Chapter-4
-FINANCE, CURRENCY AND EXCHANGE-
IN INDIA
(Section –A)
-Dr. Ambedkar On ‘Finance in India’-

“To argue that nothing can be learned without experience is simply absurd. What is necessary for a proper conduct on the part of an individual or a group is to understand the meanings and values of things. For that it is unnecessary to undergo actual trial, “A Legislature composed of responsible persons may be trusted to know the consequences of dismissing a minister at the start without having to wait to learn it by experience.”

-An Occasion to the Study On Finance-

The answer to an amazing and interesting question of common Indian people that, why Dr. Ambedkar was made chairman of the Drafting committee of the constitution of independent India, was generally justified with the clarification that, he was a scholar of Doctor of Laws. But the fact normally remains undesirable than unknown that, Dr. Ambedkar was the expert of public finance, a subject which has an extraordinary nature to dominate in any kind of constitution. The general belief that, “Writers on the theory of Public Finance seem to conceive the subject as though it were primarily a matter of equity in taxation and economy in expenditure. But to a Chancellor of the Exchequer finance is eminently practical with a problem to solve namely, how to bring about an equilibrium in the Budget.” But it is not the problem that can be easily solved. The basic structure, which is to draw powers from the Constitution, is the Executive Legislative and Financial powers. The entire gamut is to rotate about financial powers. Dr. Ambedkar for having a crystal clear vision in the subject of public finance could cast the Federal structure of Indian constitution, which was the original consequential event of Indian political and economic history.

Dr. Ambedkar had already founded unique theses on the problem of Indian finance from the Columbia University, “Administration and Finance of East India Company,” and “The Evolution of Provincial Finance in British India,” A study in the provincial Decentralization of Imperial Finance” are his original academic studies. More over these were his deliberately interesting subjects study made him pioneer in the field of Indian public finance. He has not left the chance to accost Indian Scholarship in the preface of his thesis of Ph.D.2.

1 Dr. Ambedkar: Vol.6, P.61
"For a long time to come students will be saved the conventional humiliation of making an apology for presenting a study of Indian finance or Economics. But it will on the other hand, be necessary, I fear, for an equally long period, for them to tender an apology for the short comings of their respective investigations." Dr. Ambedkar was aware of the fact that Indian scholarship is to remain dependent on his pioneer work of public finance. Despite difficulties he contributed immensely valuable work. The famous economist, his Professor, Edwin R.A. Seligman while signifying, “the value of Mr. Ambedkar’s contribution to this (public finance, his thesis) discussion lies in the objective recitation of the facts and the impartial analysis of the interesting development that has taken place in his native country. The lessons are applicable to other countries as well, no where to my knowledge, has such a detailed study of the underlying principles has been made.”

Any kind of investigation in a new field must face diverse difficulties, Dr. Ambedkar despite all of them, brought out his work to the value of a foundation. But “Provincial Finance in India has so far been almost entirely neglected by writers on finance and little or nothing had been published apart from Government Blue Books and memoranda. The Evolution of provincial Finance in British India is a useful introduction written rather from the historical point of view. It does not pretend to be exhaustive and is essentially a piece of pioneer work.”

Review by W.S. Thatcher: The Economic Journal The journal of the Royal London 1926 Economic Society, Edited by J.M. Keynes and D.H. Macgregor. P. 111. But as per Dr. Kasare’s remark without taking any account of the vital justification of labour and its value, noted an irresponsible virtue that, “Dr. Ambedkar speaks only of the shortcomings of his work and not of the labour involved.” Dr. Kasare, instead of explaining nothing of the shortcomings of Dr. Ambedkar’s work showed irresponsible virtue, but to the word shortcoming and not to the intentions of Dr. Ambedkar. Dr. Ambedkar brings forth only two things into the notice of Indian students, who did know only a void of a-b-c in the field of finance in the contemporary period? He put forth two things to understand his monograph, first about the date of, ‘Commence of decentralization and secondly how he dealt with the two relative

1. Dr. Ambedkar Vol. 6, P. 53
2. Seligman: Foreword: Vol. 6, P. 56
subjects of his single theme when not found germane to each other when analyzed and interpreted. The above things in fact are not shortcomings but they are guiding hints to understand to his findings for the Indian students.

Dr. Ambedkar’s task of findings were ‘analogous to that of finding a needle in a hay stack and still he kept a bold confidence, that of ‘later researches may after all confirm his statement.’ The pamphlet work of Justice Ranade on the same subject comprising a plan though could not assist Dr. Ambedkar’s research work, but helped him to take some important decision to proceed. Dr. Ambedkar pointed out the careless phraseology often used in Justice Ranade’s article, “Decentralization of Provincial finance,” implies the growth of local Finance and that was false to its contents. Dr. Ambedkar deals both the aspects of his research, ‘the interrelation of provincial and local finance’ and the ‘Evolution of provincial finance in British India.’

The Finance of every government often faces the problems arising out of fiscal interrelations. “To this question Dr. Ambedkar proposes to devote himself in a subsequent study. If he succeeds in illumining that situation as successfully as he deals with the initial problem, he will lay us all under still deeper obligation,” says Prof Seligman to conclude in his foreword.

From the very beginning of Dr. Ambedkar’s higher education at Columbia University, his enquiry into the academic subjects reciprocal to the transactions and acts of British regime seems to be a subject studied having not much of academic concerned, but appreciated as an investigation of political and economical transactions of India, responsible for her slavery as a work of patriot. Excepting the formal fact of having a degree of M.A; for what purpose Dr. Ambedkar wrote ‘Administration and finance of East India company’ is beyond any contingency. But it was a rare and impossible foresight to accept from the Indian freedom rebels, to understand the alien ruler master’s castle structure having a complex network of ruling authorities and powers vested in. It was hardly contemplated by them to inquire into, by what organizational agencies the cruel master was ruling India, Dr. Ambedkar had described the structure and agencies of Britain, while studying the administration and fiancé of ruling company of British government. It is the first blasting of gelignite given in the hands of Indian intellectuals and rebels, so far as the matter of Indian independence is concerned. To understand the ruling mechanism of British company was the first key,
which was to be achieved. It was the foremost requisition to begin the struggle of freedom. Dr. Ambedkar had done it first without any mistake forsaking the ‘Ancient Indian Commerce and Trade’ for his M.A. Dr. Ambedkar not only found out the mechanism of ruling company, but all the economic courses of oppressive practices of the company to make it to be understood by the youth of India. Dr. Ambedkar’s patriotic desire made him target of critics on his various academic interpretations not germane with their fundamental and traditional, and Dr. Ambedkar had to confess, “it is my second justification, which affords me a greater excuse, It consists in the fact that I have written primary for the benefit of the Indian public.”

Dr. Ambedkar worked on various subjects, which are basic economic problems of India. His thesis’s benefited India and Indian students. It is his careful look to Indian scholarship because he wrote primarily for them. He attracts Indian students to make inquiry in to Indian Finance system, “There are no books to prepare the students for his work and hardly any savant to lighten his labour or set him on the proper track. Notwithstanding such odds, an attempt is made to make this study thorough without being too detailed.”

**Significance of Dr. Ambedkar’s Study**  
*(On Finance of British Government.)*

The current subject on which Dr. Ambedkar studied, for his post graduate and doctoral degree, from 1913 to 1916, it was not a coincidental fact, as it seems to be. We find his patriotic deliberation in this regard when he changes his subject of, “Ancient Indian commerce,” previously chosen and after a remarkable study forsaken. This is not a matter to find a place to signify a subject of significance. But it ardently exposes certain value of significance by its virtue. The following remarks in this regard can be made to summarize the substance of the significance:-

1) Dr. Ambedkar made the East India company the target of his subject, and it was not with out his understanding that it was owned by British, the cruel rulers of India and, what hard so called goodness they were doing on the land of India.

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1 Dr. Ambedkar. Vol.6. P, 329
2 Dr. Ambedkar: Vol.6, P.53
2) By selecting the subject Dr. Ambedkar provided the open secret of the subject of ruling company government to the freedom fighters of India with all detailed information, to discuss their oppressive and repressive practices exercised upon the people of India.

3) It was hard and beyond comprehension to know and to make known to the common Indian man the constitution and organs of the cruel ruler, 'the East India company, Dr. Ambedkar provided the maps and structure to think over and go for the battle of freedom of India.

4) The contemporary agony and torment inflicted upon the Indian people, by the black acts of British rule, had created many difficult tasks to understand in its all round aspects. Indian rebels were acquainted only with open course of operation. How ruling thing were changing under the policies confirmed in the organs of the company government were hardly known to them. Dr. Ambedkar projected it from the most authentic sources. It was as if open secret intelligence agency’ operated on behalf of Indian people in England.

5) The contents of the study that revealed many vital aspects of the tasks to learn for the benefit of the Indians for their own independent country.

   a) As it has provided data and practical vision in the subject of administration and finances of British Government.

   b) As it makes, clear the various aspects regarding unity and integrity of India, as a task to understand and make it into corrective measures, for example:
      I) The tax systems prevailing in India.
      II) The unfavorable outlays of revenues
      III) What are the reasons that obstructs the healthy study of finance
      IV) How the serious adverse effect is inflicted when vital word like ‘previous’ is omitted.

   c) How the government tendency can move from one section to the other as it is seen in case of ‘Indian Debt’ and ‘Home Bond Debt’.

   d) When during the evolution of provincial finance the problem of revenue heads and provinces a crossed and no solution was destined Dr. Ambedkar’s proposition is outstanding while, “separating the revenues and charges into Imperial and
provincial, it must be conceded that the task was by no means so insuperable as the Imperialists made it out to be. The difficulty of apportioning the military charges could have been easily obviated by centralizing the military and making it a charge of the Central Government,” Dr. Ambedkar 35 yeas back resolute thinking is seen the same proposal and execution, while writing the constitution of India.

6) Dr. Ambedkar’s study reveals the core facts of British rule and how they were detrimental to Indian people. Therefore, not less than, national monumental monographs.

7) Dr. Ambedkar’s study on Indian finance in British era is a pioneer work for all the Indian intelligence, politicians, planners, and students, newsletters and common man for further study both as a basic data and practical view of the fundamental principles.

The Economic Philosophy of Public Finance:–

From historical point of view, the great economist David Ricardo, in his ‘Principles of Political Economy’ throws a profound light upon the ‘Funding system’ of a government. Adam Smith in his ‘Wealth of Nations’ devoted fifth part for the significance and rationalism behind the Maxims of Public Finance. Dr. Hugh Dalton and, A.C.Pigou also built complete theory of public finance. The economists express ideal and suggested systems of finance. Among these major economists Adam Smith is the foremost to have the credit of pioneer. His maxims of finance are immortal having inexhaustible significance there in Adam Smith depicted four, maxims of finance i.e. ‘Equality’, ‘Certainty’, Convenience’ and ‘Economy’, [Wealth of Nation.P.477 to 479] there after new classical and modern added few more maxims, viz: Productivity, Flexibility, Simplicity and Diversity. [V.G.Mankar-P.F.p.21]

But they are mere principles, and as per Dr. Ambedkar ‘under the light of a principle, the corresponding act can not be mechanical, there is a possibility of misdeed, but a ‘rule’ may it be dry and mechanical but there is less possibility of misdeed. In fact both needed a balance with moral responsibility. Hence mere idealism cannot be worthy of propagation leaving them of having void of fellowship, but the fellowship is not simple, because man is a bond of conditions having a narrow space
of alteration in them. That is why excellence of thinking and master hood in preparation of policy needs understanding, under the elements of the both: Principle and Rule. Otherwise there would not be a need of succeeding chain of economists after Adam Smith. As his work on finance suggests a Government, what to and how to do with the sovereign revenues to raise funds for the expense of justice to public. Dr. Ambedkar as a pragmatic thinker places the classical Maxims into a practical observation under the Principle of 'utilitarianism'.

As a philosophy of Finance, it will be interesting to check which maxims have got the importance in due course of events pertaining to Indian condition under Imperial system of finance, where ever Dr. Ambedkar had occasion to deliberate upon them. In this regard also his pragmatic deductions never fails to build a foundations to the economic philosophy of Public Finance.

1) The maxim of 'Equality':- is the most important for Dr. Ambedkar, his emphasis was towards reducing income inequalities among various sections of society and adopting a relative equity measure. He urges that, "no taxation system should be manipulated as to lower the standard of living of the people, i. He brought in to the notice of Government the educative nature of land revenue and income revenue. In this regard Dr. Ambedkar says, "I think the revenue system of this presidency is unquotable and indefensible. Take first of all the land revenue. Whatever may be the quibbles, whether it is tax or whether it is rent, I may say that there is no doubt that this land revenue is a tax on the profit of the businessman. If these two levies are the same, I want to know from the Hon. the Finance Member as to why there should be difference in the method of laying the two. Every farmer, whatever may be his income, is brought under the levy of the land tax. But under the Income tax no person is called upon to pay the tax, if he has not earned any income during the year. That system does not suit as per as land revenue is concerned. Whether there is a failure of crop, or abundance of crop, the poor agriculturist is called upon to pay the revenue. The income tax is levied on as per the recognized principle of ability to pay. But under the land revenue system, a person is taxed at the same rate, whether he is owner of one acre of land or a Jahagirdar or an Inamdar. He has to pay

1 Constituent Assembly Debates. Vol. 10. P. 339
the tax at the same rate. It is a proportionate tax and not a progressive tax at the same rate, as it ought to be. Again under the income tax holders of income below a certain minimum are exempted from levy. But under the land revenue the tax is remorselessly collected from every one, be he rich or poor." 1 It is true that a nation with its people are under the slavery of a tyranny there cannot be any hope of principle of ‘equality’ in the imposition of taxes, but what is the use of the science of economics then, if tyrant is not to observe it and the Father of Economics to built it, without the reference of slavery. The vital breath Dr. Ambedkar can be reiterated that is ‘the ligancy of economy,’ ‘To justify and control the force over the means employed to achieve the ends’ and ‘The Fundamental Rights of the People’ only these can constitute the morals of the social science of ‘Economics.’

2) Maxim of Certainty: - To Adam Smith, “The tax which each individual is bound to pay ought to be certain and not arbitrary. The time of payment, the manner of payment, the quantity to be paid ought to be clear and plain to the contributor and to every person.” 2 Smith seems to be speaking from the side of taxpayers, but still proposes to manage set aside the interest of a government, in a way as if to get acquiescence from the taxpayers to pay Dr. Ambedkar realizes the fact of vested interest from both the sides. ‘From the Government and the taxpayers’ with a the preservation of interests of both of them from the side of government he proposes to expect the good revenue system is to be reliable, despite the reference of collection, of taxes large or small.’ From the government side Dr. Ambedkar proposes, “I say that the first and most essential requirement of a good revenue system is that should be reliable. It does not matter whether that revenue system brings in large revenue or small revenue. But what ever it brings, it ought to be certain in its yield.” 3 The most important word he uses ‘reliability’. The finance system should be reliable enough to avail the desire funds.

1 Dr. Ambedkar: Vol.2, P.2
2 Adam Smith: Wealth of Nation.P.47
3 Dr. Ambedkar, Vol.2, P.1
From the government point of view the maxim of 'certainly' is the most important. Government should be faced with the consequences of uncertainty after the failure of the sketched execution of planning. Any volume of revenue ascertained must be found nearest in its figure after receipts. Dr. Ambedkar's this proposition of reliability implies the collection or revenues should be minimum to reasonable to the condition of the people and with that the factual budget of receipts can be prepared and executed which will have maximum utility and certainty of execution of developmental planning. Extravagant assertion in beginning and facing deficits at the end is undesirable at any cost.

Thus the maxim of certainty has significance more from government side rather than taxpayer. The component of certainty Adam Smith speaks of is the discretion left to the legislators who are subject to bend as per the public pressure. Therefore the second implication is obvious that government is entrusted the moral responsibility to confer the constitutional rights to the people and protect them legitimately so as to put them at liberty to exploit the natural resources to avoid the malady of class exploitation. This is but needed because the legislators are subject to the electoral and bound to retrench when pressed from common people. "There can be no doubt that in a poor country like India with a very low capacity for bearing the burden of taxation, it is always very unpleasant, if not cruel, to propose an augmentation of that burden. Besides, any proposal for extra taxation would be shunned as likely to prejudice the chances of the legislators at the polls.

3) Maxim of Convenience and Elasticity:
"Every tax ought to be levies at the time or is the manner in which it is most likely to be convenient for the contributors to pay it." - Adam Smith: Wealth of Nations

Classical economist Adam Smith speaks of the convenience of imposing revenues. Dr. Ambedkar quotes Burk the political philosopher in this regard. "To tell the people that they are relieved by the dilapidation of their public estate is a cruel and insolent imposition. Statesmen, before they valued themselves on the relief given to the people by the destruction of their revenue, ought first to have carefully attended to the solution of the problem: Whether it be more

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1 Dr. Ambedkar, Vol. 2, P. 2
advantageous to the people to pay considerably, and to gain in proportion, or to gain little or nothing, and to be disburdened of all contribution?" 1

Dr. Ambedkar opines that poor country having a very low capacity to bear the burden of revenue it remains always. “He points out the critical positions comprising in the maxim of convenience and elasticity. “a political party which has won power from a bureaucracy by accusing it of heavy taxation cannot easily consent to disgrace itself by continuing the same policy. This innate aversion to taxation on the part of the legislature is strengthened by the peculiar attitude of the Legislature towards the ‘reserved’ and ‘transferred’ subjects. The reserved subjects are those, which mostly pertain to peace and order, while the transferred subjects are those, which largely pertain to progress. But as has already been pointed out the policy of the bureaucracy before the Reforms was calculated to sacrifice progress to order. It is therefore obvious that under the revised constitution the popular Legislatures should aim at turning the scales in favour of subjects tending towards progress. There diversion to increase of taxation and their partiality for the transferred subjects will favour them to welcome proposals on the part of ministers making drastic reduction in the funds allotted to the reserved subjects. Their attitude towards the ministers will be largely governed by the amount of economy they will be able to affect in the reserved subjects for the benefit of the transferred subjects.

Thus in the absence of any very large chances of increase of revenues the two halves of the Executive, the Governor in Council backed by the distribution and certification power and the Government in Ministry backed by the general Budget powers of a popular Legislature, will compete in the matter of developing their subjects by forcing economy on each other. The Legislature being unwilling to tax, the Governor in council being in a position to resist retrenchment and the Governor in Ministry anxious to expand, the chance of an early equilibrium in Provincial finance are very small.”2. Though these wards are expressed in the condition of diarchy of British, but still left no room expend the dilemma of convenience of imposing taxes and flexibility of tax reform at the demand of public. His view can be postulated in nutshell that it largely

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1 Burke: Quieted by Dr. Ambedkar: Vol.6.P.302
2 Dr. Ambedkar, Vol.6, P302-3
depends upon the available condition of the coming responding with a trained and qualified executives, and proximity of legislatures having common source mandate. Beside this there should be proper demarcation of financial powers.

4) Maxim of Economy: -

Adam Smith signifies this maxim of economy, as to at what const the collection of revenue must be operated, he lays down, “Every tax ought to be contrived as both to take out and keep out of the packets of the people as little as possible over and above what it brings in to the public treasury of the State. A tax may either takeout or keep out of the pockets of the people a great deal more than it brings into the public treasury.”1. The collection of revenues requires a large number of official systems. But it does not matter with like an Imperial system. British Government with reference to the contemporary rule over India, it wasted the a total one half of revenue on the military judicial, provincial police, buildings, fortifications expenditure, “On making these needful additions we fine the unparallel fact of a country wasting between 52 to 80 percent of its precious little money on war services. But the scales of salaries of the Europeans and natives were so grossly unequal that one European drew on an average more than the salaries of four natives put together. So this expenditure, whether from the standpoint of public utility or private employment, did not benefit the population which contributed to the revenues of the State” 2 Dr. Ambedkar analyses a detailed statistics of the company government cost of revenue collection which was nothing but the cost to India without any reservation of public expenditure of concerned to the Indian people. “Thus the bulk of the money raised by injurious taxed was spent in unproductive ways. The agencies of war were cultivated in the name of peace and they absorbed so much of the total funds that nothing practically was left for the agencies of progress.”3. The philosophical view under the maxim, that, when the cost of revenue collection rises to its maximum then there remains minimum for the treasury of the government. It can be applied to the acts of the Imperial system of British Government, who incurred the cost of revenue collection up to 52 to 80 % does it lost to pour its treasury or only depleted Indians to the line of beggary.

1 Adam Smith: Wealth of Nations.P.478
2 Dr. Ambedkar ,Vol.6, P.80-82
3 Dr. Ambedkar ,Vol.6.P.83
The philosophy of taxation which is finally finalized by Adam Smith, derived from his ancestor economic philosopher among them Sir William Pettey who propounded foundation on this subject that, "Government should not expend unreasonably. It government makes appropriate expenditure, that shoot up the progress of trade and industry in consequence. Despite to the fact that taxes are necessary, but while imposing them, they should be imported in such a manner not resulting the remarkable changes in the distribution of wealth and undue pressure upon the people. And far this the requisite statistical information must be collected."  

