INTRODUCTION: AN OVERVIEW.
Introduction

The exchange question was not an issue that rallied great passion or patriotic energy in its defence. It spilt no blood, nor could it generate emotions of the kind that moved people in search of their freedom.

In remarkable contrast to the articulation of the problem the 'sterling connection' was fundamental to the machinery of the British Raj in India. Much more, it was as important to the Empire, its colonies, its dominions and its far flung protectorates, linked together in one vast monetary structure which was designed to function in support of sterling. This was what distributed monetary disturbances and amplified trade bounties to multiply the influence that London could exercise over international credit.

What was so tenacious about this influence was that the dependence upon sterling carried with it substantial credit advantages. Sterling was among the very few international currencies in the inter-war years. The choice was either between the Bank of England or

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1. For the importance of the 'Sterling connection' to the Empire in general, during the inter-war years see Sydney Pollard 'Gold Standard and unemployment policies between the wars' also Donald Moggridge 'British Monetary Policy 1924-1931 especially D. Aldcroft and H. Richardson, 'The British Economy 1870-1939.'
the undisciplined dollar and even if India was allowed to choose, where else would she seek attachment if not to a money market where she enjoyed such special benefits?¹

1. A good deal of this attachment was more than just sentimental. Contemporary economists like J.C. Sinha believed that the rupee should remain in touch with sterling largely because they were unaware of the exploitative arrangements that defined the 'sterling area'. J.C. Sinha, 'Indian Currency Problems in the last decade, 1926-1936' (1938). B. Datta writes of Sinha:

"Though not exactly identical with the commonwealth, it (sterling currency bloc.) belonged to the same Imperial genre. It was not politically possible for India at the time to come out of the bloc. When one finds Sinha defending the sterling link, one should remember how many years it took independent India to sever that link."


Birla was perhaps among the very few to call for an outright abrogation of the sterling link and that too only after the depression of the 1930's. See my own chapter IV, p
Far more important was that exchange manipulation had an irregular effect on the Indian economy and not all those who agitated for currency reform were willing to strike so deep, as to demand to be divorced from sterling. As total monetary independence was rejected, moderation was the inevitable outcome, and initiative shifted to those who sought to derive specific and limited advantages out of currency reform.

As a result the opposition to the exploitation of the rupee and the almost invisible transfer of resources, came only haltingly. The only critics of the Government of India's monetary policy were the Indian capitalists who saw the Government's stance as a conspiracy against Indian industrial interests. But their criticism was aimed only at limiting the Government interference in currency management which, the industrialists claimed, was better handled by banks more intimately linked to trade and commerce.

There was no rip-roaring cry for financial independence, as there was for tariff reform and tariff autonomy. Exchange manipulation was seen as responsible for the constant irritation of severe deflation, or by
the more radical, as a temporary burden upon the urban and rural wage earner. The entire question of a finely balanced monetary mechanism which had grown to dominate Empire policy, was shrouded behind a vague demand for financial safeguards. Indeed there would have been a greater theoretical consistency in demanding financial independence on the plea that India must not be allowed to bear the burden of the sterling area than there was in advocating protection and tariff reform.

The Indian official was aware of this, but could scarcely admit anywhere but in the most secret and confidential memorandum, that India was being exposed to monetary imbalance to tie it more closely to an Empire governed by sterling. It was not the consumption of British industrial commodities or the political and strategic value of Britain's empire that influenced Empire policy as strongly as it was the consolidation of the sterling area, which was what defined the empire in the inter-war years.
The entire problem has not infrequently been dismissed as of interest to only the 'Indians and their rulers'. But this would not so much as go

