimizing the need for the introduction of new notes and coin values;
- (d) the size of the major unit should not be too small or the minor unit too large;
- (e) the conversion of office machines should be possible with a minimum loss in capacity.

A comparison of the respective systems in the light of the above criteria is set out in Appendix I.

8. A number of countries which have decimalized in the last decade or are proposing decimalization have decided on the 10/- system. These include Australia, British Solomon Islands, Gilbert and Ellice Islands, Nauru Islands, New Guinea, Papua, New Zealand, Pitcairn Island, Botswana, South Africa, Swaziland and Ghana. In the case of Ghana, the 8/4 system was at first adopted but in view of problems of associability with the old currency to the £ a change was made to the 10/- system within a year.

The Bahamas have adopted a 7/- system and Belize are on the 5/- system.

9. It has been contended that the major unit for the Jamaican decimal currency system should not have a value greater than the U.S. \$ of approximately 7/-. Decimalization, of course, does not involve any change in the external value of the currency. The relationship between the Jamaican currency and the U.S. \$ expressed in terms of an exchange rate will continue to be the same. In decimalizing, the only change would be a different system of reckoning money at home. As regards the size of the unit, it should be noted that the present major unit value of 20/- compared with the unit value of the U.S. \$ of approximately 7/- has not in the past caused any difficulty or inconvenience to Jamaica. Further, it should be realized that in international trade, quotations for prices are invariably made in one of the two key international currencies, viz., dollar or £ sterling.

10. PRICES

Fears have been expressed that there will be an inflation of prices in the change over to a decimal system of the currency. It is claimed that under the 10/- system with a minor unit equal to 1.2 pence and the absence of the $\frac{1}{2}$ d. there will be a rounding off of prices to the disadvantage of the consumer. The only real problem arises where pricing involves the half-penny. This could largely be dealt with by varying the size or quantity of the goods or selling the product in two or three at a time. Also the Government could recompute controlled prices where the half-penny is significant. There would also be a check on any tendencies to price increases by the introduction of a half-cent under the 10/- cent system.

11. The South African and Australian experiences have been that no inflation of prices have occurred under the change over to the 10/- system largely on account of the natural forces of competition which would correct any such tendency. Strict observance of the conversion tables in pricing should obviate any abuses. The conversion tables ensure that on the overall the buyers' position is protected.

12. It should be remembered that at present there is a significant element of approximation in the determination of retail prices particularly on imported goods because of the limited divisibility of the pence. Decimalization should enable finer quotations to several places of decimal on the purchase of small items in bulk.

13. Government would seek to ensure that unfair advantage was not taken of consumers in increased prices during the change-over. It is planned that for some time after conversion day, shops will be required to exhibit prices in the old and the new currency. Conversion Tables will be readily available and will be required to be publicly displayed. Machinery will be established for the public to make appeals where they might consider themselves overcharged by reason of incorrect conversions.

14. THE COSTS:

The main cost involved in decimalization will be the conversion of office machines. A broad estimate made by the Bank of Jamaica Working Party set the cost of conversion and replacement of machines both in the private sector and the Government at £1.4 million. These estimates are subject to refinement as more information is received about the scope for partial or full conversion of office machines in the country and the techniques which might be adopted for economic methods of conversion. A further examination of the cost will be made in the light of New Zealand's experience with a shortened conversion method which enabled decimalization to be carried out in that country at a cost significantly less than was originally estimated.

15. It has also been established in the United Kingdom that there is considerable scope for cheap and "temporary" conversions. It is calculated that the gains from faster and more accurate calculations under the decimal system by economies in clerical and office staff should compensate for the cost of conversion within a reasonable period of time. In any event, machines would in the normal course fall due for replacement.

16. Machine owners will on conversion, be eligible for tax reliefs as follows:—

- (a) conversion costs — these should be regarded as allowable expenses for income tax purposes;
- (b) replacement costs — these costs would attract the normal initial and "annual" allowances for capital investment under the Income Tax Law;
- (c) import duty — all machine parts for the purpose of machine conversion would be permitted duty free entry.

Consideration would be given for assistance by Government where in exceptional circumstances special cases of hardship can be established.