1. The Imperial system of British Government never followed the principles their ancestors founded. They ruined economic philosophy of their own land, foiling their own history in black pages, permanently with regard to the oppressed Indian subcontinent temporarily as the life of a country. Perhaps Smith may not or less aware of the imbibed malady of man and specially man working in a governmental system. And also the man who is leading ambitions politics remains beyond any deliberation in practical idealism. Dr. Ambedkar puts an eye on the malevolence of government executives, his check is that if executives of a government are not honest and efficient, we can not expect good finance system in that nation, 'The fact is brought in limelight when Dr. Ambedkar that,”  

2. Hybrid “executives divided responsibility, division of functions, reservation of power can not make for a good system of government and where there is no good system of government and there can be little hope for sound. System of finance, the primary solution is that there should be an undivided government with a collective responsibility. That however can be achieved only when the whole of government derives it mandate from a common source. That such a consummation should take place as early as possible is devoid to be wished. In that behalf it is encouraging to know that diarchy is but a transitional system. The only question is how long and protected will be the period of transition be the justification for introducing a diarrhea form of government rest on the supposition that India is at present it prepared to sustain a system of responsible government in anything like completeness for owing to the lack of education and political experience. The Indian electorate wills for some time noble either to formulate their requirement intelligently or effectively impose a mandate upon their  

1 Trd. quoted by R.M. Gokhale: *Arthashastriga vicharacha Ithas*. P.72  
2 Dr. Ambedkar, Vol.6.P.
representatives and that owing to the inveterate social prejudices of the
educated classes; there is a great danger of their abasing the political
d power to exploit the masses. This cardinal fact it was held, must
differentiate the degree and the kind of responsibility which can be
introduced at the outlet from that which will be the eventual resultant of
the new system, and must impose the obligation of ensuring that the
forces which now hold the people together are not completely withdraw
before satisfactory substitutes are ready to take their place. On the other
hand it has been urged that there is no necessity to wait till the cardinal
fact disappears for.

In all countries responsibility in the beginning has been trusted to a
very small section of the people and government has been in the hands of
a small educated minority who have naturally cared for the interest of the
uneducated masses pending the system of education and the consequent
extension of franchise." Dr. Ambedkar above inference suggests the
guide lives to the ideal system of finance; they can be postulated as under:

1) Trained and qualified executives
2) No trend of contractual revenue collection.
3) Uniformity of planned distributed responsibilities.
4) Constitutionally allocated division of functions.
5) In hectic and liberal treatment in operation of powers.
6) A chain of powerful reserve authority
7) Uniform majority mandate for forming a government.

The government which is obliged to certain maintenance and
developmental expenditure needs separation of powers and thus
demarcation of financial power with certain precautionary measures
towards executives machinery, It can lead to the Center sale accord
regarding the financial powers.

Adam Smith the pioneer preacher of the maxims of public finance
limits his own interpretation of maxims with, “The evident justice and
utility of the forgoing maxims have recommended them more or less to
the attention of all nations. All nations have endeavored, to the best of
their judgment to render their taxes as equal as they could contrive, as
certain, as convenient to the contributor, both in the time and in the

1 Dr. Ambedkar, Vol.6, P.308
mode of payment, and in proportion to the revenue which they brought to the prince, as little burden some to the people." 1 Reserving the dignity to the maxims Adam Smith deliberates to remark that, "The principal taxes which have taken place in different ages and countries will show, that the endeavors of all nations have not in this respect been equally successful." 2 The principal taxes for which countries failed to operated under the light of the maxims admits Smith giving the following list of taxes:

1) Taxes upon the Rent of Land.
2) Taxes, proportioned to the produce of land instead of the rent.
3) Taxes upon the Rent of Houses.
4) Taxes upon profits of stock.
5) Taxes upon the profession or employment.
6) Taxes upon the wealth.
7) Taxes upon the wages of labour.
8) Taxes upon the consumable commodities.

The above list comprises of almost all heads of taxes. The case of Imperial Finance system also lists the heads of above taxes perverted the idealism of the maxims.

Dr. Ambedkar noted 'Land tax was heavily taxed under Imperial system assuming cultivator is not proprietor but occupier of the land. For it being owned by the State and thus no necessity of justice found respective while faxing lang.' 3 But this does not mean to fashion the classical idealism is supreme in this regard. Dr. Ambedkar also has not failed to note Adam Smiths maxims. The "economic principle, which was taken to be the justification for the enhancement of the land revenue. There is a reason to believe that the physiocratic doctrine of 'PRODUIT NET' had its influence in the management and fixing of the land tax in India. We find high officials in India arguing in the early stages of the revenue management that, "whether or not the principle of the French Economists of laying all the taxes on the land be erroneous or otherwise, it is certainly comfortable to the prevalent system in India, nor is that theory supported by the French alone, but by respectable authorities in England, who contend that all taxes fall ultimately on the products of the soil, and that in advancing a different doctrine, the eminent author of,

1 Adam Smith: Wealth of Nations.P.479
2 Adam Smith: Wealth of Nations.P.479
3 Dr. Ambedkar,.Vol.6, P.73
THE WEALTH OF NATIONS is at variance with himself, in as much as his previous data lead to that conclusion.” 1 Dr. Ambedkar economic philosophy of finance rest upon the inexhaustible proposition which is free from the idealism of principle and Rule, “and also apart from the policy measures with regard to the taxation built by him self that is ‘taxes that are to be collected under a system of finance must be backed up by the culture of paying taxes among the people of that country’ with the introduction of Tax paying culture among the people of India, it will not be out of place to expect that it can eradicate the maladies of finance system and create a constant revenue resource with human resource also. The case is obvious in the routine events experienced down the age, in which Dr. Ambedkar recommended that the temples of all religious placed should be operated under government Polaris and officials and the receipts of donation to the temples as a revenues be tendered in the treasury of the Indian Government, only government can do good for poor people that these temples’s motive. Application of the proposition depends upon the method that is to be adopted, extending the powers to the existing temples and creating programmes to create a culture of tax paying.

i) Dr. Ambedkar’s Critique of Finance System in British India.

The East India Company and British Government-

Dr. Ambedkar’s first research paper for the degree of M.A. is ‘Administration and Finance of the East India Company’ a detailed dissertation expanding the historical changes of East India Company’s transition detrimental to India while ruling its wealth and common wealth of India during 1792 – to 1858.

In the course of history three trading companies attempted to get foothold of India for the sake of trade. The Dutch East India company of 1602, The East India company of 31st December 1600 established at London, and French East India Company o 1611, 2 Denmark and Portugal also attempted in the same way, but all of others, except East India company of London could not last long in their motto due to lack of, the aggressive method which adopted by East India Company.

1. Quoted by Dr. Ambedkar, Vol.6, P.74
2. Dr. S.S. Rode and other: Aadhunik Bharat ani Chinacha Itihas, P.23-4
Indian Political States.

When India was under the control of the British East India Company, and till the take over of the Queen Victoria.

The East India Company’s period: 1600 to 1877
Queen Victoria The Empress of India 1877 to 1937

[* L. Dudley Stamp: Commercial Geography(Part-II) P.308]
The East India company, which got charter of trade by its king, Queen Elizabeth, with the volume of profit gained in the trade, the unobstructed expedition went on with the first ware house opening at Surat, with the aggressive method East India Company got its foot hold when it faced conquest with the revelry companies and finally received charter of war and treaty. Addition to the trade, there after no one king, Indian or external could stop it from becoming a ruler as any government all over the India.

Dr. Ambedkar wrote Administration and Finance of East India Company in 1915. The indestructible strength of East India Company was needed to enquire with all its structure and mechanism. Dr. Ambedkar did the same to offshoot the result of the exposure of black intentions of British and consequently, demoralizing them. Dr. Ambedkar’s dissertations, to both, ‘Administration and Finance of East India Company’ and ‘The Evolution of provincial Finance in British India’ are no less worthy of national monumental monographs.

Dr. Ambedkar expounds the administrative agencies of East India Company with their organs and powers i.e. The Court of proprietors, the Court of Directors, and the Board of Commissioners or The Board of Control, with their respective mechanism. Under these organs as if a constitution, company government operated its administration and finance under the name of their single job of trade that ultimately affected in careless depletion of Indian wealth.

Dr. Ambedkar on the Finance of the East India Company -

Dr. Ambedkar’s study on finance of the East India Company expounds many significant tasks. His perceptive analysis of the same reveals the following primary facts:

1) The Finance department: - having a secretary operated under the power of the Government General of India, whom the court of directors appointed was subject to the approval of the Crown. 1 Company Government:- ruled the various provinces as an established state and carried on its political and commercial functions jointly and thus entangled the fiscal administration of the company.

1 Dr. Ambedkar, Vol.6, P.11-12
3) The Returns: of the East India Company’s commercial and revenue both were merged together without any destination till the 1814’s the Act of parliament. And therefore study of finance is difficult till the Act of 1814 by which company was compelled to keep separate accounts to finance.

**Revenue Heads of East India Company:**
1) Indian country is an agricultural country.
2) Land Revenue is the major source.
3) British Government under the principle of State land lordship regulated its land revenue collection system.

Different Sub-heads of Land Revenue System:

1) The Revenue under the Seminary settlement: - Under this system land revenue was collected under powers of few seminars in the entire District. Lord Cornwallis introduced the system; an option to the previous system of Mohammedans government gave an advantage of greater degree of certainty.

2) Village Land Revenue: - Under the olden system of village community proprietorship of village land, administration of which was entrusted to ‘Village Headman,’ subject to removal, a certain amount of land revenue was contributed to the British Government.

3) The Ryotwar revenue: - The rent of to individually cultivated land was fixed as per assessment made by Government each year.

4) Opium Revenue: - an important head of revenue next to the land revenue in its yield, levied on its both cultivation with sale and as an import of export duty from Bombay port.

5) The Salt Tax: - as an excise duty equal to the import duty on imported scat. The chief manufacturing regions were Sea coastal areas of Bombay Bengal and Madras, also some natural resources of mines in Punjab and Rjputana.

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1 Dr. Ambedkar Vol.6, P.13-14
6) Customs: - The inland duties were abolished by 1836 to 1844 and uniform system of customs were established throughout India. Sea and land customs were regulated on frontiers of British territories.

7) Revenue from tobacco monopolies yielded as good as opium.

8) Revenue from the sale of spirits and liquors as per licenses. And the licenses were sold at high price without any control-selling price.

9) The Wheel Tax: - on every carts and carriages.

10) The 'Sayer duties':- comprises of unclassified taxes.

11) The Judicial Fees: - in the form of stamp fee varying as per the value of suit and the status of the court.

12) The Stamp Duties: - Since 1797 first in Bengal, Bombay and Madras after words on all negotiable instrument, the stamps were supplied by collie for to vendors on a percentage.

13) The Mint Revenue: - in the form of signora for coining.

14) The Marine Revenue: - as an anchorage and port dues at Calcutta, Madras and Bombay.

15) Subsidies payable by States: - under treaty obligations.

**Sources of Revenue in British India:**

<table>
<thead>
<tr>
<th>Revenue/Tax. Period</th>
<th>Annual Average</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land Tax 1792-93 to 1855</td>
<td>10349000</td>
<td>54.07</td>
</tr>
<tr>
<td>The Opium Revenue 1792-93 to 1855-56</td>
<td>1667000</td>
<td>8.71</td>
</tr>
<tr>
<td>The Salt Tax 1792-93 to 1855-56</td>
<td>2118000</td>
<td>11.07</td>
</tr>
<tr>
<td>Custom Revenue 1792-93 to 1855-56</td>
<td>1190000</td>
<td>6.22</td>
</tr>
<tr>
<td>Miscellaneous Revenue 1792-93 to 1855-56</td>
<td>3043000</td>
<td>15.90</td>
</tr>
<tr>
<td>Total</td>
<td>18367000</td>
<td>95.97</td>
</tr>
<tr>
<td>Other Source of Revenue</td>
<td></td>
<td>4.03</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100 %</td>
</tr>
</tbody>
</table>
Graph No. 5
Sources of Revenue in British India

Land Tax, the top most source of revenue, Opium, Salt, and Customs are the succeeding sources.
Dr. Ambedkar unfolds an exciting analysis of the company government finance, during the entire period of 66 years from 1792 to 1858, with gross revenue and gross expenditure. “In 36 out of these 66 years, the company government had surpluses while in remaining 30 years the government finances showed deficits. As a matter of fact, the combined surplus during these years was substantially in excess of the combined deficits.” 1 “The net financial result of Indian administration was therefore a surplus of 32 Millions during 46 years but this money was not saved in India, nor devoted to irrigation or other works of improvement. It was continuous tribute to England to pay dividends to the Company share holders and as the flow of the money from India was not sufficient to pay the dividends there was an increasing debt called public Debt of India.” 2

Expenditure of Company Government:

The philosophy of public finance professes the government’s active participation in the progress of the State and only for which public Revenues are collected. It is the duty of government to perform many welfare functions, maintain law and order, and protect foreign aggression streamline production. The practical value of the Finance lies in these multifarious activities of the government.

Adam Smith advocates three canon duties of State that are, ‘Of the Expense of Defense, Justice and public works and public Institutions for the Education of Youths.’ He says regarding the public works, “The performance of this duty requires too very different degrees of expense in the different periods of society, After the public institutions and public works necessary for the defense of the society, and for the administration of justice, both of which have already been mentioned, the other works and institutions of this kind are chiefly those for facilitating the commerce of the society, and those for promoting the instruction of the people. The institutions for instruction are of two kinds, those for the education of the youth, and those for the instruction people of all ages.

1 Dr. Narendra Jadhav: Dr. Ambedkar’s Economic thoughts and philosophy: P.8
2 Quoted By Dr. Ambedkar: Vol.6, P.34
The consideration of the manner in which the expense of those different sort of public works and institutions may be most properly defrayed."1.

Dr. Ambedkar lightly observes an European statement in this that, “our assessments for revenue are supposed to be based upon the doctrines laid down by Adam Smith and his follower (?) Our finance alone is Indian, Our military men study the strategy of Jomini: Blackstone and Bentham, Mills and Ricardo are the text-books of our civilians, but the system of our financiers is almost the same now as that of Abul Fazal, Akbar’s ministers some three centuries ago.” 2 Dr. Ambedkar made it obvious that how British were villainous and dishonest to their own lands political philosophy, it is but the downfall of their moral and ideals which is nothing but shame to their forth coming generations.

Dr. Ambedkar presents an insightful analysis of company government expenditure and acts of The East India Company, how they hanged up the philosophy of political economy and jeopardized the life of Indian people, both resulting the ‘huge losses to Indian people’ He provides a data of 58 years a period from 1800 to 1857, decade wise to expose the black stock record of activities of Company Government in the name of public work. The Expenditure side of the East India Company can be summarized as follows:

1) Knavish Public Works Department: - Dr. Ambedkar makes out that, “we are compelled to condemn the fiscal system of the East India Company”3 with regard to ‘public works,’ which take a prominent position in every county. Since 1800 nearly 48 years the Public works Department was in illusory position. “In Bombay it was conducted by the Military Board: Though subordinate the superintendent of Roads and Tanks was outside the military Board.” “In Bengal the Military Board had the entire control” the public works and “In Madras the administration of this department was three fold: There was –

a) The Public works Department of the Board of Revenue.
b) The Superintendent of Roads.
c) The Military Board.”4

1 Adam Smith: Wealth of Nations P.452-3
2 Quoted by Dr. Ambedkar Vol.6.P.32
3 Dr. Ambedkar Vol.6, P.26
4 Dr. Ambedkar Vol.6, P.26
Only in 1848 Lord Dulhousie created a separate department, dealing developmental expenditure of public works. There is no need to make a mention of what kind of ‘public works’ were being executed under the Military Board in India, by the Company Government, nothing but the oppressive and suppressive works at all.

2) Military Charges: - During the period from 1800 to 1857 the single head of Military charges accounted the highest cost of expenditure, ranging from 45.55% to 64.29% throughout the 58 years in every decade. Even the average charges confirms more than 50% i.e. 55.30 %. Nearly half of the century was lost as it in the military operation. In support of it, again provincial police charges were ranging from 1.99 to 2.09 percent, accounting its separate position. In comparison with the later, it seems police department was passive while in activation of Military force. The entire business of company government was operation of military force if we compare, “the defense expenditure in India in 1989-90 was only 10 percent of the total expenditure of the Center.” 1 Dr. Ambedkar noted that even public works Departments were working under the Military Board. “Before 1853 the administration was engaged in war operations and not only did not project any new scheme of public works, but it allowed the old ones to fall rapidly into decay.” 2 No less word to define it operation of predators under the name of Military and military under the name of Company Government.

3) Public Works: - The Company Government executed four canals, viz: Ganges Canal, West Jamuna Canal, Punjab Canal, Boree Doab Canal, and in Madras few tanks and reservoirs across Cauvery, Godavary and Krishna Rivers. It built 3559 miles truck roads, Railway routes 261 miles and Electric Telegraphs in all nearly 4000 miles throughout the country in 58 years. Dr. Ambedkar quotes, “Mr. Hendricks says, ‘comparative to area and population, the extension of these works has not been either so great or so continuous as might be desired. If we excluded those undertakings that are of purely military character, and review the items which may be classed under Land and water channels of communication and irrigation works, or in other words, the Revenue productive Public

1 Economic Survey 1990-91 P.40
2 Dr. Ambedkar Vol6.P.26
works, in recent years of most activity, it appears that an outlay of about one million and a half sterling has been the maximum for one year. If we take the most immediately productive work, viz: of Canalization, irrigation, it will be seen that not more than 738,015 in year 1853-54 was thus expended,” to show how small amounts were spent on public works and that to for their own purposes to rule India and the Indian people.

4) Charges of interest on Bond Debt: - Dr. Ambedkar tabular data reveals that, Company Government raised Home Bond Debt as well s Bond Debt in India by issuing bonds and interest of the same was sustained in the name of charges of fund raising i.e. handsome interest was paid ranging from 7.19 to 18.01 % during the period from 1800 to 1857. The average rate was paid 11.78 % where parliamentary regulations of England were not supporting the borrowing from England i.e. Home Bond. Comparison to this Home Bond Debt the Indian Debt was in constant rise knowing no stoppage. The figure shows, “In 1792 the Indian Debt was as little over 7 million pounds............... The year 1857-58 witnessed what is known as the Indian Muting or the war of Independence, raising the Indian Debt to pound 60.7” 1 Almost an increase of 767 %. Where Home Bond Debt was never exceeded, “its maximum limit Of £ 6.56”2 (why the parliament of England without backing up Home Bonds kept strict embargo because “The parliament was ever eager to obtain the advantages of the rule of the company without its disadvantage.”3. Perhaps expecting, anytime mutiny may result home capital into critical risk. Dr. Ambedkar shows “On the expenditure side we note the following leads: -

1) Charges incidental to the collection of revenue.
2) Military and naval charges.
3) Civil judicial and police.
4) Public works.
5) Interest on Bond Debt in India.
6) Allowances and assignments to native princess under treaties and their engagements.

1 Dr. Ambedkar Vol.6P.35.
2.Ibid .
3.Ibid.P.36
Home Charges which include:

a) Interest on Home Bond Debt.

b) Dividends to proprietors of East India Stock.

c) Payments on account of Her Majesty’s troops and establishment.

d) Charges of the East India House and Board of Control.”

Among the above heads the 4th and the 5th heads had a little concern with Indian people. Other remaining heads are the gates of the outlay of Indian wealth recovered in the name of revenues. It is obvious that the heads of expenditure side show maximum outlay of revenues into the pockets of British people in the name of company administration and Finance, all other heads are mere mines identified and recognized for the acting desires of the British predators.

5) The pressure of the Revenue: - The period Dr. Ambedkar provides research of the people, due to various drawbacks like neglected census, mixed political and commercial accounts, under very scanty information regarding the income of the people, “According to Munro the average wages of an agriculture laborer was between, 4s and 6s monthly and that the cost of subsistence was between 18s and 27s a head per annum.”

Dr. Ambedkar confirms that the tax pressure of the company government was beyond any limit of reasonable. Has inference is, “circumstantial evidence goes to prove that it must have been great,” in all the handicap conditions of study, “that every year the East India Company saw its territory extended by several units of miles and one often wonders whether the well in the revenue is due to the high rate of taxation or the extension of territory.”

Dr. Ambedkar show the pressure was in double direction. It was not only from highly taxed, but wholly realized compare to the Mohamedan rulers, who never could realize fully their claims of revenue.

Regulatory changes during Company Government: -

Dr. Ambedkar explodes the meaning of regulatory changes during the East India Company’s government. These regulations and their meant to the single barometer to follow, by any thing like proviso or absence of the same that, “Every weakness in the administration was

1. Dr. Ambedkar Vol.6, P.25
2. Dr. Ambedkar Vol.6, P.31
3. Ibid.P.28
4. Ibid.P.29
made an excuse for extortion and interference and renewal of charter was often an occasion to disgorge her of her wealth accumulated by the monopoly of Indian trade." 1. Why by the Act of 1834 had given the effect to the company government to cease to be Commercial Corporation and resume the direct Government of India by the crown? Has distinct implication. Firstly when “The East India Company was jealous of her monopoly of the Indian trade and the British were determined to derive as large a gain as possible for allowing her that privilege.” Then there was no need to abolish its existence so far as its gaining profit is concerned, as a commercial corporation. But at last the Act of 1834 was passed to abolish the company government.

