

Memorandum for Cabinet by the Hon.  
Minister of Trade, Industry and Agriculture

Introduction of a Decimal Currency System

From a study of the Press Release regarding the new Decimal System it would appear that despite the fact that a decision has yet to be taken regarding the major unit of account to be adopted, the selection is to be confined to the £1 and to the 10/- units to the complete exclusion of the 8/4d. cent system.

2. This Ministry had proposed to the Decimal Currency Committee the adoption of 8s. 4d. or 4s. 2d. as the unit, in order to have coins that are exactly equivalent to the present penny and halfpenny. This proposal was based on the need of not letting the cost-of-living rise. The £1 and 10/- units would imply an increase in living costs. It would be unrealistic therefore to accept any one of these two units and to expect the cost-of-living to be kept down when the damage has been done. In fact the Committee confirmed that the acceptance of its recommendation would "cause a minimum rise in price".

3. It is the view of the Ministry of Trade, Industry and Agriculture that the Committee's statement that the index of retail prices will rise by only .6 per cent cannot be taken literally, for the following two reasons:-

a) it is based on the assumption that prices will be rounded up "to the nearest decimal equivalent"; this of course is a most unreliable assumption as nobody is likely to reduce his prices. The calculations should have been based on the assumption that prices will be rounded up to the next highest (not nearest) decimal equivalent.

b) some calculations are based on prices "per

wiżna" or "per ratał"; such prices may have an exact decimal equivalent and so were ignored in calculating the .6 per cent, but the housewife who buys only a "kwart" may be adversely hit.

4. It will thus be seen that the estimate of an increase of only .6 per cent is far from realistic. It is moreover difficult for this Ministry to accept the Committee's statement that only 451 price quotations would be affected by its change. Once an opportunity is offered to the trading community to adjust prices, there will be a general increase in price levels.

5. The Committee has also said that in Ghana the 8s. 4d. system "had to be officially abandoned in favour of the 10s. system because the public found it difficult". It is an open secret that in Ghana the 8s. 4d. system was abandoned for certain vested interests. Under this system anything which was being sold for 6 pence continued to be sold for 6 new coins, and thus there could be no profiteering. Under the revised system, anything which was formerly sold for 6 pence should have been sold for 5 new coins but, not surprisingly, many retailers charged 6 new coins instead and made a handsome profit, at the expense of the general public. The same thing may happen in Malta if the recommendation for a 10/- unit is approved. There are over 5,000 retail shops in Malta and hundreds of shop inspectors would have to be employed to prevent abuses.

6. The Press has reported that local traders are not in favour of the proposal for a 8s. 4d. system. This is understandable when an alternative system has been recommended which will make it easy for the traders to make bigger profits.

7. If the Committee's proposal is approved, anything which now is sold for 2d. would be sold for 2.4 pence, an increase of 20 per cent.

8. The Central Bank's view is that "flexibility is more important at the upper end of the scale than

at the lower limit". It is doubtful whether due importance has been given to the problems of the housewife who daily dabbles in shillings and pence and cannot afford to pay more for fruit and vegetables just to provide "flexibility at the upper end of the currency scale".

9. It is the view of this Ministry that the 8s. 4d. unit is the most suitable as the one least likely to affect the present level of prices and, consistent with the Government's policy against increases in the cost-of-living, Hon. Ministers are invited to agree to its adoption as the future decimal currency in Malta.

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