17. It is estimated that the value of the Income Tax concessions in taxation foregone by Government would be approximately £313,930. In addition, there would be costs for the public education programme which is to be mounted in order to ensure a full understanding of the new currency system throughout the country, for the revision of text books, for teaching aids and material and for the central administration, supervision and preparation for the change-over. There will be expenses for the design for new currency notes and coins. It is hoped that the sale of coin sets will offset some of the expenses involved.

18. In view of the national importance of the change-over to the decimal system of the currency, the Government proposes to the House that a bi-partisan Committee of the House should be set up to consider and make recommendations for the unit value for the Jamaican decimal currency system to be adopted and the names of the major and minor units. The Committee would consist of 9 persons, 4 from each side of the House in addition to the Chairman and Convenor who would be a Government member.

A resolution will be moved in the House accordingly seeking approval for the appointment of the bi-partisan Committee.

EDWARD SEAGA,
Minister of Finance and Planning,
7th November, 1967.

M.P./MF No. 196/04/III

Conversion tables would be needed for the penny to cents only, instead of all values to £1.

(a) Existing bank notes and coins would have their denominations reduced to the new system and could be allowed to circulate temporarily along with new notes with the advantage of familiarizing the public with the new currency.

(b) Exact conversion would be possible if the following denominations were used:

£1	=	100 cents
50c	=	50 cents
20c	=	20 cents
10c	=	10 cents
5c	=	5 cents

(c) Full conversion of business machines under the present system would require the capacity of the machines to be increased 2 1/2 times.

(d) The present half-penny differs by only 1/10th of a penny in value from the cent.

(e) If existing business machines were fully converted their capacity would be increased 2 1/2 times.

Disadvantages:

(a) The major unit may be considered too low in a community accustomed to a unit as high as a pound.

(b) The 2c, 10c and 20c would not have serviceable equivalents.

(c) Conversion in everyday transactions would not be as simple as under the 10c system e.g. 2c x 10 = 20c would be 21 cents under the 10c system and 42 cents under the 2c system—the greater ease of conversion under the former calculation is obvious.

(d) Machine conversion is likely to be more expensive than under the 10c system as there is limited scope for partial conversion since machine capacity will be significantly reduced.

(iii) The 84c CENT SYSTEM

This system equates the present penny to a cent and creates a major unit equal to 100 cents.

Advantages:

(a) The main advantage is the easy relationship between the old and the new coins: thus 14 cents = 14d.

(b) If existing business machines were fully converted their capacity would be increased 4 1/10th times.

APPENDIX I

COMPARISON OF CURRENCY SYSTEMS

(i) THE 10/- CENT SYSTEM

The major unit would be the present 10/- divided into 100 cents, each unit being equal to 1.2d., ten of which would be equal to the present shilling.

Advantages:

- (a) Satisfies the criteria of simplicity and easy associability with the existing currency, particularly on the major unit level by multiplying by the simple number 2, thus—

$$\begin{aligned} \text{£}1 &= 2 \text{ units} \\ \text{£}250 &= 500 \text{ units} \end{aligned}$$

- (b) Simple conversions mentally are possible by reducing amounts to shillings and replacing the stroke between the shillings and pence by a decimal sign thus—

$$\text{£}1 \ 5/- = 25/- = 2.50 \text{ units} : 2/1d. = 21 \text{ cents}$$

Conversion tables would be needed for the penny to cents only, instead of all values to £1.

- (c) Existing notes and coins would have exact equivalents down to the 6d. and could be allowed to circulate temporarily along with new notes with the advantage of familiarizing the public with the new currency. Equivalents in the existing currency values would be—

$$\begin{aligned} \text{£}5 &= 10 \text{ units} \\ \text{£}1 &= 2 \text{ units} \\ 10/- &= 1 \text{ unit} \\ 5/- &= 50 \text{ cents} \\ 2/- &= 20 \text{ cents} \\ 1/- &= 10 \text{ cents} \\ 6d. &= 5 \text{ cents} \end{aligned}$$

- (d) The popular unit value of 1/- under the existing currency system would be retained as 10 cents and would provide a strong link between the old and the new currency system e.g. 6/- becomes 60 cents; 8/- becomes 80 cents etc. Further fractions are easily calculated (to the nearest cent) $6/7d. = 67 \text{ cents}$; $5/9d. = 59 \text{ cents}$.
- (e) Full conversion of business machines under this system would increase capacity five times—more than any of the other systems.
- (f) Decimal conversion of business machines under this system would be more economical than under other systems since machine capacity of existing machines would be reduced the least under this system.