The circumstances reveals the fact that, the East India Company was gaining erroneous profit from India, and the registered shareholders were becoming big enough discernible to be targeted of jealous of other British people, who expected the same benefit to be made open to all. “that year the cry against her monopoly had grown so loud that both the company and the Ministers have to give in and the East India trade was flown open to all the English public.” 2. And thus Act of 1834 was passed. Dr. Ambedkar maintains the vital deduction,

“It is an error to suppose that the East India Company was abolished because of her inefficiency as manifested in the Mutiny of 1857. On the contrary, before the mutiny had actually taken place, the discussion about the direct assumption of the government of India by the crown was set afloat, which is indicative of the fact that mutiny or no mutiny, the British Statesmen were impatient to have direct control over the “leaves and the fishes”, that came but indirectly from their rule in India by a process of disgorging a corporation which directly fed them on beef fat.” 3 Common Indian men were hardly aware of the changes, “Though as a trading body the company disappeared, she continued her existence as a political sovereign of her territories in India.” 4 ... “From the very beginning the crown had exercised its control over the Indian Government though its

1. Dr. Ambedkar, Vol.6, P.36.
2. Ibid. P.36
3. Ibid. 37
4. Ibid-P.37
ministers then presiding over the Board of Control.”1 In the mean time British parliament could not manage to make any basic structural changes of the East India Company and finally it passed the Act of 1858. Dr. Ambedkar refers the commentary of Major Wingate that, “The East India Company have been declared by parliament to have been simply trustees for the British nation, which in accordance with this view, altered the conditions of their trust from time to time, so far from being the Government of a distinct stat, has been from the first simply a department of the British Government. The British ministry, acting through the president of the Board of Control, formed the real motive power which decided the policy of successive Indian administrators, and the East India company was Simply a convenient screen............” The Act of 1858 abolished the board of control, the fourth organ of the East India Company, but the company though legally extricated continued to live for all practical purposed and enjoyed he dividends from the Indian revenues.” 2

The Act provided section 55, says, “.... Excepting for preventing or repealing actual invasion of her Majesty’s Indian possessions, or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both the houses of parliament, be applicable to defray the expenses of any military operation carried on beyond the external foreseers of such possession by her Majesty’s forces charged upon such revenues.” Indian Economist R.C. Dutt characterized this section as, “one salutary financial provision,” but Dr. Ambedkar was sharp enough to detect, as by no means it to be salutary without the vital word ‘previous’ He also observes the injurious provisions of the Act, and put forth the deduction, that “It remains, however, to estimate the contribution of England to India Apparently the immenseness of India’s contribution to England is as much astounding as the nothingness of England’s contribution to India. Both are however true statements if looked at from economic point of view. But from another point of view, if India’s tribute cannot be weighted in the scales of justice and humanity then England’s contribution cannot be we weighed in the scale of sold and silver. The last Statement is both literary as well as figuratively true. England has added nothing to the stock of gold and sliver in India; On the contrary she has depleted India- “the sink of the world”3.

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1 Ibid-P.38
2 Ibid.P.44
3 Dr Ambedkar, Ibid.P.48
'According to him England's contribution lies in an uneconomic real—maintenance of peace, introduction of Western education, building modern institution including administration and judicial systems and so on.

However, "whether mere animal peace is to be preferred to economic destitution" he left every one decide for oneself.  

1. Quoted by N. Jadhav: Dr. Ambedkar's Eco. Thought and Philosophy. P.13
Dr. Ambedkar on

The Evolution of Provincial Finance

(In British India.)

Dr. Ambedkar’s thesis, “The National Dividend of India – a Historical and Analytical Study” submitted to Columbia University, and later on published in the Book from as per rule of the university, its title was “The Evolution of provincial Finance in British India. A Study in the provincial Decentralization of Imperial Finance” published by P.S.King and Co. 1927, and after the publication of the same the Columbia University conferred Doctorate to Dr. B.R.Ambedkar in June 8, 1927. There were many option to this subject, as it could be, ‘Imperial Finance.’ Decentralization of Finance! Finances of British Indian Government etc. But Dr. Ambedkar preformed the most accurate title for his thesis. He himself discussed this point in detail why the title is chosen for the thesis.”

Dr. Ambedkar’s famous sentence, “those who forget history, can not create it” Dr. Ambedkar puts emphasis over the origin of provincial finance with due reference to historical aspects. His implication regarding this, that evolutionary aspects in there analytical perspective must be observed, so as to progress further, in its most suitable propositions of addition and subtraction.

Historical consideration gives us regulation of the logic in the most suitable manner. With out the reference historical aspect, application of logic must fail to the practical proposition. Dr. Ambedkar brings in to the lime light the black acts of British government with a subject like, Evolution of provincial finance in British India The character, Dr. Ambedkar built while studying, very, Few students on any campus have ever exhibited such a voracious appetite for knowledge. He remain absorbed in History, anthropology, Sociology, psychology, and economics. When he received the degree of Doctor of Philosophy in 1917, he had more than double the credits required.”

As Dr. Ambedkar himself standardizes, “A good analytical study often requires an historical setting,” unmistakably presents a perceptive analysis of all the historical development regarding

3 Dr. Ambedkar. Vol.6. P.53
the introduction of Imperial system, its functioning and breakdown with regard to the central aspect of finance. This study was sequential to his study of, “The Administration and Finance of East India Company” this study on the Evolution of provincial finance reveals. The condition prior and after to the Imperial system and its finances and its breakdown, the crucial part on development and organization provincial finance and lastly financial Reforms setting ultimately, the system of provincial finance in British India. Dr. Ambedkar invites, the perusal understanding, regarding the view expressed in the ‘Origin’ in both the way, helpful to ‘the Development’, and the Development presented is different from the way presented by Justice Ranade. The presupposition regarding the study of provincial finance in to the quinquennial (3) state wise arrangement exposing the fundamentals changes though not illogical, but to Dr. Ambedkar there was a single belt of hue flashing at every State. The previous revision only provided warm wind to the shorn lamb, where in fact emphasis on ‘The features’ thereof, was necessitude. This expounds the flight of thinking of Dr. Ambedkar on the study of finance.

Evolution of Provincial Finance in British India

<table>
<thead>
<tr>
<th>Sr.No</th>
<th>Period</th>
<th>Nature of Change</th>
<th>Total yrs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1600 to 1726</td>
<td>Period of company Government provincial era.</td>
<td>127</td>
</tr>
<tr>
<td>2</td>
<td>1729 to 1771</td>
<td>Charter of George I st in 1726 under English Statute Law Central system created and the secret committee of house of commons in 1771.</td>
<td>45</td>
</tr>
<tr>
<td>3</td>
<td>1771 to 1833</td>
<td>Powers of laws and regulations entrusted to Governor General in Council</td>
<td>62</td>
</tr>
<tr>
<td>4</td>
<td>1833 to 1871</td>
<td>The Crown in power in place of Company Government in 1858, a comprehensive system of Imperial Finance</td>
<td>38</td>
</tr>
<tr>
<td>5</td>
<td>1871 to 1882</td>
<td>1871 break down of Imperial system and limited allocation to provinces</td>
<td>11</td>
</tr>
<tr>
<td>6</td>
<td>1882 to 1904</td>
<td>Share to provinces in revenue heads</td>
<td>22</td>
</tr>
<tr>
<td>7</td>
<td>1904 to 1911</td>
<td>Quasi permanent settlement</td>
<td>07</td>
</tr>
<tr>
<td>8</td>
<td>1912 to 1918</td>
<td>Permanent settlement</td>
<td>07</td>
</tr>
<tr>
<td>9</td>
<td>1919 to 1935</td>
<td>Montagu- Chelms ford Reforms</td>
<td>17</td>
</tr>
<tr>
<td>10</td>
<td>1935 to 1950</td>
<td>Provincial autonomy and Independence of India after August 1947.</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total Years</td>
<td>224</td>
</tr>
<tr>
<td>11</td>
<td>1950 to present</td>
<td>The regime of independent India 55 yrs/ present</td>
<td></td>
</tr>
</tbody>
</table>
-The Imperial Government-

1) The Condition in British India before The Imperial system of Finance-

The Three presidencies, Bengal madras, and Bombay, promulgated as the codes of Law by the respective Governors, primarily introduced in India by the charter of George I st in 1726. The work of administration was to function under a diverse English body of Laws. Subsequently the same or other Acts were extended in other parts of India. These presidencies were separate possessing the powers of sovereignty: Legislation, Penal, and Taxation powers, and therefore independent in their financial activities. Dr. Ambedkar rightly terms them, “Before the inauguration of the imperial system of Administration, the several presidencies were like separate clocks each with its own mainspring in itself.” I. Each presidency was responsible to maintain administering Law essential for peace order and services as of a good government. Each was free to levy taxation and borrow credit money to find its funds to sender obligations. The borrowing and lending, ways and means among themselves found nowhere obstacle, since there had been common Exchequer of the East India Company. The entire structure of the Company Government is interpreted in the previous part finance of the East India Company.

2) The Settlement of the Wanton European -British on Indian Land: -

The secret committee of House of Commons 1771 reveals significant information about the deeds of British, which were oppressive and suppressive to the common subjects of India. The settlement of these European origin British, was the prime problem of the British subject. It was a danger to their life at the hands of Indian Empires, and so as to keep them out of such dangers, British parliament was keeping a close eye on the immigration and their activities, hence appointed the secret committee of House of commons in 1771, and there upon enacted various laws them to give protection, where native Indians were suffering uncertainties of British laws British people were to live under the most galling restrictions of inflicted by the monopoly of the East India Company. The few important Rules for the British people of European origin were as follows.

I. Dr. Ambedkar.Vol.6P, 70
1) Every European British was required to register in the office of his district: Name, native stewards, agents, and partners etc.

2) "No British subject of European birth was allowed to reside in India beyond 10 Miles from any one of the principal settlements without having previously obtained a special license from the company or the Governor-General of India, or the Governor of the principal settlement in question." I.

3) The Court of Directors Subject to the revision of the Board of Control was empowered to refuse such licenses." 2.
4) "Counterfeiting licenses and unlicensed residence were made crimes punishable with fine imprisonment and persons who were dismissed from, and who had resigned service were declared guilty of illicit trade if they lingered beyond the 10 mile limit after their time had expired."

5) "Un licensed British subjects were required to register themselves in the court of district in which they resided." 3.
6) "Subjected as they were to the regulations of the Local Government they were made amenable to justice in India as well as in Great Britain for all illegal acts done in British India, or in Native States. 4

7) They were not allowed to lend money to any concerned to raise to any native princes or foreign company or foreign European merchants.

In spite of above rules and cases filed for counterfeiting, "they were made amenable to justice in India as well as in Great Britain for all illegal acts done in British India or in Native States, They were evidently aimed at keeping out an element dangerous to the stability of the Indian Empires." 5.

1. Qtd. by Dr. Ambedkar Vol.6P.66.
2. Quoted by Dr. Ambedkar: Vol.Vol.6, P.66
3. Qtd. Dr. Ambedkar: Vol, P.66
4. Qtd. Dr. Ambedkar: Vol.6, P.67
5. Qtd. by Dr. Ambedkar: Vol.6, P.66-7
for many reason the problem of the settlement of British population on Indian land was raised. The monopoly of the East India Company was broken and its profit made open to Great Britain. Since it has no more monopoly of East India Company and Indian trade was made open to all the people of England began to migrate in India for their vested interests parliament of England tried to protect British immigrant in India by restrictive measures, but when native Indian Empires when consolidated by successive victories over the native princes, the storm of criticism was raised against these rules and restrictions, and the British parliament thought differently instead of these sentiments of checks and protect.

II) The Imperial System of Finance: -
The Imperial system prevails in 1833 objects of its establishment were: -
1) To bring out the uniformity in the system of police and Justice
2) To create strong central government to deal the settlement of Europeans.
The parliament held it to be the only solution for the emergency of facing in the administration and problems of British people and it enacted the Act of 1833. With the Imperial system of Government, it has got wide powers with regard to Military, legislative and administrative points of view. I.

Finance under Imperial System: - From the analysis of the data Dr. Ambedkar points out that from the very beginning of the introduction of Imperial system it had suffered the fatal disease of financial inadequacy from the year 1834-35 to 1857-58 a period nearly two and half decade data was analyzed to find 'surpluses' and 'Deficits' sustained by the system.

**Financial Inadequacy**

<table>
<thead>
<tr>
<th>Period</th>
<th>Total Surplus</th>
<th>Total Deficit</th>
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<tbody>
<tr>
<td>1834 to 1858</td>
<td>5195207</td>
<td>28357084</td>
</tr>
<tr>
<td>% Ratio</td>
<td>18.32%</td>
<td></td>
</tr>
<tr>
<td>No of Times</td>
<td>545.83%</td>
<td></td>
</tr>
<tr>
<td>Excess Deficit On Surplus</td>
<td>--</td>
<td>23161877</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total 22.43%</td>
</tr>
</tbody>
</table>

I Dr. Ambedkar. Vol.6, P.65-70
Financial Inadequacy

Inadequacy of Finance,
due to the dependency only on existing sources,
and no efforts made for new sources.
The causes of financial inadequacy:

1) Unsound fiscal policy and State Economy.
2) The heaviest Land Tax impost

The Ratio of Land Revenue: Average 52.48%
Range: 31.68 to 66.17%

The Reasoning to inadequacy:
1) Unsound fiscal policy: the stability and productivity of the nation.
2) Immediate gain was sought to raise funds.
3) Unequitability forced in taxation and thus impaired the productive powers of society.
4) The unreasonable pressure was exerted over the land revenue source. Since 1792-93 to 1855-56 nearly 64 years the average of the land revenue source was 54.07%. Therefore and tax had blasted its productivity.
5) Irregular custom duties on both internal and external blocked the trade and smothered industry. It is the best proof of their ruinous effect. The transit duties held up trade where, “Adam Smith has told us how the growth of industry depends upon the extent of the market.” But the Imperial system divided irregular divisions of localities of industries subject to transit duty and thus hampering the productivity of the industry. In this way the internal duty also distracted trade transits. Regarding the external custom duty also no policy was satisfactorily administered the common rule of ‘Commodity competition’ was perverted and import duty exercised with lower duty under political consideration. Indian goods found it difficult to compete in foreign markets under the high export duty. Dr. Ambedkar reviewed the revenue from custom duty of 64 years from 1792 to 1856 the average ratio of the same was 6.22% during the entire period. The corrupt British officers who fattened in their services by both Government maintenance and by corrupt practices, was another cruel satire.

Salt Tax: - and other oppressive taxes continued harassment of poor industries. Dr. Ambedkar substantiates his conclusion under the data of 64 years, with an average ratio 11.07%. Dr Ambedkar concludes with his data

1 Vol.6, P.74
2 Dr. Ambedkar: Vol.6, P.75-78
analysis how the taxing capacity of the people decreased due to faulty revenue system for which no one but blame goes to Government only. Dr. Ambedkar speak of the insightful example that, “There is a principle well known to farmers that constant cropping without maturing ends in the exhaustion of the soil. It is however, capable of wider application, and had it been observed it the State economy of India the taxing capacity of the country would have grown to the benefit of the treasury and the people. Un fortunately it was lost upon the financiers of India to the detriment of both.”

The Expenditure of Imperial system: -

Dr. Ambedkar made evident the fact that how huge revenue was wasted on ‘Military, Judicial provincial policy, Interest on Debt etc. ‘Civil and Political’ heads. The most demonic head ‘Military’ swallowed up more than half of the huge revenue. It ranged from 45.55 to 65.29 % since 1809 to 1857, Secondly the, revenue eater was “Interest on Debt.” Ranged from 7.19 to 18.01 % during the same period. The Imperial Government almost engaged in military operation only for works and that too with withdrawing loan from Indian Public. Soiling the maxim of economy, Government did not keep control over the salaries of his officers. More than that it continued discriminatory pay scales between Indian native and Europeans. The table Dr. Ambedkar provides “It is evident from this table that if we deduct the salary of 26 Europeans officers and command and other allowances shown under the heading “Native” which amount to Rs. 11378.73 we shall find that 1104 Europeans drew Rs. 477778.10.7 while 1160 natives drew only Rs.11755.15.4.” In 2. this way the bulk of revenue raised by injurious taxes was spent in the name of war and peace agencies, thus nothing left for the agency of progress.

The Imperial system of finance suffered UN recoverable revenue deficits during it regime resulting the impact of severe impact on its own agencies to sustain the destitution of resources. Dr. Ambedkar

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1. Dr. Ambedkar: Vol.6, P.84
2 Dr. Ambedkar: Vol.6, P.82
diagnosis the disease, “As might be supposed a strong central Government of the kind established in 1833 was capable of effecting economy wherever possible. As a matter of fact, the centralization was of the weakest kind. Demure there was an Imperial system of administration, but the de facto administration was conducted as though the primary units of executive government were the provinces and that the government of India was only a co-coordinating authority.”¹ This was obvious from legislative and executive and financial powers exercised by it ultimately laid foundation of its own fankienstine.

The collapse of the Imperial system was detected with its prime reason of uncontrolled irresponsibility of finance machinery. The cost of mutiny led to the understanding with more responsibility and it was commonly agreed under the Imperial system upon to assist every province as if a Federal State to assimilate the financial position. Revenues were collected into the Imperial Treasury and them distributed among the provincial government. Under this plan each province was allowed execute financial and executive powers to meet its charges. But the plan was not without struggle. The Imperialists v/s Federalists confronted not only upon the various practical necessities but also with point of prestige of ‘European tradition’ i.e. Imperial Finance system, But ultimately Imperialists were at victory with the lost of power to resist the force of event and the federalists were at defeat with the gain of Imperial dependency over the contribution of province from its chronic penury.

The condition of the Indians in her social and economical aspects were not easy to deal with as both Imperialists and federalists were thinking there fore both the parties necessitate to arrive at sine compromise, because many adverse things those were thought of elevated from the system and even expenditure on education was also eased at much extend. “But not with standing all these efforts at betterment how so ever diligently sustained, they did not improve the finances of India materially at any rate.”² Dr. Ambedkar indicates the common diagnosis, “why the efforts of these successive Finance Ministers were not crowned with success is to be explained chiefly by

¹. Dr. Ambedkar: Vol.6, P.84
². Dr. Ambedkar: Vol.6, P.101
the fact that the administrative and public needs of the country had grown beyond measures."I. The rapid movements of British to keep political hold tightly and the Indian people recharged with the foreign political touch began to learn to keep their own existence in the growing needs of improvements. The Imperialists arrived at the same conclusion as the federalists were to lead, "The only way to make Local Governments economical in their wags was to give them the power and responsibility of managing there own affairs." (Ibid.P.103) The dispute of parting the revenue heads and charges was solved at last under the measures of Lord Mayo and inaugurated the scheme of provincial finance.

**Development of Provincial Finance:**

The scheme of provincial finance was introduced in 1871-72 with the overcharged instinct of Lord Mayo. The gradual process led up to 1921 giving the complete transformation to the development of provincial finance. As per Dr. Ambedkar analysis of the half century from 1871 to 1921, presents the three stage development of the provincial finance i.e. Budget by Assignment, 'Budget by Assigned Revenues' and 'Budget by shared Revenues'.

1) **Budget by Assignments:** - with the scheme of provincial finance provincial budget were brought into force. The First phase of provincial budget was six years from 1871 to 1876.2. Though 'Provincial Budget' was the only remedy it was not without Imperial considerations. But he stepped very cautiously while formulating the structure of provincial Budget and a confidential circular dated 21 February 1870 was initiated among the provincial Governments from the Home Department of India. It meant basically the massage of developing local resources to meet the local wants, with a sizeable net grant of one million sterling, proportionately. After the accord from provincial Government financial Resolution dated 'December 14, 1870' announced the plan to be executed from the year 1871-72.

The scheme of assignment by incorporating few Imperial shares and forsaking receipts for the provinces in their Budget, Dr. Ambedkar while contemplating says, "It now remains to consider whether the system under assignment plan was a success. What constitutes success is

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1 Dr. Ambedkar: Vol.6, P.102
2 Vol.6, P.118
a question which is always open to discussion, for what may seem successful from one point of view may be the reverse of it from another stand point.” I. Dr. Ambedkar by going into the details of the performances of provincial Budgets in their assigned charges and expenditure adequately meeting their revenues both Imperial and provincial by giving valuable data he analyzed various aspects of finances.

His analysis thrashes that the institution of the plan can be justified to its place though there had been wake of higher taxation but unjust was the inequity of taxation over burdened the tax payer the provincial government and Imperial assignment could not unlock the piracy of Local and Central levies as per benefits rendered to the corresponding regions Dr. Ambedkar ultimately makes an inference, “This is all the more lamentable when it is recalled that the necessity for retrenchment which caused the levy of these rates and cases was occasioned by the abolition of the income tax. As a matter justice we should have expected, the continuance of the income tax to the relief of the State and the ratepayers. But justice was for a long time absent from the financial secretariat of the Government of India. A few cared for it in the abstract, but none looked up on it as an element worthy of consideration in providing for the exigencies of provincial or local finance and as it was unrecognized its violation by the provincial government was no bar to the development of provincial Finance.

II) Budget by Assigned Revenues.

The Imperial project of the provincial Finance looked as a doubtful utility proved to more economical, more precisely from the provincial side instead of Imperial management. But the most radical defect of the provincial Budgets by assignment was consisted in its rigidity provinces could not remained fixed to the assignments due to their expounding nature. Dr. Ambedkar caught the expected view of Imperial management that the province did not care to check evasion regarding the revenues collected for the Government of India. Which they must have do no if they collected for their own benefit, with still a fact of a satisfactory performance of the project. The second plan in addition to the first was adopted as a means of increased productivity

I Dr. Ambedkar: Vol.6, P.124
in resources which Dr. Ambedkar termed Budget by Assigned Revenues. The delicate fork put of under the scheme of assigned revenues executed for next five years from previous plan. Provinces wee assigned certain revenues, and the crucial difficulty of fixing them for different provinces was supported by the ‘adjusting assignment’ instead of fixed ‘assignment’ Dr. Ambedkar marked the equal allocation of the sustained deficit between the provinces and Imperial Government. “It agreed that if the actual results showed deviations from the estimated normal yield, either below or above, they should be equally divided between the provincial and Imperial Government. If the actual yield was greater than the normal the adjusting assignment from the Imperial Government fixed for the year would be reduced by half the excess, and if it were less than the normal the assignment would be increased by half the deficit.”

