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INDIA'S EXCHANGE PROBLEM.

BY

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NOTE.

In the last session of the Assembly in Delhi in January-March 1925, the question of Exchange was on the tapis in various forms, and public interest had been keenly aroused. It was suggested to me by the Editor of the Bombay Chronicle that a few articles on the question of Exchange and Currency might be of great help to all interested in the question in enabling them to arrive at a sound judgment on the issues involved. I, therefore, undertook to do it, and my idea then was merely to revise and bring up to-date a paper I had read on this question at the Indian Economic Conference at Madras in 1921, but, after I had begun, I found that a mere revision of that paper would not suffice, because it had been constantly argued by Government that, whatever the mistakes of 1920, they had not meddled with or manipulated Exchange since that year, and that the rise in Exchange that we see now was the natural effect of economic causes acting on our balance of trade. This argument seemed to have great weight with many laymen, who could not see that anything *was* actually being done. It is on this account that I have thought it necessary to take the reader step by step through the various changes in the figures of the Currency Reserves, and to make it clear that there has been not only manipulation, but persistent manipulation, which *must* inevitably lead to higher Exchange as it has done.

It has not been possible in the course of these articles to examine in as full detail as is necessary the many fallacious arguments that are constantly put forward about mitigation of prices, about seasonal stringency, about saving money to the tax-payer etc., etc., as it would only have confused the ordinary reader, but this I hope to do shortly.

In the meantime, these articles have been revised and reprinted in book form at the request of many friends who wished to more closely study the question at leisure. If this little work helps in any little way to enable the Indian public to come to a correct understanding and appreciation of this most momentous economic problem of India, I shall feel myself amply rewarded.

B. F. MADON.

Bombay, 30th April 1925.

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