1. Among the early analysts of the problem it could perhaps be granted that their inability to appreciate the monetary structure of the Empire fashioned to support the international position of sterling, was because of the limitation of their imperial vision. After all it must be appreciated that international trade was based on the gold standard and the orthodoxy of economic thinking made it difficult to break away from the belief in the gold based sterling as the final arbitrator of trade imbalances. Ambedkar in The Problem of the Rupee: its origin and solution, (1923) argued for a fully managed inconvertible rupee linked however with sterling. Vakil and Maranjan 'Currency and Prices in India' (1927), who largely represented the Bombay school insisted that it was the location of Reserves (G.S.R. & P.C.R.) that decided the acceptability of the currency, and that the stability of prices should be a priority that government should adhere to rather than the fixity of exchange. This certainly was a view that groped towards questioning the entire basis of the rupee-sterling connection, but it was sidetracked by Thakurdas's agitation on the ratio. Just as the sharper demand for a gold-bullion standard which might have led the Bombay industrialists to unite with Congress to demand monetary independence, was robbed of a more general unanimity by detractors such as J.C. Coyajee 'Ratio controversy' and 'The Reserve Bank' who considered the gold-bullion standard a radical demand and largely upheld the official position on exchange which was not an inconsiderable element in diluting the force of arguments put forward by K.T. Shah 'Sixty years of Indian Finance' (1921) and 'Trade, Tariff and Transport' (1923) P.A. Wadia and G.N. Joshi 'The Wealth of India' (1926). It was the variety of opinion on the exchange problem, and the eventual impossibility of statistically proving one or the other ratio, that denied the political agitation against the 18 Rupee, the sharp, unconfused perspective that should in its essence have been critical of the sterling connection.
half way in being able to explain the dogged determination of the Finance Department not to allow any concession whatsoever, on the rupee ratio. In the working of currency policy this insensitivity to the Indian demand for easy money was not so much the work of the Finance

1. Among recent analysts of the problem, few if any (a notable exception, though on an earlier period is Dietmar Rothermund, 'India's silver currency 1876-1893 in Phases of Indian Nationalism.) have appreciated the truly exploitative character of the officially managed rupee. J.D. Tomlinson, 'The rupee-pound exchange in the 1920's' L.E.S.H.R. Vol XV No.2, April - June 1978, suggests explicitly that the total unwillingness of the G.O.I. to unbend on the ratio was because Government had enough self-confidence not to make any concessions on financial and economic policy in order to gain political support. And further that

"For the British the maintenance of British rule was no longer something to be taken for granted, but something to be actively fought for and the pursuit of 1s6d can best be understood against that background." (p 149)

Tomlinson explains away the bitter quarrel over exchange as the stubbornness of the G.O.I. faced with the millowners' demand, and steadfastly refuses to recognise any interest outside those immediately involved to explain the Government currency policy. He misses the point entirely when he dismisses Indian debt holders in London or the Lancashire cotton groups as having an entirely neutral attitude to the ratio in India; a mistake that effectively blinds him to the priorities of the Imperial monetary arrangements of which the rupee was an undeniable part. The 12½ per cent bounty on government remittance seems to Tomlinson, and rightly so, to be a trivial reason for the maintenance of the 1s6d ratio, but he explains away the Government stand by an equally unconvincing argument; that it was the fear of inflation and social unrest which encouraged the government to resist the lower ratio. It was the India Office that insisted on a higher ratio for reasons that were more general than Tomlinson would have us believe.
Department as it was the strict instructions of the India Office that made the efforts to maintain exchange, so inflexible. Indian officials repeatedly pleaded that the Secretary of State's insistence on the 1s6d, and his insatiable demand for remittance was making the working of the Finance Department next to impossible. Political opposition to rupee manipulation and the genuine revenue requirements of the G.O.I., were inconsistent with an unlimited effort to support exchange, and either a compromise would have to be found, or currency officials in India would be forced to drive the G.O.I. to insolvency.

The Secretary of State was not unaware of the substantial difficulties that his exchange policy generated, but he could scarcely afford to ignore his responsibilities to the financial interests who dominated 'the City'. The much criticised return to gold in 1925, was a concession that supported the international position of sterling, at an enormous cost to domestic industrial interests in Britain, who were vociferous in demanding measures to reflate sterling.
There was some justification for this outcry. After the war, no longer could the metropolitan economy of Britain dominate the industrial world as it once did in the middle and late nineteenth century.\(^1\) The Victorian economy had survived the first world war but only just. With outdated plant machinery, labour trouble, and shrinking industrial capacity, the export of industrial commodities was no longer competitive in the world market.

