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Indian Currency Problem in 1925.

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**By
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PREFACE.

In view of the appointment of a Royal Commission to enquire into the Currency System of India, I collected some materials bearing on the problem. Some of them appeared in the *Bengalee*. I was then requested by several friends to publish them in the form of a book. In accordance with such requests ; I have done so for private circulation only. This book does not purport to be a systematised exposition of the subject or a critical study thereof.

I am thankful to Mr. Kastoor Mal Banthiya, B. Com., for having gone through the proofs and seen the book through the Press.

137, CANNING STREET,
Calcutta, 10th Nov. 1925.

} D. P. KHAITAN.

INDIAN CURRENCY PROBLEM

IN 1925.

INTRODUCTION.

The problem of Currency and Exchange has become very acute in India. To investigate it a Royal Commission has been appointed. The Commission intends to begin its labours in the latter part of November 1925. Currency affects, perceptibly or imperceptibly, all the economic forces working in the country and upon it greatly depends the prosperity or adversity of the people in the material sphere. It affects the rate of Exchange, the interior circulation of money, credit and banking and thus, whether people know about it or not, it affects foreign commerce, internal trade, agriculture, industry, and in fact all forces of the economic activities of mankind—whether transportation, transmutation or transformation.

To arrive at proper conclusions in regard to the Currency and Exchange problem it is desirable that the condition of the country as regards its population, occupation, and wealth should be studied and borne in mind.

CHAPTER I.

Population According to Occupation.

From the Statistical Abstract (for the years 1914-15 to 1923-24) it appears that the total population of India was, according to the Census of 1921, divided according to occupation or means of livelihood as shown in the appended table. From this it appears that over 28½ crores of people or 90·74 per cent. of the total population live by either production of raw materials or the preparation and supply of material substances. About one crore of people or 3·12 per cent. of the population are maintained by (a) Public force, (b) Public Administration and (c) Professions and Liberal Arts, the last named being responsible for ½ crore persons or 1·59 per cent. of the whole. It is noteworthy here that the persons coming under the heads Public Force and Public Administration, *viz.*, about 22 lacs and 26½ lacs or ·69 and ·84 per cent. respectively, are responsible for the material welfare and advancement of the whole people and to encourage production. About 2 crores or 6·14 per cent. of the people come under the heading Miscellaneous. A large number amounting to 32½ lacs of persons are unproductive of whom about 1½ lacs are inmates of jails, asylums and alms-houses and over 30 lacs persons (or just less than 1 per cent. of the total population) are beggars, vagrants and prostitutes.

Thus not more than 9·26 per cent. of the population (including the Hon'ble the Finance Member and the

Distribution of Population according to occupation or means of Livelihood (Census of 1921).

Occupation or means of Livelihood (Classes and Sub-Classes).	Total Supported.	Provinces.	States.	Actual		Workers.		Dependants. Both Sexes.	Percentage of supported to Total Population.
				Total		Partially	Agriculturist.		
				Males.	Females.	Males.	Females.		
A.—Production of Raw Materials ...	231,194,403	184,150,547	47,043,856	72,334,610	33,701,112	355,620	121,228	125,158,681	73·15
I.—Exploitation of animals and vegetation ...	230,652,350	183,723,988	46,928,362	72,099,953	33,588,420	340,950	117,296	124,963,977	72·98
II.—Exploitation of minerals	542,053	426,559	115,494	234,657	112,692	14,670	3,992	194,704	0·17
B.—Preparation and supply of Material Substances ...	55,612,694	42,199,622	13,413,072	18,027,943	7,717,215	1,385,304	332,481	29,867,536	17·59
III.—Industry ...	33,167,018	25,019,587	8,147,431	10,685,372	5,040,001	921,231	218,936	17,441,645	10·49
IV.—Transport ...	4,331,054	3,530,016	801,038	1,765,592	2,04,808	75,308	6,455	2,360,654	1·37
V.—Trade ...	18,114,622	13,650,019	4,464,603	5,576,979	2,472,406	388,765	107,090	10,065,237	5·73
C.—Public Administration and Liberal Arts ...	9,846,050	6,460,742	3,385,308	3,663,774	451,436	339,718	22,916	5,730,840	3·12
VI.—Public Force ...	2,181,597	1,361,480	820,117	939,150	46,388	96,692	2,404	1,142,059	·69
VII.—Public Administration	2,643,882	1,496,531	1,147,351	931,340	74,006	74,720	3,342	1,638,536	·84
VIII.—Professions and Libe- ral arts ...	5,020,571	3,602,731	1,417,840	1,739,284	331,042	168,306	17,170	2,950,245	1·59
D.—Miscellaneous ...	9,402,084	14,148,337	5,253,747	6,583,516	3,933,956	229,690	91,643	8,884,612	6·14
IX.—Persons living princi- pally on their income...	479,835	310,298	169,537	133,450	50,809	10,958	1,253	295,576	·15
X.—Domestic service ...	4,570,151	3,484,454	1,085,697	1,710,157	821,709	75,548	27,526	2,038,285	1·45
XI.—Insufficiently described occupations ...	11,098,566	8,052,264	3,046,302	3,574,556	2,373,157	99,219	43,802	5,151,853	3·51
XII.—Unproductive ...	3,253,532	2,301,321	952,211	1,165,353	689,281	43,965	19,062	1,398,898	1·03
TOTAL ...	316,055,231	246,959,248	69,095,983	100,609,843	45,803,719	2,310,332	568,328	169,641,669	100·00

Hon'ble the Commerce Member of the Government of India and their Secretaries) can be classified as 'Consumers.' The rest, *viz.*, 90·74 per cent. are undoubtedly 'Producers' and this latter class comprises the vast multitude of the people,—the cultivators, the agriculturists, the persons living on the land, or by whatever other term these poor people may be described—whose guardianship everybody assumes quite easily but often without any feeling of responsibility.

When any plausible argument is sought for to reply to a demand leading to increase in production and in the wealth of the nation, an appeal is made in the name of the Consumers. Let us therefore consider who are the consumers and whether their real interests are opposed to those of the producers.

Firstly, of the consumers 1·59 per cent. come under the heads Public Force and Public Administration. They are charged with the duty of promoting the material welfare of the people and even if their interests at any time clash with those of the producers, who really pay for their maintenance, they have no right to act against the needs of the latter. This leaves us only a balance of 7·67 per cent. to consider. Of this balance over 1 per cent. come under the head 'Non-Productive.' The inmates of jails, asylums and alms-houses cannot be allowed to obstruct the path of material progress. The 30 lacs of beggars, vagrants and prostitutes are already a great drag on the country and their condition can only

be improved if suitable employment can be found for them. It will be a great boon to the country if they can be converted from ' Non-Productive ' to ' Productive.' In this respect the case of the unemployed, a problem which looking to its growing seriousness also requires an early investigation, stands in the same level as those un-productive persons. They may therefore be considered together hereafter. The concern for the Consumers is thus limited to 6.67 per cent. of the total population.

Secondly, of the consumers about 3½ lacs coming under the category of ' Public Administration and Liberal Arts ' and 3½ lacs coming under the category of ' Miscellaneous ' aggregating to about 6½ lacs of persons are partially agriculturists, and their interest is allied with those of producers.

Thirdly, though ostensibly and temporarily the interests of the consumers and of the producers seem to be opposed to each other, a proper analysis of the situation will reveal the fact that they are quite identical. From the actual class of consumers we have in the preceding paragraph excluded the non-productive. We have to think of those persons who, though they do not produce real wealth in the sense that they do not directly or indirectly increase the wealth of the country by the processes of transmutation, transformation or transportation—still earn wealth for themselves or are the close dependants of those who so earn wealth. Now what is the source from which such consumers derive their income? There can be no

escape from the conclusion that the Producers constitute that source. If the source runs dry, there can be no flow therefrom. If the source be full, the flow becomes easy and plentiful. The amount to be extracted must be in direct proportion to the quantity available at the source if it is not to be dried up altogether. The profession of the lawyer or the doctor can only thrive at times of prosperity—agricultural, industrial, and commercial—and these are interconnected. In their own interests therefore, the consumers should, when their turn comes, take under their protective wings, the producers, otherwise the former run the risk of killing the hen that lays golden eggs. It is unfortunate that this factor is often forgotten by the professional classes and the service-holders who, when considering a question, are tempted to think of their pockets in the immediate future careless of what may happen to themselves afterwards. Such forgetfulness is encouraged by others who, while really trying to serve other masters, appeal to the narrow selfish instincts of those who, coming under these categories, rise to political eminence and are placed in the position of deciding the fates of the vast multitude. They feel secure under the impression that the masses in their ignorance are unable to understand and realise the measures that control their welfare or to connect their miseries with the actual man-made causes thereof.

Fourthly, it is a notorious fact that in India every earner has several dependants to support, and often times

the number of such dependants is increased by reason of able bodied persons being unsuccessful in finding employment. The burdens of the earning member of the family would be much lightened if there be in the country a field for employing a larger number of persons than those that are at present lucky enough not to be dependent on a charitable relative or friend. Such a field can only be provided by an intensive and extensive development of wealth-yielding industries, which term includes within its fold agriculture and other subsidiary occupations. Any employer in the country cannot have failed to observe the many insistent and daily calls of promising young men going from door to door in search of and begging for employment. Statistics of the unemployed are not kept in India. General experience shows that the figure of dependents given in our Census Report is much lower than the actual position. The same argument applies to the case of those who are classified as 'Non-productives' in the Census Reports. From the point of view of unemployed relatives and friends and of the strangers, who live on charity, it is to the interest of the consumers to advance the cause of the producers. It is only successful and profitable production that can lead to its expansion. When people find that loss is incurred in any line of business, none is tempted to undertake it. And in a losing business retrenchment and not fresh employment is the order of the day. India has in recent years had bitter experience of losing industries and retrenchments.

CHAPTER II.

Wealth of India.

Having regard to the importance of the question that we are considering and to the direct bearing it has on all wealth-producing occupations, it will be as well to bear in mind the various sources of wealth and the extent to which each such source yields.

Mr. Findlay Shirras in his "Science of Public Finance" gives a table of the National Wealth of the chief countries and as it may be of interest I re-produce the same :—

Country.	Year.	National Wealth in Sterling at par.
Great Britain	1923	£20,000 millions.
Canada	1923	£5,100 ..
India	1922	£10,000 ..
The U. S. of America	1923	£72,900 ..
France	1923	£47,600 ..
Italy	1923	£24,222 ..

Mr. Shirras in the same book gives the aggregate and per capita income of British India in 1922 as compared with previous years :—

Year.	Population (British India).	Agricultural Income.	Non-agri- cultural Income.	Total Income.	Per capita Income.
	Millions.	Ra. crores.	Ra. crores.	Ra. crores.	Ra.
1871	170	277	63	340	20
1881	196·4	354·5	175	529·5	27
1901	223·5	453·3	217	670·3	30
1911	242·7	1,412	530	1,942	80
1921	247·0	1,715	883	2,598	107
1922	247·0	1,983	883	2,866	116

Details of the Agriculture Income of British India for the years 1920-21 and 1921-22 will be found in Appendix VII, Table I. An alternative method adopted by Mr. Shirras for the calculation of non-agricultural income is also given in Appendix VII, Table 2.

Messrs. Wadia and Joshi have investigated the annual income from each source of wealth in India for the year 1913-14 in their book styled "The Wealth of India" and

have arrived at conclusions different from Mr. Shirras. I give below the conclusions at which they have arrived :—

Total annual income of British India in 1913-14.	Total valuation in Rupees.	Deductions from National Income in 1913-14.	£.
1. Agricultural production ...	858,39,94,626	1. Home Charges	20,000,000
2. Mineral production ...	11,52,78,000	2. Investment of foreign capital on behalf of Government...	8,000,000
3. Miscellaneous products & earnings of artisans, &c.	154,29,58,750	3. Profits on foreign capital invested in India ...	39,000,000
4. Produce of Live-Stock ...	145,10,34,634	4. Investment of new foreign capital in India	5,000,000
5. Manufactures ...	40,95,33,000	5. Remittances from India by Govt. Officers and other European employees ...	10,000,000
Total net valuation ...	1,210,27,97,010	Total £ ...	82,000,000
Deduct as per contra ...	123,00,00,000	=Rs. ...	1,23,00,00,000
Net Annual Income ...	1,087,27,97,010		

The total population of British India in that year being 245,189,716 we get as the annual income per head Rs. 44-5-6 or £2-19-1.

To avoid any confusion of thought, I may mention that in valuing the manufactures, the value of raw materials has been excluded as the same has been taken in account in valuing the Agricultural Production, &c.

It will not be out of place to compare the annual income per head in India with that in other countries. I again quote from Messrs. Wadia and Joshi's same book.

Income per head in other countries in 1914.

Name of Country.			Income per head £.	Name of Country.		Income per head £.
U. S. of America	...	72		Germany	...	30
United Kingdom	...	50		Italy	...	23
Australia	...	54		Spain	...	11
Canada	...	40		Japan	...	8
France	...	38		India	...	3 acc. to Wadia & Joshi or 6 acc. to Shirras.

The object of giving the above figures is to bring before the mind's eye the very low income that the people of India derive by their occupations. A comparison with other countries shows how miserable the position of this country is. The low income of Rs. 44-5-6 is further reduced when we remember that thereout the needs of the Government have to be met. These needs for the year

1923-24 appear from the Statistical Abstract for British India to be as follows :—

Authority receiving Tax or Rate.	Total Income.	Incidence per head of total population of the areas paying the Tax or Rate.		
	Rs.	Rs.	As.	P.
1. Central Government ...	1,35,87,25,056	5	8	0
2. Provincial Governments ...	78,85,09,389	...		
3. Municipalities ...	44,16,48,964	7	12	6
4. District & Local Boards ...	12,14,11,021	0	8	3
Grand total of Income ...	2,71,02,94,430	...		

According to the Census Report of 1921, the total population of British India is 24,70,03,293. Assuming for the sake of generalisation that the total amount is paid by the whole people of British India, and by them alone, the incidence of taxation comes to Rs. 10-15-6 or roughly Rs. 11 per head. It is worth mentioning here that in several Municipal areas the actual incidence per head of population for the total income of the respective Municipalities (excluding extraordinary Income or Debt)

alone stands at double figures as will appear from the following table:—

Municipality.	Population within Municipal limits.	Total income including Extraordinary and Debt.	Incidence per head of population excluding extraordinary Income and Debt.	Expenditure.
		Rs.	Rs. A. P.	Rs.
1. British Beluchistan	26,968	7,81,884	27 11 10	6,99,654
2. Bombay City ...	1,175,914	29,34,36,128	23 13 8	29,27,68,509
3. Rangoon ...	235,491	1,23,01,209	20 9 6	92,59,420
4. Calcutta ...	907,851	1,89,81,944	20 7 5	2,12,81,346
5. N. W. F. Province	213,005	24,09,652	14 14 9	22,51,473
6. Bangalore ...	118,684	14,89,407	11 1 10	12,88,098
7. Madras City ...	521,917	82,75,263	10 12 0	86,07,859

Furthermore, in regard to the poor people the average is reduced by the fact that even in India there is not an insignificant number of people whose income is hundreds and thousands of times of those who constitute the masses. What stronger appeal is required to induce thoughtful people in power to catch hold of every opportunity to assist and encourage the development of productive wealth in this country? It cannot be said that her resources are

exhausted. The Finance Member Sir Basil Blackett in his Budget Speech in 1923 observed that "India is a country where, as it seems to me, there is an almost unlimited field for new capital expenditure or new development. Every one admits, however, that India is only at the beginning of her industrial development, and it is out of her capital resources, *i.e.*, out of her accumulated savings and her new savings, that capital to develop India industrially must be found."

I venture to quote a paragraph from "The Wealth of India" from which I have borrowed so profusely above.

"Germany in the beginning of the nineteenth century presents a striking parallel to India under the British rule, in some respects. It was a dominantly agricultural country, with a handicap when it entered into the concert of industrial communities; there was a lack of capital in Germany, the habit of investment in industrial enterprise was unknown; banking facilities were equally lacking. There was also a lack of experience and knowledge in industrial matters. And yet within a few decades Germany acquired the machine technology of her neighbours. Endowed with natural gifts and intelligence, her people rapidly acquired proficiency in new industries; the natural resources which had hitherto been idle were worked up at slight cost; the State fostered industrial enterprise by an adequate banking system and financial help, lending the credit of the nation for the requisite

industrial capital. If India under British rule has not been similarly transformed into an industrial country supplying her own needs, if not the needs of other countries, it is because her Government is not a national Government directing national resources for her own industrial development, as that of Germany was. Her fiscal policy is determined by the interest of English producers abroad, her currency is trifled with and experimented upon without reference to her interests, her borrowings are not for industrial development; the resources of the Government are not pledged for attracting capital on reasonable terms; and profits, which if they remained within the country would fertilise and multiply the means of prosperity, are drawn away to be enjoyed by absentee shareholders abroad, leaving the people denuded of the means of expansion and development. The economic problem of every country is the problem of increased production and increased well-being as the result of a judicious distribution of the product, and in India as in other countries increased production is dependent on capital, on the ability of the masses to save. Where the powers of self-direction are wanting, it is futile to cast the blame for low productivity on any one class or any one cause. Politics is not the only game of human life, and political changes will not of themselves bring the millennium, as the European nations are slowly learning to realise. But there must be some excuse for a people whose thoughts, saturated with traditions of philosophy and mysticism for ages, are now overwhelmingly absorbed in the game of politics. For the shadow

of an alien domination, unsympathetic and unimaginative, if not animated by a conflict of interests withers and causes stagnation throughout the whole social organism with its aspiring economic and social and religious activities."

CHAPTER III.

Foreign Trade.

Having examined the nature of the population of India according to vocations, the wealth earned by them, and the incidence of taxation generally, we may pass on to form an idea of her trade relationship with foreign countries. As we are considering the Currency and Exchange problem we are more concerned with the values of the total foreign trade than with details about the different kinds of merchandise that compose the same.

The Statistical Abstract for British India (from 1914-15 to 1923-24) gives the annual figures in Table No. 212 which is printed as Appendix III hereto.

The Controller of Currency in his Report for the year 1924-25 gives the following statement comparing India's visible balance of international accounts during the year under report with that of the preceding year and with the average of the three preceding quinquennial periods. The detailed heads work up to a *plus* or *minus* balance (*plus* representing net export and *minus* representing net import) for each of the three main heads of classification, namely, (1) private exports and imports of merchandise, (2) private exports and imports of treasure and (3) remittances of funds through Government, leading up to a *plus* or *minus* total for the transactions as a whole.

INDIAN CURRENCY PROBLEM.

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(In Lakhs of Rupees.)

	Average of 5 pre-war years ending 1913-14.	Average of 5 war years end- ing 1918-19.	Average of 5 years ending 1923-24.	1923-24.	1924-25.
Exports of Indian Mer- chandise (Private) ...	+ 2,19,50	+ 2,15,98	+ 2,85,68	+ 3,48,84	+ 3,84,85
Re-exports of Foreign Merchandise (Private)	+ 4,62	+ 8,16	+ 15,62	+ 13,07	+ 13,51
Imports of Foreign Mer- chandise (Private) (a)	- 1,45,85	- 1,47,80	- 2,48,81	- 2,17,03 (b)	- 2,43,18 (b)
Balance of trade in Mer- chandise (Private) ...	+ 78,27	+ 76,34	+ 52,49	+ 1,44,88	+ 1,55,18
Gold (Private) (a) ...	- 28,86	- 7,81	- 13,93	- 29,19	- 73,78
Silver (Private) (a) ...	- 7,21	- 2,99	- 11,79	- 18,38	- 20,06
Currency notes (Private) (a)	...	...	- 40	- 1,08	- 28
Balance of Transactions in Treasury (Private) (a)	- 36,07	- 10,80	- 26,12	- 46,65	- 94,12
Total visible balance of trade	+ 42,20	+ 65,54	+ 26,37	+ 96,23	+ 61,06

(a) Excludes transactions which do not enter into the balance of trade.

(b) Exclusive of the value of Railway materials imported direct by State Railways working under Company Management.

(In Lakhs of Rupees).

	Average of 5 pre-war years ending 1913-14	Average of 5 war years end- ing 1918-19	Average of 5 years ending 1923-24	1923-24	1924-25
Council Bills and tele- graphic transfers paid in India, purchases of Sterling from Banks and firms in India and payments for Sterling taken over in London from local bodies ...	- 41,25	- 34,98	- 15,45	- 23,34	- 56,33
Sterling transfers on London sold in India	+ 5	+ 5,50	+ 9,42	...	...
Transfers of Government Securities ...	- 87	- 28	- 5	- 25	- 38
Interest drafts on India in respect of Govern- ment of India Secu- rities ...	- 45	- 30	- 31	- 44	- 41
Balance of remittances of funds ...	- 42,62	- 30,14	- 6,39	- 34,18	- 57,14
Total visible balance of accounts ...	- 42	+ 35,40	+ 19,98	+ 62,06	+ 2,92

The more important Government remittances are included in the above statement, but the following items

also have a bearing on the balance of international accounts for 1924-25, namely :—

	Lakhs of rupees.
(a) Net payment in India of money and postal orders ...	2,06
(b) Telegraphic Transfers on India from Iraq ...	2,33

These transactions have effect of changing a favourable balance of Rs. 3,92 lakhs into an adverse balance of Rs. 47 lakhs. The corresponding figure for the preceding year was a favourable balance of Rs. 53,24 lakhs. There are, of course, numerous other items entering into the balance of accounts which are not accurately ascertainable, such as private remittances, exports and imports of capital, but the above figures give a rough idea of India's international account. It is rather remarkable that in a year when exchange was consistently strong and the gold value of the rupee increased by 18·9 per cent. the visible balance of accounts should be against India, while in the preceding year there was a very large balance in favour of India. The large difference between the two years is due mainly to two factors, namely :—

- (a) As stated in last year's report, there was a large balance in favour of India in the year 1923-24 which was left over for subsequent adjustment, and the strength of exchange and the large Government remittances between April and

September 1924 indicate that the adjustment was made in the year 1924-25.

- (b) The imports of treasure in 1924-25 were extraordinarily large, and not only were the stocks in the hands of the bullion merchants very heavy at the end of the year, but also private purchasers throughout India seem to have anticipated their demands for subsequent years to a large extent.

In consequence, a better idea of the present visible balance of India's international account is obtained by taking an average of the last two years, which shows a favourable balance of Rs. 26.38 lakhs.

The value of the private exports of merchandise reached the record figure of 3.93 crores, an increase of 36 crores, or 9.94 per cent. over the previous year. The value of imports of private merchandise increased from 2.17 crores in the preceding year to 2.43 crores, with the result that exports exceeded imports by 1.55 crores as against 1.45 crores in the preceding year.

In view of the importance of the imports and exports of the precious metals, the statements thereof as given by the Controller of Currency are printed as Appendices IV & V hereto.

It may here be noted that during the five pre-war years the net import of treasure on private account averaged about 36 crores of rupees per year in value, that

during the next five years up to 1918-19 averaged about 10½ crores of rupees per year in value (a period during which there was much restriction on the flow of gold), that just after the Armistice the average annual import during the five years up to 1923-24 was about 26 crores of rupees, the net import in 1923-24 being about 48½ crores of rupees and in 1924-25 being as much as about 94 crores of rupees.

Formerly the public had the right to tender to and receive from the Government Rs. 15/- in return for a pound weight of standard gold. But since the Babington Smith Committee's report was accepted by the Government and the ratio of 2s. gold to the rupee was put on the Statute Book while the actual rate of exchange remained much lower, this right of tender was *ipso facto* withdrawn. For no body could be expected to exchange from the Government Rs. 10/- per pound when the market rate was much higher. The total and huge quantity of the precious metals imported was thus let loose on the market and the people of the country. We shall have occasion to refer to this matter again when considering the effect of large imports of gold, its cheap price, and of its non-delivery to the Government, on the industries of the country.

To form a correct idea of India's real Balance of Trade, account has also to be taken of the invisible exports and imports. An estimate thereof is very difficult to make. Mr. G. Findlay Shirras, (Director of Statistics) attempted it for the year 1922-23 in a Paper that he read

before the Seventh Indian Economic Conference held at Bombay in January, 1924. The Summary Table given by him is as follows :—

[In lakhs of rupees].

Credit. Debit.

EXPORTS—

1. Exports of merchandise and treasure (Visible Exports)	342,90
2. Funds borrowed in England for interest charges (Invisible Exports)	13,12

IMPORTS—

1. Imports of merchandise and treasure ...	311,67
2. Allowance for undervaluation of imports of merchandise and treasure excluding currency notes (5 per cent. of Rs. 310,66 lacs)	15,53
3. Visible Imports of Funds (net)	2,48
4. Visible Imports :—	
(i) Expenditure in interest for overseas capital invested in India	26,25
(ii) Expenditure for shipping services*	22,15
(iii) Expenditure for Commissions (mainly financial and insurance services)*	9,00
(iv) Net expenditure for other services	4,00

		Credit.	Debit.
VISIBLE BALANCE OF TRADE (net)	...	13,22	...
Invisible items (final figures from both sides)	... ..	...	17,13
Final Balance (visible and invisible items)	... ..	...	lacs 3,91

*NOTE—Mr. Shirras remarks "The expenditure for shipping services and Commissions has not been included in the balance of Trade Statement in the final computation, because under section 30 of the Indian Sea Customs Act (VIII of 1878) the Indian Import Returns include freights and insurance. An allowance of 5 per cent. has been allowed for under imports for the under-valuation of imports including articles consigned to India for sale and articles of which it is difficult to obtain any real wholesale market value. The question of the under-valuation of imports, it is understood, is under the consideration of the Government of India, Indian export charges for shipping are paid by the importing countries, and are, therefore, not included in the final figures."

According to Sir George Paish, with whom Mr. Findlay Shirras agrees, the total capital investments in India of British Investors up to and including 1910 but excluding private capital, (i.e., capital for which no documentary evidence was readily available) were as follows :—

			(In £ Millions).
Government	...	...	179
Railways	...	...	137
Tea & Coffee	...	...	20
Rubber	...	...	5
Tramways	...	...	4
Mines	...	...	4
Oil	...	...	3
Banks	...	...	3
Others (including Jute, etc.)	...	...	10
	TOTAL	...	4365 Millions.
	TOTAL	...	Rs. 547½ crores.

CHAPTER IV.

Banking in India.

We have seen that Indian Currency has to meet the requirements of about 24½ crores of people living in British India and, to a large extent, of about 7½ crores of people living in the Indian States thus aggregating to about 32 crores of people. The Currency has to support the movement of produce in India which was valued (a) by Messrs. Wadia & Joshi at about 1,210 crores of rupees in 1913-14 and (b) by Mr. Shirras at 1,942 crores in 1911, at 2,598 crores in 1921 and at 2,866 crores of rupees in 1922. The Currency has further to face the international dealings of the total value of about 640 crores of rupees in merchandise, about 9½ crores of rupees in treasure and about 56 crores of rupees in Government remittances. Added to all this is the habit of hoarding in the form of coins to which the people of the country are accustomed and which also constitutes a factor not to be forgotten. The correct extent of such hoarding, and the net amount thereof, cannot be gauged with any degree of certainty, but it cannot be denied that every year some portion of the Currency still goes invariably into hoarding.

Another important service which the Currency is expected to render is to provide a reasonable and steady assistance to further the growth of trade, the increased

production of raw materials and manufacture, the establishment of new manufacturing industries, the provision of more and better transit facilities, &c.

The extent of service which a given amount of Currency can render to the country depends upon and is in direct proportion to the velocity of circulation thereof. This service is done in the country partly through the Post Office, but to a much greater degree through the Shroffs and the Banks. The Banks in the country are mostly Exchange Banks who finance the export and import trade more than any thing else. That is indeed their primary concern. They are mainly branch agencies of Banks whose Head Offices are located in London, on the Continent, in the Far East or in the United States of America. In recent years most of the Banks, while financing the external trade, are taking some part in the internal trade also. Formerly the Exchange Banks used to put themselves in funds with money borrowed elsewhere, chiefly in London, by offering rates of interest higher than the English Banks were able to quote. It has, however, been found that deposits can be had in India on as good terms as in England and a very large proportion of the financing done by the Exchange Banks is now carried through by means of money actually borrowed in India. How such deposits have grown in the aggregate within recent years will appear from a table given hereafter.

The financing of the import trade is mostly done by the Branches outside India. The local branches concern

themselves with financing the Export Trade. On account of the system of rediscounting in England, the Banks are able to limit the employment of their own resources to a comparatively small figure in relation to the business they actually put through. The principal ways in which the Banks are put in funds to enable them to buy Export Bills are as follows :—

- (a) Proceeds of Import Bills on maturity received from abroad.
- (b) Sales of drafts & T. T.'s payable abroad to Importers, including Government.
- (c) Purchases of Council Bills from the Secretary of State.
- (d) Imports of gold and silver bullion and tendering them to the Government or selling them in the market.
- (e) Imports of sovereigns from London, Egypt or Australia.

The Indian Joint Stock Banks are of recent growth. They suffer greatly from want of confidence. They could develop much more if either the Government or the Imperial Bank started a system of helping them at the proper time with safety and inculcating in the minds of the investors a feeling of confidence that the Government or the Imperial Bank would come forward to the assistance of the banks at times of need without hesitation. The position of the better known existing Indian Joint Stock

Banks as appearing from their Balance Sheets is as follows :—

In Lakhs of Rupees.

NAME.	Capital.	Reserve.	Deposits.	Cash and investments.
Allahabad Bank ...	35	35	8,49	3,16
Bank of Baroda ...	29	19	5,20	2,33
Bank of India ...	100	74	9,89	3,80
Bank of Morvi ...	55	...	14	4
Bank of Mysore ...	20	11	1,43	66
Central Bank of India ...	168	100	15,59	10,64
Karachi Bank ...	2	1	31	15
Oudh and Commercial Bank	5	2	5	1
Punjab National Bank ...	30	18	6,01	1,33
Union Bank of India ...	59	...	66	40

Writing in 1919, Mr. Findlay Shirras gave the following comparative figures in connection with Banking in different countries (the figures of population being taken by me from the Statesman's Year Book, 1925) :—

	U. States.	U. Kingdom.	Japan.	Australia.	Canada.	India.
Banking Capital, Million £...	482	88	67	35	23	23
Deposit (Banks and Saving Banks), Million £ ...	5,767	2,355	404	324	318	118
Total number of Banks (including Branches) ...	28,013	9,357	5,874	3,327	2,356	259
Population (Millions) ...	117	43	59	5½	8½	319

We thus get the following approximate comparative figures for each country per million of population :—

	U. States.	U. Kingdom.	Japan.	Australia.	Canada.	India.
Banking Capital, Million £ ...	4.1	2	1.1	6.5	2.7	.07
Deposits, Million £ ...	49	55	7	60	38	.37
Number of Banks ...	240	217	10	600	270	1.1

The development of Banking in India may be gauged by a study of the following figures published by the Director-General of Statistics :—

The proportion per cent. of Cash to Liabilities on Deposits of the Imperial, Exchange & Joint Stock Banks in India on the 31st December of each year will appear from the following table :—

	1914.	1915.	1916.	1917.	1918.	1919.	1920.	1921.	1922.	1923.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
I. Imperial Bank of India ...	46	34	35	45	29	31	30	19	21	18
II. Exchange Banks—										
(1) Banks doing considerable portion of their business in India ...	28	19	25	40	20	35	30	28	19	19
(2) Banks which are merely agencies of large banking corporations doing a major portion of their business abroad ...	26	41	35	160	44	67	58	43	33	27
III. Indian Joint Stock Banks—										
(a) Banks having capital and reserve of R 5,00,000 and over ...	21	23	24	25	23	21	23	20	20	17
(b) Banks having capital and reserve between R 1,00,000 and less than R 5,00,000 ...	22	22	17	21	24	24	18	13	17	19

It will appear from the above that the total deposits in India in all the banks, including the public deposits, amount to 127 crores, 68 crores, and 4 crores aggregating to Rs. 199 crores, *i.e.*, just about Rs. 6-4 per head of the population, a figure which compares very unfavourably with other countries.