The provinces got stimulation to exert maximum for the incentive effect of a gain to reap from the excess yield and fear of the possible adverse effect of the deficit to bear from the less of the normal assignment made the mechanism of provincial finance a prospective in resources and also economical in expenditure. 2 The performance of the few provinces under the scheme of ‘Budget by Assigned Revenues’ can be observed at their actual statistics of surplus and deficits:

**Quinquennial Surpluses and Deficits of Provinces.**

*From 1877-78 to 1881-82 (%)*

<table>
<thead>
<tr>
<th>Province</th>
<th>Surpluses</th>
<th>Deficits</th>
</tr>
</thead>
<tbody>
<tr>
<td>C.P</td>
<td>79.80</td>
<td>20.14</td>
</tr>
<tr>
<td>Bengal</td>
<td>98.39</td>
<td>1.61</td>
</tr>
<tr>
<td>N.W.P.&amp; Oudh</td>
<td>100</td>
<td>0.00</td>
</tr>
<tr>
<td>Punjab</td>
<td>100</td>
<td>0.00</td>
</tr>
<tr>
<td>Bombay</td>
<td>545.5</td>
<td>54.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71.81</strong></td>
<td><strong>28.19</strong></td>
</tr>
</tbody>
</table>

(Dr. Ambedkar Vol.6, P.145)

More over the provinces contributed Imperial Government treasury

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1. Dr. Ambedkar: vol.6, P.136
2. Dr. Ambedkar: Vol.6, P.137
constantly three years i.e. 79-80 to 82-83 excepting the fact of 5 %
retrenchment regarding few provinces.

<table>
<thead>
<tr>
<th>Province</th>
<th>Contribution to Imperial Treasury in Lakhs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N.W.P</td>
<td>10</td>
</tr>
<tr>
<td>N.W.P</td>
<td>7 1/2</td>
</tr>
<tr>
<td>Bombay</td>
<td>4</td>
</tr>
<tr>
<td>Punjab</td>
<td>3</td>
</tr>
<tr>
<td>Burma</td>
<td>3</td>
</tr>
<tr>
<td>Central Provinces</td>
<td>2 1/2</td>
</tr>
<tr>
<td>Madras</td>
<td>2</td>
</tr>
<tr>
<td>Assam</td>
<td>1 1/2</td>
</tr>
<tr>
<td>****</td>
<td>33 1/2</td>
</tr>
</tbody>
</table>

Dr. Ambedkar demarks the development of provincial finance despite the various conditions, sustained to provinces the substantial gain to the Imperial treasury cannot be denied. The Scheme yielded success hence both the parties agreed to make a further move to the later stage.' I.

III) Budget By Shared Revenue-(1882-83 to 1920-21)

Dr. Ambedkar points out that the plan of ‘Budget by shared Revenues’ fell short of the requirements of provincial finance from its elasticity point of view, that is why Government of Madras refused to accept the plan. It was offered to Burma and Assam under the consideration of possibilities of not meeting the expanding charges, but later on the consideration is adopted at the positive results of the plan offered to other provinces. The case of the province of Burma compelled Government of India go give liberal treatment and accepted to Heads of Account in to third category i.e. ‘Jointly Imperial and provincial, where for other States two categories: ‘wholly Imperial’ and ‘wholly provincial’ was made.

The plan of jointly Imperial and provincial structures with the rest of ‘Revenues and charges’ in a fixed proportion divided between the Burma and Government of India. The heads that are divided jointly were chiefly: Land, Forest, salt revenue and Export duty. The same principle was applied to face province of Assam, and beneficial results were seen

I. Dr. Ambedkar Vol.6, P.148
Graph No. 07

Contribution to Imperial Treasury

Contribution of Provinces for three years from 1877-78 to 1881-82.
Under the scheme of Budget by Assigned Revenues.
during the new basis performance compare to old basis observed in 'the
Resolution of the Government of India in the Department of Finance and
commerce No. 1249 dated March 13rd 1879, marked by Dr. Ambedkar I.
with the positive results, it was to be applied to rest of all the provinces.

The plan of 'shared Revenues' was made effective from the year
1882-83 with the unanimous settlement with all provinces for five years
and there after revision of 1887-88 and 1892-93 was made with little
changes in the percentage of the heads of revenues, as in the former a
little leaning and in later a greater leaning gain to Imperial treasury Dr.
Ambedkar point out, But with that the adverse effect was occurred on the
provinces, disturbing the equilibrium of expenditure and revenue. 2. The
Imperial Government expectations of large resumption with fixed
assignment put provinces on the continuous deficit line seen, "from the
Annual Finance and Revenue Accounts of the Government of India." 3.
though the out break of plague and famine close to the settlement
supported the line of deficit due to calamities obligations. Government of
India aided contributions for them and in succeeding settlement increased
percentage revenue and higher standard of expenditure and in that also
backward provinces were contributed a more shares in the joint revenues
and reverse of the same in case of advance provinces.

With the mixed results of the above scheme the settlement of 1902-
1903 after revision of the performance of the provinces especially in
Burma case readjusted shares of revenues from to 2/3 to 1/2 for the period
of 1903- to 1906. In the same way the settlement of Punjab province was
also readjusted for the specific reason of incorporation of few districts in
it, but it was in the narrow range of necessary alterations.

The next revision to the above was a milestone in the development
of provincial finance of British India. The limitations of timely confined
functioning over the quinquennial system with reference to the expected
stability and normalcy of the provincial conditions, Dr. Ambedkar points
out that the Government of India formed to the quasi-permanent

1. Qtld. Dr. Ambedkar: Vol.6, P.152
2. Dr. Ambedkar: Vol.6, P.163
3. Qtld. Dr. Ambedkar: Vol. 6,P.164
revision, at the end of the year 1904. The affirmative move of the Government of India expected the manner of settlement applicable to all the provinces.

The Settlement of 1904-05.

<table>
<thead>
<tr>
<th>Province</th>
<th>Imperial</th>
<th>Provincial</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bengal, U.P., Bombay, Madras</td>
<td>3/4</td>
<td>1/4</td>
</tr>
<tr>
<td>Punjab, Burma</td>
<td>5/8</td>
<td>3/8</td>
</tr>
<tr>
<td>C.P., Assam.</td>
<td>1/2</td>
<td>1/2</td>
</tr>
</tbody>
</table>

I. The settlements with Bengal U.P. Madras Assam were permanent. Subject to the alterations if needed with some modifications the quasi-permanent settlement was fostered. The rest of the provinces were also brought under the same revision with modification at literal scale, with effect from April 1st 1906 uniformly after a year and always out treated Burma brought under the quasi-permanent settlement from April 1st 1907.

The Royal Commission on Decentralization considered that the adjusting assignments impaired the elasticity in provincial revenues while charges grow and instead of doles share in revenues. A little or more Government of India, by some modifications stepped towards the permanent settlement. The results of the settlement seen during seven years from 1912-13 to 1918-19 were with.

<table>
<thead>
<tr>
<th>Province</th>
<th>(ratio.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 C.P</td>
<td>2:5</td>
</tr>
<tr>
<td>2 Burma</td>
<td>1:6</td>
</tr>
<tr>
<td>3 Assam</td>
<td>1:6</td>
</tr>
<tr>
<td>4 Bengal</td>
<td>1:6</td>
</tr>
<tr>
<td>5 Bihar &amp; Orissa</td>
<td>1:6</td>
</tr>
<tr>
<td>6 U.P</td>
<td>3:4</td>
</tr>
<tr>
<td>7 Punjab</td>
<td>4:3</td>
</tr>
<tr>
<td>8 Madras</td>
<td>3:4</td>
</tr>
<tr>
<td>9 Bombay</td>
<td>2:5</td>
</tr>
</tbody>
</table>

Each province was looser of 2:5 in proportionate to the seven years. Exception to U.P., Punjab and Madras looser more than half each province was gainer of in 5 years of out of seven in spite of the Dr.

1. Dr. Ambedkar: Vol.6, P.117
Ambedkar points out that the period covered by the world war but still no disturbing effect was not seen on the provincial finance. Dr. Ambedkar while concluding the development of provincial finance remarks that, 'the small beginnings of provincial revenues and expenditure shows how can large strides and the vast proportions of provincial finance reach, be allowed to run over its course during the half century.

**Delimitation of Provincial Finance**-

With an extensive study Dr. Ambedkar presents the mechanism of provincial finance, subsequent to the development of it. But before its presentation he remarks, "whether the permanent settlements would hold have been adequate to the purpose in view if sufficient length of time had been allowed for conditions to have become settled it is not given to us to say. Here the study of the growth of provincial finance as it developed stage by stage under the old phase comes to be end. But this study will not be complete until we deal with the mechanism which inter related the finances of the central and provincial Governments under old phase". 2.

Dr. Ambedkar reference the entire system of finance with their all concerning components and the patterns of them, how to function, he went through the rules of the administrative and financial system. He affirms on. "A complete comprehension of the operation of provincial finance in British India is therefore not possible without a thorough knowledge of its rules of Government" 3.

**Delimitation of Finance** -

Various deliberate Acts and Rules delimited the provincial finance of British Government of India; hence it was curtailed from its natural growth to fetch the essential welfare to the people of India. The mechanism of finance was not easy to understand. "A complete comprehension of the operation of provincial finance in British India is

1. BRA: Vol.6, P.181
2. Dr. Ambedkar: Vol.6, p.181
3. Dr. Ambedkar Vol.6. p.184
therefore not possible without a thorough knowledge of its rules of Government". I. Dr. Ambedkar had a perusal study of the 'Rules' and 'in British India the anomaly created in 1833 and seem to be rectified in 1870 ', (p. 183) but still delimited its growth without various voids of 'Administrative and financial powers'

Dr. Ambedkar closely studied all the constituted rules of Finance Department and by analyzing Department and by analyzing them he finds out the objects behind of their placement and what effect they discharge on the corresponding organs of the Governments. But more over the most important for him is to understand the causes of the necessity for these limitations.' 2.

The British Government defied financial Rules regarding. The Administrative powers viz. ' Rules of services and staff ', and also financial powers i.e. General rules of Provenance Remarks, and expenditure, Budget Sanction and auditing and accounting.

The administrative powers were delimited by not allowing inter provincial adjustments, Department of finance or other departments, were rules over to maintain as its position, regarding the services rendered to other departments or to the departments of finance.

Financial powers were also delimited by various rules like; the funds assigned to provinces from a consolidated grant and no further claim lie against imperial treasury on the ground of exceeding actual cost of services'. 3. also. ' No extra demands were to be made to imperial treasury and maintain from the funds given to them, with their efficiency in management. The funds allotted to provincial Governments for their use must be lodged in the Imperial treasury; they were not to be removed for investment any where except Competent withdrawals for the expenditure on public services.

Regarding Revenue Rules -
No additional taxation was allowed or not to alter rates of

1. Dr. Ambedkar Vol. 6 p. 184
2. Dr. Ambedkar Vol.6 p.185
3 Dr. Ambedkar Vol.6. p. 189
discounts on stamps fees duties etc. and not to raise own finances, loan from open market. ¹

Provinces made powerless in augmenting their resources with certain rules:

i) Rules of expenditure were made in such a way that Provincial Governments should not remain in a position to sanction any expenditure from public money outside the category of expenditure sanctioned by the Government of India. Provinces were strictly regulated to the services. Particularly entrusted to them by the terms of settlements. Public welfare spending was prohibited either or curtailed to a fixed limit of narrow line.

ii) Provincial Governments could not spend from their funds. Provincial Governments were not allowed to exhaust their balances in imperial treasury even of deficit budget was not allowed, or excess expenditure above the final sanctioned fund without the previous consent of the Government of India. They were instructed to not alter any procedure of audit or accounting. ²

iii) The contemporary scholarship, which was in miss-conception of 'The ideal which was prevailing in India that provincial finance was existed in India long before 1870 Dr. Ambedkar warns for it to be an error undoubtedly. Dr. Ambedkar accepts that from 1855 the local finances dated for their orgins. Before that there were no local services, instead 'funds' as per expenditure heads were created and spent on local utility ³.

The provincial finance was of independent in organization but having no financial powers. The budget system introduced in India with regard to the different provinces was accompanied by the most stringent limitation. They were given a budget without its powers and then base. The religious of accounts and adult just because they were left beer with the limits of their budgets.⁴ Thus the freedom of provinces was snatched away paralyzing them with the rules.

¹ Dr. Ambedkar Vol. 6 p.189
² Dr. Ambedkar Vol. 6 P. 193 to 195
³ Dr. Ambedkar Vol.6, p.183
⁴ Dr. Ambedkar Vol. 6 P.184
Nature of provincial finance-

The prime hypothesis that; ‘The courses of provincial finance must be dimensioned the relations between the cense and provinces and as it were important for the criticism and propositions, Dr. Ambedkar enquired into the nature of provincial finance of Imperial Government which was so important in the Indian context where in on one side the subject was not discussed confidently and yet on it was grossly misunderstood on the other side’.

The nature of provincial finance prevailed during the British era, was not easy to understand because it had two different levels, on the gross look it appears one and at minutes the distantly another. Dr. Ambedkar observed three views among the academic community:

First view: - is formed under the gross observation that, the Indian System was based upon the separation of sources between the provincial and the Central Governments and the contributions from the yield on the former to latter much the same as was found in the federal system of finance which obtained in German Empire.

Second view: - believed that it is a system of the collection of taxes by the agency of provincial Governments to the Government of India.

Third View: - is a side by the second contemplation, supporting the same view, that, the figures of account offices show in the columns merely the geographical distribution of the different agencies; through which the financial business of the Government of India is conducted and through which services are collected and expenditure is defrayed.

Dr. Ambedkar before characterizing any view raises the Vidal question; did the provinces have legal title to the revenues? The fact he devotes,

‘The provinces had legal title of services but it was depend upon the resumption of the Government of India, if wanted offer every five years. But if was also ambiguous “Not won the permanent settlement can be interpreted to mean that
The services settled upon the different provinces because their services in anything like a legal sense" I. secondly Dr. Ambedkar points out that

"The distribution of funds by the Government of Indian was not based upon the principle of each province according to its needs but upon the principle of each department according to its needs".

"The distribution of funds by the Government of India was not based upon the principle of each province according to its needs but upon the principle of each department according to its needs". Loosing the both legal title and & welfare of the people.

'Thus interpreted, the system of provincial finance must strike as of the nature of what may be called Departmental Finance; some thing quite different from -Federal finance 2. obvious as it is that it was not a provincial finance relationship.

"This means that there was no change in the nature of the financial relationship between the control and provincial Governments as a result of the introduction of the scheme of provincial finance". Dr. Ambedkar broke out the parasite view of the Imperialists 3.

"Only two changes worth speaking of may be said to have resulted from the introduction of provincial finance:

1) Before 1870 balances on all services lapsed to the Government of India at the close of the financial year. After 1870 all unspent balances on the services delegated to the management provincial Governments remained at their disposal and formed a part of their resources for the ensuing year" 5. and the second change that, 2) 'Before 1870 no re-appropriation was undertaken by the provinces without previous consent of the Government of India. After 1870 they were ceased to expend but provided their total expenditure did

1. Dr. Ambedkar: Vol.6-p.201
2. Dr. Ambedkar Vol.6-p.208
3. Vol. 6 - p. 209
4. Dr. Ambedkar Vol. 6, p. 210
not exceed the funds allotted’. And he confirms the nature of the Imperial provincial finance in the most suitable example of its nature. ‘The financial relationship of the Imperial Government and provinces can be characterized as the Hindu Joint Family System with the Patria, Protests vested in the later.’

Before 1870 the similarity between the two was more or less exact like the family property of the Hindus the revenues of India were jointly enjoyed by all the departments whether under Central or Provincial management without metes and bounds being fixed to the shares of any one of them. After 1870 the only change that took place consisted by the lesser of commensality and the fixing of metes and bounds to the shares of each in the common property according to their respective needs” with this the nature of the provincial finance of the Imperial Government was no more remained hidden the fixing tasters of a sovereign country in the name of Government, the British rulers more next to none no one but Dr. Ambedkar threashing interpretation only can serve the purpose of how was it, in his substantial words,”

“The provincial Governments had been saved the delay and the indignity in having to depend upon the Government of India for sanction of the meanest of their wants. The Imperial Government on the other hand was saved the fumbling task of scrutinizing the most trivial of demands and grant or reject if, but always under the apprehension of having done wrong by acting either way. The system not only gave freedom to the provinces and stability to the Government of India, but had replaced the irresponsibility and extravagance which had proved the bane of the Imperial system by economy and responsibility, for by setting bounds to the funds of the provincial Governments the Governments of India had ended in setting bounds to itself. These results it is true, did not satisfy the critics of provincial finance more in other directions was expected of it, but that could have been possible only if provincial finance was a System independent in its. Organization so long as provincial finance was a part of Imperial Finance, in separately linked to it, it could have

1. Dr. Ambedkar Vol.6- p. 210
2. Dr. Ambedkar Vol.6 – p.211
3. Dr. Ambedkar Vol. 6-p.211
yielded no greater results than have followed from it and those that have followed are by no means slight’

The Relegation of the scope of provincial finance:

Though permanent settlement had been at the risk of permanent gain or permanent loss. Still it was awaited and finally after its actual took place, there was no fear of adverse revision and unfair distribution of funds. But it was not enough to progress further; the task of limitations was outstanding to seek the natural evolution. The provinces were not at freedom to tax, not allowed raise loans, having no power of spending in the matter of establishment and staff, barring the needful charges provincial Budget was restricted in its preparation and execution. There were falters of provincial finance in spite of the Imperial defenses that the restrictions are for unfurling and economy. Despite the provincial urgencies Government of India could not arrive at to be decisive to streamline any of the finance channel. But the factual positions pressure was most without desired pushes of relative changes. Dr. Ambedkar points out, “Thus centralization, unless greatly circumscribed, must lead to inefficiency. This was sure to occur even in homogeneous states, and above all in a country like India where there are to be found more diversities of race, language, religion, customers and economic conditions than in the whole continent of Europe.

In such circumstances there must come a point at which the higher authority must be less competent than the lower, because it cannot by any possibility possess the requisite knowledge of all local conditions. If was therefore obvious that a Central Government for the whole of India could not be said to possess knowledge and experience of all various conditions prevailing in the different provinces under it. It, therefore, necessarily became an authority less competent to deal with matters of provincial administration than the provincial Governments; the members of which could not be said to be markedly inferior, and must generally be equal in liability to those of the Central Government while necessarily superior as a body in point of knowledge”.

On the part of the government of India it was hand for itself to be relaxed from its constitutional obligations but on the juncture of

1 Dr. Ambedkar Vol. 6 – p.219
cordiality between the Central and provincial Governments; Government of India urged to call upon the vital suggestions from provincial Governments.

The powers, of:

1) Taxation and borrowing

2) A higher limit of sanctioning expenditure on staff and establishments

3) Separation of Budget and Accounts.

4) End of the shared revenue and expenditure.

5) Spending revenue in absolute according to their needs.

Dr. Ambedkar noted that there was no contrivance making any favorable change with regard to the expected suggestions by provincial Governments as stated above. But the Imperial Government was not of the opinion to make them. Government of India discussed the expectations of provinces but ultimately the tax payer’s agitation come to the help of provinces for the necessary autonomous changes in the finance of provinces.

Dr. Ambedkar slightly marked the step in evolution of ‘Provincial Finance, “when the financial arrangements could no longer be looked upon as a matter which concerned the Central and Provincial Governments. There arose a third party whose counsels were rejected in 1870 but which now insisted on having voice in the disposition of the financial resources of the country. It was the Indian tax payers, and his clamors had grown so strong that it compelled the powers that be to alter the system so as to permit him to take the part claimed to plays.”

1. Dr. Ambedkar Vol.6-p.219-224
2. Dr. Ambedkar Vol. 6 – p.224
ii) The Indian Finance
(Under the Government of India Act 1919)

"The dividing line between diarchy and anarchy is very narrow."
- Dr. Ambedkar.

The Reforms Act 1919 was in many ways, proved to be beneficial to Indian people. It has sought the ways of responsible government, and thus the ways of independent provincial legislature. It was a major event of turning the diarchic form of Indian Government.

The curse of diarchic Government was in the form of uncontrolled bureaucrats of the executives having in no way responsible to the Indian legislature, playing tumultuous activities in the name of peace and war under the flag of administration. Dr. Ambedkar is witful to point out the core worm of the finance system under British India. Though it was said that the Indian Government was running under the parliamentary system, but it was without parliamentary Executives “Reforms have been incessantly, asked for by the legislature only to be denied with equal tenacity by the Executives”. 1

Thus it was necessitate for a change but the Imperial Government was not in favour of the change. Its word was to preserve peace and order by faxing the masses and exempting the poor classes. But the word of Indian Government was not in no way trust worthy, as it should apportion its finance in the luxurious items, in fact Executives increased tax on essential items instead of luxuries. In the case of land revenue the same was found. ‘The system under taking to tax per unit of land, taxed the poor peasant with only one to cultivate and the landlord hundreds of a at a uniform rate without realizing that as the total incomes of the two must be vastly different this of taxation produced a daring inequity of treatment as between the rich and the poor.” 2. After all at any cost revenues collected from the people by no means compensated with the Induction of progress or public expenditure. The popular agitation of the taxpayers demanded a parliamentary form of Government with parliamentary Executives.

1. Dr. Ambedkar Vol.6 p.226
2. Dr. Ambedkar Vol.6 p. 231
The changes streamlining the true sense of ‘Legislature’ from the acts of 1853 to 1909 under the pressure evolutionary principle necessity for a change at the will of Indian people. A minority member’s legislature was liberalized, but the supremacy of the Executives was not broken up. Legislature was at will to move resolutions but Executives were not binding to carry them out. The derision of the matter was that the Legislature was empowered to move resolution only after the consent of the executives. Who is at liberty not to carry out it? The hardening and weariness among the Indian Legislature was sound to come.