The decline in the competitiveness of the metropolitan economy coincided with the development of a strong and active nationalist movement that demanded measures to protect the growth of indigenous industry.

\(^1\) For an elaboration of the decline in Britain's competitiveness see Ingmaar Svennilson, 'Growth and Stagnation in the European Economy' along with A. Maizels, 'Industrial Growth and World Trade', C.H. Feinstein's statistical survey would prove valuable reference 'Growth, output and Productivity' the problem as expressed in Britain's balance of payments position is analysed neatly by I.H. Preston in a recent article 'British Balance of Payments' in Economic History Review, July/August 1978. A more general analysis of the sterling area and its problems is that by Marcello Cecco in 'Money and Empire'. With such formidable work on Britain's position in the world economy between the wars there is little room for doubt that Britain's Victorian economy was in need of repair.
Substantial concessions had to be granted, or had at least to appear to be granted, if Britain was to continue to rule India efficiently. The Indian Tariff Board, and the protection that was finally granted to a wide range of Indian industries, accepted in Tariff law what had been beginning to occur ever since the First World War. The crippled Victorian economy did not have the capacity to dominate the Indian market and the increasing import of Japanese and American goods was stemmed legally to afford some minimum advantage to indigenous industry. Politically this was a calculated move as tariff concessions demonstrated in an important way that the Government of India was not entirely unsympathetic to nationalist aspirations. ¹

But while the Government of India was prepared to concede tariff autonomy, and allow substantial protection, even though it cost Lancashire cotton interests dearly, the Government was not prepared to let go the levers of control over monetary policy and the exchange rate. There was an important reason for this uncompromising position on currency control.

¹. Recent research into the cotton trade and Lancashire interests in India strongly suggest that Tariff reform was more apparent than real. If so then there are substantial grounds to maintain that Imperialism was not weakening nor was it voluntarily sacrificing political initiative in the political concessions that were granted in these years.
Though the Victorian economy had suffered the devastation of a world war, and was a crippled economy, one part of the Victorian economy resisted collapse. London was still the nerve centre of international finance and among the largest capital markets in the world. Admittedly this was not true after the Depression, but there is little doubt that British overseas investments were enormously profitable and the position of sterling a consideration of paramount importance in imperial policy during the inter-war years.

It was sterling that seemed more important in being able to divert sufficient trade to restore the viability of the sterling currency area. Aside from the more specific advantages of being able to finance her international deficits, the intra-imperial monetary arrangements

1. Imperial visionaries like Lord Beaverbrook, J.H. Thomas, and Cunliffe-Lister, saw the Empire as much more than a commercial arrangement to milk its member units in service of metropolitan interests. Imperial visionaries saw the Empire as a place where large resources had to be worked by the export of capital from Britain and the movement of labour, to help encourage several parts of the Empire to trade with each other rather than with non-empire countries. The ultimate aim was to involve, "the export of capital and people to the overseas empire - both white dominions and the coloured colonies. India would receive capital only. The exported capital would cooperate with local raw materials and labour to expand Empire output. 'Because all Empire countries tended to buy from the U.K., British exports would necessarily rise in step with Empire output and imports.' This was the grand Imperial design, that later collapsed with the harsh reality of the depression and the difficult thirties.

subsumed a network of commercial links that could only operate efficiently and without stress when non-empire trade grew. By 1924 the pressure towards a return to a gold standard to service empire monetary relationships was strongest from the southern dominions all of which had strong trade balances and a healthy balance of payment positions. Nevertheless to support these monetary arrangements Britain was forced to export enormous quantities of capital to the Empire especially to encourage the Empire's primary producers to expand their trade links with non-empire countries. ¹ However by 1928 terms of trade were slipping badly against primary products and the empire arrangements became an unsupportable burden till gold was actually abandoned in September 1931.² This did not dissolve the sterling area, though it did expose the inability of London to indefinitely support her international lending, to the extent that was possible before the World War.³


3. See Derek Aldcroft and Harry Richardson, 'The British Economy 1870-1939', p 84-85 and Table 10 p. 64 on 'Britain and the International economy.'
As a consequence Britain turned more and more towards the Empire, strengthening and consolidating what was left of the sterling system. Empire countries were encouraged to link their currencies with sterling and to hold sterling reserves, as sterling was far easier to obtain than gold or non-empire currencies. International trade had succumbed to a decade of depression, which bound the empire closer to the London capital market, and to renewed empire cooperation in the Ottawa conference.