The details of clearings of cheques through the Clearing House during the last ten years are given in the following statement which shows that the velocity of circulation through the Banks is very low :—

(In lakhs of rupees.)

Year.	Calcutta.	Bombay.	Madras.	Karachi.	Rangoon.	Cawnpore.	Lahore.	Total.
1915-16 ...	2,52,36	1,77,18	20,21	14,09	39,50	...	...	6,03,34
1916-17 ...	4,92,89	2,62,23	25,29	17,36	50,68	...	...	8,48,50
1917-18 ...	5,24,90	2,83,53	23,01	22,17	52,86	...	...	10,06,47
1918-19 ...	7,41,13	3,64,46	25,43	22,30	78,85	...	...	14,32,19
1919-20 ...	10,55,76	3,83,02	33,95	23,13	94,74	...	...	20,90,60
1920-21 ...	14,39,93	13,15,98	73,79	32,42	1,04,84	6,63	...	29,76,54
1921-22 ...	9,06,01	9,08,73	89,54	36,73	1,22,08	9,01	5,86	20,24,90
1922-23 ...	9,80,26	5,58,73	45,13	33,58	1,25,96	7,93	8,49	20,80,08
1923-24 ...	8,53,05	7,07,96	55,41	41,52	1,32,82	6,38	5,85	18,03,01
1924-25 ...	9,54,11	6,21,66	55,98	46,13	1,17,21	5,72	5,57	18,06,36

The above figures go to show that to achieve the same result the amount of money required in India should be larger than that required in other countries where owing to banking being better developed, the velocity of circulation of the same amount of currency is considerably increased. Nay, their wide spread numerous branches reach a larger proportion of the population, both rural and urban, than in India which has an area of 1,805,332 square miles and a population of 318,942,480 souls scattered more in villages than concentrated in towns, the rural population being 286,467,204 and the urban population being 32,475,276 only, and thus largely avoid the use of metallic money and notes by creating cheque currency.

The Bombay Committee appointed by the Government of India in 1921 under the Chairmanship of Sir Dadiba Dalal to enquire about the rehabilitation of securities stated that "India is full of money, and self-contained to supply all funds necessary for the expansion of its railways, and irrigation systems, and for the development of industries..... We are of opinion that year after year India will be able to spare increasing sums of money for the building of railways, canals, and industries, and for provincial development. Unfortunately the money power of India is not properly mobilised. Money lies dormant in endless small hoards all over the country. There is a vast virgin field for the development and expansion of banking and for the collection into Bank Reserves of the innumerable stores of money lying idle

throughout the country, which could be utilised for the benefit of the holders and for the good of trade and of the State."

Mr. Findlay Shirras in his Science of Public Finance gives some interesting figures which bear out the above statement and lead to the conclusion that at present there remains in India an appreciable surplus of income every year after deducting consumption and taxation from production. The figures will appear from the following table :—

Surplus of Annual income in British India.

Details.	1910-11 (Census 1911).	1920-21 (Census 1921 a distinctly bad year).	1921-22 (Good for agriculture but a year of trade depression).
1. Income—	Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.
Agricultural ...	1412,00	1715,00	1963,00
Non-agricultural ...	530,00	863,00	883,00
Total Income ...	1942,00	2598,00	2846,00
2. Allow for minimum consumption ...	1214,00	2220,00	2222,00
3. Allow for Seed & Manure	141,00	172,00	166,00
4. Allow for replacement of and ordinary additions to Capital ...	25,00	43,00	55,00
5. Balance Income (1-2-3-4)	562,00	161,00	398,00

Surplus of Annual income in British India—contd.

Details.	1910-11 (Census 1911).	1920-21 (Census 1921 a distinctly bad year).	1921-22 (Good for agriculture but a year of trade depression).
	Lakhs of Rs.	Lakhs of Rs.	Lakhs of Rs.
6. Tax Revenue—			
Central & Provincial Governments ...	79,83	130,15	135,30
Local Bodies ...	7,17	11,64	11,64
Total ...	87,00	141,79	146,94
7. Expenditure on Internal Debt—			
Central and Provincial Governments ...	5,61	21,04	24,27
Local Bodies ...	1,70	2,34	2,34
Total —	7,31	23,38	26,61
8. Effective taxation(6—7)*	79,69	118,61	129,33
9. Net Balance (5—8) ...	432,31	42,39	272,64

*NOTE.—The figures of taxation are for revenue only and not total Government Revenue.

The net annual balance, if properly mobilised and utilised, can be turned to good account for increasing the prosperity of the people. But to do so requires a steady effort which greatly depends upon a proper solution of

the Currency and Exchange problem, and upon a suitable provision of Banking facilities.

While trade and commerce somehow manage their finance either through Banks or Shroffs, agriculture and industry (the latter in so far as the concerns are under the control of Indians) are greatly starved of monetary assistance. The agriculturists are notoriously indebted to the village money-lenders who charge high rates of interests. They have to sell their produce immediately on harvest to pay revenue, to liquidate their past debts, and to buy their immediate requirements. In most cases their crops are either sold or mortgaged long before they are harvested. They have again to borrow to maintain themselves until the next harvest, to buy seeds, and to procure other necessities of life and agriculture. They are seldom able to take advantage of rise in prices. The co-operative movement, though progressing, has not yet made much headway. With the agriculturists left in such a critical position it is no wonder that they cannot pay sufficient attention to the improvement of their produce either in quantity or quality by the use of better seeds, better implements, manure, scientific methods, &c. Nor can they improve their cattle. And this circumstance largely contributes towards the deterioration of cattle, about which so much has been said in recent times. But the pity is that while the agriculturists are mostly left in the lurch, more attention is paid to financing the movement of the crops. The Controller of Currency describes the part played by

the Imperial Bank and the Government Treasuries in regard to the Cotton and Jute crops in his report as under :—

The approximate outturn and value of the Oomra Cotton crop (except a portion of the Barsi-Nagar Crop raised in Hyderabad) are as follows :—

—	1922-23.		1923-24.		1924-25.	
	No. of bales.	Value in lakhs of Rs.	No. of bales.	Value in lakhs of Rs.	No. of bales.	Value in lakhs of Rs.
Area No. 1	1,473,000	80.58	1,348,000	87.97	1,211,000	27.55
Area No. 2	898,000	19.26	802,000	23.20	813,000	18.19
Total ..	2,371,000	49.84	2,150,000	61.17	2,024,000	45.74

The Imperial Bank and Government Treasuries provided money as follows in 1924-25:—

(In thousands of rupees).

	Area No. 1	Area No. 2	Total
1. Value of drafts purchased at branches of Imperial Bank ...	2,79,17	3,62,47	12,41,64
2. T. T.'s paid from Branches of Imperial Bank ...	62,83	17,94	80,82
3. T.T.'s and Supply Bills issued in Bombay and paid at Government Treasuries and Sub-treasuries...	2,50,50	6,55	2,57,05
4. Whole rupees taken from the Bombay Currency Office and mailed to the Cotton Areas ...	35,61	90,77	1,26,38
5. Notes privately imported ...	2,46,25	61,85	3,08,10
Total ...	15,74,41	5,39,58	21,13,99

Currency was absorbed as follows from November to February 1924-25 :—

(In thousands of rupees).

	Area No. 1		Area No. 2	
	Notes.	Rupees.	Notes.	Rupees.
Absorption of Currency from Currency Chests ...	6,80,94	3,32,36	1,45,96	1,56,77
Whole rupees taken from the Currency Office ...	...	35,61	—	90,77
Notes imported by private bodies ...	2,46,25	...	61,85	...
Total ...	9,27,19	3,67,97	2,07,81	2,47,54
	12,95,16		4,55,35	
	17,50,51			

The absorption of currency amounted to about 38 per cent. of the total value of the crop, and of this a little more than a third was in the form of Metallic Currency.

In regard to Jute, the estimated outturn of the crop and its value (as realised by the cultivators) are as follows :—

Province.	1922-23.	1923-24.	1924-25.
	Mds.	Mds.	Mds.
Bengal	23,991,895	31,022,580	36,199,325
Bihar & Orissa	1,523,584	2,114,359	2,062,795
Assam	1,396,400	1,567,700	1,574,500
	26,811,379	34,704,639	39,826,620
Rate per Md.	Rs. 12	Rs. 7-5.	Rs. 13-1
Total value in Rs.	32,17,36,548	25,37,77,673	52,01,35,224

Money was provided through the Branches of the Imperial Bank and the Government Treasuries as follows :—
(In Thousands of Rupees.)

—	1922-23.	1923-24.	1924-25.
1. Value of drafts purchased at Branches of the Imperial Bank	8,94,81	8,10,26	13,58,36
2. Telegraphic Transfers paid by Branches of the Imperial Bank	1,76,76	2,15,23	2,37,01
3. Telegraphic Transfers and Supply Bills issued in Calcutta and paid at Government Treasuries and Sub-Treasuries	2,27,42	2,61,57	3,64,84
Total	12,98,99	12,87,15	19,60,21
Percentage of estimated value of the crop	40.3	50.7	37.6

Currency was absorbed in the jute area during the Season as follows :—

(In Thousands of Rupees.)

	1922-23.		1923-24.		1924-25.	
	Notes.	Rupees.	Notes.	Rupees.	Notes.	Rupees.
Absorption of Currency from Currency Chests	8,83,50	80,28	9,75,29	12,10	13,22,35	2,85,20
Notes & Coin imported by private agencies	3,91,80	16,38	4,02,27	15,38	5,50,37	80,00
	13,85,30	46,64	13,77,56	27,48	18,72,72	3,65,20
	14,81,94		14,05,04		22,37,92	

The absorption of Currency in 1924-25 was about 44 per cent. of the total value of the crop (as realised by the cultivators). The increase in the Metallic Currency is obviously due to the stoppage of one rupee notes.

The position of industrial finance is also precarious. The Hon'ble Sir Basil Blackett in opening the new premises of the Central Bank of India at Calcutta expressed his surprise at the large extent to which Industrial Concerns in this country had to rely on short term loans. For industries to carry on properly loans fixed for long durations are needed. Unfortunately the system has not yet developed of long term deposits being made, and there is no bank whose chief business is to finance industries. The

Imperial Bank by opening Cash Credit Accounts does help some Industrial Concerns, but neither can it approach nor can it satisfy the needs of the vast continent of India. Specially people outside Calcutta, Bombay and Madras find it difficult to properly approach the Imperial Bank. The Imperial Bank is under an obligation to open 100 new branches within five years from its inauguration in January 1921. Up to 31st March 1925, 80 new branches had been opened and arrangements have been made to complete the programme by the due date. But there is a great necessity for other banks as well, banks which may be approached by, and would give assistance to, persons of smaller ranks also, banks which would pay higher interest on current accounts and better terms on fixed deposits and become popular and attract money which now goes into hoarding or other non-productive expenditures.

CHAPTER V.

Amount of Currency in India.

This leads us to ascertain the amount of Currency in circulation in the country. An estimate of the amount of *Rupees* in circulation in India together with the active circulation of Currency Notes is given in the Currency Controller's Report for the year 1921-22. He writes at page 37 of his Report as follows :—

“An attempt to calculate the quantity of rupees in circulation is made annually by the Director of Statistics on the basis of the figures of the Rupee Census. The method adopted is that explained in Appendix II of Mr. Findlay Shirras' 'Indian Finance and Banking'. The figures obtained by this method from the year 1912 to the year 1921 are as follows :—

(In crores of rupees).

Year.	Amount of rupees in circulation in India.	Active circulation of Currency Notes on 31st March.	TOTAL.
1912	182	45	227
1913	191	47	238
1914	187	50	237
1915	204	44	248
1916	212	53	265
1917	227	67	294
1918	219	84	303
1919	228	134	362
1920	260	154	414
1921	233	148	381

I have added in the above table for purposes of comparison the active circulation of currency notes in each year. [The latter excludes the notes held in Government Treasuries and in the local Head Offices of the Imperial Bank. During the War and after, sovereigns practically ceased to be used as currency, and in consequence the above figures give a fairly accurate idea of the amount of circulating media in the hands of the public from the year 1915 and onwards. The circulations for the year 1922 are not yet complete ; it will probably be found that the currency in the hands of the public (notes and coin) has been further reduced but is still somewhat above the level of the year 1919."

Similar estimates for the following years are not given in the subsequent reports of the Controller of Currency. It is probable that the omission is due to the fact that the Government since then embarked upon manipulation of Currency and Exchange in a manner contrary to the expressed and unanimous wishes of the Indian Mercantile Community and the operations of the Government have been carried on in subtle ways, not understood by the public, and kept secret from them to a great extent. It may here be noted, however, that the total amount of currency in active circulation in 1921 was only about Rs. 12 per head of the population.

There is an important factor which should be mentioned here, lest a wrong impression may be created that between 1912 and 1921 there has been an increase of

Currency in circulation by 154 crores of rupees. But in reality that was not so. The above figures are only of silver rupees and currency notes. In pre-war years there was another method by which the people were in a position to, and did in fact, increase the quantity of currency in circulation, *viz.*, by importing sovereigns and using them for currency purposes. The import of sovereigns from 1909-10 to 1913-14 was as follows:—

1909-10	...	...	13·86 crores.
1910-11	...	...	12·81 „
1911-12	...	...	27·51 „
1912-13	...	...	26·69 „
1913-14	...	...	12·75 „
TOTAL			<u>93·62 crores.</u>

In the same period gold bars were also imported freely for use in arts. It can not be doubted that most of the imported sovereigns were used as Currency. But in 1920 the 2s. ratio was put on the Statute Book and an immediate effect thereof was to shut out Gold Sovereigns from being used as Currency. Thus they do not serve now to increase the circulating media at all.

The position is best understood from the following extract from Mr. B. F. Madon's India's Exchange Problem:—

"In the same 5 years silver Rupees were coined as follows :—(These figures are for calendar years)—

1909	...	...	...	2.23
1910	...	...	...	1.77
1911	...	...	...	1.53
1912	...	...	...	12.42
1913	...	...	...	18.32
TOTAL				<u>34.27</u>

As the increase in the Note circulation was only 15.89 crores, it means that 15.89 crores of the new coin went into the Reserve as backing to the additional notes issued in this period and the rest, *viz.*, Rs. 18.38 (Crores) was issued against tender of either gold or sterling and was added to the general circulation. Therefore it will be seen that while the period 1909-10 to 1913-14 shows an addition to circulation of—

only 15.89 crores in Notes
 we had further additions in the shape of
 93.62 in the shape of sovereigns
 18.38 in the shape of rupee coin also

thus making a total of 127.89 crores and therefore the extent to which India was able to convert its foreign credits into Indian legal tender currency during the 5 years 1909-10 to 1913-14 was 127.89 crores and not 15.89 crores only. By the simple "innocent and harmless" expedient of keeping the sovereigns as legally the equivalent of Rs. 10 only, the whole of this enormous supply of

currency has been cut out from our circulation, because neither could sovereigns act directly as Currency, nor could gold be tendered by banks to get local currency in exchange." The effect is that the money market is deprived of additional supplies to the extent of 20-25 crores a year, and trade, industry and agriculture have been deprived of these enormous resources.

We shall hereafter revert to the question as to why more currency is needed and the methods by which Currency has been contracted by the Government in recent years. We shall here complete our enquiry about the amount of currency in circulation as published by the Government for public information.

The Statistics of note circulation subsequent to 1921 are as follows :—

(In lakhs of rupees).

Year.	CIRCULATION ON 31ST MARCH.		AVERAGE CIRCULATION.		Increase in Active Circulation.
	Gross.	Active.	Gross.	Active.	
1920-21 ...	1,66,16	1,47,88	1,63,51	1,38,88	—12,22
1921-22 ...	1,74,76	1,57,23	1,73,80	1,52,22	+13,34
1922-23 ...	1,74,70	1,61,10	1,76,33	1,53,27	+1,05
1923-24 ...	1,85,85	1,69,06	1,79,01	1,56,93	+3,66
1924-25 ...	1,84,19	1,66,55	1,79,27	1,60,91	+2,96

A Statement of Rupees coined and issued from the Indian Mints from 1835 is given in the Appendix. It may here be remarked that of about 647 crores coined and issued up to 1921, only 233 crores of rupees remained in actual circulation. The rest either were withdrawn from circulation, or otherwise disappeared as the result of melting, loss, hoarding, &c.

The statement below shows the average absorption of the various forms of Currency for the five years preceding the War and that during the eleven subsequent years:—

(In lakhs of rupees).

Year.	Rupees.	Notes.	Total.	Sovereign and half sovereigns.	Grand Total.
Average for 5 years 1909-10 to 1913-14 ...	8.77	3.01	11.78	10.91	22.69
1914-15 ...	-6.70	-6.01	-12.71	8.43	-4.28
1915-16 ...	10.40	9.23	19.63	29	19.43
1916-17 ...	33.81	13.89	47.70	3.18	50.88
1917-18 ...	37.86	17.23	55.08	14.26	59.34
1918-19 ...	45.02	49.29	94.31	5.81	1,00.12
1919-20 ...	20.09	20.20	40.29	-3.32	86.97
1920-21 ...	-25.88	-5.90	-31.58	-4.28	-35.96
1921-22 ...	-10.46	9.35	-1.11	2.78	1.67
1922-23 ...	9.56	8.87	18.43	9.43	3.74
1923-24 ...	7.82	7.98	15.58	6.74	22.32
1924-25 ...	3.65	-2.51	1.14	14.53	15.67
Total for 11 years 1914-15 to 1924-25 ...	96.05	1,16.59	2,12.64	57.75	2,70.39

Sovereigns have been valued at Rs. 15=£1 in the above table. With reference to the above table, the Controller of Currency has remarked that no definite conclusions can be drawn from these figures as to the increase in the amount of currency in effective circulation in India without making allowance for a number of factors the effect of which cannot be estimated with a reasonable degree of accuracy, *e.g.*, the amount of Rupees hoarded and exported. He adds that it is interesting to note, however, that the average annual net absorption of rupees for the last eleven years is very nearly the same as the average for the five pre-war years; and that taking into account the fact that a large number of rupees were melted and exported during the War, it is clear that notes have to a large extent replaced rupees as media of exchange during the last decade.

The Controller of Currency has apparently forgotten that on the introduction of the 2s. ratio in 1920, all sovereigns and half-sovereigns that were then in circulation as currency disappeared from that category, and that after that year no sovereigns and half-sovereigns were used or absorbed as currency. It is therefore necessary that in making calculations after the year 1920, not only the 57½ crores worth of sovereigns and half-sovereigns mentioned in the above table but also such as were in circulation as currency from previous years should be deducted from the total. Even deducting 57½ crores, we are left with 212 crores 64 lacs absorbed in 11 years, *i.e.*, 19½ crores average

per year or about 3½ crores less per year than the pre-war average—whereas to meet the normal growth and to sustain the stimulus to industries due to the War time prosperity the average annual absorption should have been much more than the pre-war period.

It may here be observed how the contraction of currency and rise in exchange have witnessed a depression in the industries of the country. The rise in Exchange was one of the reasons successfully advanced by the Steel Industry for the second instalment of subsidy granted to it. The Cotton and Coal Industries—the two most important ones so far as Indians are concerned—have been hit so hard that a large number of concerns have closed their doors, and those that are still working are faring miserably. The Piece-goods merchants, whether dealing in imported or locally manufactured stuffs are almost at the end of their tithers and even combinations not to enter into forward contracts for four months have not been able to save them from extensive losses. In Jute also in spite of absolute monopoly, high price ruling in foreign markets and a stern combination of the Jute Mills to work only four days in the week, our Jute manufacturers have not witnessed yet the expected rise in rates. Far from maintaining an increase as other commodities have done, the rate of Java Sugar if the import duty be deducted, comes down to less than the pre-war rate. On account of this our Sugar merchants have had to undergo heavy losses. The agriculturists have been unable to realise

that price for their goods which they could have done if currency had increased in its normal proportions and the rate of exchange had stood at the pre-war level of 1s. 4d. With such a huge depression in trade and industry it is not surprising to find that the problem of unemployment is becoming so very serious day by day, the middle classes being hit hard the most. Possibly it is only the rentier class that has benefitted, but even that is doubtful on account of the fact that owing to the panicky condition of the market, credit is at a low ebb. This explains to a great degree the recent peculiar position of the Government that while T. T.'s were offered in abundance to meet the demands of the export trade, the cash balance at the Banks went on increasing and could not find better and profitable employment. Such a position arose because as a result of the contraction of credit and currency, trade and industry was seriously jeopardised and their normal growth was checked. Credit almost disappeared from the market. Banks hardly made their minds to invest the surplus cash. Furthermore, the warnings of the Finance Member to the Exchange Banks to keep their resources conserved for the busy season without relying on the Government coming to their assistance in case of emergency made them not only too cautious and conservative but also too timid. They preferred losing interest for a small period to being placed in a position of awkwardness and difficulty during the busy season when their chief function of financing the export trade would need not only all their available resources but more.

CHAPTER VI.

The Public Debt of India.

While the people have been suffering from the effects of contracted currency and credit and of the high rate of Exchange, let us see how the Public Debt of India has grown.

The following table shows the total debt of the Government of India, including Indian Treasury Bills issued to the Paper Currency Reserve at the end of 1913-14, 1917-18, 1921-22 and the last two years :—

(In lakhs of rupees).

	31st March 1914.	31st March 1918.	31st March 1922.	31st March 1924.	31st March 1925.
Funded Debt					
(a) In India.					
Rupee Loans ...	1,45,69	2,01,83	3,06,15	3,58,81	3,70,28
Treasury Bills in the hands of the public	—	43,57	53,97	2,12	—
Treasury Bills in the Pa- per Currency Reserve	—	—	57,89	49,65	49,65
Total funded debt in India ...	1,45,69	2,45,40	4,17,01	4,10,58	4,20,03
(b) In England at Rs. 15.					
Sterling Loans ...	2,65,60	2,59,35	2,77,37	3,66,80	3,96,33
Unpaid balance of India's War contribu- tion ...	—	96,09	30,30	28,90	23,30
Total funded debt in England ...	2,65,60	3,55,44	3,07,67	3,95,70	4,23,53

(In lakhs of rupees—*contd.*)

	31st March 1914.	31st March 1918.	31st March 1922.	31st March 1924.	31st March 1925.
Unfunded Debt					
Post Office Savings Banks ...	23,17	16,59	22,26	24,79	25,65
Post Office cash certi- ficates ...	—	8,88	4,34	8,42	13,12
Balance of Provident and Allied Funds ...	10,93	19,03	32,99	39,20	42,55
Total unfunded debt...	34,10	44,55	59,59	72,41	81,32
Capital value of Liabili- ties undergoing re- demption by way of terminable Railway annuities at Rs. 15.	1,05,90	1,00,23	93,73	90,14	88,25
Total debt ...	5,51,29	7,45,62	8,78,00	9,68,83	10,13,13
Distribution.					
Productive Debt—					
Railways ...	4,38,64	4,58,74	5,19,89	5,55,97	5,94,15
Telegraphs ...	11,31	12,38	15,24	16,64	18,29
Irrigation ...	2,77	3,40	3,51	3,42	3,43
Total Productive Debt	4,52,72	4,74,50	5,38,64	5,76,03	6,15,87
Unproductive Debt of Central Government	26,58	1,94,07	2,61,47	2,95,24	2,90,59
Incurring on behalf of Provincial Govern- ments ...	71,99	77,05	77,89	97,56	1,06,67
TOTAL ...	5,51,29	7,45,62	8,78,00	9,68,83	10,13,13

A consideration of the Public Debt question would be incomplete without a mention of the redemption scheme adopted by the Government in December 1924 for the next five years. I cannot do better than quote two paragraphs from the Currency Controller's Report. He writes :—

“ For many years Government has made specific provision for the redemption of debt from revenue in addition to applying its revenue surpluses to the avoidance of debt, but the expenditure has been shown under separate heads, *e.g.*, the payment of Railway annuities and the depreciation funds of the 5 per cent. loans, with the result that the total amount which is being applied annually towards the reduction and avoidance of debt has not been fully realised. In December 1924 Government announced a comprehensive scheme for the next five years, which provided that there should be charged against the revenues of India each year for the purpose of making provision for the reduction or avoidance of debt :—

- (a) a sum of 4 crores, and
- (b) such additional sum as is equal to one-eightieth of any excess shown in the total of the debt outstanding on the 31st March of the preceding year over the total outstanding on the 31st March 1923. The totals taken for this purpose exclude Treasury Bills in the Paper Currency Reserve, discount on loans for

which separate provision is made annually and advances to Provincial Governments other than those representing pre-Reform Irrigation Debt.

The provision made under this arrangement in the budget for 1925-26 is 4,78 lakhs."

" Another measure for improving the administration of public debt was the institution of the Provincial Loans Fund. * * * * The terms of these loans have hitherto been fixed separately for each loan on consideration of the conditions obtaining at the time at which the loan was granted, with the result that there has been certain lack of uniformity in the treatment of the various Provincial Governments. In future, loans to Provincial Governments will be made from the Provincial Loans Fund, a standard rate of interest being charged for all such loans, except those not required for capital expenditure classed as productive, the rate for which will be one quarter per cent. above the standard rate. The Fund will obtain the necessary resources for giving these loans to Provincial Governments partly from receipts on account of the outstanding capital liabilities of Provincial Governments to the Government of India, which have been transferred to the Fund, and also on account of payments of principal and interest on loans granted hereafter from the Fund, and partly by advances to the Fund from the Government of India, the rate of interest on which will

be determined on the basis of the cost of new borrowing to the Government of India from time to time."

The Public Debt amounts to over 1,013 crores, i. e., more than Rs. 41/- per head of the British Indian population. Of this debt, over 290 crores is unproductive. In addition to providing for the normal and abnormal expenditure of Government, for the progress of education, sanitary measures, and other essential requirements to which but small attention has been paid hitherto, the people will have to meet out of their earnings the capital and interest charges of this heavy debt. This also bespeaks the early adoption of a programme to increase the national earnings.

CHAPTER VII.

The Home Charges.

Detailed Statements of the Expenditure (charged against Revenue) and Receipts in England and the Statement of Ways and Means in England from 1914-15 to 1923-24 are published in the Appendix. The position for the year 1923-24 is as follows :—

Disbursements.	£.	Ways and means by which met.	£.
Net Charges against Revenue see Appendix.	28,120,818	Receipts from Imperial Government Departments ...	7,278,995
Debt discharged ...	86,223	Bills drawn on India	8,738,705
		Remitted from India in Gold ...	.....
Capital outlay on Railways, Irrigation Works & New Capital at Delhi ...	10,674,146	Sterling obtained in England ...	1,302,959
		Remitted from India in Silver ...	.....
Cost of Silver for India ... ..	.....	Sterling purchased in India ...	13,100,000
Cost of Gold for India	.....	Deposits by Railway Companies in excess of withdrawals ...	.....
Gold Standard Reserve Invested in British Funds & Treasury Bills	123,869,560	Debt incurred in England ...	18,259,268

Disbursements.	£	Ways and means by which met.	£
Paper Currency Reserve ...	42,253,203	Release of Gold held as reserve for Indian Currency Notes ...	.....
Disbursement on account of Provincial Governments ...	1,829,457	Gold Standard Reserve: Net Sale proceeds of Gold received from India and dividends on Investments ...	123,866,543
Other Disbursements...	7,484,233	Paper Currency Reserve ...	42,253,203
Total ...	214,267,895	Total Ways & Means	214,839,973

The amount to be annually remitted from India to England by the Government is a variable quantity depending on the circumstances of each year. The net charges against Revenue have increased from £19½ millions in 1914-15 to over £28 millions in 1923-24. The Capital Outlay on Railways has increased from £2½ millions in 1914-15 to over £10½ millions in 1923-24, the highest point having been reached in 1920-21 when it amounted to over £18½ millions. The 'other disbursements' have shown the greatest fluctuation having been £3·78 millions in 1914-15, £64·13 millions in 1917-18, £14·61 millions in 1918-19, £24·66 millions in 1919-20, £47·35 millions in 1920-21 and £7·48 millions in 1923-24. The heavy fluctuations in this item are apparently due to India's contribution towards the War. Disbursements on account of Provincial

Governments have been shown under a separate heading since the institution of the Reforms. They include items not charged to Revenue and have hitherto amounted roughly to £2 millions. A rough estimate of the requirements in England for India may be made as follows :—

Charges against Revenue	...	£28	millions.
For Provincial Governments	...	£ 2	do.
Capital outlay and other Disbursements	...	£10	do.
TOTAL	...	£40	millions.

The net amount to be remitted annually from India depends upon the amount of fresh debts, if any, contracted on her behalf in England. By the amounts of such debts the remittances would be reduced. On the contrary; if old debts are paid off, the remittances would be increased by their amount. Excluding therefore the question of debts, a safe guide to calculate the Exchange position would be to base it on an annual remittance of about £40 millions. The increase in the figure over 1913-14 is due to the large amount of debts contracted since then, the increase in other charges, and the increase in the price of Stores and other materials imported on behalf of the Government.

CHAPTER VIII.

The Paper Currency Reserve

AND

The Gold Standard Reserve.

The Paper Currency Reserve standing on the 7th September 1925 was as follows :—

—	—	Increase + or decrease - on previous week.
	Rs.	Rs.
Notes in circulation	1,88,09,51,399	- 11,39,575
Reserve—Coin & Bullion—		
In India—		
Silver Coin	81,67,51,991	- 11,15,235
Gold Coin & Bullion	22,31,73,559	+ 10
Silver Bullion under coinage	6,99,48,303	
In England—		
Gold Coin & Bullion	Nil	
Silver Bullion	Nil	

		Increase + or decrease - on previous week.
	Rs.	Rs.
In H. M.'s Dominions— Gold Coin & Bullion	Nil.	
In transit between India, England and H. M.'s Dominions— Gold Coin & Bullion	Nil.	
Silver Bullion	Nil.	
Total Coin & Bullion ...	1,10,98,73,853	- 11,15,225
Securities—(at purchase price)— In India	57,11,14,948	
In England	19,99,62,600	- 24,350
Total Securities ...	77,10,77,546	- 24,350
Grand Total of Reserve ...	1,88,09,51,399	- 11,39,575
Internal Bills of Exchange ...	Nil.	

