INDIA'S PLIGHT

*. . . of Thee we do beg assistance.
Direct us in the right way . . . .*

1st (Indian) Edition		.	*Feb.*	*1934*
2nd	*„* *„*	.	*Mch.*	*1934*
3rd	*„* *„*	.	*April*	*1934*
4th	*„* *„*	.	*May*	*1934*
5th (English)	*„*	.	*Oct.*	*1934*

INDIA'S PLIGHT

BY

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LONDON
P. S. KING & SON LTD.
ORCHARD HOUSE, 14 GREAT SMITH STREET
WESTMINSTER, S.W.1
1934

PRINTED IN GREAT BRITAIN

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PREFACE TO THE FIFTH EDITION

GREAT BRITAIN will, before long, be considering the Report of a Joint Committee of both Houses of Parliament on the subject of proposed further constitutional reforms for India. When doing so, the present economic condition of India must not be overlooked. For such political advances as Parliament may think it desirable to make, whatever directions they take, must in any case rest on sound *economic* foundations, or the whole structure —economic as well as political—may collapse.

To-day, the economic situation in India is the reverse of satisfactory. Notwithstanding the great natural wealth of the land, with its magnificent rivers and regular rainfall—notwithstanding the impressive magnitude of the population (some 353,000,000 souls) with their admirable habits of peaceful industry, and the immense volumes of good things which they annually produce—notwithstanding these many and great advantages, an artificial distortion of the people's principal purchasing and measuring tool, as evidenced by an appalling and intolerable shrinkage of prices, has gravely depressed and degraded the whole country; and forced everybody—agriculturalists, industrialists, country people and town workers—in the direction of bankruptcy; and with an accompaniment of large-scale unemployment heartrending to witness.

The pitiful plight of the people is clearly reflected in the earnings of the State Railways, and in the receipts of District Boards, Municipalities, Port Trusts, and other self-governing organisations. All of them are experiencing great difficulty in cutting down their expenditure to balance with their shrunken receipts. So, consumption of Reserve Funds, and appeals to Government and the public for Loans, are seen on many sides.

Nor are Provincial Governments in any happier position. With agriculturalists' incomes diminished by over £120,000,000 per annum (see p. 9), it is not surprising that Land Revenue, the chief source of Provincial income, has also shrunk to an embarrassing degree; or that all Provincial Governments, especially Bengal, have experienced the greatest difficulty in balancing their Budgets. If the Madras and Punjab Governments have at last made both ends meet, it has been mainly because remissions of Land Revenue to a semi-bankrupt peasantry in those Provinces have not been on a large enough scale to afford the relief that agriculturalists demanded, and considered essential.

The Central Government—the Government of India itself—is in a similarly difficult financial situation. Only by constantly increasing taxation (see p. 12), regardless of the condition of trade, has it been able to maintain its Budget on the traditionally right side. To put the situation in a nutshell, the LESS the unfortunate taxpayers of India have been able to earn, the MORE heavily have they been taxed, till, in some cases, their businesses have ceased; Indians and Europeans have been thrown out of employment; staffs reduced to a minimum; and many current businesses are more dead than alive.

There is little doubt that India's foreign exchange —the over-rated 1*s.* 6*d.* rupee—would have broken down had not large sales and exports of portions of India's accumulated gold savings relieved the situation. Much of this gold has been brought to market owing to the distress of the people. This cannot go on for ever.

In the meantime the value of India's export and import trade has shrunk to less than a half of what it was ten years ago, and merchants' earnings have dwindled to an even greater extent. To make matters still more difficult, the trade competition of the Far East in India itself, and in overseas markets served by India, has become so severe that defensive tariff legislation is now strongly demanded. In some cases, complete prohibition of imports of cheap foreign-made goods is suggested. In the meantime, Indian and British producers and manufacturers, and exporters of Indian and other nationalities, are all finding themselves face to face with dwindling markets, and are less able than ever to pay the increasing taxes which local, Provincial and Central Governing authorities demand.

In such circumstances it would not be fair to India for the British Government to hand over, or to expect Indians to take charge of, even the smallest Provincial Government whilst Currency and Finance are in their present deplorable condition—the rupee grossly distorted (i.e. prices only one-half what they were a few years ago)—foreign exchange riveted to sterling at an unnatural level (1*s.* 6*d.* instead of 1*s.* 4*d.*)—and taxation screwed up to the highest point, slowly killing trade, and precluding all possibility of raising revenue for improved national services such as sanitation, education, medical developments, social advancement, etc.