The sterling area became ever more important in the thirties and the official effort to enslave the rupee in service of sterling grew more undisguised. Despite the growth of nationalist awareness, the India Office seemed more determined to maintain the transfer

1. Ian Drummond believes that empire borrowers were treated with greater deference because they were more likely to keep their borrowings on deposit in London, and to spend them on British-made goods. Thus Empire borrowings were less of a threat to the exchange rate than to British gold and dollar reserves.

"...foreign loans accounted for a far smaller proportion of the new issues in the thirties than in the twenties, and empire borrowings were six times as large as foreign borrowings, though still much lower than in the twenties. The discrimination in favour of the Empire, though informal and non-statutory, was perfectly deliberate."

Ian Drummond, British Economic Policy and the Empire pp 118-119.

of surplus than ever before. In an effort to maintain the rupee-sterling connection, a ruthless manipulation was pursued that greatly accelerated the total effect of the depression on Indian prices, and the downward pressure on prices was more general than the mere fall of export prices would justify. It no longer became justifiable to demand a devaluation of only 12½ per cent for the abnormally over-valued rupee, which if allowed to seek its own level would have probably fallen to 9 pence, as Birla claimed.

Indian officials were aware of this and could not afford to push for deflation beyond a point because of the growing influence of the industrial community, and the surprising unanimity with which they demanded reflation. The real danger in this political consensus growing any stronger was that the most vocal spokesmen of the industrial community were in a position to boycott the Government call for sterling tenders for months at a time, depressing exchange and crippling the flow of remittance to the Secretary of State. To avoid this, the Government had to continually nurture the impression that it was an active audience to the petitions and demands of the industrial community, and by so doing, the Government was able to dissolve any alliance that threatened the sterling trade.
Thus there were serious efforts to open a dialogue with the commercial and industrial spokesmen but such efforts were soon abandoned. The ultimate limit to such efforts was the impossibility of reconciling the demands of indigenous development with the priorities of the India Office.

Admittedly concessions were legislated, but after the fan-fare of their delivery, they were quietly

1. Such a scheme was not only considered, but there was also an attempt to constitute a body of both official and non-official members who would advise the Viceroy's Executive Council on the Economic policy. It was given up because certain officials who had advised upon the scheme believed that such a committee would be short-circuited by endless and eventually irreconciliable debate.

Confidential Notes on an Economic Sub-Committee of the Governor-general's Executive Council to advise on questions of Economic policy. J.A. Woodhead and George Rainy, 9th June 1930. File No: 15-1-F./1930 N.A.I.
dismantled rendering reform a caricature rather than a development of the original proposal.¹ The Government's interaction with the industrial and commercial community became an elaborate procedure to short circuit their demands by political gestures which gave the impression of an active search for answers that was merely a clever use of official patronage.²

1. This is entirely missed by those like Clive Dewey who insists that concessions on fiscal autonomy and constitutional reform were granted because it was the desire of successive Secretaries of State, "...to maintain the solidarity of the Empire, perhaps for no other reason than that they ruled it."

As we shall see, there were far more substantial Imperial reasons for retaining India, even at the cost of a 'massive haemorrhage of Indian goodwill', that without doubt damaged the credibility of the Indian Government. However far from amending Imperial policy in India, Viceroy's like Irwin prospered on their capacity to make the Indians believe that their true interests were always considered, Hence, concessions were granted, but control was never relinquished.