The balance of the Gold Standard Reserve on the 31st August 1925 in England amounted to £40,682,760 and was held in the following form :—

	£
1. Gold in India	Nil.
2. Cash at short notice	4,444
3. British Government Securities (Value as on 31st March 1925)	28,242,856
4. British Government Securities since purchased	12,435,460
TOTAL	£40,682,760

1923-24 will appear from the following table :—

On 1st April.	Opening Balance.	Net Profits on coinage during the year credited to the Reserve.	Interest on Invest- ments, etc.	Profit by Exchange on Remit- tances for the Reserve.	Total Receipts.	Appro- priated to Revenue.	Appropriation for reduction of 'creat- ed' securities in the Paper Currency Reserve.	Other Charges.
	£	£	£	£	£	£	£	£
1914-15 ...	26,112,704	6,116	550,061	66,924	26,735,805	...	...	1,122
1915-16 ...	26,734,683	...	12,963	42,514	26,764,234	...	...	490
1916-17 ...	26,763,744	4,213,830	921,206	39,732	31,938,512	...	...	167
1917-18 ...	31,938,345	1,077,598	1,700,565	43,746	34,762,254	...	...	255,016
1918-19 ...	34,507,238	...	1,356,767	...	35,864,005	...	...	...
1919-20 ...	35,864,005	...	1,253,896	...	37,117,901	...	...	...
1920-21 ...	37,117,901	...	2,041,272	...	39,159,174	...	...	...
1921-22 ...	39,159,174	1(a)	1,706,966	...	40,866,161	...	1,418,691	...
1922-23 ...	39,447,470	...	1,957,998	...	41,405,468	...	1,400,033	...
1923-24 ...	40,005,430	...	1,230,267	...	41,225,717	1,199,127	47,489	...

On 31st March.	Closing Balance.	HOW BALANCE IS HELD.						
		In Gold in India.	Deposit of Gold at Bank of England.	Cash in England placed at short notice.	Due from Treasury Balances.	Temporary loans to Treasury Balances in India.	Cash at the Bank of England.	In British and Colonial Government Securities and Corporation of London Bonds.
	£	£	£	£	£	£	£	£
1914-15 ...	26,734,683	5,238,184	1,250,000	8,322	69,957	7,000,000	...	12,148,746*
1915-16 ...	26,763,744	238,734	...	5,792,631	1,326	4,000,000	...	16,218,692*
1916-17 ...	31,938,345	103,000	...	6,001,456	181,432	...	...	25,405,570*
1917-18 ...	34,507,238	...	...	6,000,499	269,986	...	...	28,452,943*
1918-19 ...	35,864,005	...	...	6,015,672	...	...	...	29,729,505*
1919-20 ...	37,117,901	...	...	...	...	...	551	36,343,616*
1920-21 ...	39,159,174	...	...	...	...	...	4,863	38,951,416*
1921-22 ...	39,447,470	...	...	...	...	...	1,775	40,140,132*
1922-23 ...	40,005,430	...	...	...	...	...	3,658	40,043,831*
1923-24 ...	39,979,101	...	...	...	...	...	941	39,999,059*

(a) Represents arrear adjustment.

*Market value of the Securities on 31st March.

The value of Notes in circulation and composition of the Paper Currency Reserve on the 31st March in each year from 1914-15 to 1923-24 will appear from the Table :—

	Notes in circulation (less notes cashed in other Circles.)	RESERVE HELD IN INDIA.			Internal bills of Exchange held on account of Government.	RESERVE HELD IN ENGLAND.		Currency Notes in Government Treasuries.
		Gold.	Silver.	Government Securities.		Gold.	Sterling Securities.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
April 1923	1,73,37,08,154	24,31,86,199	83,64,99,854	57,55,37,571	2,00,00,000	...	5,84,84,530	2,15,88,691
May „	1,71,23,34,741 (d)	24,31,86,320	83,56,45,470	57,50,05,071	...	...	5,84,97,880	1,88,97,774
June „	1,73,61,27,156 (d)	24,31,86,715	85,94,77,310	57,50,05,071	...	...	5,84,58,060	1,66,67,490
July „	1,75,72,14,380 (d)	24,31,86,988	90,04,11,521	57,51,43,821	...	...	3,84,72,050	1,54,97,435
Aug. „	1,76,29,84,373	24,31,85,662	94,46,54,890	57,51,43,821	...	...	...	1,48,23,164
Sept. „	1,79,29,10,783	24,31,88,112	97,48,82,100	57,48,40,571	...	...	...	1,56,16,867
Oct. „	1,80,52,18,815	24,31,88,713	99,01,80,156	57,48,49,946	...	...	...	1,51,69,351
Nov. „	1,78,29,57,546	22,31,89,971	95,49,60,864	57,48,49,946	...	...	2,99,56,765	1,48,99,016
Dec. „	1,83,41,14,423	22,31,89,991	86,60,76,239	57,48,49,946	8,00,00,000	...	8,99,98,247	1,60,28,188
Jan. 1924	1,84,01,71,107	22,31,90,291	82,18,23,940	57,51,92,446	8,00,00,000	...	13,99,64,430	1,75,30,946
Feb. „	1,86,18,98,532	22,31,91,231	80,34,45,865	57,52,74,946	12,00,00,000	...	13,99,86,490	1,70,60,066
March „	1,85,85,07,224	22,31,93,347	80,00,44,131	57,52,74,946	12,00,00,000	...	13,99,94,800	2,50,57,636
1922-23	1,74,70,14,780	24,31,88,263	87,05,41,216	57,48,07,571	...	...	5,84,77,730	3,42,71,776
1921-22	1,74,76,47,252	24,31,91,937	77,51,89,475	65,07,93,571	...	...	5,84,72,269	3,07,36,617
1920-21	1,66,15,69,750	24,17,13,026	65,56,56,916	68,07,15,946	...	...	8,34,33,862	3,95,92,764
1919-20	1,74,52,45,960	44,36,53,445	39,85,17,655	19,58,54,946	...	3,44,71,947*	67,27,47,967	5,71,65,641
1918-19	1,53,46,47,790	17,36,99,120	37,39,28,563 (a)	16,07,99,946	...	12,35,865	82,49,84,296	7,77,61,422
1917-18	99,79,37,599	26,84,95,248	10,79,03,618	9,99,99,946	...	67,50,000 (b)	51,47,88,787	5,50,89,577
1916-17	86,37,51,735	11,99,91,932	19,07,53,890	9,99,99,946	...	6,80,86,772 (c)	38,49,19,195	7,56,80,530
1915-16	67,73,34,540	12,24,27,143	23,05,53,020	9,99,99,946	...	12,43,50,000	10,00,04,431	7,10,67,685
1914-15	61,62,99,615	7,64,45,767	32,33,53,902	9,99,99,946	...	7,65,00,000	4,00,00,000	8,87,83,425

(a) Includes Rs. 5,04,05,185, being the value of Silver Bullion held in the United States of America and in transit therefrom.

(b) Includes silver valued at Rs. 13,36,772.

(c) Includes Rs. 51,00,000 in Silver Bullion.

(d) After deduction of amount withdrawn from circulation by Foreign Circles and in course of remittances to Circles of Issue.

*Represents Gold in transit between India, England and His Majesty's Dominions.

CHAPTER IX.

History of Indian Currency.

Having studied the present conditions of our country let us see how our Currency has developed and the systems thereof have been altered from time to time in India since the advent of the British Rule.

From the time of the Moghuls to 1835.

During the Moghul period our Currency was bimetallic (Silver and Gold) without a fixed ratio; coins of different size, weight and descriptions circulated in various parts of the country. Besides the standard coins, there circulated subsidiary coins of baser metals also. Cowries were also found at a large number of places to serve as currency.

From the innumerable coins then circulating in the country the Government of the three Presidencies selected a species of Gold and Silver coin as the exclusive media of exchange for their respective territories as shown in the following table :—

PRINCIPAL UNITS OF CURRENCY.

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INDIAN CURRENCY PROBLEM.

Government.	Territory.	Date and Authority of Issue.	SILVER COINS.			GOLD COINS.		
			Name.	Gross Weight Troy Grains.	Pure Contents Troy Grains.	Name.	Gross Weight Troy Grains.	Pure Contents Troy Grains.
Bombay ...	Presidency ...	.....	Surat Rupee ...	179·0	164·740	Mohur Star	179	164·740
Madras ...	do. ...	.....	Arcoot „ ...	176·4	166·477	Pagoda ...	52·40	42·55
Bengal	Bengal, Bihar and Orissa.	Reg. 35 of 1793.	Sicca Rupee (19th Sun.)	179·66	175·927	Mohur ...	190·804	189·40
	Cuttack ...	12 of 1805						
	Ceded Provinces.	45 of 1803	{ Farrukabad Rupee Lucknow Sicca of the 45th Sun. }	173	166·135			
	Conquered Provinces.							
	Benares Provinces.	8 of 1806	Benares Rupee (Muckleedar).	175	188·875			

In 1806 the Directors of the East India Company recommended to the Authorities in their Despatch dated 25th April 1806 as follows :—

“ It is an opinion supported by the best Authorities and proved by experience, that coins of Gold and Silver cannot circulate as legal tenders of payment at fixed relative values.....without loss ; this loss is occasioned by the fluctuating value of the metals of which the coins are formed. A proportion between the gold and silver coin is fixed by law, according to the value of the metals, and it may be on the justest principles, but owing to the change of circumstances Gold may become of greater value in relation to Silver than at the time the proportion was fixed, it therefore becomes profitable to exchange silver for gold, so the coin of that metal is withdrawn from circulation. As it is impossible to prevent the fluctuation in the value of the metals, so it is also equally impracticable to prevent the consequences thereof on the coins made from these metals. * * * * To adjust the relative values of Gold and Silver Coin according to the fluctuations in the values of the metals would create continual difficulties, and the establishment of such a principle would of itself tend to perpetuate inconvenience and loss.”

They recommended monometallism and prescribed—

- (a) that Silver should be the universal money of account in India and that all accounts should be kept in the same denominations of rupees, annas and pice.

(b) that the new rupee be of the gross weight of Troy grains	... 180
Deduct one-twelfth alloy	... 15
And contents of fine silver Troy grains	... 165

The Governments in India were given the discretion as to when and how to carry the above recommendations into effect. The introduction of the change was commenced by Madras on the 7th January 1818. Bombay adopted it in 1824. By the end of 1833, with the exception of the Sicca Rupee and the Gold Mohur of Bengal, the uniformity of coinage became an accomplished fact. But there arose a divergence of opinion between the Court of Directors and the three Governments in India, the latter insisted on a system of double legal tender at a fixed ratio as prevalent in the different territories. "At the end of 1833 the position was that the Court desired to have uniform Currency with a single Standard of Silver, while the Authorities in India wished for a common currency with a bimetallic Standard."*

In 1833, by an Act of Parliament, an Imperial System of Administration with centralised Legislative and Executive Authority over the whole of India was set up. Local Coinages had to give way to Imperial Coinage leading to *common* Currency as opposed to mere *uniform*

* Ambedkar on the Problem of Rupee p. 21.

Currency. By Act XVII of 1835 a common currency was introduced for the whole of India as the sole legal tender and it was further enacted that no Gold coin shall thence forward be a legal tender of payment in any of the territories of the East India Company. The Silver mono-metallic basis was a Rupee weighing 180 grains Troy and containing 165 grains fine.

(1835—1872).

However, the Currency Law of 1835 did not close the Mints to the free coinage of gold, probably because the Government did not like to lose the revenue it derived in the shape of seigniorage on the coinage of gold. But as gold did not remain legal tender, it was not brought to the Mints for coinage. The reduction of seigniorage in 1837 from 2 p.c. to 1 p.c. yielded no better result. On 13th January 1841 the Government issued a Proclamation authorising the officers in charge of public treasuries to receive Gold Coins at the rate of Rs. 15/- to a Gold Mohur. Shortly thereafter gold was discovered in Australia and California, and the Government was threatened with an influx of Gold. On the 25th December 1852, therefore, another Proclamation was issued withdrawing that of 1841. Gold Coin was thus eschewed from Indian economics. Why this was done must remain a matter for speculation, specially when it is remembered that in 1816 England had adopted for herself a free Gold standard.

The adoption of Silver mono-metallism led to a serious shortage of currency. Because at that time the Continent also had silver as one of their currency medium, and the then production of silver in the world proved to be too short for both these demands. Besides in India the habit of payment in kind was yielding to the use of currency as a form of payment. Banking had not developed to any appreciable proportions to increase the velocity of circulation of the medium. Hoarding and jewellery were also not forgotten. The Bombay Chamber of Commerce rightly remarked in its report of the year 1863-64 that "notwithstanding such large importations the demand for money has so far exceeded **** that serious embarrassment has ensued, and business has almost come to a stand from the scarcity of circulating medium. As fast as rupees have been coined they have been taken into the interior and have there disappeared from circulation, either in the Indian substitute for stocking-foot or in the smelting pot for conversion into bangles."

It became necessary to find out ways and means to expand the currency. Several alternatives were suggested, one of them being the adoption of a Gold Standard, with silver as a subsidiary currency. The Government objected that "in a country where all obligations have been contracted to be paid in silver, to make a law by which they could forcibly be paid in any thing else would simply be to defraud the creditor for the advantage of the debtor, and to break public faith". The result was that India

witnessed in 1862 not the introduction of Gold Currency but of a Government Paper Currency to supplement the existing Silver Standard.

Prior to 1861 a free banking system prevailed in India, and every bank had the right to issue notes. The notes of the Presidency Banks were placed on a higher level than those of others inasmuch as they were received by the Government to some extent in payment of revenue. But this right was not actually exercised by the then existing banks on any large scale. This right of note issue was once for all taken away from the banks in 1861 and entrusted to a Government Department called the Department of Paper Currency. By Section 4 of Act XIX of 1861 the Department's duty was confined to the issue of notes in exchange for the amount thereof (1) in current silver coin of the Government of India, (2) in Standard silver bullion or foreign silver coin computed according to standard at the rate of 979 rupees per 1,000 tolas of standard silver fit for coinage, (3) in other notes of the Government of India, and (4) in gold coin of the Government of India, or for foreign gold coin or bullion, computed at such ratio and according to such rules and conditions as may be fixed by the Governor-General, provided that the notes issued against gold did not exceed one-fourth of the total amount of issues represented by coin and bullion.

Only fixed amounts of the Reserve were allowed to be invested. The limit was fixed at 4 crores in 1861, 6 crores in 1871 and 8 crores in 1890.

The Paper Currency did not become popular and the stringency of the Circulating medium continued. Sir Charles Trevelyan proposed that (1) Sovereigns and half-sovereigns of British or Australian standard should be legal tender in India at the rate of one Sovereign for Rs. 10; and that (2) Government Currency Notes should be exchangeable either for rupees or sovereigns at the rate of one Sovereign for Rs. 10, but that they should not be exchangeable for bullion. His proposal was accepted by the Government of India, but the Secretary of State turned it down. The Secretary of State expressed his willingness to permit "that Gold Coin should be received into public treasuries at a rate to be fixed by Government and publicly announced by Proclamation" without making it a general legal tender in India. In November 1864 the Government issued a Notification that—

"Sovereigns and half-sovereigns coined at any authorised Royal Mint in England or Australia of current weight, shall until further notice be received in all the Treasuries of British India and its dependencies in payment of sums due to Government, as the equivalent of 10 & 5 Rupees respectively; and that such Sovereigns and half-sovereigns shall, whenever available at any Government Treasury, be paid at the same rates to any person willing to receive them in payment of claims against the Government."

The real par being somewhat above Rs. 10/- to the Sovereign, the Notification remained inoperative. The currency difficulty continued as acute as before. In 1866 therefore a Commission was appointed to inquire into the "operation of the existing currency arrangements which were established under Act XIX of 1861" and to report as to "what may be the advantage, as based on expediency, of the introduction of the legal tender of Gold into India, in addition to that of Silver". The Commission came to the conclusion that owing to several causes the Paper Currency had failed to establish itself among the circulating media of the country, but that Gold was finding a larger place in the transactions of the people. The Commission urged the Government "to cause a legal tender of Gold to be a part of the currency arrangements of India". But the Government only issued a Notification on 28th October 1868 altering the rate of sovereign to Rs. 10-8-0. Even this correction of the rate did not induce any flow of gold into the circulation of the country.

The acuteness of the Currency difficulty, however, abated by the natural course of events temporarily. But too much was made of this temporary and accidental security. So secure did they feel about it that in 1870, when the Mint Law was revised and consolidated, the Government allowed the Silver Standard of 1835 "to continue pure and unsullied without any admixture of Gold".

The metallic part of the Currency was regulated by Act XXIII of 1870. The Coins authorised and legalised thereunder were as follows :—*

Denomination of Coins issued by the Mint.	Gross Weight Troy Gra.	Remedy in weight.	Fineness Troy Gra.	Remedy in Fineness.	Legal Tender Power.
I. Gold Coins.					
(i) Mohur ...	180	$\frac{2}{1,000}$	165	$\frac{2}{1,000}$	} Not Legal Tender at all.
(ii) Third of a Mohur ...	60	"	55	"	
(iii) 2/3 of a Mohur	120	"	110	"	
(iv) Double Mohur	360	"	330	"	
II. Silver Coins.					
(i) Rupee ...	180	$\frac{5}{1,000}$	165	$\frac{2}{1,000}$	} Unlimited Legal Tender.
(ii) Half-rupee ...	90	"	82.5	"	
(iii) Quarter-rupee	45	$\frac{7}{1,000}$	41.25	$\frac{3}{1,000}$	} Legal Tender for Fractions of a Rupee only.
(iv) Eighth of a rupee ...	22.5	$\frac{10}{1,000}$	20.625	"	

*Van Den Bery "The Money Market and Paper Currency of British India, Batavia, 1884" quoted by Ambedkar at p. 61 of "The Problem of the Rupee."

Denomination of Coins issued by the Mint.	Gross Weight Troy Gra.	Remedy in weight.	Fineness Troy Gra.	Remedy in Fine- ness.	Legal Tender Power.
III. Copper Coins.					
(i) Pice ...	100	$\frac{1}{40}$	...	...	Legal Tender for 1/64th part of a Rupee.
(ii) Double pice ...	200	"	...	...	Legal Tender for 1/32nd part of a Rupee.
(iii) Half pice ...	50	"	...	...	Legal Tender for 1/128th part of a Rupee.
(iv) Pie ...	33·3	"	...	...	Legal Tender for 1/192nd part of a Rupee.

This Act of 1870, be it noted, expressly recognised the principle of an open Mint and free coinage.

But how rigid and unamenable to fluctuations of demand the Indian Currency system then remained, may be understood from the frequency with which the rates of

discount of the Bank of Bengal for private paper running thirty days and after were altered during the years 1876—83.*

Year.				Number of times rate altered.	Minimum.	Maximum.
1876	---	---	---	16	6½ p. c.	13½ p. c.
1877	---	---	---	21	7½ "	14½ "
1878	---	---	---	10	5½ "	11½ "
1879	---	---	---	15	6½ "	11½ "
1880	---	---	---	8	5½ "	9½ "
1881	---	---	---	9	5½ "	10½ "
1882	---	---	---	9	6½ "	12½ "
1883	---	---	---	14	7½ "	10½ "

* *Ibid*

CHAPTER X.**History of Indian Currency—(contd.)****(1873—1893).**

Between 1835-36 and 1892-93 the rate of Rupee Sterling Exchange fell from $1s-10\frac{1}{4}d.$ to $1s-3d.$ and the price of bar silver from about $60d.$ to $39d.$ per standard ounce. Silver being the Standard of Indian Currency and Gold that of English Currency, the Rupee-Sterling Exchange naturally followed the course of Silver prices in terms of Gold. Up to 1872-73 the rate of exchange was practically maintained in the vicinity of $1s-10\frac{1}{4}d.$ Thereafter there was a steady fall to $1s-3d.$ One of the chief reasons for it was "the demonitisation of silver as the standard money medium by the principal countries of the world." With a view to make coinage uniform for the different countries of the world Germany adopted Gold Currency in 1871, and took away the legal tender power of silver in 1873. "In 1872 Norway, Sweden and Denmark formed a Scandinavian Monetary Union, analogous to the Latin Monetary Union, by which they agreed to demonatise silver as was done by Germany. This treaty * * * was ratified by Sweden and Denmark in 1873 and by Norway in 1875. Holland also followed the same course. * * * In 1875 she * * opened her Mints to the free coinage of gold. * * * The Latin Union * * *

naturally desired to take precautionary measures against being flooded by the influx of this depreciated silver. * * The delegates of the Latin Union (composing France, Belgium, Italy, Switzerland and Greece) met in Paris in January 1874" and agreed to place a limit on the power of free coinage of the silver five-franc pieces. "This action was, however, only a preliminary to the Treaty of November 5, 1878, by which the Latin Union agreed to close its Mints to the free coinage of silver till further action. Though at first *sine die*, the closure proved in the end perpetual."*

Russia suspended the free coinage of silver in 1876, and Australia in 1879. The United States of America in 1873 deleted the silver dollar from the list of coins to be issued from the Mint and in 1874 took away the full legal tender power of silver.

Apart from the question as to whether the adoption of silver standard by India was good or bad from the Currency point of view, let us turn aside a little and see what effect the fall in the rate of exchange had upon the development of industries in India. An account of it is given by Mr. D. R. Gadgil in his "Industrial Evolution of India in Modern Times". In 1854 one Cotton Mill was built in India. By 1861 one dozen Cotton Mills only were in existence. The Industry did not grow in the decade 1860-70. In 1872-73, (*i.e.*, in 18 years from 1854) there were only 18 Cotton Mills in the Bombay Presidency

*Ambedkar pp. 74, 75.

and 2 in Bengal. Then there was a rapid development in the growth of the Industry. In 1874 the number of Mills in the Bombay Presidency was 19, in 1875 it rose to 36, in 1876 to 39 and in 1878 to 42. In the whole of India, the extent of the Cotton Industry in 1879 was—

	Cotton Mills.	Spindles.	Looms.	Persons employed.
1879	...	56	1,453,000	13,000
				43,000

There was equally satisfactory development of Ginning and Pressing Factories and, by 1880, only a small quantity of Cotton was sent unpressed to the ports out of the Cotton tracts.

Next in importance comes the Jute Industry. Since 1830, an active Jute Manufacturing Industry sprang up at Dundee. In 1854 Mr. Auckland started a Jute Mill at Serampore. From 1845 to 1863-64 only one more Mill was built. It began to develop thereafter. In 1882 there were in India 20 Jute Mills employing nearly 20,000 people.

Let us then consider the Coal Mining Industry. The production of coal, which was in 1869 approximately 467,000 tons, went down considerably in the next three years, but then again rose and approached the old level in 1875-76. Thereafter it continued steadily to progress. In 1880 the Coal Industry gave employment to about 20,000 people.

From 1880 to 1895 the development of industries was as follows :—

Cotton Mills.

	1879-80.	1884-85.	1889-90.	1894-95.
Number of Mills ...	58	81	114	144
Persons employed ...	39,537	61,598	99,224	1,39,578
Looms ...	13,307	16,455	22,078	84,161
Spindles ...	1,407,830	2,037,065	2,934,637	3,711,669

Jute Mills.

	1879-80.	1884-85.	1889-90.	1894-95.
Number of Mills ...	23	24	37	29
Persons employed ...	27,494	51,902	62,739	75,157
Number of Looms ...	4,946	6,928	8,204	10,048
Number of Spindles ...	70,840	131,740	164,245	201,217

Coal Mining.

	1885.	1890.	1893.	1894.
Output (tons) ...	1,294,221	2,168,521	2,562,001	2,800,652
Persons employed ...	22,745	32,971	37,679	43,197
Number of Collieries ...	68	82	98	123

Let us now see how the rate of exchange varied from 1873 to 1892. The following table will show the steady fall from about 1s. 10d. to about 1s. 5d. It was due to the fall in the gold price of Silver.*

Year.	RATES OF EXCHANGE.		Year.	RATES OF EXCHANGE.	
	Highest.	Lowest.		Highest.	Lowest.
	d.	d.		d.	d.
1873	22 7/8	21 5/8	1883	19 9/16	19 3/16
1874	23 1/8	21 1/4	1884	19 3/4	19 15/16
1875	22 3/16	21 1/4	1885	19 3/16	17 31/32
1876	22 3/8	18 1/2	1886	18	18 1/8
1877	22 1/4	20 9/16	1887	18 3/16	155/8
1878	21	18 1/2	1888	17 1/8	16
1879	20 5/8	18 5/8	1889	16 15/16	16
1880	20 3/8	19 1/2	1890	20 29/32	167/8
1881	20 1/16	19 1/2	1891	18 1/2	165/8
1882	20 3/16	19 1/16	1892	16 11/16	145/8

*Ambedkar's Problem of the Rupee p. 94.

It will be easily understood from the above table that the pockets of the Government of India were most touched inasmuch as it had to find more rupees at a lower rate of exchange than at a higher one, and that the pockets of the British Investors in rupee securities were also touched as their rupee investments brought them less gold at the lower rate of exchange. Another group of people who suffered from the fall of exchange was the European members of the services who had to make gold remittances to their families in England.

As against this, Mr. Ranade in his Essays on Indian Economics points out how between 1879 and 1892 the import of raw materials increased much more than manufactured products and the export of manufactured products increased much more than raw materials :—

YEARS.	IMPORTS.		EXPORTS.	
	Manufactured.	Raw.	Manufactured.	Raw.
	Rs.	Rs.	Rs.	Rs.
1879 ...	25,98,66,827	13,75,55,837	5,27,80,340	59,67,27,991
1892 ...	36,22,31,872	26,38,18,431	16,42,47,566	85,52,08,499
Percentage of increase.				
Total ...	39	91	211	43
Annual ...	28	65	15	3

It will also appear from the above table that between the years 1879 and 1892 the Export Trade of India increased in much larger proportions than the Import Trade.

Obviously the position of affairs was acute enough to stir the thoughts of people. In 1876, Col. Smith, the Mint Master of India, in his "Silver and the Indian Exchanges" suggested a plan for the introduction of Gold Currency in India. He stated that if decided measures

were adopted it would not be too late to restore the Currency to its former value. He advised putting a stop to the coinage of silver on private account, at the same time taking measures to discourage the importation, or at least the circulation of foreign-made silver coins, and opening the Mints for the receipt of Gold Bullion for coinage.

The Government of India, however, in their Despatch dated 9th November 1878, admitted that "to obtain fixity of exchange by the adoption of a gold Standard, and the substitution of gold for a silver currency through the direct action of the Government" was impracticable. The Government suggested "the withdrawal of the free right of the public to take silver bullion to the Mint for coinage, and either to suspend it entirely in future, or limit it for a time." They considered it to be an essential part of any scheme, designed to fix the exchange value of the rupee, "that the power of obtaining that coin in future shall be regulated in some manner by a gold payment, and that the relation between Sterling and rupee currency shall thus be fixed irrespective of the fluctuations in the relative value of the metals of which the coins are formed." The Government proceeded to state :—

"50. It has to be borne in mind that it is not the object of our action to force on India a Gold Currency, or to displace the Silver Currency, but rather to avoid such a result, or to check the tendency in that direction, so far as it can be done consistently with the adoption of the Gold

Standard. We are consequently led to the conclusion that, while we give certain facilities for the introduction of gold coins into India, we should not yet go so far as to declare them a general legal tender; and that we should, at the same time, make provision for the coining of silver, without limit as to quantity but on terms that will give no advantage to the introduction of silver in relation to gold.

“51. These objects we propose to attain as follows:— We first take power to receive British or British Indian gold coin in payment for any demands of the Government, at rates to be fixed from time to time by the Government, till the exchange has settled itself sufficiently to enable us to fix the rupee value in relation to the pound sterling, permanently at two shillings. Simultaneously with this, the seignorage on the coining of silver would be raised to such a rate as would virtually make the cost of a rupee, to persons importing bullion, equal in amount to the value given to the rupee in comparison with the gold coins above spoken of. We should thus obtain a self-acting system under which silver would be admitted for coinage, at the fixed gold rate, as the wants of the country required; while a certain limited scope would be given for the introduction and use of gold coin, so far as it was found convenient or profitable.”

The Government of India rejected the Smith Plan and suggested instead their own, because it contemplated a demand by India for gold the stock of which in the world was day by day dwindling. The whole of Europe was crying

for gold and the powers that guided the destinies of India then, decided to keep this country out of this "scramble for gold". This mild and diluted form of a gold standard suggested by the Government of India was submitted to the critical examination of a Committee appointed by the Secretary of State and the Chancellor of the Exchequer jointly which consisted of Louis Mallet, Edward Stanhope, T. L. Seccombe, R. E. Walby, T. H. Farrer, R. Giffen and A. J. Balfour. But the Committee unanimously declined to recommend even that mild scheme for sanction.

The difficulties therefore continued as before. Tired of them the Government of India again proposed in 1892,

"..... that the Indian Mints should be closed to the unlimited coinage of silver, and no further steps taken until the effect of closing the Mints had been ascertained.

"The ratio at which the change from silver to the gold standard should be made was subsequently to be settled, and it was said that a ratio based on the average price of silver during a limited period before the Mints had been closed would probably be the safest and most equitable. When this ratio had been settled, the mints were to be opened to the coinage of gold at that ratio, and gold coins were to be made legal tender to any amount."

The Herschell Committee considered these proposals and reported :—

"It is impossible to review foreign systems of Currency, without feeling that, however, admirable may be

the precautions of our own (English) Currency system, other nations have adopted different systems which appear to have worked without difficulty, and enabled them to maintain for their respective Currencies a gold standard and a substantial parity of exchange with the gold-using countries of the world" with little or no gold. The Committee, therefore, was completely satisfied with the proposals of the Government of India, and not only sanctioned their adoption, but added, by way of introducing a modification in them, that—

"The closing of the Mints against the free coinage of silver should be accompanied by an announcement that, though closed to the public, they will be used by the Government for the coinage of rupees in exchange for gold at a ratio to be then fixed, say, 1s. 4d. per rupee, and that at the Government Treasuries gold will be received in satisfaction of public dues at the same ratio."

CHAPTER XI.

History of Indian Currency—(contd.)

(1893—1914).

These recommendations were carried out in 1893, a memorable year in the history of Indian Currency. Act VIII of 1893 was passed closing the Mint against the coinage of silver or gold at the instance of the public, and preventing the issue of notes against silver bullion or foreign silver coin.

By an executive Notification, the Government Treasuries were directed to receive sovereigns and half-sovereigns of current weight in payment of public dues at the rate of Rs. 15 and Rs. 7-8 respectively. Another Notification required the Currency Department to issue, on the requisition of the Controller-General, currency notes in exchange for gold coin or gold bullion, at the rate of one Government rupee for 7·53344 grains troy of fine gold, or sovereigns or half-sovereigns at the rate of Rs. 15 and Rs. 7-8 respectively. A third Notification announced that, until further orders, gold coins and gold bullion would be received by the Mint Masters of the Calcutta and Bombay Mints, in exchange for Government rupees at the rate of 7·53344 grains troy of fine gold for one rupee, (i.e. one Sovereign = Rs. 15).

The closure of the Mints soon led to a great scarcity of Currency in India. To remove this scarcity an Act (being Act II of 1898) was passed in 1898 authorising the issue of Currency Notes in India against gold tendered in London to the Secretary of State.

The Government of India further considered the question of increasing the Currency by coining herself fresh rupees, whenever there arose a need for additional Currency. Messrs. Probyn and Lindsay, however, put forward schemes of a gold standard without a gold currency, as a panacea for our future Currency Bills.

The Secretary of State, therefore, appointed a Royal Commission under the Chairmanship of Sir Henry Fowler to investigate the relative merits of a gold standard with a gold currency and of a gold standard without a gold currency.

In 1899 the Fowler Committee recommended the scheme of the Government of India and suggested—

“54. We are in favour of making the British sovereign a legal tender and a current coin in India. We also consider that, at the same time, the Indian Mints should be thrown open to the unrestricted coinage of gold on terms and conditions such as govern the three Australian Branches of the Royal Mint. The result would be that, under identical conditions, the sovereign would be coined and would circulate both at home and in India. Looking forward, as we do, to the effective establishment

in India of a gold standard and currency, based on the principles of the free inflow and outflow of gold, we recommend these measures for adoption."