Nor, even if these serious ills were suddenly and miraculously remedied, is any political change in India worth having, from an Indian point of view, unless the control of Currency and Finance—as important to individual and national economic health as the purity of the air is to physical well-being—be placed under the direction of Indian brains and hands living and working in India. And by the word "Indian" I mean men of all races, colours, languages and religions, who spend most of their lives, and earn most of their daily bread, in India.

* * * * *

Is the position, then, hopeless? Not in the least. India's plight is not the result of any irresistible "Act of God," but rather the consequence of an error of judgment on the part of man—man in the West, to be precise, who, ignoring the facts that Great Britain and India flourished amazingly throughout the greater part of the last century, and that the East is advancing industrially at an astonishing pace to-day, *generally by the unrestricted use of silver as well as gold money*, have now mistakenly endeavoured to discard the use of silver as full legal tender money, and to restrict the whole world, *including India and the silver-using East and Tropics*, to the use of gold money only, and paper money based on gold.

Two results of this mistaken policy leap to the eyes, especially of those who, like myself, reside in the East. The *price* of silver *expressed in gold money* has been artificially depressed; and with it, though to a less extent, the world price levels of all commodities—to the grave loss of all—especially agricultural—producers. But the *value* of silver, *measured in the labour and local products of the East*, has not been adversely affected to anything like a similar extent. So that the peoples of the East, whilst artificially hindered in purchasing the products of the West, have at the same time been powerfully stimulated to produce and manufacture for themselves, to the manifest discomfiture of the West, particularly Lancashire. And, be it remembered, there are quite 1,000,000,000 possible consumers in the East, and in the Tropics!

For most of these hundreds of millions, metallic coins of *silver*, or based on silver, are far more suitable money-tools than the *paper* notes of petty values—a few pence up to a few shillings—which innocent Western bureaucrats have for years been forcing upon the poorer classes of the tropical and semi-tropical regions of the world. Living, as many of these poor people do, remote from railways and large towns—wearing but few clothes (mostly without pockets)—and working in temperatures that cause profuse perspiration, paper money (which is liable to destruction by fire, rain and flood, ants, beetles, rats and other tropical pests) is quite inappropriate for the masses in the Tropics, as anybody who has had to handle such currency well knows.

At the same time, paper money of higher denominations—say the equivalent of ten shillings and upwards—*based on silver*, is quite a suitable purchasing and measuring tool, and store of value among the better educated and higher placed peoples of the Tropics resident in, or near, large towns.

In these circumstances, would not those who are engaged in building up the British Empire be wise no longer to attempt to restrict the basis of the world's money to one metal only—gold, but rather to make the utmost monetary use of both precious metals—silver as well as gold,—silver which is popular and acceptable in the East and in the Tropics all the world over?—silver which has been used effectively as money throughout the ages since the days of Abraham?

The effect of reopening the world's Mints to the public to the free coinage of full legal tender silver coins is beyond question. History affords several precedents, and all of the same character. The supplementing of the world's present depleted stock of metallic money (three-quarters of the gold in the world is now out of reach of the *peoples of the world*—hoarded, and largely sterilised) by the addition of a good volume of silver money, and paper currency based on silver money, would, by placing more purchasing power in the hands of those who had worked for it, restore gradually, and over a prolonged period, the world's price levels of five years ago; and so bring back once more the normal earnings of industry in field and workshop, thus creating confidence, and stimulating enterprise in all directions.

This is a very different thing, it must be added, from the offer by Banks and Finance Houses to "credit-worthy" individuals and concerns of large or numerous loans of bank-money at so much per cent per annum, the whole repayable to lenders in so many months or years. That policy—the only suggestion made by the British Government to relieve the present world economic crisis—has failed miserably. And for very obvious reasons.