2. As leaders of the commercial community were forced to cooperate with Government and appear to be reasonable, this dilemma was often turned to maximum advantage by Anglo-Indian administration. See below chapter IV, Section on political manoeuvre.
Rupee manipulation, and the transfer of resources carried on untouched, encouraged in fact by the enormous output of gold that was disgorged after the rupee went off gold in September 1931. The result was an over-valued rupee, supported by a deflationary policy that interfered with trade and disturbed the normal working of the currency system. We do know that not only did a tight money policy raise rates of interest and militate against commerce, it also opened the Indian market to huge imports from devalued currency areas like Japan and America.

However what has not yet been analysed in any statistical detail, is the exact effect that currency manipulation had on commercial and industrial activity during the inter-war years. Admittedly, there exists relatively little detailed statistical data of the indigenous movement of credit, but what is known does establish that there was an enormous monetary restraint on industrial growth. The commercialisation of agriculture and the perverted development of India as a primary producer, generated a seasonal momentum in the movement of commodities from the upcountry markets to the urban trade centres, which then processed these commodities for export. Money circulation rose in sympathy during the busy season, accelerating the velocity of circulation, and raising rates of interest by 10 per cent to 12 per cent, sometimes more in the bill markets in touch with organised
credit. The Bank rate would jump a minimum of 3 per cent to 4 per cent and liquidity would contract, withdrawing large funds from the market in service of short credit for crop movement. ¹

This agitated environment of seasonal finance disturbed the more secular demand for capital from indigenous industry and seriously crippled the distribution and marketing of its products. What must be appreciated is that though the exchange agitation could be described as a local protest, money stringency as a result of high exchange was a more general problem. Both in Bombay and in Calcutta commercial and industrial interests suffered from insufficient liquidity.

¹. It would be interesting to study a colonial monetary model of a backward agrarian economy like that of India in contrast with a metropolitan economy. Both monetary structures were dominated by a regular oscillation in the level of commercial/industrial activity. In an industrial economy dominated by the trade cycle, most explanations of the existence and nature of the cycle are based on the determinants of business investment and its effect through the multiplier process on the level of national income. The accelerator theory of investment in conjunction with the multiplier can be used to show that the adjustment of the level of investment to the rate of change of sales gives rise to cyclical fluctuations in National income. However, an analysis of these oscillations in trade cycle theory were based on the assumption of an industrial structure able to absorb and amplify large inputs of capital. In a seasonal economy the reason why the 'accelerator principle' did not function was because capital inputs did not enter the process of production in the same magnitude that it entered the sphere of the circulation and distribution of commodities. Hence the enormous movement of funds during the busy season that pushed short rates well above long rates in the economy.

Despite the divisions that plagued the political articulation of the exchange problem, the storm of protest from the Bombay industrial community and the indigenous capitalists, and the deliberations of two currency committees that sat between 1919 and 1926 has come to be known as the exchange debate. The debate covered immense ground and examined many aspects of the fluctuating rupee. Scores of witnesses were questioned, experts on currency were solicited for their opinions; as a result the currency reports with their attendant evidence volumes added enormously to the debate.

Nevertheless, despite the abundance of source material and diversity of views on the exchange debate, CHAPTER ONE contends that if the more complex issues are swept aside the debate is fundamentally a demand by the Indian capitalists for certain concessions on the exchange rate that would promote the export of commodities, benefit the agriculturist, and help swell the demand for their own goods. The government stand in this debate was an equally simple opposition to these demands, as the currency question was an issue on which they were prepared to stand no compromise whatsoever.
Thus the exploitation of the rupee continued. There were, however operational problems. To ensure the weekly flow of remittances currency officials were forced to keep a delicate monetary balance that was frequently disturbed. CHAPTER TWO reviews the consequences of this demand which was an operation that required precision and a daily watch on the pulse of the money market. Estimates of the probable quantities of sterling offered on the market were carefully kept. If the amounts of sterling offered fell below the quantity required then the Controller of Currency could postpone his demand till the rate adjusted to the legal ratio. This was not always possible, especially when the Secretary of State's insistence on regular remittance grew demanding; so straightforward manipulation was undertaken. Contraction was resorted to, and a physical removal of currency preceded almost every purchase of sterling. If contraction proved inadequate, treasury bills were issued which complicated the revenue position of the Government of India, and the rupee loan became an annual necessity. The government's revenue position was further complicated by the interest rates the Imperial Bank was forced to offer on such loans if a pre-emptory flight of capital was not to take place.
Manipulation of this nature could become counter-productive because, there could only be that much of contraction possible if the entire monetary balance of the economy was not to be destroyed. As a result when credit was in serious danger of getting out of hand the Secretary of State's requirements were satisfied by the ultimate and increasingly used instrument of the sterling loan. India's external debt multiplied very quickly and by the time the Great Depression hit the economy, India's sterling debt was almost unmanageable. It was only the export of gold which temporarily eased the difficult situation, much to the horror of the commercial community, who saw the export of gold as a fraudulent use of what could have been India's currency reserves.