The Secretary of State decided to accept the recommendations of the Fowler Committee and directed that—

- (a) The policy of keeping the Indian Mints closed to the unrestricted coinage of silver shall be maintained.
- (b) Necessary steps should be taken for making the British sovereign a legal tender and a current coin, and that preparations should be made for the coinage of Gold under the conditions suggested by the Committee.

The Government of India passed the Indian Coinage and Paper Currency Act XXII of 1899 making the sovereign and half-sovereign legal tender throughout India at the rate of Rs. 15 and Rs. 7-8 respectively and authorising the issue of currency notes in exchange for them.

The Government of India was anxious to open a Mint for the free coinage of Gold but the permission of the British Treasury was necessary. The Treasury ultimately refused to give the permission and remarked—

"Indian Currency needs are provided from other sources, and there is no real demand for the local coinage of sovereigns.....My Lords cannot believe that the position of the Gold Standard in India will be strengthened, or public confidence in the intention of the Government confirmed,

by providing machines for obtaining gold coins..... The large measure of confidence already established is sufficiently indicated by the course of exchange since the Committee's Report and still more by the readiness with which gold has been shipped to India....."

How the recommendations of the Fowler Committee were actually worked out in practice, and how a system designed to be a pure Gold Standard was actually converted into what is styled a Gold Exchange Standard or a "limping standard" will be clear from the following extract from Mr. Ambedkar's 'The Problem of the Rupee' pp. 164—166.

"For once it seemed that the problem of a depreciating rupee was satisfactorily solved. The anxieties and difficulties that extended over a long period of a quarter of a century could not but have been fully compensated by the adoption of a remedy like the one described in the last chapter. But by an unkind turn of events, the system originally contemplated failed to come into being. In its place there grew up a system of Currency in India which was in every way the very reverse of it. Some thirteen years after legislative sanction had been given to the recommendations of the Fowler Committee, the Chamberlain Commission on Indian Finance and Currency reported that—

"In spite of the fact that Government adopted and intended to carry out the recommendations of

the Committee of 1898, the Indian Currency system to-day differs considerably from that contemplated by the Committee, whilst the mechanism for maintaining the exchange has some important features in common with the suggestions made to the Committee by Mr. A. M. Lindsay."

It will be recalled that in Mr. Lindsay's scheme Indian Currency was to be entirely a Rupee Currency ; the Government was to give rupees in every case in return for gold, and gold for rupees only in case of foreign remittances. The scheme was to be worked through the instrumentality of two offices, one located in London and the other located in India, the former to sell drafts on the latter when rupees were wanted and the latter to sell drafts on the former when gold was wanted. Surprisingly similar is the system prevailing in India to-day. Corresponding to Mr. Lindsay's proposals, which, be it noted, were rejected in 1898, the Government of India has built up two reserves, one of gold and the other of rupees, out of the cash balances, the Paper Currency, and the Gold-Standard Reserve. Each of these is, by the nature of the Currency system, composite. The cash balances, which are fed from revenue receipts, gather in their net rupees as well as sovereigns both being legal tender. Notes being issuable against both, the Paper Currency Reserve always contains sovereigns and rupees. Up to August, 1915, the Gold Standard Reserve was also held partly in gold and partly in rupees. By a system of sorting, technically

called "transfers," the Government secures the command over rupees and sovereigns necessary for discharging the obligations it has undertaken. The location of these funds is also very much as designed by Mr. Lindsay. The cash balances, being the till-money of the Government, are necessarily distributed between the Government of India in India and the Secretary of State in London, the portion held by the latter being entirely in gold and that held by the former being in silver. The Gold Standard Reserve, like the cash balances, is not a statutory reserve. Consequently its location is perfectly within the competence of the Executive. That being so, it has been so arranged that the gold portion of the fund shall be held by the Secretary of State in London, and the rupee portion, so long as it was maintained, by the Government of India in India. The only reserve which did not easily lend itself to Currency manipulation was the Paper Currency Reserve, for the reason that its disposition and location were governed by law. In that behalf, legal power has been taken to alter the location of the gold part of that reserve by making permanent the provision of the temporary Act II of 1898, which authorized the issue of notes in India against gold tendered to the Secretary of State in London. Thus the Secretary of State and the Government of India, under the new system of Currency, hold two reserves, one of gold, mainly in the possession of the former and located in London, and the other of rupees entirely in the possession of the latter

and held in India. But the similarity of the existing system to that of Mr. Lindsay is not confined to the maintenance of these funds and their location. It extends even to the modes of operating these two funds. For, as suggested by Mr. Lindsay, when rupees are wanted in India the Secretary of State sells what are called "Council Bills," encashable into rupees at the Government Treasuries in India, thereby providing the Rupee Currency in India. When gold is wanted the Government of India sells what are called "Reverse Councils" on the home Treasury in London, which are encashed by the Secretary of State, thereby providing gold for foreign remittances. The result of the sale of "Council Bills" and of the "Reverse Councils" on the two funds has been to transform the Indian Currency from being a gold standard with a Gold Currency as desired by the Fowler Committee, into what is called a Gold Standard without a Gold Currency, as wished for by Mr. Lindsay.

This system which has grown up in place of the system originally contemplated by the Government of India is called the Gold Exchange Standard. Whatever that designation may mean it was not the plan originally contemplated by the Government of India, 1898. How the departure came about we shall deal with in another place. Here it is enough to state—one may also say necessary, for many writers seem to have fallen into an error on this point—that *the Government did not start to establish a Gold Exchange Standard*. Rather it was contemplating the

establishing of a true gold standard, which, however, inadequately understood by the men who framed it, was in essential agreement with the principles governing the English Bank Charter Act of 1844.

The main features of the Indian system that was evolved are thus set forth by Mr. Keynes in his "Indian Currency and Finance" at pp. 6 & 7.

"(1) The rupee is unlimited legal tender and, so far as the law provides, inconvertible.

(2) The sovereign is unlimited legal tender at £1 to 15 rupees, and is convertible at this rate, so long as a Notification issued in 1893 is not withdrawn, i.e., the Government can be required to give 15 rupees in exchange for £1.

(3) As a matter of administrative practice, the Government is, as a rule, willing to give sovereigns for rupees at this rate; but the practice is sometimes suspended and large quantities of gold cannot always be obtained in India by tendering rupees.

(4) As a matter of administrative practice, the Government will sell in Calcutta, in return for rupees tendered there, bills payable in London in sterling at a rate not more unfavourable than 1s. 3-29/32d. per rupee.

The fourth of these provisions is the vital one for supporting the sterling value of the rupee; and, although the Government have given no binding undertaking to

maintain it, a failure to do so might fairly be held to involve an utter breakdown of their system.

Thus the second provision prevents the sterling value of the rupee from rising above 1s. 4d. by more than the cost of remitting sovereigns to India, and the fourth provision prevents it from falling below 1s. 3-29/32d. This means in practice that the extreme limits of variation of the sterling value of the rupee are 1s. 4-1/8d. and 1s. 3-29/32d."

At page 37 of his book Mr. Keynes states that the rupee contains 3/8 oz. of silver of eleven-twelfths fineness. When standard silver is at 24d. per oz. the cost of a rupee to the Government is about 9·181d; at 32d. per oz. it is about 12·241d. The average rate of profit on coinage of rupees from 1910 to May 1912 was about 42% of the nominal value.

The Gold Standard Reserve was built up from the profits of rupee coinage expressly for the purpose of supporting Exchange.

Under the system trade demands were met, and the Rate of Exchange was maintained, by on the one hand the Secretary of State drawing Council Bills on the Government of India by which the Secretary of State got funds in London which he utilised either for meeting Home Charges or for increasing the Reserves: on the other hand, by the Government of India drawing Reverse Councils on the Secretary of State which he met from the Reserves in his hands. The effect of the Council Bills was to prevent

the Rate of Exchange from rising and to increase the amount of Currency in India. If at any time the Secretary of State failed to draw Council Bills to an extent needed by the trade, sovereigns and half-sovereigns used to be imported in this country and used as Currency. The effect of the Reverse Councils was to withdraw Currency from circulation in this country and to prevent the Rate of Exchange from going down. By these means so long as the system worked, the Rate of Exchange was maintained at a par of 1s. 4d. and was prevented from going away from the Gold Import and Export points. It also provided for the automatic expansion and contraction of Currency. It will, however, be noted that the success of the system greatly depended upon the will of the Secretary of State and the Government of India.

The system as it has developed differs essentially from the recommendations of the Fowler Committee which was for the establishment of a true Gold Standard with Gold Currency. Under the system, no Gold Mint was established although gold was made unlimited legal tender. Besides there was kept up an unrestricted issue of another form of fiduciary token currency well nigh inconvertible, and possessing the quality of unlimited legal tender. Our rupee is a debased coin, which is inconvertible as well as unlimited legal tender. It is in fact an inconvertible note printed on Silver.

"Between June 1893 and January 1917 the rupee was rated to gold at the rate of 1 rupee equal to 7.53344

troy grains of fine gold. At that rate, the sovereign should be equal to 15 rupees, the Mint price of gold should be Rs. 23-14-4 per tola, (i.e., 180 grains) of bar gold 100 touch, and the exchange on London should be 1s. 4d. and should have varied within 1s. 4-125d. the import point, and 1s. 3-906d. the export point, for gold.*

The following table will show the variations in the Rate of Exchange from 1892-93 to 1914-15 (the year in which the European War broke out):—

Years.	Highest.		Lowest.		Years.	Highest.		Lowest.	
	s.	d.	s.	d.		s.	d.	s.	d.
1892-93	1	3 969	1	2 625	1904-05	1	4 156	1	3 970
1893-94	1	4 031	1	1 500	1905-06	1	4 156	1	3 937
1894-95	1	1 906	1	0 000	1906-07	1	4 187	1	3 937
1895-96	1	2 875	1	1 000	1907-08	1	4 187	1	3 875
1896-97	1	3 842	1	1 781	1908-09	1	4	1	3 875
1897-98	1	4 125	1	2 250	1909-10	1	4 156	1	3 875
1898-99	1	4 156	1	3 094	1910-11	1	4 156	1	3 875
1899-1900	1	4 375	1	3 875	1911-12	1	4 156	1	3 937
1900-01	1	4 156	1	3 875	1912-13	1	4 156	1	3 970
1901-02	1	4 125	1	3 875	1913-14	1	4 156	1	3 937
1902-03	1	4 156	1	3 875	1914-15	1	4 094	1	3 937
1903-04	1	4 156	1	3 875					

In 1913, another Commission was appointed under the Chairmanship of the Right Hon. Mr. Austen Chamberlain. The reasons for the appointment of the Commission were thus described by Sir James Meston (as he then was, now Lord Meston):—

*Ambedkar's "The Problem of the Rupee" p.187.

"We are constantly being told that we have been bolstering up the inefficient Gold Reserves of London from a selfish point of view ; that we have been raising prices by coining silver when it was unnecessary ; that we have been giving London cheap credit and giving no assistance to the trade of India ; also that we have been helping other countries with our gold—not England, but other countries—through the international agency of London ; and that we have been parties to allowing the taxpayers' money in India to be used by the Bank of England as an excuse for not raising their rates, and so on. All these accusations come to us at very close range. We are not a secluded body in any sense, but we are exposed to the most direct and immediate intercourse with very acute critics."

The terms of reference were :—

"To inquire into the location and management of the general balances of the Government of India ; the sale in London of Council Bills and transfers ; the measures taken by the Indian Government and the Secretary of State for India in Council to maintain the exchange value of the rupee in pursuance of or supplementary to the recommendations of the Indian Currency Committee of 1898, more particularly with regard to the location, disposition, and employment of the Gold Standard and Paper Currency Reserves ; and whether the existing practice in these matters is conducive to the interests of India ; also to report as to the suitability of the financial organisation

and procedure of the India Office ; and to make recommendations."

The recommendations of the Chamberlain Commission are summarised by Mr. Findlay Shirras at pp. 219—223 of his "Indian Finance and Banking" as follows :—

"The findings of the Commission were, firstly, that experience had amply proved the wisdom of the main recommendations of the Fowler Committee of 1898, and that all witnesses, with one single exception, supported the view that India had enjoyed enormous benefits from the substitution of gold for silver as the standard of value. The establishment of a stable exchange was and is of the first importance to India. The Commission rightly pointed out that the maintenance of the exchange value of the rupee was rather supplementary to than directly in pursuance of the Fowler Committee's recommendations of 1898, which evidently regarded the establishment of a Gold Currency in active circulation as essential for this purpose. The Government of India undoubtedly did their best to carry out the recommendations, but circumstances were, as we have seen, too strong for them. The Gold Standard had proved itself to be firmly secured without a Gold Currency. It is true that up to the time that the Commission reported there had been only one severe test—the crisis of 1907-1908. A silver crisis like that of 1918 had not been dreamt of. The Commission, however, arrived at the definite conclusion that the Gold Exchange Standard was not only workable, but in the

absence of any developed banking system was admirably adapted to the country on account of its cheapness. Subject to giving the people of India the currency which desire, the Commission recommended that the present policy should be continued, and, in addition, the use of notes encouraged as far as possible. A Gold Currency and a Gold Mint the Commission considered to be unnecessary. A Gold Mint was required for purposes neither of Currency nor of Exchange, but it may be established if Indian sentiment genuinely demands it.

Secondly, the vital point of the Gold Exchange Standard was that there should be an adequate reserve of gold and sterling securities for converting internal currency as far as necessary into International or External Currency. On this the recommendations of the Commission were a criticism of the practice in vogue. There should be no limit to the Gold Standard Reserve. It must, the Commission believed, be increased, and the authorities should aim at keeping one-half of the total Reserve in actual gold. The purpose of the Reserve was not merely to meet home charges when Exchange prevents the sale of Council drafts, but to liquidate an unfavourable balance of trade to the extent necessary to prevent exchange falling below the specie point. The Commission, therefore, agreed with the views of the Government of India as expressed in their despatches that the Reserve of liquid gold should be considerably strengthened. In view of the purpose of the Gold Standard Reserve there were compelling reasons for

retaining the gold in London. The Commission were of opinion that the reluctance in 1907 to part with gold for export showed some misapprehension of the real use of the Reserve. They recommended (and the Government of India have since adopted) a definite undertaking to sell Reverse drafts whenever called upon to the utmost extent of their resources. The Indian branch of the Reserve in so far as it was held in rupees should be abolished, a recommendation that was adopted in 1915.

The third group of recommendations deals with matters of great practical importance in Currency policy. Greater elasticity should be given to the system. The Commission suggested less rigidity in regard to the note issue. In place of the note issue obtaining in 1913, which was modelled on that of the Bank of England, there should be introduced a less rigid system similar to that in several European countries, *viz.*, one in which a fixed proportion only of the total circulation is held as a Reserve. Government should have the power to make temporary loans or investments from the fiduciary portion within a fixed maximum in India and in London as an alternative to investment in permanent securities. The maximum of the fiduciary portion should be fixed at the amount of notes held by Government in the Reserve Treasuries plus one-third of the net circulation. The immediate universalisation of the 500 rupee note and the increase of the facilities for the encashment of notes were also suggested. Another recommendation (which has already been adopted)

was that Government should make a regular practice of giving loans to the Presidency Banks from surplus balances. Accumulations in Reserve Treasuries which tend to lock up money received as revenue just at the time when it is most in demand should be avoided. Little fault was found with the sale of Council drafts except that sales had at times been at unnecessarily low rates when the Secretary of State's balances which had been so adversely criticised in some quarters of the public press were caused by the very prosperous years that had been experienced and also by over-cautious budgeting. The Commission suggested a change in the commencement of the financial year from April 1 to November 1 or January 1. This, it was believed, would make for more accurate budgets, and it would enable the India Office to fix the amount of their borrowings in London with closer regard to immediate needs. The possibility of utilising balances in India should be considered before transferring balances to London in excess of the Secretary of State's requirements. The practice of transferring revenue surpluses to London to avoid or to reduce fresh borrowings was, the Commission thought, completely justified in Indian interests, and the Secretary of State had made good use of the balances in his hands. In the disposal of these balances pending their ultimate application, the Commission mentioned that on one occasion deposits were made with selected banks with the inevitable result of charges of favouritism and similar improper motives. The Report shows that

there were no grounds whatsoever for such motives, but the Commission felt it necessary to suggest that the greatest possible care should be taken to avoid all occasion for criticism. The list of approved securities on which loans were made and of approved borrowers should be extended; the remuneration of the Secretary of State's broker and of the Bank of England should also be subject to revision. In connection with the control of the Indian Currency machine the Commission made suggestions for securing specialised financial knowledge and skill—a suggestion that has since been given effect to. The establishment of a State or Central Bank was also considered, and an able memorandum was prepared by Mr. J. M. Keynes with the assistance of Sir Ernest Cable. The Commission, however, abstained from expressing any opinion, and recommended that the subject was one which deserved “the appointment of a small expert Committee to examine the whole question in India, and either to pronounce against the proposal or to work out in full detail a concrete scheme capable of immediate adoption”.

Shortly after the Report of the Chamberlain Commission was published, the European War broke out, and the Report was kept in abeyance. But “some of the recommendations, notably those regarding the action to be taken in a falling Exchange, the abolition of silver holdings in the Gold Standard Reserve, and the increase of facilities for the encashment of notes, were carried into effect shortly after the out break of War.”

CHAPTER XII.

History of Indian Currency.—(*could*).

(1915—1919).

The years 1915 to 1919 constitute the period of the War. The period was abnormal from every point of view. The manufacturing industries in England were disturbed and England had to stop unrestricted flow of gold out of the country. The paper pound consequently left all parity with the gold pound and the only country that maintained its Currency on a par with gold was the United States of America. The Dollar-Sterling Rate of Exchange fell. The price of Silver rose and at one time it rose to such a pitch that it became profitable to melt the rupee and sell the silver portion of it as bullion. The people of India felt some insecurity and there was a great rush for the conversion of Paper Currency into Gold and Silver. There was a great growth of Trade. The resources of the Government were often not found to be ample for the purpose. At the first onslaught, the state and the system of Currency in vogue in India were found to be unsuitable, inelastic and defective. But the chief and the immediate concern of the Government became how to prevent the melting of the rupee and to maintain a proper system of Currency.

In 1917-18 Government had several difficulties to contend with. Funds had to be provided on a large scale for war work in India and in countries where Indian

troops were fighting. The position is thus described in "India in 1917-18"—"A large share of this outlay was on account of the British Government, which gave India a corresponding credit in London. The difficulty was to convert this credit into remittances, for gold was unobtainable and silver was accordingly scarce. Thus the repayments of India's war advances continued to bank up in London, and were of little help in meeting expenditure in India. As a consequence, Currency had to be created; and Currency could only take three forms—notes, rupees or gold. To issue notes freely without a strong metallic banking would have been obviously unsound, for owing to the customs and prejudices of the Indian producer and artisan, there is a definite limit to the extent to which Paper Currency can be substituted for coin. To coin and issue India's relatively small stock of gold would have been not only wasteful but also ineffective, for the premium on the metal was sufficient to drive coined gold out of circulation immediately. The only alternative was to provide silver rupees in immense quantities."

The first step taken was to adopt legislative measures in regard both to the exports and imports of gold and silver. Since 29th June 1917 the import of gold except under license was prohibited. Thereafter Government took powers to acquire all the gold imported into India on or after that date. The object was stated to be to use all imported gold to strengthen the Indian Currency position in the most effective way. Large quantities of gold

imported from Japan and America were brought under the control of the Government and Gold Reserves were, by this means, strengthened to the extent of over £12 millions. Against this deposit of metal, notes were issued.

In the autumn of 1917, however, the high prices of cotton and the increasing demands for food-stuffs grown in India caused a very serious demand for rupees. In November and December 1917, thirteen crores of rupees were absorbed. Between April 1917 and March 1918 twenty-three crores of rupees were coined. Between 1st August 1914 and 31st March 1918 over 27 crores of ounces of silver passed into circulation.

The demand for coin was so great that during 1917-18 and 1918-19 not less than 70 crores of rupees were coined. At the beginning of 1918, the silver position became very serious. How the situation was met is thus described in "India in 1917-18"—The Secretary of State continued to purchase as much silver as possible to provide for the coinage of this huge quantity of rupees, but the decrease in the world output of silver, combined with a jealous economy of gold and silver reserves among the Allies and the neutral countries, not only induced a very high price, but also made it impossible to obtain more than a limited quantity in the open market. Meanwhile, the absorption of rupees in India was proceeding with a monotonous regularity. At the end of March 1918, the silver balances available had been brought down to about

Rs. 100 millions. It was clear that a serious crisis was impending. As an emergency measure arrangements had been made for the temporary opening of a branch of the Royal Mint in Bombay for the purpose of converting into Currency the stocks of gold held in India. As this was not yet in a position to commence operations, a distinctive Indian gold coin, namely a Gold Mohur or 15 rupee piece, was meanwhile coined and put into circulation. The issue of gold coinage helped to restore public confidence to some extent, but in April 1918 the position, particularly in Bombay, was most critical. Cotton prices were very high and rupees were pouring out to finance the crop. Bad news from France brought a run upon the Currency Office from holders of notes. The reserve of silver dwindled to insignificance, and for several days the maintenance of specie payments hung in the balance. But the Mint responded nobly to the strain; the Controller of Currency scraped together every rupee that could be spared from other parts of India, and the run gradually abated. Every obtainable ounce of silver was poured into the Mints, which worked night and day. Yet by the end of the first week of June, the Rupee Reserve had diminished to a little more than Rs. 40 millions. Meanwhile special measures had been taken to obtain from the United States of America a release of some portion of that country's immense Silver Reserve. In February 1918, the United States Government arranged to sell India 6 million ounces of silver. When the crisis became more acute in April, they offered another 2 million ounces and by the speedy

passing of a Bill subsequently known as the Pittman Act, made it possible to withdraw silver certificates and to borrow from the Treasury the greater part of its Dollar Reserve of 375 million ounces of fine silver. Early in June 1918, an agreement was arrived at by which the United States Government consented to let us have 200 million ounces of silver on generous terms. Meanwhile the announcement about the middle of April that the United States were arranging to help had a marked effect in relieving anxieties in India. During the critical weeks of May and June 1918 when the balances were very low, Government could not have maintained specie payment had it not been possible to assure the public as to the adequacy of future silver supplies. By the beginning of July 1918, American shipments of silver began to arrive in large quantities, and during the succeeding months, a position of relative safety was gradually reached. By the end of September, the stock of rupees had risen to more than Rs. 120 millions. With October and the commencement of the busy season, absorption once more overtook the coinage, and special measures had to be instituted to improve the Mint's output. Despite the difficulties caused by the ravages of influenza among the staff, the output of the Mint during December 1918 attained the enormous figure of 83·4 million rupees. This is a world's record, apart from the concurrent outturn of small coinage, amounting to over 100 million pieces in all.

At this stage it will be interesting to note what Professor Rushbrook Williams has to say about the advance

in price of silver in the year 1917-18. He writes as follows :—

“A further feature of the financial history of the year 1917-18 has the advance in the price of silver. This has been already mentioned, but it is important to notice that it involved an alteration in the exchange value of the rupee on the basis of the rates at which the Secretary of State sells his Council Bills. From the beginning of 1916 silver began to break away from its old pre-war level of about 26*d.* an ounce. As it rose, exchange left the standard rate of 1*s.* 4*d.* for the rupee and gradually rose also. In view of the immense coinage of rupees, it was impossible to face a position in which there would be a large premium on the export of the standard coin of the country. It became necessary to fix a Sterling Exchange value for the rupee which would ensure that Indian coinage would not be smuggled out of India in large quantities. Accordingly in August 1917 the rate for Council drafts was fixed on the basis of 1*s.* 5*d.* for immediate Telegraphic Transfers, and a further increase in the rate was made on the 12th April 1918 to bring it into consonance with the price at which silver was to be supplied by the United States under the arrangements just referred to.

Apart from these enhancements in the rate for Council Bills, the stringency of the ways and means position of the Government of India mentioned in a preceding paragraph also made it necessary to reduce the

amount of the weekly allotment, and this had the inevitable effect of placing serious limitations on trade. It was, however, necessary to ensure that exports from India of urgent articles for the war should not be handicapped by the inability of the Exchange Banks to provide the necessary finance. The necessity of safeguarding such exports led the Government of India not only to adopt certain measures of control but also to issue a widespread appeal to merchants and others with the object of securing that the financing of these war exports should have the first call upon the funds sent home by remitters. This appeal was met with loyal co-operation with the result that the financing of the export of wheat and other food-stuffs, sandbags and other articles which were urgently needed in Europe was carried through successfully. During the course of 1918-19 a relaxation of the earlier stringency gradually set in, and early in July 1918, the weakness of the monsoon and a falling off in the normal supply of export bills seemed to threaten a fall in exchange. Businessmen with funds in India, which would have to be remitted to England sooner or later, began to consider the desirability of settling their exchange against a possible drop. By October, the wheat export had closed down and the demand for remittances quickened. The sale of Council Bills stopped owing to cessation of the demand for them, and early in November, the Government of India offered to sell telegraphic transfers on London at the rate of 1s. 5-31/32d. for immediate transfer and 1s. 6-1/32 for deferred transfers. This satisfied the immediate

demand for remittance, and by the close of the year, confidence seemed to be restored.

In giving evidence before the Babington Smith Committee in the year 1919, the Bengal Chamber of Commerce thus described the effects of the War on the Indian Exchange and Currency System.

(a) *On Exchange*.—The visible effect has been a rise in the exchange value of the rupee from 1/4*d.* to 1/8*d.*, accompanied during the past two years by a reluctance on the part of the Exchange Banks to purchase bills unless the seller of the bills is able to provide, or to earmark, sufficient remittances to balance the purchase. In fact practically throughout this period natural causes have operated which, in the absence of restrictions, would have brought about a still greater rise.

(b) *On Note Issue*.—The active note circulation has risen from 49·97 crores on 31st March 1914 to 133·59 crores on 31st March 1919. The gross circulation of one rupee notes, which were first issued in December 1917, increased from 32½ lakhs on 31st March 1918 to 1,051½ lakhs on 31st March 1919.

(c) *On Metallic Currency*.—The absorption of silver coin (rupees and half rupees) during the five years 1914—1919 has been 110·39 crores, as compared with 43·91 crores during the five years 1909—1914. The absorption of small coin of 4 annas and less has risen from 56 lakhs in 1913-14 to 99 lakhs in 1917-18 and to 277 lakhs in 1918-19.

(d) *On Treasury Balances and Reserves.*—The following is a comparison of the Treasury Balances and the several Reserves held in London on 31st March 1915 and 31st March 1919, the figures for the latter year being provisional :—

—	At 31st March 1915.	At 31st March 1919.
	£	£
Treasury	7,904,914	8,715,046
Paper Currency Reserve		
—Securities	2,666,666	54,998,953
Gold	5,100,000	82,391
Gold Standard Reserve—		
Securities	13,168,219	29,848,332
Gold	1,258,322	.....
Short Loans ... ..	.....	6,015,672
Special Reserve ... ..	.....	6,939,612
TOTAL ...	£30,098,121	£106,600,006

Thus India is holding in England balances enormously in excess of her needs.

11.—REASON FOR THE ABOVE CHANGES :—

(a) AS REGARDS EXCHANGE—

(1) *Balance of Trade.*—If we examine the figures of import and export of merchandise for the five pre-war years 1909—1914, and compare these with the corresponding

figures for the war years 1914—1919 we find that the excess of exports in the former case was 391 crores, and in the latter 381 crores, there being thus practically no difference between the two periods. These excesses are in normal times balanced chiefly by imports of gold and silver, by Council Bills and by private remittances.

(2) *Gold and Silver*.—India's private imports of gold have been on a steadily increasing scale, and in 1911-1912 the net imports reached a total of nearly 38 crores.

For the five years 1909—1914 her private net imports of gold amounted to no less than 144 crores and of silver to 36 crores. Her total private net imports of the precious metals during these years thus amounted to 180 crores, as against 55 crores during the following quinquennial period.

As a result of the war, India's imports of gold were almost entirely cut off, owing to the refusal of the gold standard nations to part with their supplies. The imports of gold consequently fell to 39 crores for the 5 years 1914—1919, of which 18 crores were acquired by Government, leaving only 21 crores for private needs, and reducing the yearly average supply to a figure below that of any of the preceding 25 years except famine years.

Unable to obtain gold, India turned to silver, the demand for which became almost insatiable, and in the three years 1916—1919 she absorbed no less than 107 crores of rupees, an average of 36 crores yearly of a weight of 123

million ounces of fine silver, or considerably more than half of the maximum annual production of the world, which has now been reduced owing to internal trouble in Mexico and the increased cost of production in other parts of the world. At the same time the demand for silver for coinage purposes increased all over the world, all influences combined resulting in an increase of price from 24*d.* in August 1914 to 55*d.* in September 1917. The price then fell to 41-7/8 in October 1917, and remained between that figure and 50*d.* till May 1919, arrangements having been made by the United States Government to supply India with silver from their Currency Reserve. The exchange value of the rupee had meantime been raised to 1/6*d.* in April 1918, but in May 1919 owing to the withdrawal of the prohibition of export from the United States the price of silver rose suddenly, and as a result it has since been necessary for the Secretary of State to raise his price for Councils to 1/8*d.*

Thus although the visible cause of the rise in exchange is the price of silver, the main cause is without doubt the refusal of the Gold Standard purchasers of India's produce to pay for this produce in gold, thus compelling the Government of India to import silver in order to meet trade requirements. Nor can it be said that India's demands on this score were unreasonable, for her absorption of the precious metals including gold and silver bullion and coin and rupees, was 224 crores in the years 1909—14 and only 165 crores in the years 1914—19.

The following table shews the figures :—

—	Net private imports of Gold.	Net private imports of Silver	Total of 1 & 2.	Absorption of Rupees.	Total ab- sorption of the precious metals.
	1	2	3	4	5
	Crores.	Crores.	Crores.	Crores.	Crores.
1909—14 ...	144	36	180	44	224
1914—19 ...	39	16	55	110	165

(3) *Councils*.—The actual amount of Councils less Reverse Councils available for trade purposes in the five years 1909—14 was £137 million, and in 1914—19 £103 million to which must be added £27 million American credits. Therefore the favourable balance of trade brought about by the impossibility of gold importation has not been corrected by sales of Councils.

(4) *Private Remittances*.—In normal years a very large proportion of the profits of British merchants is remitted to England, thus indeed lessening the favourable balance of trade. Whether this has occurred to a normal extent during the five war years is open to doubt. Very large profits have been made, and it would appear from the large balances held by successful manufacturing concerns, and from the large sums invested in War Loans and Treasury Bills, that the difficulty of bringing funds from England to India and the high British income tax have encouraged investors in Great Britain to leave their money

in India, thus reducing this invisible factor in the reduction of the balance of trade. This point was clearly recognised by Sir James Meston in his introduction to the Financial Statement of 1919-20.

(b) AS REGARDS NOTE ISSUE AND CURRENCY—

(1) *War Payments.*—The net war transactions by the Indian Government on behalf of the British Government amounting during the years of war to about £200 million, have ultimately largely been made in notes.