The Indian political organization upheld a scheme to introduce in the existing system of Indian Government. Under the scheme ‘the legislature was to have complete financial and legislative powers, its recommendations passed in the form of resolutions, were to be binding on the Executives.’

The leading political genius upheld the applause at the introduction of the scheme as, it “was the latest, most complete, and most authority presentation of the claims of the leading Indian political organizations.“

2. Dr. Ambedkar analyses the scheme under the object of fulfillment of responsible government in British India. And remarked “The scheme was unsound like all previous attempts at the reform of the Indian constitution, because in it the Executive and the legislature derived their mandate from and were responsible to different powers. It was unsound because it over looked the possibility that two mandates may not agree, in which case there would be in conflict. That conflict is inherent in a non-parliamentary executive... but what it asked for was to compel an executive. Which was irremovable to conduct the administration of the country according to the orders of the Legislature.

The scheme was a piece of Lord Morley in an enlarged form. He had introduced an Indian element into the Government so that Indian opinion and Indian advice might have some weight with the Executive in addition to what it exercised through the legislature organ of the Government. Those who framed the Congress-League-scheme merely increased the Indian element in the Executive and the legislature, and added provisions aimed at converting advice into control without realizing what was to happen if, The Executive refused, to be bound by the wishes of the Legislature. The essence of the project was an Executive.

1. Dr. Ambedkar Vol.6 p.242
2. Dr. Ambedkar Vol.6 p. 242
with a divided mandate legally responsible to parliament and practically to an elected Legislature.” 1. Whatever may be the modality, but on August 20, 1917, the secretary of state for India, announced a favour in the direction of responsible government, to which Dr. Ambedkar marks a landmark in the annals of the development of the Indian Constitution, and also, “The adoption of such a change of policy in the basis of the political institutions of the country involved far reaching changes in their relations with one another, administrative, legislative and financial the changes is the system of provincial finance introduced in consequence of the Reforms Act of 1919 were not, caused by any inherent defects in the system, as it stood at that date, on the other hand the system was eminently workable. They were effected because the system as a whole was inconsistent with the great revolution which that Act had sought to effect in the Governmental system of that country,” 2.

The Nature of A Change -

The steps were taken under the realization of a responsible government and the path to the provincial independence lay through a satisfactory division of functions and finances between the provincial and central Governments. The functions committee embodied the devolution Rules to make a division between all India and provincial subjects the “Devolution Rules under Section 45A of the Government of India Act of 1919, which give effect to the responsible Government, and are made a part of the constitutional law of the land, so that the subjects there by devolving upon the provincial become the services, over which the provinces gained on acknowledged authority of their own such as they never had before 1833. According to these Devolution Rules the following were declared to be... provincial subjects.” 3.

As per Dr. Ambedkar, ‘after the distribution of all resources between the control, and provincial Governments, it was inevitable that there should be a deficit in the budget of the Government of India. Authorities of Reforms presented many plans on this problem, they were regarding the abolition of the divided heads. But where the matter was put before the provinces for a common consensus there was a

1. Dr. Ambedkar Vol.6 p. 242-243
2. Dr. Ambedkar. Vol6 p.244
3. Dr. Ambedkar Vol.6 p.255
mixed reaction. Thereupon Lord Committee, after investigation advised, "to leave each province with a reasonable working surplus" (Revenue), a surplus which it preferred.'

The Committee determined the ratio of contributions on the basis of established programs, rather than the equity principle. But the proposal was to be proportionate and capable to contribute, and must be based upon the standard contribution, having a room of the reducing scale in it and the right to demand excess contribution in emergency case, was kept reserved.

For Capital expenditure and Loan Account problems, provinces were to be free for future loan transactions. The capital expenditure on irrigation works must get advances to provinces in the hands of local Governments at a suitable rate of interest. In short provinces were to be autonomous both in principle and practice.

Dr. Ambedkar rightly marked it, reflected in budget procedure, 'though accounts were being supervised and audited by the officers of the Government of India, "but the important point under the new regime which is the hall-mark of provincial in independence is that the appropriation reports, instead of being sent to the Government of India for sanction, are now sent to the committee of public Accounts constituted from amongst the members of the provincial Legislature which sanctioned the Budget for report that the money voted by the Legislature was spent within the scope of the grants made by the Legislature."'

The value of the demarcation of the administrative and financial powers was hardly known to leading Indian politicians though they were draining it, for Dr. Ambedkar it was a step towards the building the constitutional law.

1. Dr. Ambedkar Vol. 6—268
2. Dr. Ambedkar. Vol.6,P. 281
-Dr. Ambedkar on the Fiscal Reforms-

The march of the changes and Reforms after the enactment of 1833 is not simple and short. It has taken a period of nearly ninety years. The important changes which were taken place from 1871 to 1921 with the Reforms Act of 1819 at the concluding period significantly destined at two major changes:-

Firstly, the system of divided heads or shared revenues, ultimately accepted in to the system of contributions.

Secondly, the Legislative changes under the consensus of responsible government ultimately settled into the Independent Legislature of the each province with constitutional sanctity to their own respective provincial finance Departments. The provincial budgets which were been the imperative monopoly of Government of India, there after framed and voted by the finance Departments of the provinces. The only thing, which was sailed by the Government of India, was the supervision and audits of the finance Accounts conducted by its officers. The most important remark that Dr. Ambedkar point out as the hall-mark of the reforms is that, the apportion reports for action were sent after the change were sent to the committee of public Accounts, constituted from amongst the members of the provincial legislature, which sanctioned the Budget. I.

The arrival of the changes at the arrangements of successful working evaluated by Dr. Ambedkar with his wistful observations, that demarks the further guide lines to the developments of Indian finance.

Dr. Ambedkar reasserts about the taxation system with reference to its sufficiency and efficiency, that it should be administratively workable. His touches of critique on the financial reforms can be classified in to three parts:-

1) The system of fiscal contribution.
2) The problem of inadequacy of Finance and Fiscal Deficit.
3) The common responsibility of the legislators and the people.

Dr. Ambedkar's interpretation regarding the above three bears a potential to guide the present finance of Indian Government.

The system of fiscal Contribution:- The system of contribution which had been a replacement of the divided heads, Dr. Ambedkar comparatively assessed its superiority. Because it comprises of nothing like the assessment and collection of the taxes and also it has capacity of automatic workability corresponding to tax jurisdictions of the provinces

I. Dr. Ambedkar. Vol.6, P.218
in their extravagance either in receiving or contributing. Dr Ambedkar in another way of apportionment by expenditure method fined it of the same virtue. He fraught against a fact that the contributions made by the provinces are not liable to the whole of the deficit of the Government of India and it is not to be a permanent feature as it should be transitional part of finance system. Dr. Ambedkar’s evaluation of the historical changes of the Indian finance he asserts, “There can be no doubt that from this stand point (independence for finance administration.) The system of contributions is better than the system of divided heads.” ¹

The Problem of inadequacy of Finance and fiscal Deficit-

It is the common feature of developing country that its expenditure always shows a growing graph with comparison to the receipts of revenues. To become a self-sufficient financially State without facing fiscal deficits is a rare occurrence, but Dr. Ambedkar had potentially interpreted the matter and guided how to tackle the deficits of finances. On the problem of inadequacy of provincial finance Dr. Ambedkar by rising two vital questions:

1) “Is it due to the normal expenditure of the provinces being under-rated?
2) Or it is due to the normal revenues of the provinces being over estimated?”

He enquires the root cause of the financial deficits by processing the two aspects of standard Revenues and Standard expenditure of the provinces Dr. Ambedkar detected two provinces i.e. Bengal and Central Province, which are basically victim of deficits. Dr. Ambedkar concludes his statistical processing over, “it is obvious that except in the case of Madras the realized margin has in no case fallen below the standard margin. The excess of the realized one the standard margin in enormous. It cannot, therefore, be said that the financial deficit in the provinces is due to provincial revenue having failed to reach the assumed normal. On the other hand, the revenues were more than necessary to cover the normal expenditure of the provinces. The only conclusion that can fairly be drawn from the facts of the case is that the provincial deficits are due to an extraordinary increase in the expenditure of the provinces.” ² Dr. Ambedkar advocates the reduction of expenditure and increase of

¹Dr. Ambedkar. Vol.6, P. 282.
²Dr. Ambedkar Vol.6, P.295
taxation'. In the matter of taxation it is hard to increase it by the legislators, because they seek their valuation by the destruction of their revenue. On the expenditure side Dr. Ambedkar advocated its reduction because the British Government was engaged in war like activities in the name of peace and order and the maximum revenue was consumed in it instead of the urged public work. The finance of the East India Company observed by Dr. Ambedkar reveals this fact.

The efficiency in taxation can brought out by the considerations of suitability rather than adequacy. But while partitioning by the revenues, instead of suitability the basis of tax jurisdiction narrower or broader did it mean for adequacy purposes.

The Common responsibility of Legislators and the people:-

Dr. Ambedkar while interpreting on the problem of inadequacy and fiscal deficits detects the prima fascie causes but without any stoppage on it his diagnosis turns to the root cause of the problem, by Dr. Ambedkar arrives at a significant juncture in his discussion that, 'the diarchic governance' was the cause to curtail the fair of autonomy of provinces.

In the current trend Dr. Ambedkar's interpretation points out two remarkable aspects that, one is, "Diarchy is a bad form of government because it is opposed to the principle of collective responsibility."( Dr. Ambedkar Vol.6, P. 303) of the Executives and secondly and perhaps more important aspect which must correlate to the existing situation of India that, "The dividing line between diarchy and anarchy is very narrow." The anarchy in its natural occurrence may perhaps be controllable because causes shoot off it remain indifferent their result but diarchy Dr. Ambedkar warns, "On the other hand it is a system fraught with organized quarrel."

The present condition of India after independence is not less equal to dyarchy rather saying anarchy. It is dyarchical because the situation which was to stand after 26th January 1950 Dr. Ambedkar warned Indian people."On 26th January 1950 we are going to enter into a life of contradictions, in polities we will have equality and in social and economic life we will have inequality. In polities we will be recognizing the principle of one-man one-vote and one-vote one-value. In our social and economic life, we shall by reason of our social and economic structure, continue to deny the principle of one-man one-value."
How long shall we continue to live this life of contradictions? How long shall we continue to deny equality in our social and economic life? If we continue to deny it for long we will do so only by putting our political democracy in peril. We must remove this contradiction at the earliest possible moment or else those who suffer from inequality will blow up the structure of political democracy which this Assembly has so laboriously built up.”

Dr. Ambedkar’s Speech in the Constituent Assembly
(On 25th Nov. 1949.)

The possible situation of anarchy was far sighted by Dr. Ambedkar because the Indian people are divided of the maladies of caste culture and religion. Each social group lives in its own presumptions to mould and cod our Indian nationality, differ and contradict their policy, and acts to benefit not to nation India but to their own social group an vested interest of the same, in the same way as did British Indian Government to benefit their personal race of i.e. people of England, all that was governed by the parliament of England a distant ruling with different motives. What Indian political parties organized under their own social and religious groups, as had happened pre independence era by the British.

Dr. Ambedkar hammered “Hybrid executives divided responsibility division of function, reservation of powers cannot make for a good system of government and where there can be little hope for a sound system of finance.” I. The administrative agency personnel’s where graze constantly the maximum of the revenue by corrupt practices, as it may be the surpluses of public sector undertakings, fees of audits and other Court and registration stamps. i.e. found in Telgi scam of Maharashatra, public grants from the various public schemes, this is what revenue of the Indian Government is swallowed up by the irresponsible hybrid executives and corrupt legislators. There is no sense of collective responsibility among them, which Dr. Ambedkar advocates. He proposes the primary solution with regard to finance area that, “That, however, can be achieved only when the whole of the government derives its mandate from a common source. That such a consummation should take place as early as possible is devoutly to be wished.” 2.

1 Dr. Ambedkar. Vol.6, P.307
2 Dr. Ambedkar, Vol. 6, P.307
To seek the ultimate solution of the present matter, all other political and social thoughts of Dr. Ambedkar must be referred, but he is not short to conclude the subjects matter. The implication of his conclusion is a applicable even to the present condition of the Indian people. Dr. Ambedkar, expounds, "it is encouraging to know that diarchy (or anarchy) is but a transitional system. The only question is how long and protected will be the period of transition be. The justification for introducing diarchic form of government rests on the supposition that India is at present ill prepared to sustain a system of responsible government in anything like completeness, for owing to the lack of education and political experience, the Indian electorate will for some time be unable either to formulate their requirements intelligently or effectively impose a mandate upon their representatives, and that owing to the inveterate social prejudices of he educated classes there is a great danger of their abusing the political power to exploit the masses. This cardinal fact it was held, must differentiate the degree and the kind of responsibility, which can be introduced at the out set from that which will be the eventual resultant of the new system, and must impose the obligation of ensuring that the forces which now hold the people together are not completely with drawn before satisfactory substitutes are ready to take place." 1

Dr. Ambedkar continues to conclude rejecting the story that the life of a new nation begins with small section of people caring the other uneducated masses pending spread of education and the consequent extension of the franchise. 2 Dr. Ambedkar always advocated that the social liberty must be attained before the fight for the political liberty, but the truth is on the side of the leaders rejecting this proposition, because in spite of the social inequality and injustice in every county, it has not remained without the achievement of political power Dr. Ambedkar puts Indians into a bewildering question with the argument that, "But those who use this argument forget that if other countries like America with her Negroes and Japan with her Hits are in possession of political power without having first destroyed social inequality, it is due to the fact of their having been in possession of military power Military force and moral

1. Dr. Ambedkar. Vol.6, P. 307-8
2. Hon. V.J. Patel: Evidence before Joint Select Committee, Quoted in Vol. 6, P. 308
force are the two chief means to political freedom, and a country which cannot generate the former must cultivate the later." I.

This must rise to the bewildering question among the Indians to their own self-introspection perhaps with a little pinch to their ego of great history of war and great monuments of culture. Indians must be hard to accept that they are void of the both military force and moral force. But the second mistake of forgetting or neglecting the fact that the great was history of India is a history of great defeat by Shakas, Mughals, Turks Iranians Greek, French and so on, a period over thousands of year. And also the great monuments of culture are only tombs after the moral deception.

Whatever may be the hard reality but no Indian can device himself for further fall in the question. Why did Dr. Ambedkar induce this reference to interpret the problem of finance, in his thesis of ‘Finance’ is beyond contention. But if Dr. Ambedkar is to be accepted as expert of ‘Finance’ the only way for the Indians remains to find the means with little introspection, to built Military and Moral force. Because for Dr. Ambedkar, “Thus in India the political problem is entirely a social problem, and a postponement of its solution virtually postpones the day when India can have a free government subject to the mandate of none but her own people.” 2. It is fortunate that Dr. Ambedkar himself drafted the constitution of India, but still a good government free from all the ills of system is still a dream of Indian child.

iii) The Current trends of Finance
(Of The Government of India.)

Since the object of the study of the current trends of finance of the Government of India is to refer the study of Dr. Ambedkar in context to what does it benefit the development of India economic thought and Indian economy? Hence it is of more expounding to refer the facts that Dr. Ambedkar studied when no ray of light of Independent India was contemplated and how the same changes are holding the foundation of the current financial trends of the independent India.

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1. Dr. Ambedkar. Vol. 6, P. 308
2. Dr. Ambedkar. Vol. 6, P. 308
Developments of Finance after Independence:- It is difficult to interpret the entire gamut of the Indian finance in this single dissertation, some aspects of it can be realized in the light of Dr. Ambedkar's wit found in his thinking on Finance. The current trends of finance of the Government of India bears the long history of 'Evolution of Finance', which is expounded by Dr. Ambedkar. A short glimpses are seen in the foregoing chapter. The changes there after occurred must be over looked apart from the current financial trend though it is another thing that it is not possible to review the entire current financial aspects in the present study.

Per independence period:-

The change of Reforms Act Dr. Ambedkar referred the finance period of Indian Government till the end of the year 1923. The Montague Chelmsford Reforms which resulted in the Government of India Act 1919, under which complete reparation of resources between Central Government and Provincial Government was made. The system of Divided Heads was abolished and because Central government would have to sustain a huge financial deficit, there fore system of contribution is adopted. The Act came in force from 1921 and the new financial arrangements were to be contributed in the year 1921-22. The data of the initial contribution system recommended by the committee, presented by Dr. Ambedkar in his thesis, can be assimilated into a concise form:-

Percentage of the Contributions-

<table>
<thead>
<tr>
<th>Provinces</th>
<th>Recommended Contribution for schale (For 1st yr. 1921-22)</th>
<th>(%) 1st year</th>
<th>Std. Contribution at 7th year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Madras</td>
<td>348</td>
<td>351/2</td>
<td>17</td>
</tr>
<tr>
<td>Bombay</td>
<td>56</td>
<td>5 1/2</td>
<td>13</td>
</tr>
<tr>
<td>Bengal</td>
<td>63</td>
<td>61/2</td>
<td>19</td>
</tr>
<tr>
<td>United Provinces</td>
<td>240</td>
<td>241/2</td>
<td>18</td>
</tr>
<tr>
<td>Punjab</td>
<td>175</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>Burma</td>
<td>64</td>
<td>61/2</td>
<td>61/2</td>
</tr>
<tr>
<td>Bihar &amp; Orissa</td>
<td>Nil</td>
<td>Nil</td>
<td>10</td>
</tr>
<tr>
<td>Central Provinces</td>
<td>22</td>
<td>2</td>
<td>05</td>
</tr>
<tr>
<td>Assam</td>
<td>15</td>
<td>11/2</td>
<td>21/2</td>
</tr>
<tr>
<td>Total</td>
<td>983</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>
Graph No: 08

Percentage of Contribution of the Provinces To Meet The Deficit in Budget of The Govt. Of India.

(Standard Contribution)

Pre-independence revenue contribution strategy of Provinces under the Chelmsford Reforms of 1919.
Meston Award:-

The Meston Award was accepted and its recommendations were embodies in the Government of India Act 1919 as "the devolution Rules."

As per the award, the system of contribution, which was to continue for seven years, the sources of revenue then were fixed between the Central and the State Government. Initial amounts of Contribution from each State was decided as per the Meston Award subject to the condition that they would be reduced in the future.

It was decided that the States should contribute a larger amount in the case of emergency.

The States were to share the proceeds of Income Tax imposed and collected by the Centre. During the course of time it was found that the provinces faced deficits and the Central finance was much improved therefore provincial contributions were gradually reduced from 1925-26 and were completely abolished since 1928-29.

Provincial Autonomy by the Act of 1935-

In due course of charges the Government of India Act 1935 was passed which granted autonomy of the provinces. The provisions of the Acts were similar to those of the Act of 1919. As per the provisions of the Act division of resources made.

Resources of Provinces:— Land revenue, alcoholic excise duties, opium narcotic drugs and medical and toiled preparations, irrigation charges, taxes on agricultural income, sales tax and registration and stamp etc.,

Resources of Central Government:— Corporation tax, Customs duties, Posts and Telegraphs, Telephones, Broadcasting, Railways, Currency and Coinage and Military receipts etc.,

Jointly proceeded Resources:— Income tax, Jute export duty Taxes on non agricultural property etc., The Act stipulated the payment of grants in aid to those provinces in need of financial aid.

In 1936 few intermediate arrangements of allocation of the proceeds of central resources were made on Otto Niemeyer's recommendations. Under this new arrangement 50 % the net proceeds of Income tax was assigned to the State. The share of each province was calculated on the basis of its income tax contribution and population. Regarding the Jute export duty 62.5 % share was given to the provinces growing it. And Grants in aid were considered to the needy provinces as Sind Orissa
Assam United provinces and North West frontier provinces. Besides this the debts of provinces were written by the Central Government.

Period after Independence:-

With the partition of India Sind and Northwest frontier provinces went in Pakistan and also productive Punjab and Bengal were reduced in size. These charges affected the resource allocation and caused remarkable reduction in revenues. The Government of the new independent India appointed. C.D. Deshmukh to make recommendations regarding the distribution of Income Tax proceeds.

Deshmukh Award:-(1950 onwards)

C.D. Deshmukh presented his award without making any changes to the previous award except the necessitate consequences of the partition of India. Under this award the proceeds of income tax were to be equally divided between the Central and State governments. And the share of each State was divided as per the Table given below:-

<table>
<thead>
<tr>
<th>State</th>
<th>Share of State (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bombay</td>
<td>21.0</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>18.0</td>
</tr>
<tr>
<td>Madras</td>
<td>17.5</td>
</tr>
<tr>
<td>W.Bengal</td>
<td>13.5</td>
</tr>
<tr>
<td>Punjab</td>
<td>5.5</td>
</tr>
<tr>
<td>Bihar</td>
<td>12.5</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>6.0</td>
</tr>
<tr>
<td>Assam</td>
<td>31.0</td>
</tr>
<tr>
<td>Orissa</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Deshmukh award made recommendation regarding the distribution of jute export duties as well, but the Deshmukh Award could not satisfy the States and they protested against the award.

The Government of India accepted the recommendations and continued by them for two years since the appointment of the first finance Commission of India was pending under the article of 280 of the India constituent Assembly in November 1949.
Graph No. 9

Deshmukh Award

C. D. Deshmukh Committee (1950)
Recommended Revenue Share of States in Central Treasury.
The Constitutional provisions of Finance:-

Dr. Ambedkar as a chairman of the drafting committee of the Constitution of India. He constituted the unitary and federal structure, with clear-cut division of legislative executive and financial powers divided between the centre and the States. At present there are 28 States and 7 Union Territories in India in part A and part B.

The provisions of the constitution of India determine the financial relations between the Union Government and the State Government. Under these provisions imposition of every tax must have legislature competency. The constitution embodies two lists of tax resources, given in the seventh schedule, and under the Article of 246 of the Indian Constitution. Union government and State government have exclusive powers of taxation as per their respective lists i.e. Union List and Stat List.