Throughout the inter-war period, though monetary management became an important element of imperial policy, the monetary character of the colonial economy remained a scarcely understood phenomenon.¹ The seasonal

¹. Caution must be expressed because in India, associations between economic variables, money, interest and so on are only apparently similar to such associations in the more developed industrial economies; which is why the sophisticated monetary theories (of Hawtrey, Keynes, Wiksell, and Hayek) fall short of explaining monetary associations in a seasonal economy. India's economy ran on a seasonal pattern, and though it responded to boom and slump conditions in Western Industrialised economies, none of the above can fully explain monetary relationships in a colonial economy, between interest rates and money stock, prices and circulation.
absorption of money, the cultivator's preference for gold, the heightened role of speculation, all of these monetary features, often baffled officials who explained them away as manifestations of a backward peasant mentality. Even the voluminous proceedings of the currency committees and the Banking Enquiry Report did not go beyond a description of the monetary process, and were unable to reach an analytical definition of the seasonal economy. At best, currency officials and the Finance Department could react to a monetary crisis by expanding or contracting currency; they could neither anticipate a contingency, nor did they have enough control to regulate a serious absorption or release of currency once such a movement had been set in motion. Additionally despite the growing sophistication of monetary management during the inter-war period, currency control could only decrease or increase money stock in the limited proximity of the urban trade centre. Organised credit had little influence on the circulation of money beyond the trade centre into the hinterland where credit was entirely controller by an intermediary class of moneylenders.

This dichotomy was aggravated by primitive currency habits which at times could grow arbitrary and
dislocate money circulation, multiplying the redundancy of fiduciary issue.¹ Convertibility of the currency between metal and its paper token was a critical attribute of the rupee, which if disturbed could lead to monetary imbalance. Similarly, exchange equilibrium could be complicated by the frequency of seasonal harvests, the

¹ A.D.D. Gordon recognises a growing separation between India's traditional economy and modern indigenous industry, but to my mind, interprets the dichotomy far too strongly, in what he terms as 'enclave' development. Admittedly to some extent, it is true that modern industrial techniques did stand in sharp contrast to the backward agrarian economy. However, the functional association between indigenous industry, and India's traditional economy lent a greater emphasis to lateral associations that substantially qualified this so-called 'enclave economy'. The distinction was thus not sharp enough to support the parallel that Gordon draws between the metropolitan capitalist, and the indigenous industrialist. There certainly existed some likeness in their demands and their relationship with their respective governments, but this is true of any capitalist class in any country of the world at a time when official patronage was important in catalysing industrial production and swelling profits. However, this is where the similarity ends. The story is a good deal more complicated than Gordon would have us believe.

The monetary dichotomy that I have suggested is a more limited notion which would certainly not support any theory of 'enclave economy' used, as it has been used by Gordon. The problems of labour, growing nationalism, distribution, and of association with officialdom were very different in the case of the indigenous entrepreneur, and comparable only in the most basic sense with similar attitudes of the British entrepreneur.

absorption of gold, urban speculation, all of which were insufficiently understood by currency officials whose only concern was the rate of exchange.