A rise of world prices brought about by the re-opening of the Indian Mints (in co-operation with Great Britain and, say, the United States of America, to start with), to the free coinage of silver (rupees are at present unlimited legal tender), would at once relieve India's plight. The silver savings of 353,000,000 of people, which past legislation thoughtlessly and cruelly reduced in value by more than one-half, could at the option of the people be converted into effective Purchasing Tools, and the consuming capacity of those 353,000,000 considerably increased. The rise of world prices would restore prosperity to agriculture, which employs three-quarters of India's huge population. The revenue demands of all Indian Governments, Local Bodies, etc. could be more easily fully met, and Indian taxation be reduced to a reasonable level. Political and social unrest would subside with returning economic prosperity; and the possibility of substantial political reforms be brought within the scope of practical politics.

There is another important consideration. The linking of India's rupee to the British pound sterling (and at unnaturally high rate) places India in the category of the semi-gold standard Western nations who, to-day, are faced by the economic competition of the cheap-silver-using East. India is already feeling unpleasantly the severity of this competition. Yet it is but a foretaste of what is coming as soon as China is organised to make the utmost use of her great natural and acquired resources—her profuse, cheap, and efficient labour; her most modern, imported machinery; and her exceptionally cheap yet efficient money tools. It will be, in effect, as though the Far East, in addition to a high degree of mechanical, manual, and organising efficiency, enjoyed the further advantage of competing in India, and in India's overseas markets, by aid of rupees that cost only *seven* pence! Can India possibly stand up against such competition?

Can England face such competition with equanimity? Let there be no mistake. The great struggle of the immediate future is going to be EAST versus WEST. And in this coming economic rivalry, *which is the root explanation of most present-day political rivalries*, the side which competes by aid of the cheapest and most efficient money-tools—seven-penny rupees and seven-and-six-penny pounds sterling—will enjoy an advantage which India, *and the West*, may find almost irresistible.

M. DE P. WEBB.

WOKING, SURREY.
30th September, 1934.

PREFACE TO THE FOURTH EDITION

THE " plight " described in the following pages is not peculiar to India. Great Britain itself is involved ; so, also, to a lesser degree are Canada and other parts of the Empire.

The " plight " arises from the fact that, unnoticed by the great majority of the public, our Money *has doubled in value* or purchasing power since the close of the Great War, most of the distortion taking place since 1929.

The effects of this unchecked enlargement of the Public Measure of Value have been deadly in the extreme. In the first place, the weight of all outstanding debts—personal, public, and national—incurred during the latter period of the Great War and in 1919 and 1920, has been *enormously increased.* So much so that there is now little probability that the whole of that indebtedness can ever be repaid.

In the second place, the rapid enlargement of our Public Measure—by quite 100 per cent in the case of primary products—has numbed enterprise, paralysed trade, multiplied unemployment, and reduced many to the verge of bankruptcy. India, three-quarters of whose 353,000,000 are dependent directly or indirectly on agriculture, is in a most pitiable condition. The reason for this is that wages and salaries, rents and taxes, and other fixed charges cannot all be cut down at the same rate, or to the same degree, as prices have fallen. So industrialists (and especially agriculturalists) find that the prices received for their finished products are less than the bare costs of production. Though wages and salaries have been gradually reduced—though many good workers have been discharged from employment—taxation has nevertheless been continually increased by Government, whilst further falling prices and further diminished demands have greatly disheartened the producing and trading communities, and completely shattered their confidence in the future.

At the moment of writing the policy of State "crop planning" and "State-controlled marketing" (copied from the fantastic expedients now being attempted in England), which in practice can only result in increased costs and reduced production and consumption, is about to be introduced into poor, under-fed and under-clothed India. This Procrustean idea of cutting down production to fit the volume of money, in the hands of the masses, instead of increasing the volume of money in the hands of the masses by greatly reducing taxation and re-opening silver mints so that increasing demand and consumption could balance increasing production, can only lead to further expense and further interference with the liberty of the people, further losses and increased unemployment; till the people through sheer misery and desperation, will be driven to widespread sedition and political revolt.

* * * * *

A momentary appearance of returning economic prosperity has been engineered in Great Britain by

(*a*) the depreciation of the Pound Sterling relative to gold which has, for the time being, facilitated increased British exports;

(*b*) the imposition of import duties which have, for the time being, checked manufactured imports from abroad and so given scope temporarily for more employment in England;

(*c*) the subsidising by the State of certain industries, and the spending of the people's money on Public Works;

(*d*) the death of some of England's wealthiest and most enterprising men, a substantial portion of whose wealth has in consequence been appropriated by the State;

(*e*) the omission to pay over £40,000,000 of War debt instalments due both last and this year to the United States of America.