Disadvantages:

- (a) There would be no 3d. coin.
- (b) The 1d. and $\frac{1}{2}d.$ would not have serviceable equivalents and would have to be replaced or revalued.

(ii) THE 5/- CENT SYSTEM

This system takes a unit equal in value to five shillings or 60 pence and creates a new cent equal to 1/100th of that value or 0.6d.

Advantages:

- (a) **Simplicity** in that it has an easy associability with the pound (one quarter).
- (b) All existing bank notes and coins down to the value of 3d. have exact cent equivalents, i.e.

$$\begin{aligned} 3d. &= 5 \text{ cents} \\ 6d. &= 10 \text{ cents} \\ 1/- &= 20 \text{ cents} \end{aligned}$$

- (c) The present half-penny differs by only 1/10th of a penny in value from the cent.
- (d) If existing business machines were fully converted their capacity would be increased $2\frac{1}{2}$ times.

Disadvantages:

- (a) The major unit may be considered too low in a community accustomed to a unit as high as a pound.
- (b) The 2/-, 1d. and $\frac{1}{2}d.$ would not have serviceable equivalents.
- (c) conversion in everyday transactions would not be as simple as under the 10/- system e.g. 2/1d. would be 21 cents under the 10/- system and 42 cents under the 5/- system—the greater ease of conversion under the former calculation is obvious.
- (d) Machine conversion is likely to be more expensive than under the 10/- system as there is limited scope for partial conversion since machine capacity will be significantly reduced.

(iii) THE 8/4d. CENT SYSTEM

This system equates the present penny to a cent and creates a major unit equal to 100 cents.

Advantages:

- (a) The main advantage is the easy relationship between the old and the new coins, thus 14 cents = 14d. : 1.44 units = 144d.
- (b) If existing business machines were fully converted their capacity would be increased $4\frac{1}{16}$ times.

Disadvantages:

- (a) The ease of relationship between the old and new currency takes place in terms of pence only.
- (b) There is a lack of associability of the major unit with the £—a conversion rate of 2.40 to the £ would create problems of simple mental arithmetic for the ordinary individual.
- (c) Conversion for accounting and statistical purposes would have to be carried out by machines.
- (d) The existing coins with the exception of the 1d. would be off standard in this system. It would not be possible to find an appropriate unit under the decimal system equivalent to our present coinage as indicated below:

2/-	=	24 cents
1/-	=	12 cents
6d.	=	6 cents
3d.	=	3 cents

(iv) THE 4/2d. CENT SYSTEM

This system equates the equivalent of $\frac{1}{2}$ d. to cent and creates a major unit of 100 cents.

Advantages:

- (a) Has the virtue of an easy relationship between the old and the new coins in terms of $\frac{1}{2}$ d. thus—

14 cents	=	14 half pence i.e. 7d.
1.44 units	=	144 half pence i.e. 6/-

- (b) Exact conversion would be possible at the lower levels.
- (c) If existing machines were converted the capacity will be increased by $2\frac{1}{12}$ th times.

Disadvantages:

- (a) The major unit may be considered too small in a community accustomed to a unit as high as a £.
- (b) Lack of associability of the major unit with the £ on an easy conversion basis could create difficulties with a conversion rate of 4.80 units to the £; mental conversion would not be possible.
- (c) There is the danger of approximating conversions because of the awkwardness of the conversion rate of 4.80 to the £: It is possible that a simple rate of 5 units to the £ might be readily applied which would result in 10d. overpriced on a £ i.e. $4\frac{1}{2}$ d. $\times 5 = \text{£}1\ 0\text{s. } 10\text{d.}$
- (d) Machine capacity would be considerably reduced and conversion of existing machines would be more expensive.
- (e) All the existing coins with the exception of the $\frac{1}{2}$ d. would be off standard under this decimal system thus—

2/-	=	48 cents
1/-	=	24 cents
6d.	=	12 cents

These are awkward units for coinage under the decimal system.