(2) *Prohibited Transport of Silver.*—It is probable that the prohibition of the transport of silver by rail has forced payment to be made by notes instead of by rupees. As an instance of this may be given the comparative figures of the notes and rupees remitted by the Bank of Bengal to the jute centres of Dacca, Naraingunge and Chandpur for the busy season August to October 1913 and 1918 :—

—				Rupees.	Notes.	Total.
1913	...	...	...	6,78,51,000	2,00,000	6,80,51,000
1918	...	...	...	51,70,000	5,66,70,000	6,18,40,000

A further example may be given in the receipts of one of the largest Calcutta Exchange Banks for the month of March 1914 as compared with March 1919. In 1914 the percentage of notes to total receipts of notes and silver was

86·7 and of silver 13·3 in 1919, the figure for notes was 96·27 and for silver 3·73.

(3) *Disappearance of Rupees.*—It is probable that Gresham's law has operated in up-country districts, where notes have been at a discount, and the disappearance from circulation of the more valuable silver currency has resulted. As a medium of currency, gold has long disappeared.

(4) *Growth of Trade.*—It has been estimated that the increase in active circulation of notes and rupees as between the periods 1900—1904 and 1914—1918 71%. For the same periods the growth in the value of external trade was 83% and to this growth in external trade must be added the great increase in internal movement of such commodities as iron and steel, coal and oil. Figures for 1918-19 are not yet available, but it would appear from the above that the growth of the circulation of currency has, up to 1918, hardly kept pace with the growth in the volume of trade.

(c) AS REGARDS METALLIC COINS—

(1) Difficulty of obtaining gold and silver bullion. Without doubt this has been the chief cause of the enormous demand for rupees. The price of a sovereign in Bombay on 19th June 1919 was Rs. 21/-, whereas for imported sovereigns the Indian Government will only pay Rs. 12-4-6; silver bullion has been scarce, and is somewhat dearer than the rupee. Rupees have therefore been demanded, not only for currency, but for melting and the provision of ornaments.

(2) Reluctance to buy imports at high prices has also probably been a contributory cause, and has led to the excess hoarding of rupees, the only form of precious metal obtainable.

(3) Preference for coin in any form to notes has led to a great increase in the absorption of smaller silver, nickel and bronze coins.

(d) AS REGARDS TREASURY BALANCES & RESERVES—

(1) Heavy transactions in India on account of the Home Government.

(2) Lesser payments in the United Kingdom on account of the Indian Government.

These two causes combined have, in spite of India's contribution to the war, totalling up to 31st March 1919 about £68 millions, brought about a transfer of funds from India to England of £76 millions as between 1915 and 1919. They are fully explained in the statements of the Finance Ministers for 1918-19 and 1919-1920.

It is interesting further to note what the Bengal Chamber of Commerce had to say in the course of their evidence about the Imports of Gold in India :—

“But although the free sale of Councils is essential for the rectification of the balance of trade and therefore for the maintenance of a Stable Exchange, the Chamber regard it as equally essential that India should be allowed to import whatever supplies of gold she may require.

The Currency Commission of 1914 thus defined the position: "The extent to which India should use gold must in our opinion be decided solely in accordance with India's own needs and wishes, and it appears to us to be as unjust to force gold coins into circulation in India on the ground that such action will benefit the gold using countries of the rest of the world as it would be to attempt to refuse to India facilities for obtaining gold in order to prevent what adherents of the opposite school have called the drain of gold to India." With this view the Chamber are in complete agreement. They have never favoured the forcing of gold circulation upon the people, but as the gold production of the world has increased, so have the population and the wealth of India in comparison with those of the rest of the world, and the Chamber maintain that if India requires gold and is prepared to pay for it, then India must be allowed to have it, not only because she is entitled to it but because without it trade cannot be balanced.

The imports of gold for the five years ending March 1914 were the largest in India's history. During this period her average yearly imports were about £20 millions, or approximately 20% of the world's production, and the population of India is 19% of the population of the world. The following figures in 1,000s of rupees illustrate the net imports of the precious metals, and their percentage of the total imports of merchandise and treasure, over a series of years :—

—		(1) Total Imports.	(2) Net Imports of Treasure.	Percentages of (2) to (1).
1895-96 to (average).	1904-05	105,70,50	13,58,92	13%
	1905-06	143,76,48	16,18,10	11%
	1906-07	161,87,58	36,86,16	24%
	1907-08	178,93,21	36,83,60	20%
	1908-09	151,53,10	16,42,39	11%
	1909-10	160,17,47	31,12,44	19%
	1910-11	173,44,16	32,60,89	19%
	1911-12	197,52,63	43,09,69	22%
	1912-13	228,46,14	51,20,00	22%
	1913-14	234,74,76	36,35,68	15%
	1914-15	168,73,90	16,51,89	10%
	1915-16	150,11,55	3,72,05	2%
	1916-17	198,70,60	32,03,55	16%
	1917-18	216,11,92	44,22,04	20%
	1918-19	259,92,62	62,35,52	24%

Next to piece-goods, gold and silver together are the most important item on the list of imports, and must be regarded as articles of merchandise. The use of gold and silver is bound up with the religious and marriage customs of the people—customs that cannot be changed by mere decrees. It is therefore necessary in the opinion of the Committee that as soon as possible unrestricted imports of gold and silver should be allowed, and it should be noticed that during the 20 years preceding the war the value of the import of gold considerably exceeded that of silver. It will be clear that gold rather than silver dominates the position, and that if India is allowed partly to balance her trade in gold, the local demand for silver must decrease, and consequently the price of silver must fall.

The Chamber believe that India would be prepared to pay a premium for the import of gold, and they would emphasise the Indian market value of gold, which was Rs. 33-8-0 per tola, or Rs. 89 per ounce, on 19th June 1919.

During the War the gold in the United States Federal reserve system has increased from \$592 million to \$1,786 million or approximately by £250 millions ; the gold in Spanish Banks has increased by £70 millions ; in the Netherlands by £43 millions ; in Switzerland by £10 millions, and in Norway and Sweden by £14 millions. The net import of gold into India in the same period was £26 millions .

In other words, these countries with a population of 114 millions, have increased their gold reserves by £387 millions, while India with a population nearly three times as large, has had to be content with £26 millions.

Just as foreign countries are entitled to be paid in gold for services rendered to the Allies, so is India entitled to be paid for the services she has rendered. The assistance which India has been able to render to the Empire has probably not been recognised by those not closely in touch with the position, but it has been clearly indicated in the Financial Statements of 1917, 1918 and 1919. India is proud that she has been able to render these services and as a part of the British Empire it was her duty to render them. But it is equally the duty of the Empire to pay her for them, just as the Empire has paid her other creditors.

The Rate of Exchange on London (at four months' sight), the Bank of Bengal rates for demand loans on Government paper, the price of Standard Silver per oz. and the price of Gold (China Gold leaves 100 tola) per tola varied between 1915 and 1924 as follows, the figures being carried up to the latter year to facilitate a general review of the position before and after the Balington Smith Committee's report:—

YEAR.	EXCHANGE.		BANK RATE.		STANDARD SILVER PER OZ.		GOLD PER TOLA.		
	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	Highest.	Lowest.	
1915	...	16½	16½	p. o. 6	p. o. 5	d. 27½	d. 22½	Rs. A. 28 9	Rs. A. 23 8
1916	...	16½	16½	8	5	27½	26½	27 10	26 2
1917	...	17½	16½	8	5	55	25½	28 14	25 0
1918	...	18½	17½	6	5	40½	42½	33 10	29 0
1919	...	22½	18½	7	5	79½	47½	34 14	25 8
1920	...	22½	17½	7	5	80½	28½	28 10	21 8
1921	...	18½	15½	7	5	43½	30½	31 0	27 12
1922	...	16½	15½	8	4	27½	30½	22 8	26 4
1923	...	17½	16½	8	4	23½	30½	26 0	25 0
1924	...	18½	10½	9	4	20½	21½	27 0	21 8

When our Currency position became hopelessly precarious, and the Secretary of State could not play with our rupee in the manner he had done for the last 2 years, he appointed the Babington Smith Committee on May 30th, 1919 to examine the effect of the War on the Indian Exchange and Currency system and to consider whether, in the light of War experience and of possible variations in the price of silver, any modifications were required. The Majority Report "emphasized the desirability of restoring the stability of the rupee and of re-establishing the automatic working of the Indian Currency System. They deprecated a reduction in the silver content of the rupee and considered that it was inadvisable to postpone the fixing of a Stable Rate of Exchange. The balance of advantage, so it appeared to them, was decidedly on the side of linking the exchange value of the rupee to gold rather than to sterling. Considering that a high rate of exchange would mitigate the rise in Indian Prices, would not seriously cramp industrial development, and would not permanently hamper Indian trade unless there were a great fall in world prices to which India did not adjust herself, they believed that the ratio of Rs. 10 to one sovereign would be suitable as the stable relation to be established."

The Minority Report, which was signed by Mr. Dalal (now Sir Dadiba Dalal), differed from the majority in essential particulars. He urged that the ratio of the rupee to gold should be fixed at fifteen to one, that Councils

Bills should be sold by competitive tender, and that Reverse Councils should be offered only at a rate based on an exchange value of 1s. 4d. He further suggested that while the price of silver was high, Government should coin two-rupee silver coins of reduced fineness and make them unlimited legal tender.

What happened thereupon is described as follows in a Government Publication "India in 1920" :—

"The main recommendations of the Majority Report were welcomed both by the Government of India and by the Secretary of State, and it was determined to give immediate effect to their proposal, that the rupee should have a fixed exchange value equal to 1/10th of the value of the gold contents of the sovereign. Unfortunately the circumstances under which the new policy was launched were exceptional. Currency conditions throughout the world were in an abnormal state and even neutral countries, which had escaped much of the worst consequences of the war, had found it difficult to maintain their exchanges at par with the United States, the only country where a free market in gold remained. In India, the demand for gold was strong, the price of a tola of 180 grains of bar gold being Rs. 32-4 in August 1919. The removal of the embargo on the export of gold by the United States Government, together with the freeing of other sources of supply, enabled the Government of India to reduce the premium on gold by fortnightly sales of bullion. But by the middle of 1920, the price had fallen only to Rs. 20-12

per tola, whereas the price corresponding to the ratio adopted by Government is Rs. 15-14. It was therefore impossible to offer a sovereign in return for ten rupees.

The Government of India had to contend against a combination of particularly adverse forces. Just as the new policy was introduced, the London-New York exchange markedly weakened with the result that the rise in the rupee exchange, required to give full practical effect to the Currency Committee's recommendations, was far steeper than any one could have anticipated. In February 1920, for example, the rupee stood at just below 2s-11d. Warned by the length of time which had elapsed between 1893 when the 1s-4d. ratio had been decided upon, and 1898, when it had become established after five years of restricted coinage, the Government of India did not expect the new ratio to be established immediately. They decided, however, to influence the exchange rate, in order eventually to stabilise exchange, by the sale of a limited amount of Reverse Councils; but it became obvious that much of the tendering for drafts was of a speculative nature, and the very heavy demand for remittances seemed to have arisen as much from the transference of capital as from ordinary trade requirements. The continuance of the sale of Reverse Councils for the purpose of gradually raising the exchange rate to the theoretical ratio, rested upon the assumption that the balance of trade would continue favourable to India; but with the dramatic reversal of direction which took place soon after the middle of the

year, this condition no longer held good. In the face of a force setting strongly in the opposite direction from that on which the theory of India's gold exchange system depended, the efforts of the Government of India to stabilise exchange with former expedients naturally proved unavailing. The exchange value of the rupee fell rapidly. There was considerable popular dissatisfaction with the conditions under which Reverse Councils were at first sold. Towards the end of February it was decided to discriminate against speculators in the acceptance of tenders; and there arose, principally on the Bombay side, a strong opposition to the continuance of the sale of Reverse Councils at all. Originally started under a political aspect, this movement spread also to a large number of the commercial community both English and Indian. The sale of Reverse Councils was condemned as "legalised plunder of Indian funds" and "organised loot." The existing policy was generally regarded as one of wasting the sterling resources of the Government of India for the benefit of speculators in exchange, and of jeopardising the eventual ability to maintain a constant rate on the recovery of the dollar-sterling ratio. The Government, recognising that the demand for remittance was largely of a speculative nature, realised that any attempt to satisfy it would be likely to dissipate their resources to an extent which it would have been impossible to foresee at the inauguration of their policy. They therefore reduced the amount of their sales of Reverse Councils. The market rate thereafter fell swiftly; and some apprehension began to be felt in the commercial

community at the possibility of exchange falling below 2s. sterling. The general trade position was at this stage indicating the inability of exports to balance imports, and in September the Government of India, being no longer in any doubt that the tide of trade had reversed, withdrew until further notice their weekly offer of sterling drafts on London. The Rate of Exchange thereupon steadily fell from 1s. 10d. where it stood at the end of September, to 1s. 5½d. at the end of the year. Since September 1920, there has been no attempt on the part of Government to regulate the course of exchange, it being realised that an endeavour to stabilise it at any level at all in the existing conditions of trade, would involve a dissipation of their sterling resources which would not then be available for the purpose when things became normal again.

It will be seen from this brief sketch of the exchange history of the year 1920 that the expectations of the Government of India were falsified ; and that the attempt to make good has weakened India's sterling resources, besides undoubtedly to some extent contributing to the excess of imports by encouraging over-buying on the part of the importers. But it is believed that the position will before long cure itself. The absorption of available stocks of India's produce in America and elsewhere cannot be long delayed, and some at least of her customers must shortly resume their purchases. There is nothing inherently wrong in India's financial, industrial, or commercial position, the fact being that the present condition

of her trade is due almost entirely to factors external to herself. As another hopeful augury, it must be pointed out that there has been a large return of rupees from circulation. Mention has already been made of the currency crisis of 1918, and of the steps which were taken to save India from the difficulties of inconvertibility. Throughout 1919, as was related in last year's Report, the position slowly improved, but the absorption of rupees was still large. In the year 1920, there has been a very substantial return of rupees from circulation amounting up to the middle of February 1920 to about £24 millions (Rs. 24 crores). In consequence, there is no longer that substantial discount of currency notes in comparison with coin, which existed a year or two ago. It has thus been possible to remove all restrictions on the encashments of notes and to effect a contraction in their circulation which stood at the end of 1920 at 161 crores as against 186 crores at the beginning of the year. The percentage borne by the metallic portion of the Currency Reserve to the total note circulating is now no less than 53 as against 46 in 1919. This great strengthening of the metallic portion of the Currency Reserve, together with the fact that it has been found possible to remove the restrictions on the movements of the precious metals, is certainly a matter for considerable satisfaction.

CHAPTER XIII.**History of Indian Currency—*cont'd.*****Manipulation of Currency from 1920 to 1925.**

The Government having accepted the recommendations of the Babington Smith Committee to fix the value of the Rupee at 2s. gold, and having incorporated the same in the Statute Book, proceeded to sell Reverse Councils to maintain that value. As was already anticipated by the Indian Merchants, this new rate, being much too high, came tumbling down inspite of Governmental backing and loss of nearly 60 crores to the Indian Exchequer. Besides there was established no fixity of value either as between the Rupee and the Sterling or as between the Rupee and gold. But inspite of repeated protests, the Government continued to maintain and still maintains this rate of 2s. gold on the Statute Book. Though it has been oft and anon characterised as an "innocent" rate, it must be said that it has really been kept intact in the Statute Book to enable the Government to carry out their designs of manipulating Indian Currency according to their own whim, or rather to fulfil their desire to keep the rate of rupee sterling exchange at as high a figure as possible by means of continued contraction of currency. How this has been done, is clearly shown by Mr. B. F. Madon in his first volume on "India's Exchange Problem", from which I have borrowed freely in what follows to illustrate these Governmental methods of deflation.

The 2s. gold rate was embodied in the Coinage and Currency Acts during September 1920 and the revaluation of the Reserves came into effect from the 1st October. But from the time the recommendations were made by the Committee our rate of Exchange had commenced to decline steadily. Government by accepting the recommendation of 2s. gold rate, had committed itself to maintain that rate even against the market tendency, and to do this it commenced selling both Gold bullion from the Reserves at the parity of the then Dollar-Sterling rate and Reverse Bills long before incorporating the change of the standard in the Statute. These Reverse Bills were sold at rates which valued the pound Sterling as low as Rs. 8/- and Rs. 7/-. By these sales our Exchange not only did not rise, but even its downward tendency was not stopped. Had this been the only and the ultimate effect of this policy, we would not have had much to complain. But that was not so.

It had, two baneful effects for us. Of these the immediate one was only temporary, for it disappeared after dissipating our Gold Reserves and inflicting a huge loss on the country. But the other effect persists till this day. For, these sales gave a start to that cycle of deflation of our currency, which was advocated by leading authorities in every country whose foreign exchanges had, like ourselves, drifted abnormally from the pre-war gold parity and were showing violent fluctuations prejudicial to the country's trade and industry, as the only way to

stabilise them. Few people suspected then that this cycle of deflation would be kept on moving in our country even at the risk of trade and industry which it once sought to help and when the exchange had approached the pre-war figure, until Professor Jevons, once a staunch advocate of the 2s. gold rate finding that the rupee had fallen by 1921 to about 15*d.* sterling which was equivalent to only 14*d.* gold, suggested that raising the value of the rupee to the high level of 24*d.* gold was only possible by a steady lowering of prices by 50 to 60 p. c. from the present level which, though attainable by methods of deflation absolutely in the power of Government, such as the persistent sale of (1) Reverse Bills, (2) Securities and (3) the Metallic part of our Paper Currency Reserve and cancelling notes for the equivalent amount, was highly undesirable. Unfortunately all these three steps were persistently followed by Government from the beginning, and when the sale of Reverse Bills or Gold had not the desired effect of raising the value of our rupee, they laid their hands on the securities portion of our Reserve as will be quite apparent from the table quoted below. :—

Paper Currency Reserve.

Crores of Rupees.

Date.	Total Metal.	Indian Securities.	English Securities.	Total Note Issue.
31st January 1920 ...	87.05	15.60	82.50	165.15
29th February „ ...	84.93	15.60	82.50	183.03
22nd March „ ...	84.15	15.60	79.27	179.02
31st March „ ...	87.65	19.59	67.28	174.52
30th April „ ...	85.70	23.77	61.27	170.74
15th May „ ...	85.23	24.91	59.77	169.91
22nd May „ ...	85.19	28.33	53.77	167.29
31st May „ ...	84.97	31.18	50.77	166.92
7th June „ ...	86.22	35.54	44.77	166.53
30th June „ ...	91.52	35.54	37.27	164.33
7th July „ ...	91.42	37.80	32.77	161.99
22nd July „ ...	94.22	40.62	28.28	163.12
7th August „ ...	93.68	45.08	23.77	162.53
22nd August „ ...	93.12	47.33	21.53	161.99
7th September „ ...	93.88	48.09	19.28	161.25
30th September „ ...	94.21	47.14	16.27	157.62

From the table we would find that on the 31st January 1920, our Reserves in the Paper Currency had Sterling Securities worth 82½ crores, i.e., 55 million pounds just on the eve before the acceptance of the

recommendations of the Committee by the Secretary of State and the Government of India. But by the time these recommendations were incorporated in the Statute, i.e., by the 30th September 1920, these Reserves in the shape of English Securities were reduced from 82½ crores of Rupees to 16½ crores, that is, by 66 Crores of rupees or 44 million pounds. These were valued in the Reserve till that day at Rs. 15/- to the £., although the Reverse Councils sold fetched only approximately Rs. 7½ to the £., i.e., half the value. Thus a loss of about 33 crores of rupees was inflicted on the country, within a short period of 8 months. The gap of 33 crores of Rupees thus created in the Reserve was partly filled by Indian Securities which were increased from 15·60 crores of rupees to 47·14 crores, i.e., by 31½ crores. The amount of metal in the Reserve also increased during this period by 7·16 crores without any corresponding increase in the note circulation. The total loss, therefore, thus comes to 38·70 crores.

On the 30th September 1920, the Gold and Sterling Securities portions of the Reserves were revalued at Rs. 10/- per £. Before revaluation the Reserves were as follows :—

Date.	Silver.	Gold.	Securities in India.	Securities in England.	Total Note Issue.
30th September 1920 ...	58·06	38·15	47·14	16·27	157·62

After revaluation the position was as follows :—

30th September 1920 ...	58·06	24·10	47·14 17·47	10·85	157·63
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The Securities worth 17·47 crores of rupees were therefore 'created' to fill the gap caused by the revaluation.

The total loss thus comes to about 38·70 crores *p/n* 17·47 crores, *i.e.*, 56·17 crores.

Between 30th September 1921 and 31st August 1923 there was a further deflation of about 17 crores of rupees by the sale of further Reverse Councils, application of interest on Securities, and through the Indian Securities. The position of the Reserves on the two dates was as follows :—

Date.	Silver.	Gold.	Indian Securities.	English Securities.	Total Note Issue.
30th September 1921 ...	78·76	24·34	66·93	8·35	178·37
31st August 1923 ...	94·45	24·33	57·53	nil	176·29

It will appear from the above that the Silver portion of the Reserve increased from 78·76 to 94·45 crores, *i.e.*, by 15·69 crores of rupees in the 2 years. This means that 15·69 crores of rupees were withdrawn from circulation. For if the public had given them to Government in return for Notes, the Note circulation would have increased by that figure. But as a matter of fact the Note Circulation also decreased during the period from 178·37 to 176·29

crores, i.e., by 2·08 crores of rupees. Thus during the period there was deflation to the extent of 15·69 *plus* 2·08 aggregating to Rs. 17·77 crores of currency.

One fact which clearly comes out from what has been written hitherto about the deflation going on in this country, is that the Government till then relied mainly on the English Securities portion of the Paper Currency Reserve as a basis for their deflationary methods. But when even the wholesale sale of all those securities and corresponding cancellation of notes did not secure the desired increase in the value of the rupee, it began to devise if any of the other portions of the Reserve could be conveniently converted into English Securities and again be laid hands on for this purpose. As Mr. B. F. Madon has said "to sell the Silver would have provoked inconvenient questions. To sell gold outright would also have recalled to the public the disastrous operations of 1920." It was, therefore, conceived and Government came forward with the wonderful proposal ostensibly for making profits by selling the gold of the Reserve and replacing it by English Securities, but inwardly to help them disguise their methods of future deflation. According to this plan therefore as a first instalment, £2 million worth of gold of the Reserve was sold in the London market on the condition of payment being made there immediately as per the Bullion market terms but Gold was to be delivered in India after three weeks. But in the meanwhile the trade demand for currency was becoming acute, which the Government found difficult to resist. It had, therefore,

to banish all ideas of further increasing English Securities in the Reserve by this method and so it came forward with a new scheme of buying Sterling Securities in India at their own rates and to force the trade, if it wanted to be accommodated according to its needs, to raise the value of the rupee to the height that Government desired. By this way within only 3 months, the Reserve of about 14 million pounds was created in the form of English Securities. As usual, Government in order to give the public the least chance of suspecting their motives, gave a set-back to this manoeuvre of theirs of supplementing currency by issuing an instalment of currency notes as emergency currency against Commercial Bills. This avoided their coming into the market as a purchaser of Sterlings for the time being but as soon as a favourable opportunity offered to them, they did make use of it. Otherwise who could have with confidence assured the commercial public as did the Finance Member the Hon'ble Sir Basil Blackett speaking to the Members of the Indian Merchants Chamber, Bombay, last March that Indian Exchange is not likely to depart substantially for the time being from 1s. 6-3/16d. to which level it has since then stuck. Should we not call this method of controlling Exchange as "pegging" of the war period in the interests of the importers, that is to say, indirectly of the English cotton and other industries which were on the point of closing their doors for want of demand.

It is noteworthy here that while this deflation was going on, the trade could not increase the amount of

Currency by the import of Sovereigns on account of the fact that the Statute provided for a rate of 2s. to the Rupees, i.e., Rs. 10/- to the £., while the market rate of a sovereign on account of its bullion contents was much higher. This led to a great stringency in the money market, and the stringency was so acute that the Bank rate had to be kept at the unprecedented level of 9 per cent. from 14th February to 10th April 1924. The famine diet of currency on which the Country is being maintained by Government is further clear from the fact that the Rate of Exchange rose to above 18d. in 1924 and is being kept up at that high level ever since. And this high rate is kept up notwithstanding the reversion by England to pre-war gold parity of its Currency. If the Dollar-Sterling Exchange had been decided at a lower level than 4'86 by about 12½ p. c., it would have been conceivable that the rate of 1s. 6d. was really on the basis of 1s. 4d. gold and the depreciation of the English Currency was responsible for the high rate of Rupee-Sterling Exchange. But some time has elapsed since the Dollar-Sterling Exchange is working at its old par. It is thus clear that if Indian trade and industry were to be carried on in the interests of India, the manipulation of our currency should be stopped once for all and our future policy in that respect be so decided that it may leave no loop hole for Government or whoever else be put with powers to carry out that policy, to meddle with it as heretofore.

Now in our conclusion we would see which policy can prove, if sincerely followed, beneficial to India.

CHAPTER XIV.

The Conclusion.

Having surveyed the requirements which our currency system has to fulfil, we have further seen how by successive stages since 1835 to 1925, it has become purely and simply a 'Managed' Currency. Our Rate of Exchange now depends entirely on the operations of the Government, and so does the volume of Currency. The public can not tender gold to the Government and ask for Rupees as a matter-of-right, nor can the public tender Rupees and ask for Gold. Government may, at its sweet will, come out as a buyer or seller of Sterling Bills and thereby increase or decrease the volume of Currency. The Hon'ble Sir Basil Blackett has taken pride in the fact that by such manipulations he has succeeded in maintaining the prices in India without much fluctuations. How far he is correct can be seen from the rise in the price of jute from about Rs. 50/- per bale to over Rs. 125/- per bale, and a fall in the price of Cotton from over Rs. 500/- per candy to the vicinity of Rs. 380/- per candy. Other illustrations may be given.

Professor Keynes explains his theory of Stabilisation of Prices in his 'Tract on Monetary Reform'. It is this theory with which the Government of India has fallen in love and has experimented on India at a great cost to her people. How the cultivators have suffered on account of this pet theory of the Government, has been clearly

Government's futile attempts to stabilise Prices.

shown by Mr. B. F. Madon in his book styled "Exchange Fallacies Exposed" being Part 11 of his "India's Exchange Problem." Can this or any other kind of 'Managed Currency' ever satisfy the Merchants ?

The essential part of the present policy of the Government is that either to maintain the Rate of Exchange (Rupee Sterling) at a fixed ratio or to maintain the Index Number of Prices in India, it will, from time to time decide the extent to which our Currency may be expanded or contracted. But no body can be so intelligent as to correctly gauge the extent to which it should be done. Temporary circumstances will often blind the issues as hitherto. Banks and Merchants will always remain in an element of uncertainty. Government may often take a view different from what the needs of trade may demand. Sufficient provision may not be made for the growth of trade and industries, and consequently their development may be greatly hampered. The prices of goods will not depend upon the law of supply and demand so much as on the manipulations of Government in Currency, it being remembered that the prices are also governed by the volume of Currency in circulation according to the Quantity Theory of Money. Countries like England and America having placed themselves on the Gold Standard, and prices there varying according to the price of Gold in terms of commodities or in proportion to the amount of gold available, under a 'Managed' Currency India will not be allowed to follow or walk along the other

countries of the World but will be completely isolated and its prices will be governed not by the automatic supply of gold but by the whims of a Government Official which in the case of different persons will vary with the length of their feet. This circumstance may further give rise to political pressures, and will be an object of very uncertain speculation.

The Trade of India is mostly with Gold Standard Gold Standard the Countries, and it would be in the only remedy. interests of all concerned that she should be placed on the same level with them. There can be no denying the fact that Gold has been accepted by the World as the medium for international payments. People have got accustomed to it, and it has served the people well. The ultimate object in view of the Fowler Committee and the Chamberlain Commission was to introduce the Gold Standard in India although their methods differed. The Babington Smith Committee also recommended the fixing of the value of the rupee to Gold. England after due consideration reverted to the Gold Standard and rejected the suggestion as made by Mr. Keynes for stabilising prices through a 'Managed' Currency. If England with her own Government could not accept it, the position of an alien Government in India is worse. Every action of theirs is viewed with great suspicion, and a decision to adopt a scheme of 'Managed' Currency will be indefensible.

If we lay aside, therefore, the doctrine of a Managed Currency whether for stabilising prices or for stabilising

the Rate of Exchange there is hardly any alternative except the adoption of the Gold Standard. Silver is out of the question.

The problem then resolves itself as to what form the Gold Standard may take. This question would not have arisen but for the great love that some people have got for the Gold Exchange Standard. But has the Gold Exchange Standard established since 1893 succeeded in this country? The reply is wholly in the negative. For the facts narrated in the preceding pages clearly furnish an incontrovertible proof of the abject futility of this Exchange Standard. How can a system which fails continuously to maintain its value in terms of gold which it is supposed to do, be regarded as a sound system of currency. There must be somewhere some weakness in the mechanism of a system or the working thereof, which is liable to occasional breakdowns. The very circumstance that our currency system has had to be investigated by Royal Commissions so often is a conclusive proof that there is indeed something very rotten at the bottom. As we all know the rupee fell or rather was below par in 1893 and did not reach its parity to any great degree of firmness until 1900. After an interval of seven years the rupee again fell below par in 1907. The year 1914 witnessed another fall of the rupee and the first onslaught of the war completely broke it to pieces. It rose to meteoric heights undreamt of before during the period 1917-18 and

fell back in 1920 inspite of all possible efforts. The strength and success of a policy is only proved when it can stand the strain and test of difficult times, and in this our Gold Exchange Standard has miserably failed.

Requirement of the country in relations to Currency.	Let us recapitulate here what the requirements of our country are, so far as its currency system is concerned.
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The country needs a system of currency which will yield itself to automatic contraction and expansion according to the demands of trade, according to the country's needs for the development of production, which will have a stable and intrinsic value of its own, and whereby the uncertainties of fluctuations in the Rate of Exchange with other countries may disappear, and under which the countries dealing with India may not find it difficult to make or receive payments.

These factors can only be furnished by the Gold Standard. Gold export and import should be made absolutely free. Once the Gold Standard is adopted, there can be no question of a rate of exchange between India and the other Gold Standard Countries. In dealing with countries like Japan, France, Germany, &c., where currency has depreciated, India will only be placed on the same level as the United States, the United Kingdom, &c. Japan, France and Germany are also trying to revert to the Gold Standard and it is hoped that in course of time they will succeed in their endeavours. Under such a system if there be an excess of exports (as India almost

invariably has), the balance of trade will be automatically made up by the import of Gold and Silver, unless the Indian creditor wants to invest his dues abroad. The imported Gold should be allowed to be utilised for furnishing such additional currency as may be needed by the country.

This brings us to the question of what the internal circulating medium should be. It will not be practical politics to advocate a system of merely Paper Currency notes. We are thus left with the following alternatives :—

- (a) Gold Coins, having the virtue of full legal tender, as the Standard Coins of the realm, with Silver Coins, allowed to circulate alongside of Gold Coins as a subsidiary coin, either with or without full legal tender quality, but at a fixed ratio with the gold coins.
- (b) Debased Gold Coins, having the virtue of full legal tender, as the Standard Coins for internal circulation with compulsory convertibility into Gold of 100 p. c. fineness for international payments or for export purposes, with silver subsidiary coins as mentioned in (a).
- (c) Silver Token Coins, having the virtue of full legal tender, as the principal medium for internal circulation, compulsorily convertible

into gold at a fixed value for international payments, the Government being also bound to issue the silver token coins in return for gold at the fixed value, the public having the option to use imported Gold Coins for currency purposes but no legal tender value being attached to them.