Union List of Taxable Items:-

*(In the Seventh Schedule, No. 82 to 92 B)*

1) Taxes on income other than agricultural income
2) Custom duties including export duties
3) Excise duties on tobacco and other goods manufactured or produced in India Except:-
   a) Alcoholic liquors for human consumption,
   b) Opium, Indian hemp and other narcotic drugs and narcotics.

But excluding medicinal and toilet preparations containing alcohol or any substance included in this entry (8.4) Thus excise duties on manufacture and production of all goods except at (a) and (b) shown above:-

Besides, the Union Government has the power to levy excise duty on medicinal and toilet preparations containing alcohol or opium, hamps or other narcotic drugs and narcotics.

4) Corporation tax (tax on income earned by companies)
5) Taxes on capital value of the assets, exclusive of agricultural land, of individual and companies, taxes on capital of companies.
6) Estate duty.

Article 268: (i) some duties to be levied by the Union but to be collected by and appropriated by the States collecting them-

1) Stamp duties (Mentioned at item 10 in the union list) and
2) Excise duties on medical and toilet preparations (excluded item 3 b from the Union list.)
Article 269: Certain taxes are to be levied and collected by the Union but assigned to the States.

a) Duties in respect of succession to property, other than agricultural land.
b) Estate duty in respect of property other than agricultural land.
c) Terminal taxes on goods or passengers carried by railways, sea or air.
d) Taxes on railway fare and freights.
e) Taxes other than stamps duties on transaction in stock Exchanges and future markets.
f) Taxes on the sale or purchase of newspaper and on advertisements published there in.
g) Taxes on sale or purchase of goods, other than newspapers, where such sale or purchase take space in the course of inter State trade or commerce
h) Taxes on consignment of goods, where such consignment takes place in the course of inter State trade or commerce.

Critique of the Financial Developments
(Under the study of Dr. Ambedkar)

After independence with the enforcement of the Constitution of India the powers of finances and legislation are conferred to provincial and Union Government by the Indian constitution but the earning and spending of revenues are not unlimited, they have to be exercised within the limit of the constitutional set up. The only exception in this regard is but about deficit financing for which no legal restriction is imposed. The only controlling over the issue is strong opposition of the electorate that elects the government. An efficient and responsible government is expected not to cross the safe limit of deficit finance. And no definition of safe deficit is there.

The deficit financing, which generates inflationary pressure, income inequalities and adverse balance of payment besides these adverse effects deficit financing is the mother of all social evils, smuggling, unfair trade practices are encourage. The initial deficit financing necessitates further deficit financing the same is happened in the finance of Indian Government after the independence. An observation of first years during seven (five-yearly) plans show, the trap of deficit financing.
Government of India’s Budgetary Deficits  
(In five year plans)

<table>
<thead>
<tr>
<th>Five Year plan</th>
<th>Period</th>
<th>Crs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>1951-56</td>
<td>333</td>
</tr>
<tr>
<td>Second</td>
<td>1956-61</td>
<td>954</td>
</tr>
<tr>
<td>Third</td>
<td>1961-66</td>
<td>1133</td>
</tr>
<tr>
<td>Fourth</td>
<td>1969-74</td>
<td>2060</td>
</tr>
<tr>
<td>Fifth</td>
<td>1974-79</td>
<td>3560</td>
</tr>
<tr>
<td>Sixth</td>
<td>1980-85</td>
<td>15684</td>
</tr>
<tr>
<td>Seventh</td>
<td>1985-90</td>
<td>35248</td>
</tr>
<tr>
<td>Eighth</td>
<td>1993-97</td>
<td>57792</td>
</tr>
<tr>
<td>Ninth</td>
<td>1997-200</td>
<td>63744</td>
</tr>
<tr>
<td>Expected average</td>
<td></td>
<td>108525</td>
</tr>
</tbody>
</table>

Source: RBI Annual Reports and GOI Budgets.

Dr. Ambedkar reiterated “finance is not mere arithmetic, finance is a great policy without sound finance no sound government is possible without sound government no sound finance is possible.”

Hence the establishment of the independent finance system of government of the provinces, thus matters a substance in current trends, though it was that time of British India, it meant to the system of government established in the provinces by the reforms Acts.

1. Quoted By Dr. Ambedkar Vol.6, P.296
The gradual increase of Budgetary Deficits; through the five years plans, since independence.
(From the first five years plan-1950 to the tenth five years plan-2002-2007)
Dr. Ambedkar acclaimed the final period of development of Indian finance in to a positive assent, in his words, 'The finance system established under the Reforms Acts in the provinces is a sound system' with reference to the Indian Government finance after independence, the budgetary deficit had been constantly growing up, Dr. Ambedkar's analysis over the control of 'Budgetary Deficit,' expound many witful observations, "Inadequacy of finance is not always the result of a paucity of revenue resources. National prosperity may be great and growing and the increase of national wealth may be proceeding unchecked. If under such circumstances enough revenue is not obtained the fault does not lie with the social income. Rather it is fault of the government, which must be said to have failed to organize and marshal the national resources for fiscal purposes. The same is to some extent true of the Indian Government." 2. we must seek the solutions in this regard.

The Problem of Deficit:- On the question of financial inadequacy of the provinces, Dr. Ambedkar lays emphasis over the expansion of financial power of provinces rather conferring the moderate freedom of it. He expounds this while pondering upon the contemporary situation of India. "Whether a protectionist policy is good or bad is another question, for the present, it is sufficient to note that the Government of India has been subjected to a pernicious kind of limitation on its fiscal powers, which prevents it from using a source of revenue which has every where else proved to be most elastic and abundant of financial resources. If these limitations were not there, the present financial inadequacy in all probability might not have ensued at all, and there would have been no necessity either for adopting the system of divided heads or for imposing contributions. As it is owing to these limitations on the taxable resources of the country a deficit in the budget of the central Government is inevitable." 3. 'When the equilibrium between 'revenue and expenditure' is to fall, the deficit is to be financed by new taxation or, and drawing on balances, and raising loans from the public and Central Government'. The possible remedy is revising the financial arrestments reduction in expenditure and increase of revenue measures. To tackle the problem of deficit or inadequacy of finance Dr. Ambedkar interpretable the existing situation and guided to rise up the revenue sources. He has

2. Dr. Ambedkar Vol.6, P.289
3. Dr. Ambedkar. Vol.6, P.291
The increasing percentage of Budgetary Deficits through the five year plans since independence
also recommended the reduction of expenditure and increase in taxation, for the financial crises.

On Indian perspective Dr. Ambedkar advocates land revenue as a biggest resource of the Government and must have periodical rate assessment. It will not only streamline the financial powers of the government but also march upon the path of orderly progress.¹ ‘two sources were there 1) Land Revenue 2) Customs Revenue had been not properly marshaled Land revenue might be replaced with periodical settlement system in place of permanent settlement. With the sticking Government it self affected its own financial adequacy.’².

1) Land revenue can be marshaled properly in the interest of giving adequacy to financial arrangement with periodical settlement instead of permanent.

2) The second tap for the financial adequacy is the custom revenue. British Government neglected this revenue at that time, but now Indian Government can marshal it properly by guarding Indian’s political and economic interest under the consideration of ‘General Agreement’ with little check over the custom duty.

Rethinking over the abolition of the system of contribution:-

The system of contributions, which was prevailing in pre independence period, abolished in due course of the developments of finance. The Meston Award was accepted in Reforms, Act and as per its modification. ‘The sources of revenue were fixed between the central and State governments and the system of contribution was to be completely abolished after the seventh year. It was argued that during the course of time, it was found that provinces faced deficits and the Central finance was much improved and therefore provincial contributions were gradually reduced from 1925-26 and at last abolished in 192-29.’³.

¹ Dr. Ambedkar Vol.6, P.289-290
² Dr. Jadhav. P.26
³ Mankar Public Finance, P.269
There is always seen roar upon three things with regard to the financial concerns of the Indian Govt.; (1) the problem of deficit, secondly (2) allocation of share of revenue proceeds as per heads divided between centre and states and thirdly (3) Cry of States for grant in aid.

All the three problems are not new to the Indian post independence era. Dr. Ambedkar had expanded extensive utilizations over that are facing to day the above problems are emergence of the root causes which Dr. Ambedkar’s ‘evolutional’ study affirms to the present Indian context.

The twelfth finance commission Chairman C. Rangrajan says “Transfer of resources formed the Centre to federal units is a common. Phenomenon in all majors’ countries having federal constitution. This is because there is always a mismatch between the responsibilities of the federating units and their ability to raise adequate resources on their own. Certain resources are best raised only at the national level; on grounds of equator and efficiency. This is accompanied by transfer of resources from the Centre to the States in order to correct what is described as vertical imbalance with the constitution of the Twelfth Finance Commission, the country is once again drawn into issues concerning resources transfers between the Centre and the states and among the states”1. The issue which Dr. Ambedkar discussed with regard to the period British Era is still live in current independent Era. In fact the issue as classified above is second and it is because of the problem stated in first. Even the problem stated in the third is also rooted in the first but having concern with the State Governments. It is obvious that the fundamental cause is the deficit of finance’ both Central Government as well as State Governments.

Dr. Ambedkar’s Analytical study reveals certain facts regarding this fundamental cause of ‘deficits’.

The financial arrangements that have been accepted and are in force are no doubt result of the evolutorial changes that have taken place in due course of time and conditions. Any suggestive set of arrangements must face a strong argument that practical experience and actual events must be case of final arrangement and it is true that the evolutorial changes decided the fate of Indian finance. But as per Dr. Ambedkar “To

argue that nothing can be learned without experience is simply absurd
what is necessary for a proper conduct on the part of an individual or a
group is to understand the meanings and values of things. For that it is
unnecessary to undergo actual trial". The further significant implication
is that whatever, we have accepted after the actual trial may also be
wrong if we have missed our sight and thereby direction. The ultimatum
of the thought is that, we must be at consummation of value and
meanings.

Under the light of the above consideration, if we observe the entire
feature of the evolutorial changes of the history of Indian Provincial
Finance, it is the fact that provincial Governments played their right role
of escape from the rule of Imperial Governments; because Imperial
Government was a diarchic government of British people. The agitation
of the provinces continued till the abolition of the system of
contributions, and the extinguishments of the Imperial Government. But
by this way provinces would not be in possession of absolute freedom.
Their freedom must have to be considered in the form of their union, else
must go in vain. 'In this context if we must place present union
Government of India in place of Imperial Government of British to
constitute the responsible Government. On both the side on the part of
the state Governments and the part of the Union Government. These
considerations are to constitute the Centre and States relations. Union
Government must be able to govern the State Governments that is what
in Dr.Ambedkar's words; A strong Union Government' Signifies no
other view.

Down the course of evolutorial period of provincial finance show
condition of provinces turned into surplus financial position within the
scheme of 'Budget by shared Revenues'. But this had happened with the
responsible Government of Imperial aristocracy. In reference to, "So far
as I am personally concerned, I do not like the idea of grouping, I like a
strong united Centre, much stronger than the Centre We had created

Indians perhaps did not dreamt of their Union Government, as to
full of riches of finance, i.e, economically stronger, strong by arm forces,
i.e, politically strong, strong by education i.e., morally stronger, and with
honest

1. Dr. Ambedkar Vol. 6 p.306).
2. Dr. Ambedkar Speech Vol. 13-p.11
brotherhood. These factors alone can build India a strong united country. At many places the constituent Assembly neglected the creation of strong Union Government. Dr. Ambedkar observed, “The congress party for reasons best known to itself consented, if I may use that expression, to the dismantling of a strong Centre which had been created in this Country as a result of 150 years of administration”. I.

Are state Governments really pose positively to the same strong rule of Union Government and is Central Government maintain the same attitude of Governess over the provinces to collect the revenues. These questions give rise to the responsibilities and invergigation of the causes of the current financial crises. Dr. Ambedkar Critique of Indian financial changes reveals the following postulated for propositions this regard 2.

1) The irresponsible executives and legislators i.e., of divided responsibility, reservation of powers division of functions.
2) Lack of Common Mandate (i.e., due to the tragic conditions to elect a common Government)
3) Negligence of Social Conditions i.e., lack of education; perversion of fundamental rights, uncontrolled corruption.

1) The irresponsible executives and legislators: - Neither executives nor legislators are made responsible to the law. Reports of the executive's are subject to the guard of inspection by the law nor the legislation is responsible to the law; mere oaths of legislators cannot make them responsible. Both are parochial to the formation of responsible law system under which they are to function.
2) Lack of common mandate: - After independence the common source of makes got liberty to mandate but yet in India common mandate is a rare entity. Legislators them selves play to divide the common mandate for their sale of Politics and people of India formed tendency of neglecting to give mandate to the Government. Thus inadequate support of mandate gives rise to the irresponsible legislators.

1. Dr. Ambedkar Speech; Vol. 13 - p.11
2. Dr. Ambedkar Vol. 6 p.307,8
The problem of Common Mandate:

Apart from the problem of Indian literacy and Social inequalities in India there is a growing tendency towards the reluctance over responsibility to tender the franchise without any consideration towards the analysis of the question of Indian reluctance over the electoral system, the common need to place a choice of political party should be a beyond and dispute. In absence of destitute conditions as it is natural to fall an obligation over a man and that is for his own survival to choose what to eat and where to rest in the vast available resources in the same way it is an democratic constitutional obligation of the countrymen to the place his own choice while electing the representative government. Dr. Ambedkar insisted hereupon, that it is not sufficient to place own choice but peoples should be able to tender the common mandate of the Country at the juncture of franchise to a Government. It will be the only evidence of a matured democracy.

In absence of the common mandate politicians play on the figures and constituencies that are divided into diverse subjects of the masses and on the position of inadequate franchise Governments were managed and defected for the benefits of the few politicians. The most vital thing is that, the revenues of the Country were mis-used by the representatives, and thereby executives with corrupt administration.

In many countries of the world non-voting Civilians are punished by either fine or jai. Australia, Brazil, and Belgium made voting as a compulsory duty of the citizen. In India last fourteenth Parliamentary elections show 56% average voting percentage. In 1952 the lowest voting, percentage 45% was noted and the highest 64 percent was in 1984. The Indian Constitution is amended the Article of audit Franchise and the minimum age as per the amendment is 18 years in spite of lowering the age limit by three years the tendency to this low percentage had not showed any positive change. India should have to a dissipated legislation as 'Compulsory' without any explanation but intimation through respective Collectors and Tahasildars.

3) Negligence of Social conditions:- Dr. Ambedkar never left room to remain untouched the untracked region of causes, i.e., Social conditions. The balance of inadequate finances not only
responsibility of the Government but it is more intensively laid upon the common people as a whole they are responsible to build either military power or moral power. The irresponsible curse of the fact is that there had been creating military and collective crimes, the lay of cultivation of moral force is thus out of contention of the common understanding. The reference to the above both remain standing i.e, the equality in all respects Social economic and educational. Negligence in any way must result in the peril of all.

So as to make responsible Executives & Legislators and people of India Certain Constitutional changes must be sought for the fright of further collapse of finances and economic slavery.

Accounting and Auditing: -

The process of accounting and auditing is the most important function of parliamentary control. It is not enough to the parliament that it should grant money to the executive for expenditure and vote taxes. It has to see that the appropriation for funds are spent on the items approved in a wise and economical manner, in it has to see taxes noted are collected by executives honestly but how parliament of India operates this watch and by what instrument it can be observed with fright of lacking lawfulness in its functioning which Dr. Ambedkar pointed out at the debate of the Constituent Assembly the responsibility of the accounting and auditing function laid by the Indian Constitution upon the comptroller and Auditor General of India.

Comptroller and Auditor General of India: - (C.A.G): -

The importance of C.A.G. in the financial concerned is unmistakably, upheld by Dr. Ambedkar. The constitution of India in its Article 148 (i) installed him the Supreme master of the judgment have check look over the public expenditure and to maintain a watch over the legality of the revenue collection and Government grants.

The C.A.G. who look after to prepare annual reports for each of the Governments whose accounts audited, He has to make mention of the
audit objections or correctness or otherwise of the expenditure and other financial transactions. His report has to point out the irregularities in financial matter, like execution of grants if exceeded, failure to obtain the necessary sanction for expenditure, non-compliance with rules and regulations, case of improper and wasteful expenditure and of misappropriation and embezzlement. He submits his reports to the President of India in case of Central Financial matter and to the Governor in case of State Government, so as to cause the presentation of the same before the respective legislatures.

Dr. Ambedkar had some definite concepts regarding and powers of the Auditor General while discussing on the original Draft Article No. 124, he pointed out the drawbacks of the amendments proposed and commented upon the position of the Auditor General, that "I am of opinion that this dignitary or Officer is probably the most important Officers in the Constitution of India. He is the one man who is going to see that expenses voted by Parliament are not exceeded or varied from what has been laid down by Parliament in what is called the appropriation Act. If this functionary is to carry out the duties --- and his duties, I submit are far more important than the duties even of the Judiciary --- he should have been certainly as independent as the Judiciary. But, comparing the articles about the Supreme Court and the article relating to the Auditor General, I cannot help saying that We have not given him the same independence which We have given to the Judiciary, although I personally feel that he ought to have for greater independence than the judiciary itself" 1.

Dr. Ambedkar's opinion was that, Auditor General should have full independent powers of his office staff and function of the A.G, should be independently regulated by Law, and not merely the ordinance, order, byelaw, rule or regulation. Etc. made by the Governor - General under the powers conferred upon him by the Government of India Act 1935. 2.

1. Dr. Ambedkar Vol. 13 - p.601
2. Dr. Ambedkar Vol. 13-p.605
Under this brief comment it is no wonder why the, deficit of Indian Government's Budget is swelling up and became uncontrolled. Because the comptroller has no power to control the basic moves of creeping the imbalance public expenditure, it is void of essence of controlling corruption also. It will not be out of place to say that

In India accounting is a mere executive function, vested in executive departments of the Government. But executives are not kept at responsibility of accounting of separate department of Accounts and headed by Comptroller and Auditor-General of India, as an independent Office is the creation of the Constitution. There is still a difference of accounting of Railways and Military Department they have different authorities i.e, Financial Commissioner for Railways and the Military Accountant General.

Audit of the Government accounts is a Union subject; it is not governed by the Law but by an executive order. Audit is conducted on behalf of the executive and audit reports also submitted to the executives. Audit Department has no Law Governors. A Single department, which deals accounting itself, made responsible for the auditing. It is like, 'Write our own accounts and audit them at our own liberty', loosing the faith and leaving a room for corruption.

As per the ordinance of the President of India March 1976, accounting department & auditing department separated. The C.A.G. has been relieved from the responsibility of compiling the accounts of the Central Government. But still he continues to be responsible for the maintenance of the accounts of the State Government. Also from April 1977, revenue accounting work was entrusted upon him. But all functions make him impotent of comptrolling the finance proposals and helpless in the operation of Lawful action against the maladies in financial expenditure and revenue receipts.

C.P. Bhambri rightly observed “This function of the comptroller General has not been devolved on Auditor General of India in spite of the designation of Comptroller and Auditor General of India”. 1.1 The rest of his function regarding the ‘Auditing’ yet left a long behind to meet its essence of Governance by the Law.

(Section B)
-Currency and Exchange in India-

"Trade no doubt is dependent on good money, but the growth of the trade is not a conclusive proof that the money is good." - Dr. Ambedkar

The significance of monetary economics is beyond any debate, but still the classical view regarding the significance of money is indifferent. They look money as an unproductive and inactive instrument. Adam Smith treated money as 'barren' field. John Stuart Mill writes," There cannot, in short, be intrinsically a more insignificant thing, in the economy of society, than money, except in the character of a contrivance of sparing time and labour." 1. In modern times even Prof Pigou says, "Money is a veil behind which the action of real economic forces is consoled." 2. and also Robertson is something loath some to explains the importance of money as, "we may get a State of affairs when industry is active and wages high but the necessaries of life are scare and there is out cry and unrest." 3. These assertions, which think money is only veil and cloak, are enough to conclude the gross view of either classical or modern but affected by classical.

If we think of a disciplined thinking, Dr. Ambedkar's economic thinking marches on a different path of socialistic view. In spite of the established classical view, Dr. Ambedkar laboured on the monetary problems i.e. the currency of Indian 'Rupee'. In absence of the corresponding names, Dr. Ambedkar says, "The difficulties of barter have ever formed an unfailing theme, will all economists including those who have insisted that money is only a cloak," for him trading is impossible without the use of the concept of money. Dr. Ambedkar reiterated the

view, "there cannot be intrinsically as more significant thing than money, which at best is only, a great wheel by means of which every individual in society has his subsistence, convenience and amusements regularly distributed to him in their proper proportion, - without the use of money this distribution of subsistence, convenience and amusement, for from being a matter of course, will be distressingly hampered if not altogether suspended." 1

The classical economists were living the olden age of gross economic ideas. There is no wonder if they do not perceive the importance of time and space with regard to the transactions of human life. They were least aware of the instable nature of the money. If they had been witnessed the disequilibria of value of money, they would not have formed the view of negligence towards the function of money.

For Dr. Ambedkar, 'Money' is not just a tool to get rescue from the inconvenience of barter system, but it is great a gear of trade and production. In this context, Dr. Ambedkar emphasized the significance of money. "Money is not only necessary to facilitate trade by obviating the difficulties of barter, but is also necessary to sustain production of by permitting specialization. For, who would care to specialize if he could not trade his products for those of others, which he wanted? Trade is the handmaid of production, and where the former cannot flourish the later must languish." 2 In fact the importance of money can be realized only after the effects of an unorganized monetary system seen in a country, or time as it is found with regard to the case of Indian Rupee.