CHAPTER THREE reviews the limits of such influences on money circulation especially in regard to government monetary policy and indigenous industrial growth. Both were tied to primitive preferences in the economy that were symptoms of a more general condition of agrarian under-development.¹ Development, where it did occur, was peculiar in that it was entirely dominated by the construction of institutional overheads which multiplied the efficiency of the exchange and distribution of primary commodities for export. It left untouched, productive technique and in fact, presumed upon low levels of labour productivity, thus extending indigenous credit, multiplying rural debt and intensifying the backwardness of the agrarian economy.

The problem was not so much that the economy suffered from this monetary dichotomy, it was that these arbitrary preferences could turn so powerful as to suggest that monetary disequilibrium was an important cause for the relative stagnation of indigenous industry.

¹ This phrase is used to draw a distinction between a spontaneous agricultural economy like that of the Steppe lands of Russia and one that had been perversed by colonial development.
CHAPTER FOUR shifts the matrix of this study to investigate the political articulation of the exchange problem. The problem that currency manipulation in service of an over-valued rupee had precipitated was enormous. The business community certainly recognised the inhibiting influence that exchange had on indigenous development, and the early effort by Purshotamdas Thakurdas was a concerted bid to use the Legislative Assembly to win reform.

The agitation picked up momentum in the unsettled post-war years around its principal spokesman, Purshotamdas, but gradually became a more wide-based effort.\(^1\) The business community began responding with

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\(^1\) A number of recent monographs have sought to analyse business politics in India as an inter-play of groups and associations identified by their specific economic activity. There is perhaps, little doubt that at certain levels Indian politics can be fruitfully analysed into groups, but their political function does not necessarily derive closely from whether they were traders or industrialists. Stanley Kockanek, Business and Politics in India, digs too deeply into the regional and caste origins of businessmen in Indian politics where as Gordon Businessmen and Politics, ties them too closely to their separate economic interests. The articulation of political demands and the formation of group interests function at a certain distance from the purely day-to-day demands that concern individual businessmen.
a more mature political faculty that had been bred on other issues such as tariff reform and excise duties and a greater association with Congress Leadership. Not that this new found identity worked entirely in one direction, but the limits of consensus and unanimous agitation in search of reform were being explored.
In 1927 F.I.C.C.I. was born, and by the years of the depression the currency agitation, though still associated with Purshotamdas, was no longer entirely his ball-game. The agitation in search of a Reserve Bank Bill also grew in scope and extent, and if nothing else invited response from a much larger audience who were able to discriminate on the more technical issued of currency control and monetary policy. However fractured and imperfect, there is little doubt that a broad consensus of commercial and industrial opinion, was beginning to form.

This was based not so much on a new or different economic rationality. It was in terms of an exchange of ideas, between important members of the commercial community and an effort at organisation into formal bodies which amounted to a co-ordinated pressure on Government, that in the late 20's and early 30's was unprecedented.
The platform from which the business community chose to express itself was the Legislative Assembly. Most considered the politics of Gandhi dangerous, and this limited their strategic perception of political agitation, and weakened their efforts to win reform. Purshotamdas promoted the currency agitation to a controversial and visible debate. But its power to embarrass government, limited because the argument tended to get lost in amaze of technical detail, unearthed to support the lower ratio. The Swaraj party was divided on the agitation, the Congress was not entirely convinced that the Currency League had not missed the point altogether. As a result the cry for currency reform was not as powerful as the demand for tariff reform, and the legislative endeavour became stilted and eventually failed entirely.

Though it was the businessmen who articulated the exchange problem, launched a crusade, and eventually lost the battle on the lower ratio, it was more than just a millowners' demand. But because of its complexity, the nature of official manipulation, and eventually the enormously more important problems of rural backwardness, the agitation became limited virtually to the industrial
and commercial community. The effort was well organised, and powerfully directed, but the only problem was the debate was eventually irreconcilable. If the sterling connection had been more carefully scrutinised, it might have been possible to convince the nationalists that currency was as much worth fighting as for tariff. Had it been currency rather than tariff, the agitation would have found a truer mark, and would undoubtedly have damaged the credibility of the administration. As it happened the exchange debate was a stalemate. A stalemate that the Government was more able to take advantage of than the business community, who eventually were made to stand accused of promoting a sectional demand.