- (d) Silver Token Coins as in (c) without liability on the part of the Government to give gold in return for them either for international payments or for internal circulation or consumption.

Let us now consider the comparative merits and defects of each system. The system mentioned in (d) *vis.*, Silver Token Coins

without liability on the part of the Government to give Gold in return for them either for international payments or for internal circulation or consumption corresponds to what was in vogue in India from 1893 down to the War Period. It means the same Gold

The fourth alternative is the same as Gold Exchange Standard.

Exchange Standard which has been found to be a complete failure. The basis is the token rupee which is inconvertible into Gold, except at the sweet will of Government. This system lends itself to manipulation by Government. The fixed ratio between the token coin and gold depends for its maintenance on the operations of Government. If we deeply consider what is the coin a token of, we do not

find any answer. It is clearly not a token of Gold, because the issuing and supporting authority, viz., Government is under no compulsion to give Gold in return therefor. Gold may, of course, be bought with it as a Commodity, but the price of Gold need not be the contemplated or published ratio but will depend on the Rate of Exchange, for the time being, which means such Rate of Exchange as Government by their operations have permitted to remain either temporarily as the result of trade and remittance balances or permanently as the equation of purchasing power parities between two countries. The operations of Government include within their scope a large variety of measures such as the purchase and sale of Sterling Bills, floating of debts internally and externally, contraction and expansion of currency by other means, *e.g.*, by purchases and sales of the precious metals at current market rates or otherwise.

During the last few years, Government have manipulated the Indian Currency in such ways as to be very injurious to the interests of the country. By their sales of Reverse Councils in 1920 and thereafter the country undoubtedly lost several crores of rupees. Thereafter the Currency was contracted in several ways as has been shown in our previous Chapters and by Mr. B. F. Madon in his book styled "India's Exchange Problem." The needs of trade were not met, resulting in protests even from the Bengal Chamber of Commerce. There was no room for automatic expansion or contraction of

currency. The producers have been hard hit. The industries of the country have been placed in a very critical condition. Government, if they ever enjoyed the confidence of the people in their currency manipulations, have forfeited it entirely.

The people can no longer agree to a Currency System which permits artificial manipulation either for undue contraction or expansion, though arguments have been put forward that such manipulation has prevented the raising of the Salt Tax or has enabled the remission of Provincial Contributions or has benefitted the consumers—arguments which, to those versed in the Science of Currency, have no substance in or foundation for them.

We then come to the system mentioned in (c) *viz.*

The third alternative takes away the right of the people to use Gold as Currency.

Silver Token Coins for internal circulation with the right to be converted into Gold for international purposes.

Such coins would, for the purposes of the Import Trade, be tokens of Gold. But the right of the people to use Gold as their currency medium is taken away. Silver Token Coins, as has been admitted by the Finance Members and other authorities, are nothing but notes printed on Silver. The show of some silver in such notes only serves to deceive the people. But the people are also aware of the fact that the intrinsic value of the coin, in terms of the metal of which it purports to be composed, is far less than its weight, which is at present about 9/16ths of its token value.

Even if the alloy be reduced, and the intrinsic value of the coin be brought more in line with the actual value of Silver, then still continues the defect that in terms of Gold, the medium of international payment, the value of the coin has to be kept up artificially by Government allowing its conversion into Gold. It is a well-known fact that the price of Silver in terms gold fluctuates. The price of Silver depends upon many factors the quantity produced, the demand for it by Silver Standard or Silver Coining Countries, the demand for it for purposes of art or hoarding, etc. The rate of silver as a commodity cannot be kept constant in terms of gold. The difficulty was found to be insurmountable by the countries, comprising the Latin Union and the Scandinavian Union in the seventies of the last century. Gold has been adopted by the countries, with which India mostly deals, as the medium for regulating prices. No body can think of adopting the Silver Standard at this stage in India. It would be a reactionary measure, forcing the country to restart her work along new lines. I do not think the Bengal Chamber of Commerce will approve of it, and, in view of the depreciated value of Silver in terms of Gold, Lancashire will be the first to drop it like hot potato.

Bereft of its intrinsic value, with artificial value in terms of Gold maintained by the spasmodic and whimsical operations of Government, the Silver Token Coin presents no advantages over a purely Paper Currency. The

It is analogous to a purely Paper Currency.

show of Silver in the coin has, for its back ground, a desire to deceive the people. As compared to a pure and unadulterated Paper Currency, it has the defect of being expensive without the countervailing benefit of giving the currency the qualities of soundness, genuineness and honesty. If it be said that the paper note is liable to be torn, eaten by white ants and spoilt by water, etc., those inconveniences may be removed by providing a nickel or copper coin. A Silver Coin yields itself as much to forgery as a paper note or Coin of any other metal.

As a stable parity with gold is considered to be an essential merit for Indian Currency, and as a Silver Coin (genuine or debased) has hardly any benefits as compared to paper notes, and as a circulating medium composed simply of paper cannot be adopted in the country for obvious reasons, there is no escape from the conclusion that the only metal which can serve both as a medium for internal circulation and as a Standard Coin of the Country is Gold. The people of India, it is true, cannot give practical effect to their own desires and are forced to accept what their rulers lay down as law for them. But if the desire of the people for this country counts for at all, it can not be gainsaid that both those who understand the Science of Currency and those who do not, are agreed in thinking that Gold should be adopted as the medium of internal circulation. It is notorious that the people of this country have a peculiar love for Gold, and there can be no sound

reason, at least no reason in the interests of India to prevent them from the use of the yellow metal as their currency. It is sometimes said that a Gold Currency should not be forced on the country. Such a question should not in fact arise at all. Such thoughts are expressed in pious and noble words only by those who want really to force India not to use Gold for her currency medium. No body has ever suggested that gold coins should be the only ones in circulation. There must be, as we have in Great Britain, America and other gold standard countries, subsidiary coins in circulation along with gold whether of silver or of any other metal over and above the paper notes which have already got too much popularity in our country to be dispensed with. The proportion of such subsidiary currency required in India, will of course be greater than in those countries ; but that is no reason why it should be denied the right. If the masses, as it is alleged, do not want gold coins they would continue to use these paper notes and subsidiary coins of which we have got a sufficient stock large enough to meet the demands of absorption for several years to come. The adoption of gold at an early date is sought to solve the major difficulty of our currency system *viz.*, automatic expansion and contraction and the measure of value being made the same internally as externally. This is not, therefore, a plausible ground for depriving India the right of having gold as the circulating medium if her people so desire. The adoption of gold by India will leave China alone in the world with a different standard, which though striving for gold has not

yet succeeded on account of its unstable government. If the fact as adduced by the Pro-Exchange Standardists that "India does not want gold coins and has turned those out of circulation whenever forced upon" be true, why is the cry raised about a drain of gold by India and about the 'scramble for gold'? For, if the country does not want gold coins, all the apprehensions about draining, etc., at once disappear, and such apprehensions should never stand in the way of the law giving the country the proper form of currency that science dictates to be the only sound one from all points of view.

There is also advanced against this change the argument of the poor stock of the yellow metal in the world. But this too is as flimsy as the former. Economists and those who have investigated this problem of stock of the precious metals and their relation to the general level of prices differ widely in their conclusions. But before going into the details of and investigating truth about this stock, and drain of Gold by the East, we may, for the sake of convenience, examine the second alternative of a Debased Gold Currency.

The idea of a Debased Gold Coin for internal circulation is based on the habit of hoards, Merits and demerits of Debased Gold Currency discussed. the apprehend difficulty of getting gold for export, the development of Banking and the imposition of a Consumption Tax for that purpose. The anti-Gold Standardists for India have placed too much reliance on the first two points, so much so

that most of them start with these presumptions to prove the futility or inadvisability of establishing Gold Standard with Gold Currency in India. Such an attempt is nothing more than proving a theorem, the hypotheses of which they have accepted as an axiomatic truth. We do not totally deny this, but we say that such things are the natural consequences of our slow economic progress. Nay, every country, however, economically evolved it may be, displays these habits in abnormal times, such as the World War of 1914. The hoarding habit is a survival of those days, when civil life was exceedingly insecure. During the third quarter of the last century attempts were, of course, made by our Government to have a Gold Standard with Gold Currency. But looking to the then existing exceedingly insecure conditions of civil life and property in India on account of the raids of the Thugs, the Pindaries, the Maharattas, &c., and the inevitable wars to establish British supremacy, it was no wonder, if these attempts failed somewhat on account of this hoarding habit. But since that time civil life and property in India have become secure, and people are getting accustomed to invest their hoards in banks. But as the progress made in this respect has been very slow in the past, people who are anxious to see India industrially developed as early as possible, admitting the Gold Standard with Gold Currency to be the best system of currency for India, want to provide simultaneously for the banking and industrial Capital by proposing a debased instead of full value Gold Coin for internal circulation only the percentage of alloy

being the same as the rate of Consumption Tax that may be imposed on the precious metals, which is proposed to be set apart for the banking and industrial development of the country. There are many things to be said in favour of an experiment being made in this direction, for a fixed period of, say, ten years. There is, however, a strong opinion against it. It is thought that such an alternative would not remove the main defect of our present currency system, *vis.*, 'Managed' Currency. For, to have a Debased Gold Coin or any other token coin or paper in circulation whose intrinsic value is below its legal value makes a difference of degree only. In the former only a fixed percentage of seigniorage is charged, while in the latter, if adopted, we can have the benefit of gold backing to the fullest extent for our industrial development. What India needs, is a 'natural and automatic system' of Currency which would secure stable conditions for the development of trade and industry. Such a thing would be impossible to attain by this alternative inasmuch as the public being conscious of a permanent loss of 25% in its value, for the majority of us are concerned with the internal circulation only, will hesitate to bring their gold for coinage into currency when it is in greater demand by the trade, as is the case in those countries which have a full value gold coin in internal circulation. Nay, under this system people will not withdraw the redundant currency when there happens to be a slump in trade. Thus the supply or contraction of currency will solely depend as at present on the Government. It is immaterial to the general

public, whether the profits earned by charging seigniorage on coinage, are kept apart for national purposes or are appropriated in the general revenues. For they are only concerned with the Purchasing Power of their money which would inevitably show a steady declining tendency under the system, unless special arrangements are made to alter this seigniorage charge from time to time as the Index Number of general prices would suggest to make its Purchasing Power stable. But such a thing is impossible to attain in India, though highly desirable, which is economically the most backward country in the world. Besides, who can say that our Government, who is, under the present constitution, wholly irresponsible to the Legislature, will not misuse or misappropriate this new Reserve as they had done the Paper Currency and the Gold Standard Reserve in the past. In view of the strong opinions held as above, it is perhaps not desirable to try the experiment of a Debarred Gold Coin and the levy of a Consumption Tax notwithstanding its advantages.

Now as regards the anxiety for the export of gold in times of unfavourable Balance of Trade, it must be said that it has been considerably exaggerated. The import and export statistics of the precious metals clearly prove that such fears are wholly unfounded. Besides, India is faced with an adverse Balance of Trade only once in about nine or ten years, and that too not by a very considerable amount. If there had been in the past some difficulty in obtaining gold for export in adverse times,

our 'Unstable and Managed' currency system is also responsible for it. For people knew perfectly well that their Government had not taken any responsibility of exchanging their legal tender money into gold, and that if they wanted it they could only get it by paying the price the sellers, who are in this case the foreigners, demanded. Fortunately or unfortunately people all the world over have an uncontrollable fancy for gold, so much so that the search for gold is being carried on in spite of its production costs having considerably increased, while the price it realises have remained the same all through. Such fears will be banished once for all when there is established in India a pure Gold Standard with Gold Currency.

As regards the poor banking development of the country, a Consumption Tax on the precious metals necessitating debasement of the Standard Gold Coin, would appear to be a great help if the Tax is vested in a State Industrial Bank. But the people have good grounds to suspect that the Tax may be made a part of the General Revenues of the country. »

Now to revert to the objections about the Gold

Arguments against Gold Standard with Gold Currency considered.	Standard and Gold Currency for India, we find that the following are the chief :—
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(1) If we had an actual gold currency, we would find it very difficult to find the necessary quantities of gold for export in the event of a serious financial crisis, because people will hoard gold.

(2) The people of India do not need a gold coin.

(3) If India were to institute her Currency System *de novo* on the basis of a Gold Standard and a Gold Currency, she would find it very hard to get the necessary gold.

These objections are those which have been raised by Mr. J. M. Keynes in his book "Indian Currency and Finance" and the Chamberlain Commission of which our present Finance Member was the Secretary. We have dealt with the first point at length elsewhere and we cannot do better than to reaffirm same in the words of Mr. Ambedkar, who says "The bogey of hoarding is an old one, and would really be an argument of some force if hoarding was something which knew no law. But the case is quite otherwise. Money, being the most saleable commodity and the least likely, in a well-ordered monetary system, to deteriorate in value during short periods, is hoarded continually by all people, *i.e.*, treated as a store of value. But in treating it as a store of value the possessor of money is comparing the utilities he can get for the money, by disposing of it now, with those he believes, he can get for it in the future, and if the highest present utility is not so great as the highest future utility, discounted for risk and time, he will hoard the money. On the other hand he will not hoard the money if the present use was greater than the future use. That being so, it is difficult to understand why hoarding should be an objection to a gold currency for the Indian

people. If they hoard gold that means they do not care to spend it on current purchases or that they have another form of currency which is inferior to gold and which they naturally like to part with first. On the other hand, if they do wish to make current purchases and have no other form of currency, they cannot hoard gold. There are instances when precious metals have been exported from India, when occasion had called for it, showing that the hoarding habit of the Indian peoples is not such an unknown quantity as is often supposed, and if on some occasions they hoarded an exportable currency when they should have released it, it is not the fault of the people but of the currency system in which the component parts of the total stock of money are not equally good as a store of value. The argument from hoarding, if it is an argument, can be used against any people, and not particularly against the Indian people." It is not quite consistent to say in one and the same breath that India is too poor to use a gold coin and that they will store up gold.

(2) Now let us examine the second argument against the Gold Standard and Gold Currency.

Poverty or smallness of transactions not a good criterion of the medium of currency.

It is alleged that people of India do not need "Gold Coin" for (1) India is too poor a country to maintain such an expensive money material as gold; (2) that the transactions of the Indian people are too small to permit of a gold circulation. This argument raises the question whether circulation of two kinds of money

possessing simultaneously unlimited legal tender quality depends on the richness or otherwise of the masses of any country or is wholly independent of this. Those who allege this, really forget the fundamental currency law which is known as the Gresham's Law. For from no country, however, poor it may be, a currency can disappear unless there be an over-issue of any other form of competitive currency. This fact is clearly proved from our own currency history, which says that attempts to circulate sovereigns were made when neither the coinage of fresh rupees or notes was stopped nor its legal tender quality was restricted. This was exactly the case with Australia, Italy and other European countries in the eighties of the last century, where gold used to disappear from circulation. But that was not due to poverty, but to the unrestricted issue of paper. The history of the recent War Currency is a vivid testimony to this fact. Any country can maintain a gold currency provided it does not issue a cheaper substitute.

Again, if gold did not circulate it is not because our transactions are too small, but because we erred in selecting for our Gold Currency a Unit which was not small enough to meet the situation. Nowhere in the world is the Pound Sterling taken or accepted as the Ideal Unit of currency. The American Dollar is only about 1/5th of the Pound; the Franc about 1/25th, the Mark about 1/20th, etc. All these countries have minted gold coins, some of which are not as large as the Sovereign. The choice of a coin

must be made in relation to the economic status of a country. If the sovereign did not circulate, it was because it proved to be too large for circulation and so a smaller coin should be minted for us to make the circulation of gold effective.

Now we must consider the last argument that it will be hard for India to get the necessary amount of gold. This argument leads us to think of the difficulties by which India may not be able to get the necessary amount of gold. These difficulties may be the following :—

(1) If India is always a debtor country, its trade balances would appear more adverse by the amount of gold imports for currency purposes and thus reduce the value of its currency in terms of foreign purchasing power,

or

(2) Because India produces only a little over £2 million of gold annually, it will have to purchase fresh gold from the world outside by means of Rupees, which would therefore force up the price of gold in terms of silver, and thus India would be a loser. Her loss would be all the more increased because the stock of gold in the world is already insufficient.

From the tables quoted, we find that our Balance of Trade of Merchandise only on private account was never

BALANCE OF TRADE, COUNCIL DRAWINGS AND IMPORTS OF GOLD BEFORE 1893.

Years.	Balance of Trade (Merchandise : Private Account).	NET IMPORTS OF TREASURE.		Amount of Council Bills drawn.	Excess (+) or Deficiency (—) of Bills drawn as compared with Budget Estimate.	Home Charges.
		Gold.	Silver.			
(1)	(2) £	(3) £ 000,000	(4) £ 000,000	(5) £	(6) £	(7) £
1870-71	20,863,000	2.13	.9	.....	.....	10,031,261
1871-72	31,094,000	3.43	6.3	.....	.....	9,703,235
1872-73	23,376,000	2.41	.7	13,939,095	+ 939,095	10,84,605
1873-74	21,160,000	1.29	2.3	13,285,678	— 214,322	9,310,926
1874-75	20,137,000	1.73	4.3	10,841,615	+ 841,615	9,490,391
1875-76	19,204,000	1.40	1.4	12,389,613	— 1,910,387	9,155,050
1876-77	23,573,000	.18	6.1	12,695,800	— 964,200	13,851,296
1877-78	23,758,000	.41	12.7	10,134,455	— 2,115,545	14,048,350
1878-79	23,187,000	.74	3.3	13,948,565	— 3,051,435	13,851,296
1879-80	26,048,000	1.45	6.5	15,261,810	+ 261,810	14,547,664
1880-81	21,464,000	3.03	8.2	15,239,677	— 1,660,323	14,418,986
1881-82	32,855,000	4.02	4.5	18,412,429	+ 1,212,429	14,399,083
1882-83	31,389,000	4.01	6.1	15,120,521	— 221,479	14,101,262
1883-84	23,011,600	4.44	5.2	17,599,805	+ 1,299,805	15,030,195
1884-85	20,034,100	3.76	5.8	13,758,909	— 2,741,091	14,100,982
1885-86	21,344,200	2.10	8.8	10,292,682	— 3,481,008	14,014,733
1886-87	19,844,800	1.58	5.2	12,136,279	— 1,195,121	14,409,949
1887-88	18,724,400	2.10	6.5	15,358,577	— 891,423	15,389,065
1888-89	20,271,900	1.92	6.3	14,262,859	+ 262,859	14,983,221
1889-90	24,557,800	3.18	7.6	15,474,496	+ 784,596	14,848,923
1890-91	20,733,800	4.25	10.7	15,969,034	+ 980,034	15,568,875
1891-92	27,632,400	1.68	6.3	16,083,854	+ 93,854	15,874,699
1892-93	29,387,300	1.75	8.0	16,532,215	— 467,785	16,334,541
1893-94	21,660,500	— .39	8.3	9,530,235	— 9,169,765	15,826,815
1894-95	25,760,000	— 2.7	3.4	16,905,102	— 94,898	15,707,367

BALANCE OF TRADE, COUNCIL DRAWINGS AND IMPORTS OF GOLD AFTER 1893.

Years.	Balance of Trade (Merchandise; Private Account.)	NET IMPORTS OF TREASURY.		Amount of Council Bills drawn.	Excess (+) or Deficiency (—) of Bills drawn as compared with Budget Estimate.	Home Charges.
		Gold.	Silver.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	£	£000,000	£000,000	£	£	£
1895-96	29,983,800	1·5	3·7	17,664,492	+ 664,492	15,603,370
1896-97	21,333,100	1·4	3·5	15,526,547	— 973,453	15,795,836
1897-98	18,847,000	3·2	5·4	9,506,077	— 3,493,923	16,198,263
1898-99	29,560,700	4·3	9·4	18,692,377	+ 2,692,377	16,303,197
1899-1900	25,509,600	6·3	2·4	19,067,022	+ 2,067,022	16,392,846
1900-01	20,727,400	·5	6·3	13,300,277	— 3,139,723	17,200,957
1901-02	28,630,600	1·3	4·9	18,539,071	+ 2,039,071	17,388,655
1902-03	33,352,600	5·8	4·6	18,499,946	+ 1,999,946	18,361,821
1903-04	45,424,100	6·6	9·1	23,859,303	+ 6,859,303	18,146,474
1904-05	40,548,200	6·5	8·9	24,425,558	+ 7,925,558	19,463,757
1905-06	39,086,700	·3	10·5	32,166,973	+ 14,333,973	18,617,463
1906-07	45,506,600	9·9	16·0	33,157,196	+ 15,357,196	19,208,408
1907-08	31,640,000	11·6	13·0	16,232,062	— 1,867,938	18,487,267
1908-09	21,173,300	9·9	8·0	13,915,426	— 4,584,574	18,925,159
1909-10	47,213,000	14·5	6·2	27,096,586	+ 10,896,586	19,122,916
1910-11	53,685,300	16·0	5·8	26,783,303	+ 11,283,303	19,581,863
1911-12	59,612,900	25·1	3·6	27,058,550	+ 9,900,250	19,957,657
1912-13	57,020,900	22·6	11·5	25,759,706	+ 10,259,706	20,279,572
1913-14	43,753,900	15·6	8·7	31,200,827	+ 10,090,827	20,311,672
1914-15	29,108,500	5·1	5·9	7,748,111	— 12,251,889	20,208,598
1915-16	44,026,600	— 7	3·2	20,354,517	+ 13,354,517	20,109,094
1916-17	60,843,200	8·82	12·5	32,998,095	+ 29,093,095	21,145,627
1917-18	61,420,000	16·8	12·7	34,880,682	+ 34,880,682	26,065,067
1918-19	56,540,000	— 3·7	45·3	20,946,314	+ 20,946,314	23,629,496

against us during the last 50 years, but it fluctuated in our favour very widely, the lowest being £19 millions and highest £61 millions. The Home Charges which constitute a great charge on us and which we have to pay by export of commodities, fluctuated during the same period between £9 millions to £26 millions. Thus our Balance of Trade remained in our favour even after paying the Home Charges. Now if we further make allowance for the net imports of Treasure, which have ranged between £3 millions and £30 millions during the period both on private and Government account, we find that our net Trade Balance should remain for most of the years favourable. Hence it is not hard for India to get gold annually from foreign countries in settlement of her Trade Balances by virtue of that being always in her favour, provided some other difficulty such as the Councils drawn by the Secretary of State or Sterlings purchased in India by the Government,

do not interfere in this natural flow of gold towards India. But the figures given in the table for the amount of

Flow of Gold to
India deliberately
diverted.

Council Bills drawn by the Secretary of State since the closing of the Mint clearly prove that these Councils were not drawn according to the needs of the Home Treasury, but always exceeded not only that amount but the amount budgetted which was itself always in excess of that required by millions. This has naturally been a hinderance to the accumulation of stock of gold in India. Nay, according to some authorities since 1905 it has been the deliberate attempt of those who control our Currency

policy to prevent gold going to India and into circulation. When our Currency System is made natural and our international payments are left untouched to adjust themselves as best as they could, we will naturally have a constant flow of gold. It is not our concern to see if the country who has to liquidate our balance produces itself a sufficient quantity or procures for us by paying a high price for it ; so long as it is anxious to keep its credit untarnished in the international market, it must liquidate it in our legal tender money, *i.e.*, Gold.

The above explanation does away also with the fears of

India not on a Silver Standard though it has a Silver Token Coin as its Standard Currency.

lowering the price of silver in terms of gold and thus inflicting a loss on India. Besides India has not got a Silver Standard as that of China. It had this

before 1893 when the Mints were closed for free coinage of silver. Since then, it is on a Gold Standard, though without Gold in circulation. Its prices, etc., are all regulated on gold basis, for its measure of value the Rupee, though a token, was then defined as equivalent to 1s. 4d. gold which value it had till before the Great War. Besides there

Immediate purchase of Gold not wanted.

is no need of buying immediately such a vast amount of gold which would convert all the Rupees and Paper Notes in circulation. There will remain in circulation a large number of Rupees and Notes even though they are made convertible immediately into gold. Our total circulation is approximately 475 crores of Rupees of which nearly 300 crores are

Rupees and 175 crores Notes. In view of the fact that all internal contracts hitherto made are expressed in terms of Rupees, the Rupee must continue to play a large part in the future in our economic system. There is no reason for any apprehension that there will be a large rush for Gold Coins in exchange for Rupees or Notes. Now we have got in our Paper Currency and Gold Standard Reserves, British Securities worth 80 crores of Rupees convertible into gold and gold bullion worth Rs. 20 crores. This quantity should be sufficient for some years to come. Moreover the future natural expansion of Currency will be met by the future imports of gold as the result of our favourable Balance of Trade in merchandise. Gold being the international medium of payment, our buyers will have to liquidate their debts by payments in Gold. All that the Government may have to do is to buy Gold, instead of T. T.'s or Sterling Bills, over and above the requirements for Home Charges, wherever there is demand for additional currency. If the Gold Coin to be adopted for internal circulation be the same as Sovereigns and Half-Sovereigns, it is likely that such coins will be imported and pass directly into circulation. If our coin be made different in form or value, the Gold that may be imported will be tendered in return for local currency and thus the needed Gold will be secured.

From the facts narrated above, it would be self-evident that the fears of drain of the limited stock of gold by the East, especially by India, would not in any way be increased if it is allowed to adopt a

Continuous drain of gold by a country causes a general rise of prices which no country can afford.

Gold Standard with Gold Currency. On the contrary, the monetary stock of gold in the world which is estimated at £2,700/- millions by Experts, will be augmented by nearly £400/ million the estimated stock of gold in India, i.e., by 1/6th. Besides, we must not lose sight of the fact that no country in the world can sustain a steady flow of gold towards it unless it utilizes same otherwise than as money material. In fact, import statistics of the precious metals in India prior to the closing of the Mint clearly prove that the drain by India was not as heavy as it has been since then. For augmentation of stock of gold in the country where it has been accepted as the standard has always induced a general rise in prices. The old mercantilist theory, which favoured the regular in-flow of gold,

Increasing stock of gold in Europe a main cause of a continued rise of prices there in the last 4 centuries.

has long been exploded. The history of prices and the stock of the precious metals in Europe clearly corroborate these facts. We give below a table

which tells its own tale :—

MONEY & PRICES IN EUROPE.

(In million Dollars).

Date.	Product.	Consumption & Export.	Stock.	Prices.
1500 ...	670 1,640 4,280 13,000	290 740 3,880 8,960	170	35
1600 ...			550	75
1700 ...			1,450	90
1800 ...			1,850	100
1900 ...			5,890	125

Besides, the alleged drain of gold to India has also been too much exaggerated. For our annual imports of gold bear a very low proportion to the total annual production of the metal as compared with our population which is nearly 1/5th of the world as will be seen from the following figures for the last 50 years. It may, by the way, be noted that during the eighties of the last Century, gold was selling at about Rs. 18/- a tola, a rate cheaper by Rs. 3/- than the present rate.

Period.				World Production.	Consumption in India.
				Oz.	Oz.
1874	...	---	...	4,390,023	331,554
1875	...	...	...	4,716,563	446,964
1876	...	---	...	5,016,488	355,985

Period.				World Production.	Consumption in India.
				Ozs.	Ozs.
1877	...	...	...	5,512,196	62,646
1878	...	...	...	5,761,114	102,828
1879	...	...	...	5,262,174	177,101
1880	...	...	...	5,148,880	374,227
1881	...	...	...	4,963,742	777,533
1882	...	...	...	4,934,086	1,028,240
1883	...	...	...	4,614,588	1,048,810
1884	...	...	...	4,921,169	1,138,584
1885	...	...	...	5,245,572	973,053
1886	...	...	...	5,135,879	544,437
1887	...	...	...	5,116,861	393,174
1888	...	...	...	5,330,775	528,038
1889	...	...	...	5,973,790	461,577
1890	...	...	...	5,749,306	773,284
1891	...	...	...	6,320,194	1,014,229
1892	...	...	...	7,094,266	423,648
1893	...	...	...	7,618,811	- 454,483
1894	...	...	...	8,764,362	40,236
1895	...	...	...	9,615,190	- 649,970
1896	...	...	...	9,783,914	322,623
1897	...	...	...	11,420,069	309,365
1898	...	...	...	13,877,606	732,036
1899	...	...	...	14,837,775	1,022,000
1900	...	...	...	12,315,136	1,560,812
1901	...	...	...	12,625,527	108,678
1902	...	...	...	14,354,680	374,506
1903	...	...	...	15,852,620	1,416,618
1904	...	...	...	16,804,372	1,546,237
1905	...	...	...	18,396,451	1,516,993
1906	...	...	...	19,471,080	- 65,472
1907	...	...	...	19,977,280	2,377,151
1908	...	...	...	21,422,244	2,781,240
1909	...	...	...	21,945,111	625,238
1910	...	...	...	22,022,180	3,505,136
1911	...	...	...	22,397,136	3,842,422
1912	...	...	...	22,605,068	- 6,224,026
1913	...	...	...	22,254,983	5,562,000
1914	...	...	...	21,301,836	3,740,000
1915	...	...	...	22,737,520	1,178,000
1916	...	...	...	22,031,094	- 261,000
1917	...	...	...	20,345,528	2,285,000

Period.				World Production.	Consumption in India.
				Oz.	Oz.
1918	...	...	...	18,614,039	4,207,000
1919	...	...	...	17,698,184	- 956,000
1920	...	...	...	16,130,110	5,606,000
1921	...	...	...	15,974,962	821,000
1922	...	...	...	15,451,945	- 250,000
1923	...	...	...	17,750,765	5,858,000

But this problem of establishing Gold Standard with International Gold Exchange Standard impossible as the International Bimetallism was in the eighties of the last century.

Gold Currency in India has to be reconciled with Prof. Cassel's warning to the world, which purports to say that while the production of gold is at present insufficient for the necessary normal increase in the world's stock of gold, the demand for gold as a material for articles of luxury has substantially increased and threatens to absorb a large part of the diminished annual production of gold. In these circumstances it is necessary to keep down the world's monetary demand for gold, if we are to avoid a heavy fall of prices all over the world, which would kill all enterprise and impede that reconstruction of the world which is just now so very urgent. Now, the production and the future prospects of gold are still as uncertain as they were

during the middle of the last century when Prof. Jevons and others warned and appealed in vain to the British Government against heavy depreciation of gold owing to the discoveries of Australia and to revert to Bimetallism. For it was then feared that the world would soon be flooded with gold. But since then the production has considerably increased, and one cannot say that all the resources of gold on this bountiful earth are exhausted. Who knew in the beginning of this century that gold from the Rand Mines of Africa would out-limit all productions of the past, nay would be responsible for more than 50% of the annual production? The natural consequence of this has been a steady depreciation of the value of gold. Yet the warning is hurled against a possible appreciation of gold in terms of commodities if its use as money material is encouraged without restriction. While, in fact, the world is groaning under this high price regime and prays for relief. But even if the facts of that warning turn out true, it is no reason why India alone should be sacrificed for the sake of the rest of the world. No independent country ever thought or still thinks of any thing else but an effective Gold Standard with no legal restrictions, on internal gold circulation. The talk of International Gold Exchange Standard as a preventive against the possible fall of prices by increased monetary use of gold is as good as it was of the International Bimetallism in the eighties of the last century. But the pity is that the world has not yet gained victory over its baseness to make all such international problems practical

and possible in which individualistic gains are required to be sacrificed for the international. Then why should dependent countries like India alone be made the stage for experimenting the new theories of the Leading Currency Experts.