The British public, whose attention has not been drawn to these most important facts, have been led to believe that they are now on the road to economic recovery. But the *Economist* of 28th April, 1934, tells the truth:

> If we look below the surface, we find no great reason for jubilation. We have to go back many years before the War to find such low figures for British exports as those with which we have become familiar in the present crisis, and *they are still barely half those for the depression year 1922*. The unemployment figures are still well in excess of two millions, without taking account of the unemployed in uninsured occupations, such as agriculture and the "black-coated" professions.

The *Economist* then asks "What plan has Government in mind to lift us out of the rut?" Though experts and committees from the Macmillan Committee of 1931 onwards have told the British Government what is essential, and though the Chancellor of the Exchequer (Mr. Neville Chamberlain) has reechoed that advice more than once (namely that a rise of world-prices MUST be engineered; in other words, that our grossly distorted money MUST be restored to, say, its 1929 measure), Government have taken no action whatever beyond playing with what the *Economist* contemptuously calls the "new economics of scarcity."

Further, does any economist of repute, or any experienced man of business imagine that Great Britain, crushed beneath the greatest burdens of national and local indebtedness ever known, and bled white by far the heaviest taxation in the world (*both of which handicaps have been almost doubled in* *weight by the artificial distortion of the nation's Money-measure*), can successfully compete for long against the cheap money and cheap labour of the East ?

* * * * *

The full advantages of a depreciated currency (which depreciation has saved England from collapse), have been deliberately denied to India whose rupee has been rated at 1*s.* 6*d.* instead of the 1*s.* 4*d.* at which figure it stood for nearly twenty years before the War. *India is the only example within the British Empire, or indeed throughout the world, of a country whose currency after the Great War has been deliberately OVER-rated instead of DE-preciated.* The results of this erratic policy have been (*a*) a check to India's exports, (*b*) a severer fall of prices in India than has been experienced in any other part of the British Empire; and consequently, (*c*) a shrinkage of India's buying power which has inflicted the greatest loss, pain and suffering on the industries of Lancashire and Yorkshire.

* * * * *

There is a perfectly straightforward and practicable way out of the present disaster; and that is to allow the peoples of India and the Far East, Africa, South America, and the United States to make the utmost possible use of SILVER as MONEY. (Eastern peoples have, for ages, been accustomed to the use of silver money.) Just as a plough is necessary to turn up the soil preparatory to sowing, so a Money-Tool is necessary to permit of the division of labour, and the purchase of such things as its owner or user requires.

The difficulty to-day is that stubbornness, or limited practical experience, in certain high quarters in London forbid the use of any kind of "plough" except that which the Money-Lenders of London are prepared to lend to "credit-worthy" borrowers at 5 (or whatever the rate may be) per cent per annum.

In vain, men of wider practical experience have pointed out that for ages some men have used, *and are still using, wooden ploughs.* In vain realists have reminded the " City " that there are still vast areas of the world that could be ploughed, if not most efficiently, still to great advantage with wooden ploughs, i.e. developed rapidly and satisfactorily by aid of *silver* money tools. The " City " of London has, for the most part, remained unreceptive and immovable to this fact. " Either you arrange to borrow our gold ' ploughs,' through the agency of ' credit-worthy ' financial agencies, preferably resident in London; or, we are not prepared to help you with capital for your local developments."

In other words, the rate of development of the world at large must proceed at the pace, and under the conditions which the myopic outlook and day-to-day convenience of the money interests of London may dictate!

Happily for England and the world at large, the force of circumstances was too strong for the " City " to resist; and, on the 19th–21st September, 1931, the Bank of England, fighting tooth and nail to the last moment, was forced off gold—i.e. relieved by Government from its statutory obligation to give gold for export in exchange for its own notes promising to pay " pounds " on demand. This strongly resisted development actually saved Britain's Export Trade from certain decline; and so saved Great Britain itself from approaching disaster.

