AN EXAMINATION
OF THE
CURRENCY COMMISSION REPORT

BY

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To

K. L. E.

E. M.

FOREWORD.

The author must apologise to the public for encroaching again upon their patience. But the Indian monetary question has acquired outstanding importance, since the publication of the reform proposals by the currency commission; and it is necessary to define the main issues clearly for a satisfactory solution of the problem. This is the more necessary on account of the unhappy knack which both officials and their critics would appear to possess for vague generalisation. This is peculiarly so with reference to the proposal for a new Reserve Bank.

The interest of the author in the subject is purely scientific. He has no preference, sentimental or otherwise, for any particular position.

At present, a species of warfare would appear to be going on between Bombay and Delhi. While it is not possible to pronounce upon the merits of either sides, it is necessary to warn both that decisions arrived at in heat are not likely to be sound. If Bombay's claim to understand the true interests of India is disputable, the claim of Delhi is equally so. Real India must cast off its torpor in its interests and call a halt to this unseemly controversy.

In the recent speech before the Delhi University, the Finance Member repeats his insistence that the 1/6 level is in the true interests of India. But this was no more than a riposte in fence against 'that good agriculturist Sir Victor Sasoon,' on account of his "Currency League" activities While, a level of exchange as such, for or against the interests of a country may be a disputable proposition, what requires an impartial examination is the tendency *as a whole*, of a particular monetary policy in the interests of India, the level of exchange being only one and the least important aspect of the policy. From this point of view, an emphatic warning is necessary that the diagnosis of the Finance Member of the 'abnormal ease' in the Money Market is wrong. The 'tight screw' policy in the past consisted in no more than 'placing strict limits on possibilities of expansion.' This is now replaced by a policy of active contraction which must hasten the financial disaster—the present abnormal money situation being only a stage--for which India is heading. The greatest service which the Finance Member can render to India is to leave exchange alone and to bend his energies to restore 'normalcy' to the Indian economic system. A temporary disturbance in his financial equilibrium is a small price to pay for correcting the economic disequilibrium of a country, especially as all the carefully prepared plans even for objects such as remissions of provincial contributions must go by the board in the storm of which there are portents. India has, at present, need of men with clear vision, who can think courageously and act courageously in the economic and political sphere. There can be no test of courage truer than that of being able to revise opinions and to resist the instinct to defend a commitment merely because it happened to have been made.

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