The acclaim of the undoubted whole of the discussion, for Dr. Ambedkar, "It is therefore evident that if a trading society is not to be out of gear and is not to forego the measureless advantages of its automatic adjustment in the great give and take of specialized industry, it must provide itself with a sound system of money." 2

But to Dr. Ambedkar's this is not an end, " Diseased money is worse than want of money the later at least saves the cost. But society must have money, and it must be good money, too." 3 The system which fails to obviate the bad consequences of barter system, and give effect to

1 Qtd Dr. Ambedkar, Vol.6,p.335
2 Dr. Ambedkar, Quoted: Vol, P.336
3 Dr. Ambedkar, Vol.6, p.341
production system to withdraw capital from it, and remains out side of
the single circulator of commodities is diseased money. Healthy money
is that, “the different units of money should bear a fixed relation of value
to one another.” Dr. Ambedkar bears the most modern and scientific
ideas regarding the monetary system, hence he contradicts with classical
thinking. Dr. Marshall unmistakably writes, “Money is the pivot around
which economic science clusters.” Undoubtedly the importance of
money in the life of a country is well known to the modern Economists
of computer age.

Dr. Ambedkar had essentially worked upon the system of money
with an occasion to ‘The Problem of Rupee’ for his D.Sc. When his Thesis
of was submitted to the London School of Economics and Political
Science, it was advised him to alter it on the ground that the hostility
showed therein towards the classical economists must be removed from
the thesis. In fact it was the reaction, corresponding to the basic concepts
regarding the views of classical. With that alteration vital interpretation
might be lost forever, but his basic propositions regarding the monetary
system, specifically in context of India Economy, are a ever lasting gift
for the history of economic thinking.

In the history of Indian economic thinking and economic life
money or currency was not unknown phenomenon to the land of India.
The introduction of money in India whether it was borrowed or invented
at home, is a matter of great controversy. But what ever may be said on
this, it is true that the use of money in India was early known. For, “the
whole of the Buddhist literature testifies to the fact that the ancient
systems of simple barter as well as of reckoning value of cowes, or rice
measures had for the most part been replaced by the use of metal
currencies, carrying well, understood and generally accepted exchange
value. There was a gold coinage for the most part and “all marketable
commodities and services had a value expressible in terms of cash.

1. Dr. Ambedkar.Vol,6,P.341
2. Dr. Ambedkar.Vol,P.349
Banking was not very highly developed there was no taboo on loaning of money and according to Gautama, interest was sought in six difference ways.”

What ever may be the case, Indian economy in its own context was at need of a healthy monetary system. The history Indian economic thinking is far behind with comparison to the ancient history of Indian economy. Which not fed its own people but also other lands.’ Any system, which is single, must be good but invasion of second and off shoot to plurality is damaging to the whole of the systems. India bore good system but slavery brought her system and economy both at the ground level. The situation in the Moghal and British period is no next to tater. Dr. Ambedkar’s work on the ‘Problem of Rupee’ is a monumental work with reference to past as well as future period of Indian economy.

-Dr. Ambedkar’s Occasion to the Problem of Rupee-

‘The Problem of Rupee’ is an important contribution of Dr. Ambedkar not only as a contribution to the Indian History of economic thought but it has significance with regard to the Indian monetary problems. He placed his hands to the core key of Indian economic realm is the primeval economic thinker in the field of Indian currency. The work ‘The Problem of Rupee’, was first published under the name of history of Indian Currency and Banking. The study of the subject entrusted him the magnificent Degree of D.Sc. but Indians got a significant thesis. At that time i.e., on reprint of ‘The Problem of Rupee’, Dr. Ambedkar contented, “I am glad to say that some of my friends who are engaged in the field of teaching economics have, assured me that nothing has been said or written since 1923 in the field of Indian currency which calls for any alteration in the text of, “The Problem of the Rupee as it stood in 1923. I hope this reprint will satisfy the public partially if not wholly.” It is a remarkable to point out that Dr. Ambedkar had allowed Prof. Edwin Cannon to write foreword to the ‘Problem of Rupee’ in spite

of his cross views. Professor Edwin Cannon was in cross conflict with Dr. Ambedkar's view, but with the pleasing tolerance Cannon admits, "I do not share Mr. Dr. Ambedkar's hostility to the system, nor accept most of his arguments against it and its advocates, but he hits some nails very squarely on the head, and even when I have thought him quite wrong. I have found a stimulating freshness in his views and reasons. An old teacher like myself learns to tolerate the vagaries of originality, even when they resist, "severe examination" such as that of which Mr. Ambedkar speaks."¹

But Edwin Cannon in spite of his negation to the views that of Dr. Ambedkar expressed in the problem of Rupee, he could not resist him self to say, "In his practical conclusions, I am inclined to think, he is right."² But still Cannon jestingly marked advocacy of Gold standard as, fool proof and Knave Proof."³ Perhaps Edwin Cannon is least knowing, that a fool cannot be a knave and Knave cannot be a fool. Whatever the case may be but he is not wrong to say so, because there is always a possibility to the holder of gold coins, he may be either befooled by a knave, or a gold coins holder knave always ready to act his tricks to have more gold coins. But the possibility of perversion of gold standard is not easy in comparison to the gold exchange standard Cannon admits.

Notwithstanding when Cannon says 'the percentage of administrators and legislators who understands the gold standard is painfully small' and advocated the norms that, 'Problems of Rupee' laid down. In his words, "It is alleged some times that India does not want gold coins. I feel considerable difficulty in believing that gold coins of suitable size would not be convenient in a country with the climate and other circumstance of India."⁴ Even in his concluding words where in beginning he said, simple gold standard is fool proof and knave proof he did not doge to note, "A much more practical way out is to be found in the introduction of gold currency into the East. If the East will take a large part of the production of gold in the coming years, it will tide us over the period which must elapse before the most prolific of the existing source are worked out."⁵ proves that gold standard is not that of a case as

¹ Vol.6, p.331.
² Vol.6, p.331.
³ T.T.Sethi Monetary Economics, P, 132, 1974
⁴ Vol.6, p.332.
⁵ Vol.6, p.3324.
Cannon said. But it may certainly be a token of fool proof and knave proof for those who do not understand gold standard.

In 'The Problem of Rupee' Dr. Ambedkar refers Keynesian view, but he is at sharp conflict with Keynes' conclusions, which proposes Exchange standard for the Indian Rupee. Dr. Ambedkar even opposes the convertible Rupee into gold. He proceeded over the analysis of all events or leading to the dislocation of the stability of Rupee and proposed practical proposition by which Rupee can embody the principles of the English currency system. He professed the grand interpretation crossing the common trends of currency principles and for that he says; "My justification to this procedure is two fold, first of all, as I have differed so widely from other writers on Indian currency. I deemed it necessary to substantiate my view point, even at the cost of being charged with over elaboration. But it is my second justification, which affords me a greater excuse. It consists in the fact that, I have written primarily for the benefit of the Indian public, and as their grasp of currency principles dose not seem to be as good as one would wish it to be, in over statement, it will be agreed, is better than an understatement of the argument on which I have based my, conclusion. - My object in publishing this study, at this juncture is to suggest a basis for the consummation of this purpose."

In 'The Problem of Rupee' Dr. Ambedkar deals the events leading to the establishment of the exchange standard of the Rupee and also examination of the related theories, with a wide historical sweep, he illustrates all the circumstances leading to the reforms of Indian currency. For this he expounded the most neglected period of Indian currency from 1800 to 1893 viz. Mughal period Dr. Ambedkar’s point out how the plurality of coins and plurality of terminology of 'The Problem of Rupee' dismantled the structure of Indian monetary system. With the event of British entry into India what obligations they needed to be worked out for their own betterment and how single currency viz. 'Rupee' was settled. The intention of British people for the benefit of their own people of England played various monetary policy tactics with trade transaction which ultimately resulted the Rupee began dislocate its parity and stability of value. Their intention was obvious with their anxiety to issue

1. Dr. Ambedkar, Vol., p.330
the coins of Rupee under the seal of Imperial Government. The government payment to native rulers which were being made in kind, compelled to collect in cash only in the British currency. The shortage of the currency when sustained harm severely company government niggardly neglected the development of Banking to suck the liquidity of Indian Economy.

With these attempts the Imperial British then entered in to the domain of value of Rupee by various attempts to dislocate its purchasing power parity. Irrelevant denominations of paper currency, instead of existing silver coins, and non-facility to encash the notes in to coins, put the people of India into a State of confusion and economy into a boil, and also uprooted. The trend of discounting with the value of Rupee and variety of rates at various places over the original supply of currency dislocated Rupee in its own country. The trade transactions, which were augmented by British policy to export Indian wealth to England, resulted into detrimental to India and gains to England with the help of Rupee Sterling exchange rate.

Dr. Ambedkar’s analysis is remarkably illuminating to realize the disease of the monetary system to Indian economy. When British committees and economists were sought to find a solution to the disease, how hard was it to expect an honest deliberation from them who created it. Dr. Ambedkar pinpointedly exposed their adverse deliberation while recommending the currency standard to stabilize the Rupee.

Dr. Ambedkar’s ‘The Problem of Rupee grossly contains four hundred paragraphs, excepting the quotation clauses of Acts and regulatory rules, sixty large and small various tables, six graphs having one hundred and seventeen sources of reference, enough to call a treatise on Indian Rupee. If we talk of a book of 300 pages on the single subject ‘Problem of Rupee’ it is hard enough to have all events of reference and propositions in the present study. As per the objective of the study, it is to confine realizations of it in to the planned essentials in the forth-coming exposition.
i) Dr. Ambedkar on The Problem of Rupee Under British Rule

'Important as are the standard measures of a community, its measures of a community, its measure of value is by far the most important of them all'. "The measures of weight, extension or volume enter only in particular transactions. If the pound, the bushel or the yard were altered the evils would be comparatively restricted in scope. But the measure of value is all pervading". - Dr. Ambedkar

The Significance of 'The Problem of Rupee' -

Dr. Ambedkar's study on the 'Problem of Rupee' has got significance with reference to the Indian economy as well as India's history of economic thought. As currency being the central axis of any country, around which moves entire economy of the country and also reacts economies of other countries favorable or unfavorable depending upon the sound and fairness of the currency, the urgent need of such study was never been felt for a country like India. Dr. Ambedkar's sensible thinking caught the urgency of the study of Indian Rupee. When Dr. Ambedkar published his book, 'The Problem of Rupee' second time in 1945 he preferred new title for it as, 'History of Indian currency and Banking,' the aspects which are contained in this volume constitute the history of Indian currency. The second volume one which was to be published intended, with the aspects of 'Indian Banking.' Dr. Ambedkar could not spare time for it due to India's urgency of drafting the constitution of India. Hence the previously done work of the problem of Rupee is monumental to the nation India. It's significance can be narrated with the following points:-

1) The basic history of Indian currency.

Any kind of evolution has two courses action, one by natural events and other by the imprint of man and society. The former has no imprint of man therefore it remains on the out skirt of history and thus called evolution of nature. But later which may have natural course with the imprint of man and society becomes the subject matter of the history. The economic history of man must content the facts of courses of transactions, but with that though constitute a history of economic life still remain under question of its authenticity due to lack of proper interpretation. Dr. Ambedkar laboured on the problem of Indian currency

1. Dr. Ambedkar, Vol.6, P.443
and it has an authentic judging of international standard. Hence without reference of his study if any one tries to bear the history of Indian Rupee and currency of this particular British period, that must tolerate the question of authenticity. In fact ‘The Problem of Rupee’ has become the reference book for the subject of British Indian currency. All Indian students refer the ‘Problem of Rupee’ for this subject for it being the basic history of Indian currency system of extending the period of Moghul empires.

2) It expounds the factors of Indian economic slavery:

The Problem of Rupee reveals the major factors responsible to the slavery of Indians with regard to political and economical. The position of Indian currency system, in absence of a single controlling king or any such major control power, diverse currencies were prevailing in India and the currency of one king was an alien and having no exchange value to another. The only intrinsic value, which was ascertained by ‘Shroff’, was its bullion values. The occasions of fake currency were also not denied. Dr. Ambedkar portraits the Indian condition that, ‘the currency of diverse’ kinds, substituted Indian economic life down to the condition of barter system’. In such a condition foreign invaders were at ease over the economic life to curtail and to operate oppressive measures. It became the fate of Indian people to accept slavery in spite of their wealthy resources and the natural bounty. The insulting treatment in the International Monetary Conference given to the Government of India by rejecting membership of Bimetallic Union to India. The British ruled entire India by the consolidation of Indian Rupee. With that India got a single currency but the purposes of the rulers were of damming to the Indians.

It is a good example to make understand the Indians that how a slave country is treated in the midst of problems among the international community. The apathy of the whole insult is that India was warned by making compulsion ‘pledge her self of not going to take a mean advantage of the union after its efforts had succeeded in establishing a stable ratio by making gold legal tender’. 1

The British Government who came in power over India, it was only for the sake of wealth viz. gold and agro produce of India. During the rule of two hundred years it predated Indian wealth. The intelligent British of nineteenth Century consolidated the term of Rupee and by dislocating, its bulky oppression were executed.

1. Dr. Ambedkar Vol.6, P. 466.
Where in India all transactions of a man during a day were limited to one Rupee, there British government ventured to print notes of Rupees 5, 10, 100, 500 and 1000. What was the intension behind British government of India? British parliament and English people of East India Company concerned perhaps became mad of the counting paise annas and Rupees of Indian currency. They wanted to break the natural growth and existence of the prevailing monetary system of India, though it was in a State of confusion, and anarchy. For British the prices of the Indian commodities were not raising at any condition, like a war or famine. In that situation they always fond their sterling always lagging behind in its value, they had to pay more currency for Indian transactions. Indians got good currency in that return, there fore, so as to dislocate the value of Indian Rupee, British stepped down to print paper currency of abnormal value, in other words it was an abnormal expansion of inflation not only in volume but in the value of unit also. The scientific analysis in ‘the Problem of Rupee’ reveals many such facts.

3) A guide to the ideal monetary system-

The suggestions of the European economists and the observations of Dr. Ambedkar are found contradictory. But Dr. Ambedkar’s stand proves the best way to attain a healthy currency system. The all aspects of diseased money are well expounded in his treatise on ‘Rupee’.

When the Indian rupee was facing acute instability Dr. Ambedkar guides all the aspects of it. ‘The value of unstable Rupee sustained fluctuations to the extend, in no case to ascertain the Indian Governments liability. Owing to such fluctuations private trade and industry became more or less a matter of speculation. If the limits of the fluctuations in exchange are ascertainable the trade must reasonably certain in its calculations and speculation would be limited with in the known limits of the average established level. On the other hand if the limits are unknown all the calculations of trade become frustrated and the trade of speculation becomes the chief trading. The fluctuations give rise to speculative trading’,1 and hence it is true of stock trading. The extensive study of the problem of rupee refers all concerns pertaining to Indian currency system hence it is a good guide of an ideal monetary system.

1. Dr. Ambedkar, Vol.6, P.441
4) The Principle of Total bullion production and the value of currency -
Dr. Ambedkar's basic proposition regarding the disparity of the value of currency concentrates upon the total gold and silver production. The main culprit responsible for the fluctuations, of the monetary value, Dr. Ambedkar's illuminating data analysis proves the fact of total production give effect to the fall or rise of exchange value therefore it is mandatory in principle for Indian Government to remain in check of the total production of both precious metal to maintain the exchange value, favorable balance of payment, and purchasing power parity of Indian Rupee.

5) 'Problem of Rupee' uncovers the fine black intentions of the white: -
The entire study of 'The Rupee' reveals the facts that, how British destroyed the natural uniformity of the Rupee and dislocated its gold parity. They were against the gold currency and even gold exchange currency. The existing gold currency when collected in revenue department and when public demanded the gold currency in circulation, an explanation from government is given that people do not want gold currency, for how is that? The answer was the revenue collected was in gold, people did not retained gold coins.

Dr. Ambedkar pointed out that, it is not the proof of people's non-using currency but if they had paid their revenue and taxes in gold currency that means it was a proof they are using it. 1. Again Chamberlain Commission was against gold currency for the reason it mentioned, 'Indian people will hoard gold' and will not make it available in crisis,' Dr. Ambedkar answers that, 'the argument from hording, if it is an argument, can be used against any people, and not particularly against the Indian people'. He broke out the far-reaching fine black intentions of the British rulers.

6) 'Problem of Rupee' teaches how to arrange foreign economic relations: -
The entire treatise revels that how British were reluctant to any positive currency reform by which any welfare of Indian can be achieved.

1. Dr. Ambedkar, Vol.6, 574.
All the committees and commissions were regarded but they were not for the gains to India, but for England. But by way of movements and legislation whatever they executed it was under the canopy of majesty. The benefit was never forsaken and high tower hat never steeped down. The exposition makes aware of many minutes of distant effects to Indians in the matter of currency appreciation. Respective neighboring countries may take undue advantage at any time by way of other modes of agencies. No country should be allowed to enter in any such matter of affair by which any kind of effect is exerted on the monetary system of the country.

-Dr. Ambedkar and the birth of New Indian Rupee-

“Gold ruled the aspiration of the greatest, and India afforded many examples of its fatal power at the time”. -G.B. Heartz.

The history of Indian currency, which had been exceptionally a system of uniform monetary system, but was always been a victim of diverse political forces, both of home kings and foreign invaders, exposed its face of bimetallic standard in northern India, and also monometallic though exceptionally in southern India, at the close of Mogul empire, the eve period of currency reforms, happened to occur at the hands of the East India Company.

Pre British Era: - The condition of Indian currency system which had upshot the grievances to the user people of India and demerits to the monetary system, which formulated the problem of Rupee, had mostly its aggrieved force from the northern India, specifically north west region which had always been the syndrome of mixed rulers. In spite of the prevailing grievances, the period of, before the rise of company government, India was an economically progressed country. Dr. Ambedkar affirms the economic growth of India, “At the close of the Mogul empire - India, judged by the standard of the time, was economically an advanced country. Her trade was large her banking institutions were well developed, and credit played an appreciable part in her transactions.” 1. In spite of India’s advancement in trade banking and

1. Dr. Ambedkar. Vol. 6.336
Plate No. XXIV: Coins of Malwa Sultans - Gold coins, and Kashmiri Sultan’s Silver coins.

Plate No. XXV: Coins of Adil Shah and Mughal Emperors. Silver and Gold coins.
Plate No. XXIV and XXV: Coins of Akabar and after other Sultan’s - Gold and Silver coins. The period from which Dr. Ambedkar considered important for his study of *The Problem of the Rupee*
Plate No. XXVIII: Assam coins - all silver.

Plate No. XIX: Durani and Awadh coins - Silver and gold
Plate No. XXX: Portuguese, Danish and Dutch Coins  Gold, Silver, Copper and Lead.

Plate No. XXXI: East India Company gold and silver coins, Gold-Coins-330, 331, 335, 335, 344.

Plate No. XXXIII: East India Company: gold, silver, copper coins, 334 Queen Victoria Silver - 345. British coins- Silver Nikel and Copper Lead.
Plate No. XXXIV: Coins of Princely States- Silver and Gold.

credit transaction, having a worldly concern, the only matter of difficulty, "Added to this was the lack of uniform currency in India." In the middle of the 18th century medium of exchange and common standard of value was badly damaged in due course of time.

What ever may be that measures of discretion to choose a currency standard but the choices of home rulers and the foreign ruler had been always showed their distinct tendencies, that are significant of their good or bad intentions. "Under the Hindu emperors the emphasis was laid on gold, while under the Mussalmans silver formed a large part of the circulating medium."1.

Gold Mohur and Silver Rupee were identical to each other in weight and were been coined without any alloy. It was believed that both were the common measure of value and circulated without any fix ratio between them. It is important note that there existed various other coins, like Copper coins of various denominations and were in circulation in various region, by various names. In southern India gold coin Pagoda was in circulation the verity coins continued with the rise and fall of the corresponding kingdoms and the country went on filling the diverse types of currency. It is said that, their types were about one thousand, few of them, of Moghul period can be observed on the plats of coins in this chapter.

To be conclusive to the former tendencies good or bad, the added name of British government is no exception to the emphasis on the silver. It is enough, though can be said of, a new part to the Gresham’s law, a folly to his established rule, the foreign ruler’s mint expels good money i.e. good of gold or value added money out of circulation. British rulers, Dr. Ambedkar’s exhibits never allowed to mint gold coins, even the prevailing gold ‘Mohurs’ not reported in circulation, neither paper or silver converted to sovereign or gold bar. They were expedient to discharge Rupee for gold but not gold for Rupee. The prevailing currencies in India under the bimetallic standards as exhibited by Dr. Ambedkar, were as under:

Dr. Ambedkar traced out the nineteen, forms of Mussalman ruler’s silver currencies, the chief concern of ‘Rupee,’ were in common at large

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1. Dr. Ambedkar Vol.6, P. 336

[Note: It is to be noted that silver and gold coins were in circulation in India. The colloquial term to silver coin was Raupya i.e. rupee and for gold coins it was Mohur. Hence there will not be any currency found in the plates attached in the appendix. British intended only to mint silver coins, hence the common usage of the terminology was formatted as a fix name to Indian currency the act of 1793].
use and having a common standard of fineness of 175 grs of pure silver. 1. Under the chief currencies of Mohur gold and Rupee silver having no fixed ratio of exchange between them, freely circulated. Hence in principle got the status of parallel standard.

As Dr. Ambedkar noted, "there existed an alleviating circumstance in the curious contrivance by which the Mohur and the Rupee, though unrelated to each other bore a fixed ratio to the Dam the copper coin of the Empire." 2 It is obvious that people treated both the currencies of equal status only allowing gold in reserve and silver in general, when copper formed a cheap easy medium for day to day dealings of the common masses. This can be a, "permissible hold as a consequence of being fixed to the same thing, the two, the Mohur and the Rupee circulated at a fixed ratio." 2 The fearful picture of anarchy with regard to the disparities in Indian currency system was the period of Mogul rule. It is an example unique to its spoil, perhaps unseen anywhere in the world.