But the "City"—or most of the "City"—has not yet acknowledged the whole truth, namely, (1) that France and the U.S.A. having locked up nearly three-quarters of the gold in the world, there is no longer enough gold available to satisfy the requirements of the rest of the world; and (2) *that of the rest of the world, probably one half, has always used, and IS STILL USING SILVER AS MONEY.*

Nor has the " City " yet recognised in a practical and business-like way, the significance of this fact. For the "City" has been quietly striving, having been itself forced off gold, to establish a world-wide PAPER-money-using area wherein local paper currencies would be linked to, if not actually based on, Great Britain's paper currency. The chief advantage of such a scheme is generally represented to be the ability of the Bank of England, in co-operation with other countries' Reserve and Central Banks, to maintain the stability of the *foreign* exchanges.[1] Another reason, not usually announced publicly, is that the scheme would enable the "City" largely to control directly or indirectly the finances —national and private—of all the PAPER-MONEY nations included within the new paper money "Sterlingaria" (as some "City" monetary technicians are pleased to call it).

To consolidate its control more effectively over the new PAPER-MONEY countries, the "City" of London have been scheming to degrade and abolish SILVER altogether as full legal tender money. India has been the first and the most important silver nation to be attacked. With the restoration of the gold standard to England in May 1925 the Hilton-Young Commission was sent to India in August of the same year to tie the rupee up to the restored gold standard at 1*s.* 6*d.*, and to dispose of a large portion of India's silver money.

Both plans turned out to be ghastly blunders. Within seven years of 1925, Great Britain, with her export trade maimed and unemployment figures steadily rising, was once more forced off gold, and became a depreciated paper currency nation.

Within seven years, India too, with her rupee cruelly overrated at 1*s.* 6*d.*—with her export trade diminished (and her buying powers correspondingly

[1] Although most economists are now agreed that stability of the *internal* purchasing and measuring money tool is of greater importance than stability of the foreign exchanges!

reduced)—with the general level of her prices forced down to greater extent than the prices of commodities in any other part of the British Empire—India was also, to all intents and purposes, *forced* off gold, and linked—still at 1*s*. 6*d*.—to London's paper pound "sterling."

But the policy of the "City" of London further to degrade silver as money, and further to circumscribe its use for monetary purposes (all with the object of more surely concentrating money-power—now only paper-money-power—in London), persisted. Clear evidence of the "City's" design on India's good, solid silver rupee can be seen in the Reserve Bank of India Act, drafted in London, and rushed through the Indian Legislature at the beginning of this year, under which India's new Reserve Bank is *not allowed to buy, or sell, or even to hold silver bullion, if it deals in gold.*

The second evidence has been seen in the Government of India's prolonged sales of India's supposed "surplus" silver, in face of all protests. Over 170,000,000 ounces have been sold. And the price level of Indian commodities falling all the time!

The third evidence has been seen in the recent issue by the Government of India of several crores of rupee *paper* currency notes based, *not* on the security of the supposed "surplus" silver (of which the Government of India still hold several millions of ounces), *but on the security of the Government of India's excess cash balances in London which are payable not in silver, or gold, but in "STERLING" PAPER.*

The fourth piece of evidence was seen a few days ago in a letter in the London *Times* of 1st May, 1934, written by a leading partner of one of the chief Silver Brokers in the world. In that letter, Mr. E. L. Franklin says that "there is now only one country where silver is of vital importance, that is China . . . Outside China, beyond what is needed for subsidiary currencies, *silver is merely a luxury, and its price therefore is not of much importance."*

Silver—a luxury—in India! The effrontery of such a statement is the measure of either the writer's ignorance, or the value which the writer attaches to public opinion. India, in pre-war days built up a commerce that exceeded in value that of all the over-sea divisions of the British Empire put together. And that was accomplished by aid of SILVER money tools. India, trusting to Britain's inborn sense of fair play and justice, put her poor people's savings, to the extent of many millions of ounces, into SILVER ornaments and SILVER hoards. But the closing of the Indian Mints to silver in 1893 destroyed a large part of the value of those savings. To this day, however, the weight and purity of the silver rupee has been retained; and these good, silver coins (in boxes and bags) are the chief means of making purchases and settling debts among the hundreds of millions of those who live in the *country*, as distinct from those born and raised *in the towns*. Silver money to the value of many millions sterling is in constant circulation in India. On 15th May, 1934, notwithstanding recent sales of "surplus" silver, Government held Rs. 96,10,71,000 (ninety-six crores, ten lakhs, seventy-one thousand rupees, worth about £72,000,000) in rupees and silver bullion in the Currency Department. Yet Mr. E. L. Franklin, of Messrs. Samuel Montagu & Co., tells the world, in effect, that silver is not of vital importance in India, but is merely a luxury.[1]

