

# THE INDIAN CURRENCY SYSTEM

(1835—1926)

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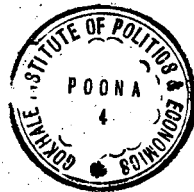


GIPE-PUNE-067352

[*Sir William Meyer Lectures for the year 1929*]

BY

SIR J. C. COYAJEE.



"Published by the University of Madras"

MADRAS

PRINTED BY THOMPSON & CO., AT "MINERVA PRESS"

1930.

Five Rupees]

[7s. 6d.

X61-2-N2  
G0

67352

**TO**

**THE MEMORY OF**

**ALFRED MARSHALL**

## PREFACE

At a time when the task of monetary reconstruction on comprehensive lines and of the adoption of an improved standard is occupying the attention and energies of India, the utility of a review of the main tendencies of currency development in the country in the past is obvious. When, therefore, the University of Madras did me the honour to invite me to deliver the Sir William Meyer lectures for 1928—1929, I selected for my subject the evolution of the Indian currency system. That topic seemed also the more appropriate, in view of the association of the lectures with the name of Sir William Meyer—one of the most eminent currency experts that India has produced.

The present book, which embodies those lectures, differs from the other works on the Indian monetary system in confining itself to a consideration of the leading tendencies in the development of that system. While less attention can be devoted in such a review to the details of currency history, it can be fairly expected to give some account of the influence exerted by the general progress of monetary theory and practice on the currency policy of India, as well as of the causes and motives of the various changes in our currency system.

It need hardly be said, that for the student of the theory of money the currency experience of India is full of interest and instruction. The discussion of the causes and effects of the successive changes in India from Bimetallism to Silver Monometallism and from that to the Gold Exchange Standard forms one of the most important and fascinating chapters in the monetary history of the world. We are now at a sufficient distance in time from most of those

changes, to envisage clearly the course of events and to discuss calmly the merits of the measures adopted. We are assisted in our task of understanding and interpreting the trend of the monetary history of India, not only by the great development of monetary theory and practice during the present century, but by the recent publication of quite a number of valuable realistic studies of the currency, prices and exchange problems relating to various countries. Studies like those conducted by distinguished economists like Taussig and Keynes and like Viner and W. Angell can throw much new light on our old problems, and can give material help in a re-consideration of our long-standing controversies.

It might appear to some readers, that unduly large space has been devoted in the book to the consideration of the various currency proposals in which the monetary history of India during the latter half of the nineteenth century was so rich. It is submitted, however, that in a historical and critical record of our monetary development, many of these proposals form so many landmarks either as illustrating or foreshadowing the course of events. In many cases the proposals form the stepping stones of monetary reform. For instance, one can scarcely understand how strongly events were leading up to the adoption of the Gold Exchange Standard in India unless one is familiar with the proposals of the Government of India in 1878, with the currency scheme put forward by General Strachey in 1885 and with Sir D. Barbour's famous minute of 1892. So also the study of the various gold currency schemes associated with the names of Mansfield, Trevelyan and Temple will throw much light on the currency situation of India in the 'sixties and the 'seventies. The various attempted solutions of the monetary difficulties of those days afford, by implication, excellent descriptions of the prevailing currency and price conditions, and are very useful guides to the aims

and ideals of our currency authorities. In a word, the study of such concrete proposals is as valuable to the student of monetary history and theory as is the analysis of "leading cases" for the lawyer.

All writers on Indian currency have to express their obligations to the writers of the more valuable memcranda which were submitted to the various currency commissions and committees. Some at least of these memoranda and evidence can justly claim an important place in the currency literature of the world. They form the best introduction for Indian students to a sound and fruitful study of monetary problems.

I am obliged to Professors Niyogi and Chatteraj for assistance in seeing the book through the press.

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