Having considered the pros and cons of the feasibility or the non-feasibility of Gold Standard with Gold Currency in India, let us also consider briefly the problem of Exchange and the denomination and fineness of our future Gold Coin.

As regards the latter, it has already been shown that

A Ten Rupee Gold Coin of 1/2 the weight and same fineness as the Sovereign most appropriate for internal circulation in India.

Sovereign is too big a coin for the Indian Public. It, therefore, remains to be considered of what value the new gold coin of India should be minted.

Nay, this value should be such as would neither make the coin too small nor liable to comparatively greater loss by wear and tear. The rejection of the sovereign as the Standard Coin of India summarily removes one of the great hindrances in the way of India's adopting Gold Currency, *viz.*, permission of the British Mint to establish a branch thereof in India, which has always been denied. Now, the lower limit which appeals to all who give serious attention to this problem, is a Gold Coin of Rs. 10. This coin has considerable advantages over the 15 Rupee coin, inasmuch as it conforms to the decimal system which has been adopted all the world over save England and India for the multiples and sub-multiples of the measure of value. Our selection of

10/- Rupee gold coin is also based on the preference shown by the Indian Public towards 10 Rupee notes. Of the total number of notes in circulation these 10/- Rupee notes form nearly one-fourth. The 5 Rupee notes circulation is only half that of the 10 Rupee notes. This clearly proves that the 10 Rupee gold coin is the most suitable for the transactions of our masses. Nay, it has something more in its favour. We all know that the Indian Public is accustomed to count rupees in lots of 20 or 25. To calculate the total amount of money so counted in the form of gold coins, 15 Rupee Gold Coin would prove to be an odd unit as compared to the 10 Rupee Gold Coin, the multiples of which could be at once known by simply adding a zero to the number so counted. Besides, this coin would not be an odd sub-multiple of the sovereign, so that our converting the Rupee in Sterling would not be much inconvenienced. It will be only $\frac{2}{3}$ ds of the Sovereign, i.e., three of our new Gold Coin would be equivalent to 2 Sovereigns at the exchange rate 1s. 4d. Moreover Ten Rupee Gold Coin will easily fit in with our Existing Currency System. The Currency notes already in circulation can be easily made to bear the value in terms of the proposed Gold Coin. As regards the fineness of this Standard Coin, it is preferable that the standard of $\frac{9}{10}$ th fineness be accepted, as it eliminates one of the chief difficulty in the way of calculating equivalents of all foreign coins save the British sovereign in terms of the Indian. But as most of the trade of India is with the United Kingdom and other parts of the British Empire, it would be advisable to adopt

for our Standard Coins the same fineness of 11/12ths as that of the Sovereign.

With regard to the fixing of the Exchange value of our Standard, we must not overlook the majority opinion in this case, which is in favour of 1s. 4d., i.e., a Rupee containing 7.53344 grains of fine gold. On this basis, all our engagements, contracts and trade were carried on since 1893 till 1920, when this value of the Rupee was changed for 2s. gold. The present level of 1s. 6d. has come to stay only since the last year and a half, and hence it does not provide a stronger argument in its favour than 1s. 4d., which had ruled for more than 25 years. It will be a gross injustice to those who have based their contracts on the rate which has ruled for more than two decades, to fix the value of our Standard at 1s. 6d. a rate of short duration only. We have already dealt with this problem of higher Exchange than 1s. 4d. in the previous chapters of the book, which we need not repeat here.

A feeling has sometimes been expressed in high quarters that the Gold Standard System to be adopted in India may provide for the free flow of gold for international payments without any provision for Gold Coins for internal circulation. It is perhaps thought that (a) the media of internal circulation may continue to be the Paper

Gold Standard with a free flow of gold for international payment but without a gold coin in internal circulation is only a modification of the present Exchange Standard and will remain at the mercy of the Government as hitherto for maintaining its Exchange value.

Notes, the Silver Notes called Rupees, and the other subsidiary coins as at present, (b) a certain ratio on Rate of Exchange would be fixed whether 1s. 4d. or 1s. 6d. or any other figure, (c) for international payments and to maintain exchange at the defined ratio or rate, Government would be under a legal obligation to give gold (or probably Sterling Bills on the Secretary of State). The idea appears to be that if Government is under a legal obligation to do so, (a) exchange would be stabilised at 1s. 4d. or 1s. 6d. or the other specified figure, (b) Indian Currency would be convertible into Gold for international purposes, (c) the extravagance due to the use of the yellow metal instead of paper would be avoided, and (d) the benefits of Gold Standard to all intents and purposes would be secured.

On a closer analysis of the situation, however, it will appear that what looks so nice and cheap on the surface is not suited to the conditions and the needs of the country.

The essential difference between this system and the Pre-war Currency System as it prevailed in India is that, under the former, Government would bind themselves to pay or give Gold—for export purposes—or Sterling Bills (i.e., Reverse Councils) in return for rupees tendered by the public, while under the latter, the Government were not so bound. The difference is no doubt important, but can not satisfy the needs of the country. Parenthetically it may be stated that it was the sale of Reverse Councils after 1919 that started the worst confusion in the Currency

System of the country. It cannot be gainsaid that the fundamental basis on which the system would stand and work, would be the sales of Council Bills and Reverse Councils by Government. The way in which Government discharged this function in recent times has been unjustified and been very injurious to the interests of the country. Mr. B. F. Madon in his two volumes of India's Exchange Problem has demonstrated this very lucidly. After the muddle created in 1920 and 1921 by the sales of Reverse Councils, after the unsuccessful attempts to tack the Rupee to 2s. Gold at a loss of not less than fifty crores of rupees to the public purse, and many times more to the agriculturists and other producers in the country who were forced to accept lower values for their goods, Government continued a campaign of contracting currency. Government was enabled to do so by the powers they had to buy and sell Sterling Bills for manipulating Exchange. It was through these powers that Government could, inspite of repeated protests of the Indian Merchants and at a great loss to the agriculturists and other producers in the country, juggle with Exchange and decide to stabilise it at 1s. 6d. (or just a little higher). Which law or which resolution of the Indian Legislative Assembly authorised Government to fix upon that rate, no body can say? The authority for the action lies nowhere except perhaps in the inclination or the wisdom of the Hon'ble the Finance Member of the Government of India. There might have been some secret correspondence between the Secretary of State and the

Government of India, but that could not be the source of legal authority or sufficient justification to act against the unanimous demand of Indians or to make the agriculturists lose more than 85 crores of rupees per year as Mr. B. F. Madon has proved. The present Statute lays down a rate of 2s. Gold, and the pre-war rate was 1s. 4d. The Govern-

No authority for fixing our Rupee at 1s. 6d. except that of the Finance Member.

ment could have no justification to fix it at 1s. 6d. It was only made possible by making our Currency and Exchange a slave of Government operations. We have had sufficient and painful experience of it and the interests of the country are much too serious and important for risking such an experience again in future.

But this risk, though sufficient in itself to make us shrink from it, is not the only short-

This system fails to take into account the lines of action for productive development so essential for country's welfare.

coming in the suggested system. It further fails to take into account the facts as they exist, the lines along which action is necessary for productive development in the country, the steps that are necessary to be taken for the country's welfare. For this purpose we may refer to paragraph 8 of the Report of the External Capital Committee, which included the Hon'ble the Finance Member as President and the Hon'ble the Commerce Member as a Member, and whose report cannot be brushed aside as an effusion of irresponsible persons. The Report states—"It is, however, even more advantageous that its (India's) requirements for new Capital should be

supplied from internal sources so far as internal capital is forthcoming. Ordinarily countries so far from attempting to discriminate against or to penalise the external capitalist do all they can to encourage the flow of capital. Striking evidence has been furnished to us in the replies of the efforts made by other parts of the British Empire to attract outside capital. Conditions in India are to a certain extent dissimilar, as India already possesses a large store of potential capital, but much of it is unproductively looked up in bullion and jewellery. As a general principle we should like to emphasize that the real solution of the problem lies in the encouragement of the Indian Investor and the development of India's internal capital resources. There will be a certain amount of replacement of external by internal capital in any case by natural process, as external shareholders, in the words of Dr. Slater "tend to get rid of their Indian investments in competitive industry when they leave the country, or at some subsequent date, sooner or later". It is recognised in practically all the replies that there is sufficient potential capital in India to meet the larger part of India's industrial requirements,

External Capital Committee too admitted that there is a large store of Potential Capital in India. But this is timid, conservative, and requires to be drawn out.

but that it is timid, conservative, and requires to be drawn out. That internal capital is available is shown by the increase in Government Rupee loans from 145 to 358 crores, and in the paid up capital of joint stock companies from 80 to 254 crores, between 1913-14 and 1923-24, an increase of 387 crores. The fact, however,

that the net imports of gold and silver since 1913 amount to 482 crores is evidence that large resources are still being hoarded which might be invested.

The inferences to be drawn from the above quotation are as follows :—

- (a) The country's requirements for new capital should as far as possible be supplied from internal sources.
- (b) India possesses a large store of potential capital, but much of it is unproductively locked up in bullion and jewellery.
- (c) External shareholders tend to get rid of their Indian investments in competitive industry.
- (d) Potential capital in India is timid, conservative and requires to be drawn out.
- (e) Figures of imports of gold and silver show that large resources are being hoarded which might be invested.

The Committee proceeded to consider the necessity of a general survey, the provision of Banking education and investment facilities, credit facilities, etc, all connected with the Banking System. They, however, as perhaps the terms of their reference did not include it, failed to consider :—

But the Committee failed to consider if our Currency System helped to make this Potential Capital timid and conservative and if so, to suggest changes.

(a) How far the past and present systems of currency adopted and worked in the country have been or are responsible for an undue extent of hoarding or unproductive employment of capital which should or could have been invested to advance the material welfare of the people.

(b) Whether any, and if so what, changes may be made in the Currency System to facilitate the removal of the defects pointed out in the Report with so much force.

In this connection it should be remembered that at one time India was ahead of the rest of the world in the matter of production, both agricultural and industrial. It cannot, therefore, be said that **temporarily** the people are unfit for or incapable of succeeding in productive enterprises. **India is not temporarily unfit for or incapable of productive enterprises, and fit for agriculture only.** It was their success in this sphere that enabled them to export both manufactured goods and raw materials, import the precious metals and jewellery, and make it impossible for other countries to "outshine the wealth of Ormeuz and of Ind." What has now developed into a habit of hoarding is to a certain extent an inheritance from and imitation of the practice of rich people in ancient times to appear in public attired in gorgeous robes and costly jewellery. The state of insecurity that intervened in the Moghul Period and thereafter gave an additional incentive to hoard wealth by burying it under the earth or otherwise to stand the owner in good stead if he was deprived of his other properties and a feeling became paramount that a definite

percentage of one's wealth should be hoarded for the purpose. Though under the British Rule the state of insecurity has disappeared, and the desire among the educated classes to bedeck themselves in jewellery also to a great extent has vanished, backwardness in education, inherited habits (which are always slow to die out specially among ladies), and, to no mean extent, the changes in the Currency System from partial Gold Standard to a 'Managed' Currency have combined to make the hoarding and jewellery habit remain sticking and difficult to go. It is now recognised that the interests of the country demand that there should be intensive and extensive development of production, that jewellery and hoarding and other unproductive uses of capital and even laziness, should give place to productive employment of wealth and time, and that the country's 'requirements for new capital should be supplied from internal sources' as far as possible. To achieve this result, it is necessary that the Currency System should be so shaped that it can play its proper part. We should eliminate those factors which help hoarding and adopt those that help productive investment.

This necessitates also the reorganization of our Banking System anew on lines somewhat on the Federal Reserve Banking System of America. India being a vast country with nearly 1/5th the population of the world, cannot be

Reorganization of the Imperial Bank of India somewhat on the lines of the Federal Reserve System imperative.

properly equipped with adequate banking facilities under the present Imperial Bank of India Constitution. The need of a State Bank of India has since long been felt. Though the Imperial Bank of India approaches very near to that than the old Presidency Banks, yet it lacks in many important respects. Besides, to better acquaint the Indian masses with modern Banks, it is essential that stamps on cheques be dispensed with as in the United States and signatures in vernaculars be permitted and accepted by the Banking world as the English ones, without transliteration in English as hitherto.

The adoption of the Gold Standard with Gold Currency will necessitate the reorganization of our Paper Currency also on these lines, the notes being payable in gold mohurs instead of silver rupees as hitherto. Besides the business of Paper Currency should be transferred for the better to the Imperial Bank of India from that of the Government, as banks are better equipped to gauge the demands of Currency by the Trade than the Government, and with proper safeguards they would not be tempted to over issue as is the Government.

The adoption of Gold Standard necessitating the convertibility of the rupee implies the location of all our Gold Reserves in India. As regards the Paper Currency Reserve, the Babington Smith Committee too

Adoption of Gold Standard would naturally require a re-organization of our Paper Currency when this should be transferred to the Imperial Bank of India.

Gold Reserves of all kinds should henceforth be kept in India.

recommended that both silver and gold in that Reserve should be kept in India. Indian opinion has always been against their being kept in London. With the reorganization of our Currency System these Reserves should also be wholly transferred and kept there for the future.

We may now conclude our suggestions regarding our future Currency Policy, by briefly
Summary. summarizing them as under :—

- (1) Gold should be made the medium of internal payments, thus getting rid of all difficulties due to variations in the Rate of Exchange.
- (2) A gold coin of the same fineness as the Sovereign but $\frac{2}{3}$ the weight be made a full legal tender coin for internal circulation at a fixed value of Rs 10/- per each such mohur.
- (3) The present silver rupee be retained only as a Subsidiary Coin and be made legal tender only to the extent of 10 gold mohurs or one hundred rupees.
- (4) Coinage of Silver Rupees be stopped for the future, the present stock being allowed to be absorbed in the course of 15 to 20 years.
- (5) Government should be ready to purchase or sell gold to the public at the rate of 7.53344 grains fine to the rupee, i.e., an ounce of fine

gold be minted into six mohurs Rs. 3-11 annas
5 $\frac{1}{4}$ pies.

- (6) The words Gold Mohur=Rs. 10/- should be inscribed on the Paper Currency notes and *mutatis mutandis* on the notes of higher denominations.
- (7) The duty of issuing Currency notes be transferred from the Government to the Imperial Bank of India.

THE END.

APPENDICES.

APPENDIX TO CHAPTER I

Classes, Sub-classes and Orders of Occupations of the Population.

Occupation	Total Supported.	ACTUAL WORKERS.			Occupation	Total Supported.	ACTUAL WORKERS.		
		Male.	Female.	Total.			Male.	Female.	Total.
A.—Production of raw materials	231,194,403	72,334,610	33,701,112	106,035,722	V.—Trade	18,114,622	5,576,979	2,472,406	8,049,385
I.—Exploitation of animals and vegetation ...	230,652,350	72,099,953	33,588,420	105,688,373	24. Banks, establishments of credit, exchange and insurance	993,492	289,665	55,470	345,135
1. Pasture and Agriculture	229,045,019	71,526,809	33,416,903	104,943,712	25. Brokerage, commission and export	242,628	86,026	4,786	90,812
(a) Ordinary cultivation	221,649,148	68,146,427	32,189,510	100,335,937	26. Trade in textiles	1,286,277	410,324	83,069	493,393
(i) Income from rent of agricultural land	9,986,419	2,690,177	1,036,528	3,726,705	27. „ skins, leather and furs	233,862	78,226	10,076	88,302
(ii) Ordinary cultivators	173,123,061	52,474,170	21,190,716	74,664,886	28. „ wood	227,667	71,565	33,655	105,220
(iii) Agents, managers of landed estates (not planters), etc.	614,751	239,010	29,229	268,239	29. „ metals	64,688	20,784	4,141	24,925
(iv) Farm servants and field labourers ...	37,924,917	11,743,070	9,933,037	21,676,107	30. „ pottery, bricks and tiles	62,497	18,149	15,422	33,571
(b) Growers of special products and market gardening	2,460,042	846,747	602,775	1,449,522	31. „ chemical products	120,028	40,337	9,907	50,244
(c) Forestry	483,833	170,045	78,927	248,972	32. Hotels, cafes, restaurants, etc	706,332	224,264	124,780	349,044
(d) Raising of farm stock	4,425,907	2,356,238	541,413	2,897,651	33. Other trade in foodstuffs	9,282,651	2,788,559	1,469,164	4,257,723
(e) Raising of small animals	26,089	7,352	4,278	11,630	34. Trade in clothing and toilet articles ...	284,868	100,501	16,263	116,764
2. Fishing and hunting	1,607,331	573,144	171,517	744,661	35. Trade in furniture	173,188	54,337	18,029	72,366
II.—Exploitation of minerals	542,053	234,657	112,692	347,349	36. „ building materials	76,810	25,038	13,630	38,668
3. Mines	398,968	179,783	85,489	265,272	37. „ means of transport	331,900	123,135	11,483	134,618
4. Quarries of hard rocks	74,945	31,611	14,026	45,637	38. „ fuel	519,296	132,432	175,725	308,157
5. Salt, etc.	68,140	23,263	13,177	36,440	39. „ articles of luxury and those pertaining to letters and the arts and sciences	459,868	144,596	54,035	198,631
B.—Preparation and supply of material substances	55,612,694	18,027,943	7,717,215	25,745,158	40. Trade of other sorts	3,048,570	969,041	372,771	1,341,812
III.—Industry	33,167,018	10,685,372	5,040,001	15,725,373	C.—Public Administration and Liberal Arts ...	9,846,050	3,663,774	451,436	4,115,210
6. Textiles	7,847,829	2,455,296	1,575,378	4,030,674	VI.—Public Force	2,181,597	993,150	46,388	1,039,538
7. Hides, skins and hard materials from the animal kingdom	731,124	250,211	59,902	310,113	41. Army	757,383	436,720	3,631	440,351
8. Wood	3,613,583	1,239,192	341,814	1,581,006	42. Navy	571	217	33	250
9. Metals	1,802,208	637,625	87,602	725,227	43. Air Force	1,033	853	3	856
10. Ceramics	2,215,041	743,453	341,882	1,085,335	44. Police	1,422,610	555,360	42,721	598,081
11. Chemical products properly so-called and analogous	1,194,263	372,987	204,217	577,204	VII.—Public Administration	2,643,882	931,340	74,006	1,005,346
12. Food industries	3,100,361	733,059	921,405	1,653,464	VIII.—Professions and Liberal Arts	5,020,571	1,739,284	331,042	2,070,326
13. Industries of dress and the toilet	7,425,213	2,498,204	905,638	3,403,842	45. Religion	2,457,614	892,213	149,246	1,041,459
14. Furniture industries	27,065	10,382	1,684	12,066	46. Law	336,510	96,992	1,075	98,067
15. Building industries	1,753,720	607,942	204,003	811,945	47. Medicine	659,553	177,006	78,520	255,526
16. Construction of means of transport ...	52,793	22,081	813	22,894	48. Instruction	805,228	300,698	35,845	336,543
17. Production and transmission of physical forces (heat, light, electricity, motive-power, etc.)	24,881	9,814	1,700	11,514	49. Letters and arts and sciences	761,636	272,375	66,356	338,731
18. Other miscellaneous and undefined industries.	3,378,937	1,106,126	393,963	1,500,089	D.—Miscellaneous	19,402,084	6,583,516	3,933,956	10,517,472
IV.—Transport	4,331,054	1,765,592	204,808	1,970,400	IX.—Persons living principally on their income	479,835	133,450	50,809	184,259
19. Transport by air	629	335	...	335	X.—Domestic Service	4,570,151	1,710,157	821,709	2,531,866
20. „ by water	745,399	336,406	13,315	349,721	XI.—Insufficiently described occupations ...	11,098,566	3,574,556	2,372,157	5,946,713
21. „ by road	2,145,949	857,779	152,955	1,010,734	XII.—Unproductive	3,253,532	1,165,353	689,281	1,854,634
22. „ by rail	1,231,672	495,986	36,150	532,136	50. Inmates of jails, asylums and almshouses...	145,467	121,451	6,942	128,393
23. Post office, telegraph and telephone services	207,405	75,086	2,388	77,474	51. Beggars, vagrants and prostitutes	3,020,680	1,019,657	667,080	1,686,737
					52. Other unclassified non-productive industries	87,385	24,245	15,259	39,504

APPENDIX TO CHAPTER II.

APPENDIX TO

Table 1—Agricultural Production

Crops.					Area under Cultivation.
Food Crops A.	1.	Rice	...	...	78,908,000
	2.	Wheat	...	...	22,686,000
	3.	Barley	...	...	7,206,000
	4.	Jawar	...	...	21,405,000
	5.	Bajra	...	...	15,386,000
	6.	Ragi	...	...	4,376,000
	7.	Maize	...	...	6,167,000
	8.	Grain	...	...	9,297,000
	9.	Other food grains, and pulses			28,149,000
	10.	Sugar	...	...	2,712,000
	11.	Other food crops			8,188,000
Non-food Crops B.	12.	Oilseed, Linseed	...	...	2,264,000
	13.	Sesamum	...	...	4,279,000
	14.	Rape and Mustard	...	...	4,083,000
	15.	Ground-nut	...	...	463,000
	16.	Other Oil seeds			3,564,000
	17.	Cotton	...	...	15,844,000
	18.	Jute	...	...	3,136,000
	19.	Other fibres	...	...	915,000
	20.	Indigo	...	...	169,000
	21.	Opium	...	...	170,000
	22.	Coffee	...	...	86,000
	23.	Tea	...	...	572,000
	24.	Tobacco	...	...	1,002,000
	25.	Fodder Crops	...	...	8,910,800
	26.	Other non-food crops			1,651,000

* These figures are
From Wadia & Joshi'

CHAPTER II.

and its valuation in 1913-14.

Yield per acre in lbs.	Total production in lbs.	Average price per lb. in Rupees.	Total value of production in Rupees.	TOTAL.
1005	77,292,540,000	0 0 11	4,42,82,18,437	796,58,76,591
814	18,465,590,000	0 0 9	86,55,74,531	
877	6,819,662,000	0 0 6	19,74,89,437	
904	19,350,120,000	0 0 7	70,54,73,125	
1147	17,646,595,000	0 0 8	73,52,64,791	
728	3,185,728,000	0 0 7	11,61,46,333	
986	6,080,662,000	0 0 6	19,00,20,687	
688	6,396,336,000	0 0 6	19,98,85,500	
600*	16,889,400,000	0 0 6*	52,77,93,750	
2719	7,373,928,000	0 0 8	30,72,47,000	51,19,47,000
600	4,912,800,000	0 0 8	20,47,00,000	
860	815,040,000	0 1 1	5,51,85,000	43,70,89,160
273	1,168,067,000	0 1 6	10,95,15,656	
467	1,906,781,000	0 1 1	12,91,03,609	
1550	717,650,000	0 1 2	5,23,28,641	
350	1,247,400,000	0 1 2*	9,09,56,350	
98	1,552,712,000	0 0 6	63,07,89,250	
1263	3,960,768,000	0 2 8	66,01,28,000	
950	869,250,000	0 2 0*	10,86,56,250	1,81,50,80,531
18	3,042,000	1 14 3	57,51,281	
13'5	2,295,000	13 12 0	3,15,56,250	
350	30,100,000	0 7 0	1,31,68,750	
306	175,032,000	0 6 0	6,56,37,000	
1400	1,402,800,000	0 2 6	21,91,87,500	
800*	4,728,000,000	0 0 2	4,92,50,000	
600*	990,600,000	0 0 6*	3,09,56,250	
			Rupees Deduct 20%	1,072,99,93,282
				214,59,98,656
				8,58,39,94,626

overestimated.

'Wealth of India.'

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Table 2—Mineral Production and Valuation in 1913-14.

NAME.		Total Production.	Total Value in Rupees.	TOTAL.
1. Coal	Tons. ...	16,208,000	5,70,00,000	
2. Iron ore	" ...	366,180	6,00,000	
3. Manganese Ore	" ...	815,000	1,80,00,000	
4. Wolfram	" ...	1,688	19,00,000	
5. Chromite	" ...	5,800	86,000	
6. Tin Ore	" ...	170	2,00,000	
7. Gold	oz. ...	595,000	2,43,50,000	
8. Silver	" ...	125,000	2,30,000	
9. Lead	Tons. ...	5,800	10,72,000	
10. Mica	Cwt. ...	45,000	17,30,000	
11. Salt	Mds. ...	1,473,000	81,21,000	
12. Petroleum	Gls. ...	277,550,000	1,55,10,000	
13. Jade Stone	Cwt. ...	8,812	5,42,000	
14. Rubies, Sapphires, etc., Carats.		278,706	8,33,000	
15. Monazite	Tons. ...	1,635	6,30,000	
16. Saltpetre	Cwt. ...	301,000	32,00,000	
17. Graphite	Tons. ...	4,048	1,41,000	14,40,86,000
Deduct 20 per cent.	...			2,88,19,000
Net valuation	...			11,52,76,000

From Wadia and Joshi's 'Wealth of India.'

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Table 3—Valuation of various Products not mentioned in other Tables in 1913-14.

NAME.	Value in Rupees.	REMARKS.
1. Hides and Skins	4,00,00,000	Assuming that exports constitute 80 per cent. of the total production.
2. Manures ...	1,18,00,000	" " "
3. Wool ...	3,11,00,000	" " "
4. Silk. ...	30,90,000	" " "
5. Poultry Products	25,00,000	" " "
6. Fisheries ...	5,94,68,750	At four annas per head for 275 days for 865,000 persons.
7. Valuation of products worked by artisans, and earnings of labourers engaged in trade and transport.	1,39,50,00,000	At four annas per head per day for 310 days for 18,000,000 persons.
	154,29,58,750	

From Wadia and Joshi's 'Wealth of India.'

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Table 4—Valuation of the Produce of the Live Stock, 1917-18.

Kind.				Numbers.	Value per day.	Value per year.	Total Annual Value.
					Rs. A. P.	Rs. A. P.	
1.	Bulls and Bullocks	...	...	49,332,000	0 1 6	25 12 6	161,87,15,625
2.	Cows	...	...	37,471,000	0 1 6	25 12 6	96,60,49,318
3.	Bull Buffaloes	...	...	5,583,000	0 1 6	25 12 6	14,39,36,718
4.	Cow Buffaloes	...	...	13,653,000	0 1 6	25 12 6	35,19,91,406
5.	Young Cows and Buffaloes	...	...	43,078,000	.....	.....	.....
6.	Camels	...	...	600,000	0 2 0	24 6 0	1,71,87,500
7.	Sheep	...	...	22,894,000	0 0 4	5 11 8	13,11,63,542
8.	Goats	...	...	83,166,000	0 0 4	5 11 8	18,86,69,854
9.	Donkeys	...	...	1,534,000	0 0 6	8 9 6	1,31,82,812
10.	Horses and ponies	...	...	1,681,000	0 2 0	24 6 0	5,77,84,875
11.	Mules	...	...	71,000	0 1 6	25 12 6	18,30,468
							349,06,11,518
Deduct total of Nos. 1, 2, 6, 8, 9 and 10							203,94,76,884
Net valuation							145,10,34,634

From Wedie and Joshi's 'Wealth of India'.

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Table 5—Valuation of Manufactures in 1913-14.

Nos.	NAME.	Value in Rupees.
1	Commercial Crops.*	1,81,50,80,000
2	Mineral production	14,40,95,000
3	Other products used for manufacture (Table IV).†	8,84,90,000
		3,04,76,65,000
	Net valuation of manufactures at 20 per cent. of the gross total of raw materials, etc.	40,95,33,000

* See Table 2 for this figure, made up by non-food crops items, Nos. 17—28.

† We arrive at this figure by means of Table 3, taking into account the figures for hides and skins, manures, wool and silk.

From Wadia and Joshi's 'Wealth of India.'

APPENDIX TO CHAPTER II

TABLE 6.

(A) *Agricultural Income of British India, 1920-21.*

Crop.			Area.	Outturn.	Value.*	Percent- age to total.
			Acres.	Tons,	Lakhs of Rs.	
Rice	...	...	78,120,270	27,587,340	511.27	29.8
Wheat	...	...	20,367,787	5,848,189	110.30	6.4
Barley	...	...	6,268,171	2,536,680	30.76	1.6
Jowar	...	...	22,699,318	3,543,535	66.32	3.3
Bajri	...	...	12,002,023	1,806,312	30.53	1.6
Ragi	...	...	4,238,967	1,523,208	19.07	1.1
Maize	...	...	6,205,920	2,065,167	28.01	1.6
Gram	...	...	9,463,232	2,371,972	38.49	2.3
Other food-grains	...	...	27,533,165	4,084,706	74.23	4.2
Total food-grains	...	...	186,889,843	51,167,169	899.08	52.4
Sugarcane	...	...	2,540,920	2,433,108	74.26	4.3
Other Sugar	...	...	164,853	250,576	14.18	0.8
Total Sugar	...	...	2,705,773	2,683,684	88.44	5.1
Condiments of spices	...	...	1,234,101	667,063	22.24	1.3
Fruits and vegetables	...	...	5,171,983	.....	85.85	5.0
Miscellaneous food	...	...	1,104,375	.....	21.42	1.3
Tea	...	...	660,751	143,939	13.11	0.8
Coffee	...	...	95,501	8,611	1.07	0.1
Tobacco	...	...	332,482	445,207	21.29	1.2
Opium	...	...	123,834	669	.65	...
Indian Hemp...	...	...	2,035	454	.11	...
Cinchona	...	...	6,057	892	.9	...
Other drugs	...	...	218,182	.....	2.09	0.1
Total drugs and narcotics	...	...	2,038,842	.....	38.41	2.2
Total food-crops	...	...	199,244,917	...	155.44	67.3
Cotton	...	...	14,114,276	439,777	31.97	1.9
Jute	...	...	2,472,938	1,054,922	19.26	1.1
Other fibres	...	...	728,815	239,413	10.11	0.6
Total fibres	...	...	17,316,029	1,734,112	61.34	3.6
Linseed	...	...	1,496,139	185,031	4.26	0.3
Sesamum	...	...	3,591,919	351,032	10.69	0.6
Rape and Mustard	...	...	2,979,484	508,768	11.87	0.7
Cotton seed	...	...	14,114,276	1,026,146	10.70	0.6
Groundnut	...	...	2,123,962	1,014,359	28.91	1.7
Other oil seeds	...	...	2,178,888	447,531	10.91	0.6
Total Oil Seeds	...	...	26,484,668	3,532,867	77.34	4.6

(A) Agricultural Income of British India, 1920-21—contd.

Crop.	Area.	Outturn.	Value.	Percentage to total.
	Acres.	Tons.	Lakhs of Rs.	
Indigo	241,461	2,154	2,67	0.2
Other dyes	487,889	.....	5,12	0.3
Total dyes	721,350	.....	7,79	0.5
Rubber	75,000	2,062	73	...
Miscellaneous non-food ...	1,089,483	.....	5,45	0.3
Straw	133,180,398	58 275,265	79,32	4.6
Fodder	8,108,016	.....	34,77	2.0
		Mds.		
Milk ... ..	.....	290,665,151	278,75	16.3
Wool ... ..	.....	551,865	1,24	0.1
Hides ... ..	.....	37,716	6,55	0.4
Forest produce ... ..	.....	.....	6,22	0.4
GRAND TOTAL	2,88,933,187	.....	1714,94	100.0

*The valuation of the produce was done separately for each province, the annual average wholesale prices of commodities in that province being taken. This will be clear from the following table giving the provincial data for 1921-22. Native States are excluded

PROVINCE.	Value (Rupees Lakhs).	Percentage to Total.	Per Capital Value.
			Rs.
United Provinces	332,32	16.8	73.27
Madras	294,99	14.9	69.3
Bengal	281,76	14.2	60.8
Bihar and Orissa	274,67	13.8	80.9
Punjab and Delhi	226,25	11.4	105.8
Bombay and Sindh	207,93	10.5	107.7
Burma	142,20	7.2	120.1
Central Provinces and Behar ...	139,26	7.0	100.0
Assam	60,09	3.0	79.8
Others	23,94	1.2	75.8
TOTAL	1,983,41	190.0	80.9

A lakh (100,000) of Rs. £6,667. A crore equals Rs. 100 lakhs = £666,667. The area Cotton Seeds is the same as for Cotton and hence this is not included in the grand total of area.