* * * * *

Enough. The remedy for present economic ills

[1] Sir Henri Deterding at once corrected Mr. Franklin's misstatement in the following words: "The accumulated wealth of British India is mainly composed of silver bars and silver ornaments. Surely, then, it is a matter of vital importance to this great part of the British Empire that her savings of centuries should be allowed to regain something like their original value—about double the price of silver to-day"—*vide The Times* of 4th May, 1934.

is right before us, waiting for us to seize it. India is not going to be forced off silver in order to base its paper currency merely on the paper pounds of London issued and managed by the Bank of England in consultation with the "City" and the British Treasury Officials. India is economically strong and self-contained. And if the British Government shaking itself free from the "City," will assent to an agreement being made between the Government of India and the Government of the United States of America, whereby the reopening of the Mints of both countries to the people to the free and unrestricted coinage of full-legal tender silver money at a ratio to gold to be agreed upon between the two countries, can be undertaken, then the first steps along the road to world prosperity will have been made.

The following telegram was despatched by me from Karachi on the 5th May, 1934, to President Roosevelt, White House, Washington, D.C., U.S.A.:

MOST OF "UNOFFICIAL" INDIA WOULD WELCOME ACTIVE CO-OPERATION WITH THE UNITED STATES OF AMERICA IN RAISING THE LEVEL OF WORLD PRICES AND SO ENCOURAGING AN EARLY RETURN OF WORLD PROSPERITY BY REOPENING TO THE PUBLIC THE INDIAN AND AMERICAN MINTS TO THE FREE COINAGE OF FULL LEGAL TENDER SILVER MONEY AT A RATIO TO BE AGREED UPON BETWEEN THE TWO COUNTRIES.

That telegram conveys the truth. Let us all get together, determined to bring about what the "City" of London, lacking the will, has not yet succeeded in accomplishing.

M. DE P. WEBB.

KARACHI,
INDIA, *30th May*, 1934.

FOREWORD TO THE THIRD EDITION

THE increased attention now being given to Silver and its possible restoration, all the world over, as unlimited legal-tender money, is clearly reflected in the special "Silver Number" issued by *The Times* on the 20th February, 1934. Every student of the subject, every business man, and every politician and statesman should be in possession of that "Silver Number," and should carefully study the views of the many experts who have contributed thereto.

Convinced, as I am, that only by the full rehabilitation of silver money can we set in motion that certain and long continued rise of prices which alone can save the world from bankruptcy, and civilisation from disaster, I have not hesitated to advocate by pen and by speech and on every possible occasion, in season and out of season, the immediate restoration of the white, precious metal to its age-old position of honour as the co-equal of gold for monetary purposes, especially in the East and the Tropics, where it is to-day quite popular among the millions.

This edition includes, in Appendix H, an answer to the question which is almost daily being addressed to me—"Why Silver?"

M. DE P. WEBB.

KARACHI,
9th April, 1934.

APPENDIX.

During the larger part of the last century, the French Mints under a Decree of Napoleon's, were open to the free coinage of both silver and gold. The fact that England had closed its Mints to the people for the coinage of Silver, produced no effect on the relative values of the two precious metals.

But, when, after the Franco-Prussian War, Germany also decided to abandon silver, and, by pouring all its silver coinage into the Paris Mint, forced France to close her Mint to the public to silver, a marked divergence in the relative values of the metals commenced, gold appearing to rise, and silver to fall.

The first warning—a very striking prophecy—was made in 1871 by Ernest Seyd, the well-known author of "BULLION AND FOREIGN EXCHANGES," who wrote:

> "It is a great mistake to suppose that the adoption of the gold valuation by other States besides England will be beneficial. It will only lead to the destruction of the monetary equilibrium hitherto existing, and cause a fall in the value of silver from which England's trade and the Indian silver valuation (rupee) will suffer more than any other interests, grievous as the general decline of prosperity all over the world will be....When foreign nations, unable to pay in silver, have recourse to protection,—when a number of secondary causes develop themselves, then many would-be wise men will have the opportunity of pointing to specific reasons which, in their eyes, account for the falling off in every branch of trade"......

