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**PAPERS ON CURRENCY AND
THE RESERVE BANK FOR INDIA**

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AND THE
RESERVE BANK FOR INDIA

BY

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NOTE

The substance of the following pages originally appeared in various daily papers, as and when they were written, dealing with the different stages of the discussion of the Reserve Bank Bill. They are now brought together and re-printed in order to preserve on record the views which unfortunately have failed to appeal to those who have in them the power to confer upon the people of India the inestimable benefits of a national currency in the shape of the "honest rupee" and who have refused to do so. A Reserve Bank for India, operating with open mints for the free coinage of silver, would have been too manifestly a just and reasonable gift for the Government to make on the eve of the new reforms; but a blundering bureaucracy will never do the right thing in the right time. I do not know if the blame attaches to the Government so much as to our legislative mentors who for various reasons voted for the passing of the Bill. When the Bill was introduced in the Assembly it was announced that the European members proposed to requisition the services of Sir George Schuster to explain to them the scope of the Bill and it was also announced that the Indian members telegraphed over to an Indian publicist in Calcutta for a similar purpose. It is, of course, better late than never; and if our representatives had continued their studies in the right spirit they need not have blundered into the situation in which they have thrust the country. They at least had not the excuse which the "expert" advisers taken to serve on

the Committee in London had : there was no call of the claim of gratitude of the invited guest. It is a pity the members have failed for all the tutorings of improvised advisers to see far and see deeply into the monetary troubles of India and apply the proper remedy.

So far as the Legislative members are concerned they may have their reward. They may find themselves thrust into the All-India or Local Boards with the prospect of a "Deputy Governorship" dangling before them. But as for the people whose trust they have betrayed, their woes have only half begun. They have been during the last few years denuded of the spare gold they had reserved for lean years ; and it may be expected that within the next six months their resources will have been practically exhausted. And what are they to fall back upon ? Not surely upon their silver reserves. The silver which they purchased at varying rates, at 40d. and 50d. and even 72d. an ounce now sells at 20d. an ounce. The holders of silver are practically ruined and their hoards have become of absolutely no value. And yet the Rupee is our legal standard and measure of value. The continued fall in the price of silver has been forced to a no small extent by the attitude of the Indian Government, who will not have it even as a part of the reserve in the Reserve Bank. They will only have a maximum of fifty crores to begin with ; and if that limit is exceeded in any year, the Bank may deliver to the Governor General in Council rupee coin up to the extent of such excess against legal tender value in the form of bank notes, gold or securities. The securities may be of any country only

related to paper-sterling in some manner; they may not have even a metallic backing. This contempt for silver can only be understood as evidencing a contempt for the welfare of the millions who have used it as a legal standard metal, a convenient medium of exchange and a reliable measure of value.

It is estimated that the stock of silver in this country is at least 3,000 million ounces hoarded in the form of vessels, ornaments etc. If the mints were opened to the free coinage of silver, there will be an immediate rise in the price of silver and the liquid capital of the country will have increased at least by a thousand crores.) (Fancy an addition of one thousand crores to a poor people grovelling in poverty and sinking in distress.) Any statesman who has the gift of imagination will rush forward to embrace an opportunity of that kind; but in this prosaic age, where men are governed by dull routine, there is no place for high-minded statesmanship. Neither Sir Samuel Hoare nor Sir George Schuster can rise to that eminence from which they can survey the prospect of a happy and prosperous people supplied adequately with currency, of which they are starved at present, by a mutilated policy of linking the silver-rupee to paper-sterling: they can only look on with grim humour the irony of the millions starving and struggling because the economic Pandits had declared that the difficulties of varying exchange cannot be avoided with open mints. Sir George Schuster has clearly avoided the discussion of open mints, pretending ignorance of any demand for it; nor could the members of the Legislative Assembly provoke him to a discus-

sion as they had begun their study of the rudiments of currency only after the publication of the Reserve Bank Bill. Sir Samuel Hoare, if he was in a mood to study the Conservative view on currency questions, might have looked up to the published views of J. A. Balfour, Sir Michael Hicks Beach, Sir Henry Chaplin and a host of others who, in season and out of season, advocated the cause of international bi-metallism and of free silver for India from the floor of the House of Commons. But the Conservative of to-day is not the lineal descendant of the Conservative of the Balfour or Salisbury variety: he is yet to feel his feet on monetary questions.

If the cause of free silver had been forlorn I would not have ventured to re-issue these papers or commend them for the consideration of the public. It were mere labour lost. But I am told that there is really in India a large volume of opinion, as yet unorganised and silent, not only among Indians but among European residents in favour of it. After an extensive tour in some of the principal towns in India, on behalf of the Currency League, Sir Montague Webb recently told a meeting in Bombay that it was an encouraging revelation to him that there was quite a large number of responsible people, Europeans and Indians, who believed in de-rating the rupee and re-opening mints. This feeling appeared to him to be strong especially in Calcutta, the city of Acharya Sir Profulla Chandra Ray! (If our redemption is ever to come, it can only be from the independent group of Anglo-Indian merchants, but not from the patriotic group of political orators who have never cared to think out these problems seriously.) And

there is a further reason why they should place themselves in the van of the reform. They were responsible for the original sin of closing the mints, and it is they that must now remove the obstruction to trade and commercial prosperity. They thought once that stability of exchange was necessary in the interest of international commerce; and when trade has ceased to be, they have veered round to the view that the evils of a varying exchange are better than no trade at all. It remains for people who hold that the time is long come when definite steps are taken to force the Government to de-rate the rupee and re-open the mints, to join their forces and make an organised effort to secure that object. To that end, I trust, the re-publication of these papers will contribute in some measure. I therefore humbly and respectfully dedicate the following pages to "responsible opinion" which must organise itself sooner or later—the sooner the better—in favour of open mints and free silver.

Teppakulam P. O.
TRICHINOPOLY }
28th Feb. 1934 }

S. K. SARMA

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