APPENDIX TO CHAPTER II.

TABLE 7.

(B) *Agricultural Income of British India, 1921-22.*

CROP.	Area.	Outturn.	Value.*	Percentage to Total.
	Acrea.	Tons.	Lakhs of Rs.	
Rice	79,699,870	32,764,528	676.86	29.1
Wheat	22,403,559	8,288,857	175.93	8.0
Barley	7,356,429	3,154,794	38.60	1.6
Jowar	24,314,263	5,155,769	80.50	4.1
Bajri	15,900,829	2,273,077	39.45	2.0
Ragi	4,211,067	1,593,889	18.97	1.0
Maise	6,334,705	2,456,317	31.63	1.6
Gram	15,054,855	4,457,963	70.66	3.6
Other food-grains ...	26,615,231	5,405,688	90.23	4.6
Total food-grains ...	204,790,808	65,550,890	11,02.83	55.7
Sugarcane	2,363,436	2,295,756	64.59	3.1
Other Sugar	158,740	241,284	12.82	0.6
Total Sugar	2,522,176	2,537,040	77.41	3.6
Condiments and Spices	1,412,359	706,182	23.45	1.1
Fruits and vegetables	5,537,462	.....	96.87	4.4
Miscellaneous food crops.	1,244,970	.....	24.15	1.1
Tea	713,379	116,638	15.15	0.7
Coffee	96,611	7,798	90	...
Tobacco	1,050,685	501,754	23.91	1.1
Opium	122,888	664	65	...
Cinchona	6,538	963	7	...
Other drugs	256,318	.....	2.47	0.1
Total drugs and narcotics.	2,246,919	.....	43.15	2.1
Total food-crops ...	217,754,694	.....	12,87.98	69.4
Cotton	11,665,395	501,685	35.80	1.4
Jute	1,505,527	709,679	11.31	0.5
Other fibres	697,860	229,284	7.04	0.3
Total fibres	13,868,712	1,440,612	53.95	2.1

(xi)

TABLE 2—*contd.*

Crop.	Area.	Outturn.	Value.	Percentage to Total.
	Acres.	Tons.	Lakhs of Rs.	
Linseed... ..	2,053,858	311,680	5,48	0.3
Sesamum	3,707,066	363,323	8,46	0.4
Rape and Mustard...	3,721,813	661,265	13,04	0.7
Cotton seed	11,665,395	1,170,658	12,49	0.6
Groundnut	2,061,199	1,005,526	26,76	1.3
Other Oil seeds	2,652,634	545,685	11,19	0.6
Total Oil seeds	25,861,965	4,058,137	77,42	3.9
Indigo	328,829	3,182	3,94	0.2
Other dyes	525,248	.....	5,52	0.3
Total dyes	854,007	.....	9,46	0.5
Rubber	75,500	1,857	29	...
Miscellaneous non-food.	941,653	.....	4,71	0.2
Straw	142,218,521	74,428,171	101,30	5.1
Fodder	8,593,880	.....	42,97	2.2
Milk ... ..	.....	(Mds.) 290,665,151	310,36	15.6
Wool ... ..	.....	551,865	1,23	0.1
Hides ... ..	.....	69,371	7,46	0.4
Forest produce ... ..	.....	... ..	6,40	0.3
GRAND TOTAL	256,285,356	.....	19,83,41	100.0

*See footnotes on previous table.

APPENDIX TO CHAPTER II.
TABL 8.

*(C) Non-Agricultural and Industrial Income of British
India, 1921-1922.*

Occupation.			Number of actual Workers.	Approximate Annual Earnings per Worker.	Aggregate Annual Earnings.
			Millions.	Rs.	Rs. crores.
Industry	...	...	15.7	240	375
Mines	...	...	2	180	4
Transport	...	...	2.0	300	60
Trade	...	...	8.0	500	400
Public administration	...	...	1.0	150	15
Public force	...	...	1.0	150	15
Professions and the liberal arts	...	...	2.1	500	100
Domestic service	...	...	2.5	200	50
Total	...	...	32.5	.....	1,019

‘Tables 6, 7 and 8 from N. W. Shiras’ ‘Science of Finance.’

APPENDIX TO CHAPTER III.

Value of the Total Trade.

						1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.	1922-23.	1923-24.
						Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)	Rs. (1,000)
Sea Borne Trade.															
Imports—															
Private Merchandise	...	...	...	...	...	1,37,92,90	1,31,98,62	1,49,63,53	1,50,42,51	1,69,03,41	2,07,97,24	3,35,59,88	2,66,34,63	2,32,70,77	2,27,61,13
Government Stores	...	...	...	...	...	7,00,18	6,18,31	10,61,37	13,92,98	19,52,63	13,73,00	11,97,55	16,25,12	13,48,47	9,57,19
Total Merchandise						1,44,93,08	1,38,16,93	1,60,24,90	1,64,35,49	1,88,56,24	2,21,70,24	3,47,57,43	2,82,59,75	2,46,19,24	2,37,18,32
Treasure—															
Private	...	...	...	...	...	21,77,04	11,85,52	14,89,74	26,05,48	1,22,10	11,12,32	23,41,65	31,14,97	63,04,40	52,20,27
Government	...	...	...	...	...	3,79	9,10	23,55,52	25,70,95	70,14,45	67,11,57	11,34,70	14,93	53,56	1,00,13
Total Treasure						21,80,83	11,94,62	38,45,26	51,76,43	71,36,55	78,23,89	34,76,35	31,29,90	63,57,96	53,20,40
Total Imports						1,66,73,91	1,50,11,55	1,98,70,16	2,16,11,92	2,59,92,78	2,99,94,13	3,82,33,78	3,13,89,65	3,09,77,20	2,90,38,72
Exports—															
Private Merchandise—															
Indian Produce and Manufactures	...	...	...	...	...	1,77,48,50	1,92,56,07	2,37,09,87	2,33,44,28	2,39,32,51	3,12,27,89	2,40,01,23	2,31,38,01	2,99,16,19	3,48,83,61
Foreign Produce and Manufactures	...	...	...	...	...	4,10,67	4,90,17	8,11,84	9,12,19	14,55,63	17,77,80	18,15,74	14,06,34	15,16,33	18,07,48
Total Private Merchandise						1,81,59,17	1,97,46,24	2,45,21,71	2,42,56,47	2,93,88,14	3,30,05,69	2,58,16,97	2,45,44,35	3,14,32,52	3,61,91,09
Government Stores	...	...	...	...	...	5844	2,10,02	2,16,04	2,33,94	1,42,81	5,96,48	9,59,82	3,21,41	1,74,65	1,46,55
Total Merchandise						1,82,17,61	1,99,56,26	2,47,37,75	2,44,90,41	2,55,30,95	3,36,02,17	2,67,76,79	2,48,65,76	3,18,07,17	3,63,37,64
Treasure—															
Private	...	...	...	...	...	3,30,33	7,42,58	4,94,16	5,43,10	2,68,83	7,51,96	25,80,15	18,99,32	2,78,13	3,55,41
Government	...	...	...	...	...	1,98,61	80,00	1,47,56	2,11,29	6,32,21	6,16,02	36,98	7,41	23,59	11,92
Total Treasure						5,28,94	8,22,58	6,41,72	7,54,39	9,01,04	13,67,98	26,17,13	10,06,73	3,01,72	3,67,33
Total Exports						1,87,46,55	2,07,78,84	2,53,79,47	2,52,44,86	2,64,31,99	3,49,70,15	2,93,33,92	2,67,72,49	3,19,08,89	3,67,04,97
Total Sea-borne Trade						3,54,20,46	3,57,90,39	4,52,49,63	4,68,56,72	5,24,24,78	6,49,64,28	6,76,27,70	5,81,62,14	6,28,86,00	6,57,43,60
Net Exports of Merchandise	...	...	...	...	...	37,24,53	61,39,33	87,12,85	80,54,92	66,74,71	1,14,31,93	79,80,64(a)	33,93,99(a)	69,87,93	1,26,19,32
Net Imports of Treasure	...	...	...	...	...	16,51,89	3,72,04	32,03,54	44,22,04	62,35,51	64,55,91	8,59,22	12,23,17	60,56,24	49,53,07
Excess of Exports	...	...	...	...	...	20,72,64	57,67,29	55,09,31	36,32,88	4,39,20	49,76,02	88,39,86(b)	46,17,16(b)	9,31,69	76,66,25
Land Frontier Trade.															
Imports—															
Merchandise	...	...	...	...	...	10,04,79	10,52,08	10,77,78	13,09,42	13,28,98	14,85,04	16,02,20	15,11,67	16,10,96	17,77,39
Treasure	...	...	...	...	...	1,37,14	1,46,12	2,03,24	1,65,65	2,67,53	2,17,27	2,14,20	2,05,63	2,16,83	2,18,28
Total Imports						11,41,93	11,98,20	12,81,02	14,75,07	15,96,51	17,02,31	18,16,40	17,17,30	18,27,79	19,95,67
Exports—															
Merchandise	...	...	...	...	...	8,51,82	8,65,84	9,58,67	12,32,50	13,69,27	15,27,08	15,18,78	12,58,35	14,68,97	15,72,41
Treasure	...	...	...	...	...	97,63	84,49	75,61	93,93	1,18,29	64,46	62,32	54,78	51,46	55,23
Total Exports						9,49,45	9,50,33	10,34,28	13,26,43	14,87,56	15,91,54	15,81,10	18,12,78	15,20,43	16,27,64
Total Land Trade						20,91,38	21,48,53	23,15,30	28,01,50	30,84,07	32,93,85	33,97,50	30,30,08	33,48,22	36,23,31*

NOTE.—Imports are classified as received from the countries whence they were consigned to India. Exports are credited to the country of final destination, whether that country possesses a sea-board or not.

(a) Net imports.

(b) Excess of imports.

*Exclusive of the figures of the North-West Frontier Province for the months, July 1923, to February 1924, for which returns were not received.

Appendix to Chapter V.

Whole rupees coined and issued from the Indian Mints from 1835.

Calender years.	Coined in Calcutta.	Coined in Madras.	Coined in Bombay.	Total Coined.
	Rs.	Rs.	Rs.	Rs.
William IV, 1805	10,90,88,070	11,78,000	5,37,12,502	16,39,78,572
Victoria, 1840, 1st issue	17,99,34,670	2,18,98,181	10,98,38,073	31,16,70,924
" 1840, 2nd "	39,85,53,660	5,50,49,201	31,29,58,076	76,65,60,939
" 1862	26,94,27,222	2,94,81,923	40,80,03,034	70,69,12,179
" 1874	1,50,13,834	...	2,85,08,566	4,35,22,400
" 1875	1,16,31,651	...	1,93,59,597	3,09,91,548
" 1876	1,20,01,264	...	2,89,49,037	4,09,50,301
" 1877	3,92,51,692	...	9,55,54,320	13,48,06,012
" 1878	3,26,51,837	...	6,39,27,196	9,65,85,033
" 1879	1,59,28,325	...	7,27,99,904	8,87,28,229
" 1880	1,83,99,894	...	5,37,85,624	7,21,85,518
" 1881	24,35,719	...	31,61,858	55,97,577
" 1882	1,50,90,289	...	5,63,97,278	7,14,87,567
" 1883	51,23,372	...	1,80,22,789	2,31,46,161
" 1884	1,16,41,757	...	3,68,46,570	4,84,88,327
" 1885	3,41,52,203	...	6,48,78,000	9,90,30,203
" 1886	1,08,77,075	...	4,11,46,457	5,20,24,532
" 1887	4,02,00,148	...	4,84,00,000	8,86,00,148
" 1888	75,68,000	...	6,32,00,000	7,07,68,000
" 1889	93,68,310	...	6,53,00,000	7,46,68,310
" 1890	2,47,41,865	...	9,29,00,000	11,76,41,865
" 1891	1,46,69,903	...	4,95,00,000	6,41,69,903
" 1892	3,24,55,120	...	7,22,00,000	10,46,55,120
" 1893	91,40,310	...	6,95,90,000	(a) 7,87,30,310
" 1897	4,70,185	...	10,54,593	(b) 15,24,777

(a) Includes Rs. 5,90,000 coined for the Bikaner State.

(b) On account of Kashmir and Bhopal re-coinage.

Appendix to Chapter V.

Whole rupees coined and issued from the Indian Mints from 1835—contd.

Calendar years.	Coined in Calcutta	Coined in Madras,	Coined in Bombay.	Total coined.
	Ra.	Ra.	Ra.	Ra.
Victoria, 1898	12,50,976	...	62,68,437	(c) 75,19,413
" 1900	5,29,02,591	...	6,52,36,908	(d) 11,81,39,499
" 1901	3,37,22,243	...	7,54,13,718	(e) 10,91,35,961
" 1901 coined in 1902	3,82,94,744	...	5,48,44,740	(f) 9,31,39,384
Edward VII, 1903 ditto ...	25,000	...	...	25,000
" " 1903	4,93,78,355	...	5,29,69,151	(g) 10,23,47,506
" " 1904	5,83,38,617	...	10,19,40,291	(h) 16,02,78,908
" " 1905	5,12,57,883	...	7,62,02,223	(i) 12,74,60,106
Edward VII, 1906	10,47,97,186	...	15,89,53,269	(j) 26,37,50,433
" " 1907	8,13,38,000	...	17,09,11,816	(k) 25,22,40,816
" " 1908	2,02,17,728	...	1,07,14,770	3,09,32,491
" " 1909	1,27,58,580	...	95,38,746	(l) 2,22,97,326
" " 1910	85,00,000	...	91,88,673	1,76,88,673
" " 1910 coined in 1911	41,27,013	...	16,96,273	58,23,286

(c) On account of Kashmir and Bhopal re-coinage.

(d) Includes Ra. 2,09,02,414 coined for Indian States

(e) " Ra. 1,90,43,904 coined for Indian States.

(f) " Ra. 2,98,86,014 coined for Indian States.

(g) " Ra. 11,68,451 coined for Indian States.

(h) " Ra. 5,94,221 coined for Indian States.

(i) " Ra. 3,28,000 coined for Indian.

(j) Includes Ra. 8,90,310 coined for Indian States and Ra. 167 lakhs (Calcutta Ra. 33 lakhs and Bombay Ra. 135 lakhs) coined from Gold Standard Reserve Silver.

(k) " Ra. 94,766 coined for Indian States and Ra. 433 lakhs (Calcutta Ra. 165 lakhs and Bombay Ra. 265 lakhs) coined from Gold Standard Reserve Silver.

Appendix to Chapter V.

Whole rupees coined and issued from the Indian Mints from 1835- contd.

Calendar years.				Coined in Calcutta.	Coined in Madras.	Coined in Bombay.	Total Coined.
				Rs.	Rs.	Rs.	Rs.
George V,	1911	...	...	42,99,924	...	51,43,125	84,43,049
"	"	1912	...	4,51,22,132	...	7,90,67,074	(m) 12,41,89,206
"	"	1913	...	7,58,00,163	...	8,74,65,788	(n) 16,32,65,951
"	"	1914	...	3,31,00,350	...	1,52,70,000	4,83,70,150
"	"	1915	...	98,00,139	...	53,71,979	1,52,72,118
"	"	1916	...	11,50,01,210	...	2,79,00,000	21,29,00,210
"	"	1917	...	11,32,00,217	...	15,15,82,659	26,47,82,876
"	"	1917	coined in 1918	17,74,025	...	...	17,74,025
"	"	1918	...	20,13,16,240	...	21,05,50,363	11,15,71,603
"	"	1918	coined in 1919	40,94,006	...	...	40,94,006
"	"	1919	...	19,68,06,224	...	22,67,06,054	42,35,12,278
"	"	1919	coined in 1920	1,44,00,031	...	...	1,44,00,031
"	"	1920	...	3,86,00,085	...	5,59,36,544	9,45,36,629
"	"	1920	coined in 1921	64,00,064	...	...	64,00,064
"	"	1920	coined in 1922	4,64,000	...	...	5,64,000
"	"	1920	coined in 1923	49,36,050	...	...	49,36,050
"	"	1921	...	...	...	51,15,121	51,15,121
"	"	1922	...	...	...	20,51,150	20,51,150
TOTAL				3,70,20,50,128	10,76,07,805	3,66,60,32,346	6,47,56,95,779

(m) Includes Rs. 16,50,250 coined for Indian States.

(n) " Rs. 12,78,441 coined for Indian States.

Appendix to Chapter V.

*Total value of imports and exports of silver coin and bullion in each official year
from 1900-1901 to 1924-1925.*

Year.	IMPORTS OF SILVER.			EXPORTS OF SILVER.		
	Government of India Rs.	Other Coin and Bullion.	TOTAL.	Government of India Rs.	Other Coin and Bullion.	TOTAL.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1900-1901	52,43,615	12,15,43,306	12,67,87,421	1,40,20,285	1,76,94,815	3,17,15,100
1901-1902	87,98,295	11,41,39,711	12,29,38,006	1,23,05,578	2,87,04,085	5,10,09,663
1902-1903	50,64,362	11,68,00,512	12,18,64,874	1,15,75,228	4,07,23,124	5,22,98,352
1903-1904	83,09,362	17,54,72,986	18,37,82,378	1,42,02,089	3,40,74,625	4,82,76,714
1904-1905	62,18,732	17,07,43,237	17,69,61,969	1,22,83,145	2,09,44,100	4,32,27,245
1905-1906	32,58,093	16,57,62,318	16,90,20,411	1,10,81,420	7,08,798	1,17,90,218
1906-1907	72,14,271	25,32,50,024	26,04,64,295	1,99,92,165	4,16,937	2,04,09,102
1907-1908	1,20,83,930	20,32,34,640	21,53,18,570	1,62,35,680	44,00,194	2,06,35,874
1908-1909	68,51,093	13,45,48,274	14,33,99,367	1,17,50,767	1,09,64,045	2,27,14,812

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1909-1910	...	44,45,256	12,04,79,260	12,49,24,516	183,85,706	1,20,89,587	3,04,75,293
1910-1911	...	42,43,665	11,41,89,840	11,84,33,505	2,14,90,963	1,06,39,680	3,21,30,645
1911-1912	...	39,12,885	11,58,59,535	11,97,72,420	1,52,62,890	5,11,37,865	6,64,00,755
1912-1913	...	66,42,675	19,87,66,995	20,54,09,670	1,86,56,940	1,47,64,980	3,34,21,920
1913-1914	...	85,71,810	14,35,60,605	15,21,32,415	1,91,67,930	26,34,840	2,18,02,770
1914-1915	...	78,80,535	10,31,64,465	11,10,45,000	2,19,17,635	4,12,635	2,23,30,290
1915-1916	...	34,87,605	6,31,64,465	6,66,45,507	1,79,45,970	4,03,330	1,83,49,800
1916-1917	...	68,67,190	24,52,81,110	25,11,48,300	4,47,36,000	1,84,10,865	6,31,46,865
1917-1918	...	87,00,810	21,79,93,050	22,66,93,860	2,53,24,995	1,09,50,795	3,62,75,790
1918-1919	—	14,85,335	68,94,56,580	69,08,91,915	72,49,005	44,53,230	1,17,02,235
1919-1920	...	13,16,324	29,85,56,659	29,98,72,983	44,91,400	30,93,108	75,84,508
1920-1921	...	1,22,27,575	9,89,54,230	11,11,81,805	2,36,38,767	1,84,18,150	4,70,56,917
1921-1922	...	3,42,34,806	14,05,51,799	17,47,86,105	66,97,096	1,71,27,200	2,38,24,296
1922-1923	...	1,09,73,724	19,84,59,145	20,94,32,869	1,57,00,800	1,01,85,413	2,58,86,213
1923-1924	—	(Details not	available).	22,10,27,280	(Details not	available).	3,40,47,193
1924-1925	—	"	"	34,28,07,337	"	"	4,20,66,671

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Appendix to Chapter V.

Total value of imports and exports of gold coin and bullion in each official year from 1900-01 to 1924-25.

Year	IMPORTS OF GOLD.			EXPORT OF GOLD.		
	Bullion.	Sovereigns and other British gold Coin.	Total.	Bullion.	Sovereigns and other British gold Coin.	Total.
	Rs.	Rs	Rs	Rs	Rs.	Rs.
1900-1901	5,16,34,476	6,73,45,721	11,89,80,197	10,06,02,189	99,56,707	11,05,58,846
1901-1902	3,03,15,375	5,27,59,971	8,30,77,346	3,72,74,700	2,64,24,240	4,36,98,940
1902-1903	4,47,36,163	8,71,87,514	13,19,23,677	3,28,90,468	1,14,87,530	4,43,78,018
1903-1904	7,16,35,211	12,98,43,463	20,14,78,694	3,67,96,858	6,53,66,239	10,21,62,097
1904-1905	8,77,70,365	13,03,49,416	21,81,19,781	3,53,95,929	8,57,64,993	12,10,60,922
1905-1906	8,77,72,452	5,99,17,270	14,75,89,722	3,63,17,742	10,65,92,094	14,28,00,836
1906-1907	10,49,20,065	8,04,03,754	18,53,23,819	3,06,23,179	61,50,245	3,67,73,424
1907-1908	11,08,38,907	9,66,87,500	20,75,26,407	3,36,70,880	1,78,247	3,38,49,127
1908-1909	6,78,55,075	1,61,87,235	8,40,42,310	3,36,74,937	68,12,716	4,04,37,653
1909-1910	11,16,95,760	13,86,14,457	25,03,10,218	3,30,98,212	4,18,898	3,35,17,110

APPENDIX OT CHAPTER VII.

Table No. I—Expenditure (charged against Revenue) and Receipts in England, in Sterling.

EXPENDITURE.	1914-15.	1915-16.	1916-17.	1917-18.	1918-19.	1919-20.	1920-21.	1921-22.		1922-23.		1923-24.	
								Central.	Provincial.	Central.	Provincial.	Central.	Provincial.
	£	£	£	£	£	£	£	£	£	£	£	£	£
Interest on Debt (other than that charged to Railways and Irrigation Works), and on other obligations.	2,246,224	2,316,620	2,106,137	6,161,537	4,636,721	3,784,157	3,335,656	3,493,143	...	4,922,002	...	6,269,238	...
Management of Debt (<i>Payments to the Banks of England and Ireland</i>).	60,944	63,569	60,522	60,662	60,238	60,032	59,984	82,538	...	105,676	...	101,276	...
Charges on account of Departments in India—													
Posts and Telegraphs: <i>Payments under Postal arrangement with H. M.'s Treasury.</i>	54,588	42,713	39,849	45,788	45,788	45,783	...	...	...	...	...	21,500	...
Indian and Indo-European Telegraphs: <i>Absentee Allowances and Passage Money of Officers, etc.</i>	9,054	—51,586	53,612	49,413	35,280	—45,155	—50,153	—123,051	...	115,494	...	36,773	...
Political (<i>Diplomatic Charges, etc.</i>)	5,918	5,721	16,473	32,611	17,863	32,788	29,951	78,825	...	55,225	...	—27,671	...
Other Charges (<i>Land Revenue; Forest; Mint; Law and Justice; Education; Ecclesiastical; Medical; Scientific, etc., and Miscellaneous</i>).	33,894	24,225	28,076	29,045	30,887	64,239	122,169	276,785	704,444	328,038	813,158	457,185	963,515
Railways—													
State Railways (<i>Interest, Annuities and Sinking Funds</i>).	9,195,888	9,378,190	9,471,639	9,549,899	9,366,566	9,383,540	8,657,232	10,142,172	...	10,154,276	...	10,199,669	...
Irrigation (<i>Interest</i>)	125,370	127,299	120,585	124,415	124,596	125,098	125,861	...	...	...	...	...	...
Public Works (<i>Furlough, Absentee Allowances, etc.</i>).	62,218	39,249	48,349	37,519	34,441	112,683	4,327	89,349	31,452	94,609	28,757	100,554	35,639
Military (including Marine) Charges—													
Effective—													
Payments to His Majesty's Exchequer for British Forces, etc.	930,620	829,251	930,700	930,700	872,200	911,700	2,032,787	2,068,078	...	1,702,000	...	1,799,700	...
Furlough Allowances	337,927	154,114	205,002	206,256	206,144	731,915	908,234	898,447	...	720,505	...	557,905	...
Troop Service and Passage Money	108,757	565,413	283,646	306,670	276,438	338,703	904,815	713,399	...	675,845	...	878,184	...
Other Charges	167,079	62,189	25,043	31,141	154,705	211,580	430,656	1,480,218	...	1,813,233	...	3,640,615	...
Non-effective—													
Payments to His Majesty's Exchequer (<i>Retired Pay, Pensions, etc., of British Forces</i>).	946,073	864,473	676,073	672,373	1,076,373	1,441,073	1,008,240	1,055,000	...	1,066,000	...	1,130,238	...
Pay and Pensions of Non-effective and Retired Indian Officers, etc.	1,388,072	1,314,478	1,248,155	1,185,429	1,155,976	1,224,610	1,784,909	1,876,307	...	1,941,554	...	2,091,017	...
Ditto Widows and Families, etc.	187,824	239,043	257,733	267,003	271,435	317,477	392,995	405,528	...	411,650	...	425,728	...
Marine—													
H. M. Ships in Indian Seas, etc.	100,034	100,000	100,000	100,000	100,000	100,000	100,000	100,000	...	100,039	...	100,040	...
Other Charges	33,759	23,676	28,383	27,703	33,457	59,759	72,334	92,804	...	88,587	...	82,054	...
Civil Charges—													
Establishment of the Secretary of State and of the High Commissioner for India, including the Auditor and his Staff, Store Department and Depot.	184,872	194,511	216,446	236,238	274,414	348,768	447,998	214,393*	...	273,520	...	191,129	...
Postage and Telegrams	7,643	7,749	9,683	14,024	14,125	14,009	18,757	18,168	...	19,942	...	9,132	...

NOTE.—Figures from 1920-21 include those on account of the High Commissioner for India.

*After deduction of £180,677, being the contribution by His Majesty's Treasury for 1921-22 and balance of contribution for 1920-21, and Departmental expenses amounting to £91,014 charged on Stores for the Central and Provincial Governments.

[Continued on next page.]

Table No. I—Expenditure (charged against Revenue) and Receipts in England, in Sterling—contd.

EXPENDITURE.	1914-5.	1915-16.	1916-17.	1916-18.	1918-19.	1919-20.	1920-21.	1921-22.		1922-23.		1923-24.	
								Central.	Provincial.	Central.	Provincial.	Central.	Provincial.
	£	£	£	£	£	£	£	£	£	£	£	£	£
Civil Charges—contd.													
Contingencies (Rates, Taxes, Coal, etc.) ...	14,656	14,256	14,727	20,433	24,245	23,500	39,774	77,482	...	63,314	...	29,827	...
Miscellaneous Home Charges ...	52,988	36,536	26,497	9,338	20,549	21,078	56,719	13,750	...	18,572	...	5,988	...
Furlough—													
Indian Civil Service ...	141,712	111,035	122,746	79,881	57,967	282,614	385,230	...	...	...	...	...	...
Military Officers in Civil Employ ...	101,178	48,266	42,002	31,281	27,458	99,500	205,283	...	...	...	...	...	...
Uncovenanted and Pilot Services ...	116,948	75,753	86,259	69,390	51,983	194,857	416,822	...	...	...	...	...	...
Pensions and Allowances—													
Territorial and Political ...	10,550	10,550	10,550	10,430	—7,678	17,811	10,703	11,553	...	11,563	...	12,374	...
Home Establishment Officers ...	42,215	45,364	34,785	36,889	36,189	48,264	46,912	67,971	...	46,129	...	51,505	...
Ditto. Widows and Families from Funds	13,998	14,070	13,298	13,164	13,495	13,400	12,366	12,792	...	12,234	...	12,251	...
Indian Officers for Distinguished Services, Judges, Uncovenanted Service and others.	628,368	602,137	593,592	579,954	574,909	671,702	651,528	691,007	56,373	659,456	...	655,420	...
Compassionate and other Allowances ...	17,211	15,193	15,026	15,060	14,733	15,792	17,228	14,914	...	20,116	...	18,597	...
Indian Service Funds (Annuities, Pensions, etc.)	1,381,227	1,369,875	1,351,522	1,323,490	1,299,507	1,298,247	1,349,549	1,290,738	14,603	1,376,260	45,958	1,220,518	82,845
Donations, Gratuities and Charities ...	2,576	353	2	39	534	...	2,270	258	...	559	...	1,154	...
Stores for India—													
Stationery and Printing for all Departments ...	105,818	103,703	109,933	119,580	93,582	178,163	258,352	142,479	29,091	136,127	103,884	145,173	76,246
Civil Departments ...	266,623	169,985	258,630	284,394	500,129	467,168	1,074,774	463,777	240,962	638,876	219,191	436,904	229,235
Marine Stores ...	83,598	136,324	292,935	230,443	440,354	729,896	401,154	213,884	...	76,313	...	68,717	...
Public Works (including Postal and Telegraph Stores).	171,280	163,597	210,723	190,698	147,596	583,106	956,028	1,006,748	6,666	393,627	55,510	247,172	27,131
Military (including Special Defence Works) ...	801,327	739,548	1,823,978	2,476,931	954,056	1,486,915	3,584,000	3,003,670	...	2,521,003	...	1,603,749	...
Miscellaneous Charges ...	89,498	47,652	212,316	505,286	583,242	146,511	109,071	431,507	151,631	129,806	15,117	148,915	18,339
Total Expenditure in England ...	20,208,598	20,109,094	21,145,627	26,065,057	23,629,495	25,541,288	30,964,509	30,405,432*	1,235,222*	30,463,162*	1,281,575*	32,723,530*	1,432,950*
RECEIPTS.													
Military Receipts ...	347,882	339,884	330,836	280,453	266,581	294,386	364,866	2,376,917	...	900,750	...	480,023	...
Receipts in aid of Superannuation Allowances and Pensions.	49,071	43,570	46,486	38,074	37,506	44,349	40,920	38,852	...	36,490	...	36,408	...
Receipts of Interest ...	182,129	204,084	275,258	1,306,807	2,775,240	3,042,551	1,452,343	250,214	...	174,067	...	1,608,315	...
Other Receipts ...	103,660	117,617	224,865	423,712	149,669	368,513	906,130	1,225,391	...	395,358	...	2,477,966	...
Total Revenue in England ...	682,742	705,155	877,445	2,049,046	3,228,996	3,749,799	2,764,259	3,891,374*	...	1,506,665*	...	4,602,712*	...
Net Expenditure in England ...	19,525,856	19,403,939	20,268,182	24,016,011	20,400,499	21,791,489	28,200,250	26,513,758	1,235,222	28,956,497	1,281,575	28,120,818	1,432,950

NOTE.—Figures from 1920-21 include those on account of the High Commissioner for India.

*Differs from the Finance and Revenue Accounts of the Government of India due to different classification adopted in this table.