The Bimetallic League.

Thereafter, the Bimetallic League which included many leading monetary experts of the day made a long and strenuous fight against the restrictive monetary policy involved in the continued demonetisation of silver. Private monetary interests however, were too strong with the politicians; and the restrictive policy of last century culminated in the closing of the Indian Mints to the Public to silver in 1893, in face of the protests of Sir David Barbour, the Finance Member of the Government of India, and many others.

The most recent occasion on which a noxious, restrictive monetary policy was put into operation by the Money Powers of Europe, was on the conclusion of the Great War. Paper Money Tools have long served most effectively in the West, especially during years of world peace. Directly the great World War broke out, so enormous was the demand for money tools wherewith to purchase the necessities of war, that both State and private paper money was created in vast volumes,—so vast, in truth, that its purchasing power was considerably blunted ; and the general level of prices in India and the United Kingdom rose from two to three times its pre-war level. The upward movement of prices stimulated all forms of production ; but, at the same time, it in effect reduced the value (in terms of goods and services) of all outstanding debts and loans.

The Cunliffe Committee's Report.

With the result that the great money-lenders and creditors of London, at the close of the War, deemed it expedient to reverse the monetary policy that had provided the money-tools for winning the war; and a committee of Bankers headed by Lord Cunliffe, then Governor of the Bank of England, advised a policy of drastic credit restriction and currency contraction in order to get back "without delay" to pre-war monetary conditions. Events proved that the politicians (led by Mr. Lloyd George) again were not strong enough to resist this advice, though Mr. Lloyd George afterwards expressed the opinion that the Cunliffe Report was the "greatest barrier raised between poverty and plenty."

Two Expert Protests.

Here are two striking protests made by monetary experts at the time against this policy of monetary restriction :—

> "To forcibly contract the currency, as suggested by the Cunliffe Committee will check production, destroy confidence, render reconstruction undertakings difficult if not impossible, and probably lead the way to very serious social and political disorder. That way madness lies."—Mr. Arthur Kitson in a letter to the Cunliffe Committee written after the publication of the Committee's Interim Report.

> "A prolonged period of falling prices and consequent economic depression" (such as must follow a policy of monetary restriction), "will never be accepted as a wise device of deliberate economic policy"—Dr. Gustav Cassel, on the recommendations of the Brussels Finance Conference of 1920.

A League of Nations Protest.

And here is an extract from the Note of Dissent to the Report of the Gold Delegation of the Financial Committee of the League of Nations, Geneva, written in 1932, (after the policy of monetary restriction with its inevitable fall of prices had been in operation ten years), by Sir Henry Strakosch, Sir Reginald Mant, and Mr. Albert Janssen (late Belgian Minister of Finance) :—

> "The continued fall in prices has stimulated protectionist measures, and given rise to various devices for controlling the foreign exchanges. All these restraints on the international movement of goods tend to force payment in gold, and thereby to produce further deflationary" (*i.e.* restrictive) "effects which are only aggravating the evil. It may be truly said that international trade is being gradually strangled to death. If the process continue, millions of people in this economically interlocked world must inevitably die of starvation ; and it is indeed doubtful whether our present civilisation can survive."

The Macmillan Committee's Advice.

This last quotation brings out very clearly the effects of a restrictive or deflationary monetary policy, namely, "a continued fall of prices", or an increasing distortion of the measuring and other functions of money. The fall of prices numbs confidence, paralyses production, and causes a prolonged shrinkage of trade, with its inevitable increased unemployment. The Macmillan Committee of 1931, a group of most experienced men—traders, economists, and bankers,—wrote :—

> ...."Stabilisation of prices at approximately the present level would be a serious disaster for all the countries of the world alike ; the avoidance of such an event should be a prime object of international statesmanship....Our objective should be, first of all to raise prices a long way above the present level, and then maintain them at the level thus reached".... paras 267 and 275, Chapter II, Part II, Macmillan Report, 23rd June 1931.

The above quotations prove conclusively that the results of a policy of monetary restriction have been clearly foreseen by experts many years ago, and have been vigorously and continuously protested against, not simply once, but many times, right up to the present day.

It is for the people of India who are suffering most, to raise the protest to a volume that no Government can ignore.