The period of Mussalman empires in India was a long period. The situation become worse when the disruption of Mogul Empire added many independent branches of kingdoms, "These branches of the Imperial Mint located at different centers became independent factories for the purpose of coinage. In general scramble of independence, which followed the fall of the Empire, the right to coinage as one of the most unmistakable insignia of sovereignty became the right most cherished by the political adventures of the time. It was also the last privilege to which the falling dynasties clung, and was also the first to which the adventures rising to power aspired. The result was that the right, which was at one time so religiously exercised, came to most wantonly abused. Everywhere the Mints were kept in full swing, and soon the country (India) was filled with diverse coins, which while they proclaimed the incessant rise and fall of dynasties, also presented bewildering media of exchange. If these money-mongering sovereigns had kept up their issues to the original standard of the Mogul Emperors, the multiplicity of coins of the same denomination would not have been a matter of much concern. But they

1. Dr. Ambedkar, Vol.6, P.338
2. Dr. Ambedkar, Vol.6P,337
seemed to have held that as the money used by their subject was made by them, they could do what they liked with their own and proceeded to debase their coinage to the extent, each choose without altering the denominations. Given the different degrees of debasement, the currency necessarily lost its primary quality of general and ready acceptability.

The evil consequent upon such a situation may well be imagined when the contents of the coins belied the value indicated by their denomination, they become mere merchandise and there was no more a currency by tale to act as a ready means of exchange. 1.

‘The British silver Rupee’

In spite of the frightful picture of the debasement Dr. Ambedkar affirmed the standard of advancement of India. The prime reason of the debasement was thus exercised by the small dynasties. It was only due to bullion standard currency, which was always subject to production and supply of it. In scarcity of it or say limited availability, forced the small kingdoms to debase their currencies to meet the need of the people. It was but obvious, emphasis was given on the silver and copper currency in comparison to gold. In reference to the standard of fineness, this debased currency, to its ultimate extent of demerits, only can be a fake money. But it could not have an adverse effect on the economic dealings except the most evil aspect, the non-availability of ready acceptability.

The profession of ‘Shroff’ was at rescue to ascertain the bullion value of fine standard. The corresponding link with the gold standard remained intact retaining the purchasing power of the currency under the limits of the ratio of availability of gold after all. But the evil was the debasement to have affected the growth in slow somersault, carrying the definite breaking of backbone of economy, with corresponding reference to every transaction, and that was due to this so called useful Shroff’s business. “This constant weighing valuing, and assaying the bullion contents of coins was, however, only one aspect in which the evils of the situation made themselves felt.” Therefore the profession extinguished in the respective fall of the empire and took over of the British East India Company, an subsequent opportunist, regulative to open only local agencies in only few principalities of the empired had a fall. “They also

1. Dr. Ambedkar, Vol.6, P.339-9
presented another formidable aspect,” 1, under which it is obvious British
got way out opportunity to collect the gold of India vide the currency
Regulation of 1793.

With these changes in currency regulations it was but the
beginning of currency reforms at the hands of the unwanted ruler i.e. The
British Company Government who were no one traders but predators.
The result of the local tenders in different principalities gave a very bad
effect on existing currency system, and even worsened the situation. The
previous Shroffs who were at least available everywhere “as an legal
tender current all through India,” 1, and where most of the essential wants
and transaction of a common exchanges were reached through kind
substitutions. With the British regulation the entire economic field was
curtailed due to local tenders, which were not, available everywhere in all
localities and Bengal currency Regulation XXXV. 1973 is an enough
example to reveal the intention of the British. The most important thing
they completed was not to transact in kind. The results were depicted by
Dr. Ambedkar, as ‘Trade was reduced to the State of barter in want of
double coincidence, the trend of circulation requisites in to coins to barter
against another, until to the meet of proper currency. The frequency of
the coincidence was a complicate, subject to the plurality of the
denomination. The depreciation of gall was imposed upon the people the
most sucking element to boil the blood of the currency possessor. The
opportunity on the productive resources to provide authentic money was
not left.

The debased money of the former rulers was proved to be the
detrimental for the economic life of Indians, but the question of the
British rulers remain apart as to what currency reforms have they
operated, where in instead of obviating the difficulties of barter
incidences it made sink society into a State of barter? 2

What ever may be the consequences of the debasement but the
contention of good currency reforms was to be rested upon the British,
“The East India Company who had in mean while succeeded to the
Empire of the Moguls.” 2. The most difficult task of the currency of a
vast country was put on expedition under the exhaustive investigation

1. Dr. Ambedkar, Vol.6, P.339
2. Dr. Ambedkar, Vol.6, P.341
project of captain Jervis reported in his treatise, "The Expediency and Facility of establishing the Metrological and Monetary systems throughout India on a scientific and permanent Basis", grounded on an Analytical Review of the weights, Measures and coins of India," 1836 Bombay. 1. Under the observation of Jervis, Company categorized five units of different groups of Rupee i.e. of Surat, Arcot, Sicca, Farrukhabad and Benares. The variation of standard value of fine bullion was not more than the proposed Rupee. In the facts of Dr. Ambedkar’s tabulator observation the proposed ‘Rupee’ was more reasonable than compare to the existing disparate Rupee.

The East India Company's proposed Rupee was merely 1.642 percent less valuable owing to the disparity of surat Rupee. If the single unit of it were left out the proposed Rupee would have been 17.79 percent valuable to its bullion contents. Under its famous dispatch of April 25, 1806 they fixed the fate of Indian Rupee under silver monometallic standard in the historic document at ninth schedule:

The new Rupee was to be of the gross weight of –

(see Graph,)

Troy grns. 180
Deduct 1/12th alloy. 15
And contain of fine Silver troy Grs. 165

Along with the British Rupee the gold Mohur and pagoda was in good swing. But Imperil government demonetized them and new British gold currency was introduced in Bombay and Madras presidencies in Oct. 6 1824 in place of it. While Bengal continued Mohur till 1835. The specification were:

1. Dr. Ambedkar, Vol.6,P.345
DEVIATIONS OF NEW RUPEE PROPOSED BY EAST INDIA COMPANY

Five Principal Recognised Units of Rupees found in India:

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<tr>
<td>Surat</td>
<td>Rupee</td>
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<tr>
<td>Arcot</td>
<td>Rupee</td>
<td>1.477</td>
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<td>Sicca</td>
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<td>10.927</td>
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<td>Farrukabad</td>
<td>Rupee</td>
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<td>Banares</td>
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Deviations of new proposed British Rupee
With the Five Principal Recognised Units of Rupees found in India.

*Though the Single Rupee of Surat was the most negative deviator*

The Total Negative Deviation = 5.200
The Total Positive Deviation = 3.558
The Total Loss of Fineness = 1.642
Gold Rupee 180 Troy grs.
Deduct - 15 11/12 Alloy
Fine Gold 165 Troy grs.
And the new rupee was introduced as
Silver Rupee. 180 Troy Grs.
Deduct. 15 11/12 Alloys
(Vol. 6, P.351)

In 1835 all of the surprise Imperial administration abrogated the bimetallic system by legislating, "that no gold coin, shall hence forward be a legal tender of payment in any of the territories of the East India Company" under section 9 of the Act XVII, 1935.

Dr. Ambedkar reacted to this," Indeed, when it is recalled how the authorities had previously set their face against the destruction of the bimetallic system and how careful they were not to allow their coinage reforms to disturb it any more violently than they could help, the proviso of Act demonetizing gold was a grim surprise. How ever, for the sudden volte-face displayed their in, the currency Act (XVII of 1835) will ever remain memorable in the annals of the Indian History. It marked the culminating point of a long and arduous process of monetary reforms and placed India on a silver monometallic basis, with a Rupee weighing 180 grs. Troy, and containing 165 grs. fine as the common currency and sole legal tender through out the country."1.

The above laid standard was remained in force till the independence of India, with minor changes in its denominations. The further reform in extent to the silver Rupee, paper currency of various high denominations was issued under the paper currency Act of 1861, "the denomination of notes ranged upwards from Rs.10, as the lowest to Rs. 20, 50, 100, 500 and 1000" 2. later, on added with a change of Rs. 5 the lowest one in 1871. The paper currency reform was but another stigmata proved for India a little holey to term, but painful to bear.

1. Dr. Ambedkar, Vol.6, P.354
2. Dr. Ambedkar, Vol.6, P.384
INDIAN SILVER RUPEE

PROPOSED BY EAST INDIA COMPANY

THE LOSS OF VALUE PROPORTION TO THE FORMER

BASED UPON THE DR.B.R. AMBEDKERS INTERPRETATION

The East India Company brought new Indian Rupee;
1.642 \% less valuable than the former,
under the punch seal of British Government.
-The Gold Standard in British India-

"The establishment of stable monetary conditions was naturally enough dependent upon the restoration of a common standard of value." - Dr. Ambedkar 1.

In British India gold standard was finally accepted in 1927, but all the events of British government machinery with their detailed data and information extensively studied by Dr. Ambedkar in his famous book 'Problem of the Rupee'.

1) Sir Richard Temple Plan: -
The first plan which was proposed by Sir Richard Temple, was already in projection when silver standard was in falling trend, and afterwards the European wave of demonetizing silver was in good force. Apart from the olden history of Indian gold currency, the movement for gold currency in India after the power of British rule started in the sixties. Where people were suffering exigencies of a suitable currency with that the demand of gold currency was also in move the olden ‘Mohar’ was placed in fore front. Sir Richard temple of that time Finance Minister placed the same instead the Sovereign of British, as it was made prime proposition. The chairman of English Commission on International Coinage, Lord Halifax delivered his negation to any charge in the English sovereign, hence Richard Temple proposed adoption of the ‘Mohur’ in the ratio of Rs. 10 for 120 grs. Standard 110 grs. of fine gold. The coins of Rs. 15, 10, and 5 as an unlimited legal tender of money, and also encouraged government of India to solved the problem of gold currency adoption.

2) Colonel J.T. Smith Plan: -
The second plan for the adoption of gold standard was that of colonel J.T. Smith who was regarded as an expert in currency coinage and management, and was working on the post of Mint Master of India. He proposed his plan in his essay, "Silver and the Indian Exchanges". He was confident of his plan to restore the value of Indian currency without any disturbance in it.

1. Dr. Ambedkar, Vol.6, P.445
Propositions of Smith Plan: -

1) Government must stop the coinage of silver on private account.
2) Abrogation of importation and circulation of foreign made silver coins.
3) Government should open the mint for the receipt of gold bullion for coinage.
4) Five million sterling required in addition for the maintenance of circulating the medium.
5) Government may retain power of replenishing the silver currency whenever deemed it required.

3) Reactions to the Smith Plan:

The Bengal Chamber of Commerce supported the smith plan. The Calcutta Trades Association acclaimed the same side, Finance minister Sir William Muir was against to close Mint for one metal and open for the other for free coinage Government of India did not adopted the Smith Plan. On the reason that, it may cause monetary disequilibrium, the reasoning cited, Dr. Ambedkar marked it more pedantic rather than logical. That 'if disturbance is fond to be due to a rise in the value of gold, will obviously differ from what would be suitable in the case of a fall in the value of silver', he put government on the blame of discarding responsibility and unwise in inaction.

4) Government of India’s Stand:

In the first out set of the plan Government remained inactive, in the words of Dr. Ambedkar, an irresponsible. But on November 9th 1878 Government pronounced on the gravity of the problem and observed, 'this plan calls for no further notice', we are thus led to the general conclusion that it will be practicable, without present injury to the community as whole, or risk of future difficulties, to adopt a gold standard, while retaining the present silver currency of India, and that we may there by in the future fully protected ourselves from the very real and serious dangers impending over us so long as the present system is maintained. We consequently desire to recommend to her Majesty’s Government the adoption of such a change at the earliest moment possible, and we shall proceed to explain, in all necessary detail, the measures by which we advise that it should be effected,' who 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.'

Dr. Ambedkar commented on it as though the Smith Plan was simple rejected on the ground of 'Indian demand' putting the thing on the further fatal defect and India out of the scramble for gold.' Wave upheld the view of a naturally automatic currency. In fact committee did not acted on its basic assumption, 'India refused to absorb the falling silver stock'. The eminent authority Jevons said, "We only need a little patience and a little common sense to surmount the practical difficulties. Within the next few years, good harvest in India will in all probability, enable that country to buy up all our surplus silver, as it has been in the habit of doing, with rare exceptions." Government of India wanted to proceed on the issue bimetallic standard with an entry in the International conference no nation was desirous of giving admission to the bimetallic union. Even England refused it. Dr. Ambedkar on the position of Government of India, "It was treated as a villain whose advances. Were nothing but man oeuvres to pounce upon the already dwindling stock of gold." 3.

5) International Monetary Conference:
International efforts were made to curb the situation of falling rate of silver prices in to gold, for that the International Monetary conference, were called, at Paris in 1878 first and second in 1881 and third at Brussels in 1892. All of them though concluded on 'the pious opinion that it was necessary to retain and enlarge the monetary use of silver, failed to agree on common bimetallic agreement. The main reasons behind were the party nations having difference objectives some of to the maintenance of a stable ratio of exchange between gold and silver, some of to the maintenance of circulation of either or both of metals and some of to the maintenance of can current circulation.

6) Herschel committee:
The Departmental committee (The Herschel committee) examined the proposals of the Government India based from the view of Smith Committee and other developments on the monetary reforms, and

1. Dr. Ambedkar, Vol.6, P.452 -5
2. Dr. Ambedkar, Vol.6, P.458
3. Dr. Ambedkar, Vol6, P.466
satisfies with the proposals of the Government of India introduced little
modification that, 'the mints closing for free coinage of silver, will be
used by the Government for exchange of gold,' at a particular fixed ratio.
And the same ratio will remain in force to receive public gold in
Government Treasuries for their dues, with the execution of these
recommendation in the history of Indian currency as it done in the year
1835 in spite of revert stand of government treasuries in the succeeding
year.

7) Fowler Committee:
The Indian Government who satisfied on the examination of Herschel
committee and accepted the coinage of rupees in exchange for gold at a
ratio of 1 s 4 d. per Rupee. The Government was about to give effect to the
second modification of Herschel committee, US and France negotiations
in I.M.C. 1892 made binding for free coinage of silver for that mints
would be open but not for gold. The required advocacy was contemplated
Messrs Probyn and Lindsay proposed to establish gold standard without
gold currency, which differed with the plan of Government. Hence
government appointed another departmental committee.

Under the chairmanship of Sir Henry Fowler the committee observed
the scheme of Mr. Probyn and Lindsay and remarked, 'any system
without a visible gold currency would be looked upon with distrust,' and
preferred the scheme of the Government of India and for a permanent
foundation out lined a course of action to be adopted by Government. As
per its scheme,

1) British sovereign was to be a legal tender and a current coin in India
2) Indian Mints should be open to the restricted coinage of gold on the
   conditions of Royal Mint of England.
3) The sovereign would be coined and circulated both at home and in
   India.

Jevons termed Fowler committees recommendation as a monumental
of sound financial legislation. Dr. Ambedkar termed them as common to
be executed by the government. But on the ground the committee acted
was but a double level. Dr. Ambedkar commented, "while some people
regard that Report as classical for its wisdom, I regard it as classical for
its nonsense, for I find that it was this committee which, while
recommending a gold standard, also recommended and there by
perpetuated the folly of the Herschell committee, that government
should coin Rupee on its own account according to that most naïve of
currency principles. The requirements of public without realizing that the later recommendation was destructive of the former, indeed as I argue, the principles of fowler committee must be given up if we are to place the Indian currency on a stable basis.” 1.

With the unkind events in British Government the Indian Rupee was settled, through the folly of the various recommendations and approvals made from English chairs, ultimately approved by the fowler committee. To the gold standard similar to French system, which was treated ‘limping standard,’ even having void of quality to be titled by a ‘gold standard’ law of Germany in 1907, The royal Mint of England accepted it as better in absence of the best reach. CFW Tossing meant the limping standard, “the silver coin though intrinsically of less value than the gold, hobbles along, maintained at equality by being coupled with its stronger associate” 2. The Indian Rupee was thus settled on the same line.

Dr. Ambedkar discussion on the gold standard refers a period from Mogul empires to till the end of 1923. The actual adoption of Gold standard in India look place in 1927, but still he placed the entire movement, which was responsible to establish it, with all its consequence. The first establishment from a silver standard to gold standard which was the result of Fowler committee’s recommendations in 1899, 3 put Indian Rupee on gold standard without gold currency with unlimited silver and paper currency.

After the placement of gold standard and unkind events of the British government Rupee again moved in to the exchange standard, when the council Bill were being started to send by the Bank of England, that were exchanged by Indian traders at the rate of 1s 4d. in the same way, Indian government for exchange of Rupees, Reverse council Bill or sterling Bills sold to British traders. The practice put Rupee from gold standard in to the gold exchange standard.

The trend to hobble Rupee yet not stopped here but continued at the hands of the same government officers who established Rupee on the position of exchange standard. Mr. Lindasy and Mr. Fowler who were to place Rupee at gold standard again persued the issue of gold standard at the Government, not only that they pressed the matter to the extend of demanding even gold currency for Indian monetary system, those who

1. Dr. Ambedkar, Vol.6, P.329
2. Quoted by Dr. Ambedkar, Vol.6,P.484
3. Dr. Ambedkar, Vol.6, P.479
were been to recommend only inconvertible paper currency. The intention behind it was well realized by Dr. Ambedkar commented that,

'It is difficult to read the report of the Fowler committee without exasperation. The permission to coin Rupees was mischievous in every way. It was destructive in every way, it was destructive to a true gold standard, it was not wanted as a relief against monetary stringency, and was calculated to lower the value of the Rupee. If it was anxious for a gold standard and currency, as it was undoubtedly was, it should have absolutely stopped the coinage of Rupees and suppressed the notification of holding the government ready to give Rupees for gold. In failing to do that it not only deprived the country of a sound system but actually albeit unwittingly, helped to place the entire Indian currency, including paper currency on the basis of in convertible Rupee. Few people seem to be alive to the precise significance of that pernicious proviso introduced by the Herschell committee and remorselessly upheld by the Fowler committee that government shall always be ready to give Rupees for gold, but there can be no doubt that in the absence of a counter proviso requiring government to give gold for rupees, the proviso is simple a cover for an authority to the Indian Government to issue in convertible rupee currency of unlimited legal tender in the same way as the Bank restriction was for an authority to the Bank of England to issue inconvertible notes in unlimited quantities.'

The Government of India adopted the gold standard without gold currency with a sliver Rupee and supporting fiduciary paper currency.

Gold Exchange Standard.

As suggested by Mr. Lindsay and desired by Fowler committee Indian currency transformed from a gold standard currency in to gold standard without a gold currency. Many writers who think government had not started to establish gold-exchange standard, but established true gold standard. Dr. Ambedkar pointed out how government was responsible to make out to establish a gold exchange standard by prolonging the execution of the recommendations of Lindsay and Fowler committee. It thus makes obvious that how a delay in the administration of executives can bring the changes into monetary system, which intended as to be savior but resulted in predator. The difficulties of

I. Dr. Ambedkar, Vol. 6, pp. 479-486
remittance of Indian government can be observed during the period 1875 to 1892. The Chamberlain commission which put Indian Rupee on an gold exchange standard rejected any system of currency like gold as other countries did put recommended only exchange because it had certain fixes in other words presumptions and prejudices about the user Indians. When Indians were demanding currency like ‘Mohur’, “The Chamberlain Commission exposed much ingenuity in making out the case against gold currency in India. The arguments it urged were:

1) Indian people will hoard gold and will not make it available in a crisis.
2) That India is to poor a country to maintain such an expensive money material as gold.
3) That the transactions of the Indian people are too small to permit of a gold circulation and,
4) Paper convertible into Rupees is the best form of currency for the people of India, as being the most economical and that the introduction of a gold currency will mitigate against the popularity of notes as well as of rupees.”

The result of such intentions the Commission recommended to put the Rupee for exchange par with English currency. Dr. Ambedkar answers to these hostilities that, “The hoarding habit of Indian peoples is not such as unknown quantity as is often supposed, and it 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 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.”

On the view of the great modern economist J. M. Keynes expressed in his *Indian Currency and Finance*, that ‘Indian currency system bears analogy to the European currency systems.’ Dr. Ambedkar exhibits the presumed analogy to be imperfect that of the both currencies Indian and English, pertaining to Rupee i.e. the Rupee an inconvertible currency unlimited in issue,” and sovereign i.e. the notes formed an in convertible currency unlimited in issue.” analogous in one respect of unlimited issue. The events of Indian monetary system brought Rupee on a gold exchange standard with the British sovereign. As per Dr. Ambedkar the

1. Dr. Ambedkar, Vol.6, P.573
2. Dr. Ambedkar, Vol.6, P.574
3. Dr. Ambedkar, Vol.6P,495
fault lied in the unlimited paper currency issue. If this one aspect of limited or fixed limit of issue were been incorporated, the Indian currency necessarily had borne the qualities English currency system.

In practical par of exchange during the year when Re was unable to fetch 1 s 4d the fixing rate of 25 (gold) to the Rupee was attempted to give better exchange value. By data analysis Dr.Ambedkar concludes," The surprising phenomenon that prices in India not only rose as much as gold prices, but rose more than gold prices. Of course in comparing Indian price with gold prices to test the efficacy of the exchange standard we must necessarily eliminate the war period, for the reason that gold had been abandoned as a standard of value by most of the countries. And even if we do take that period in to account, it does not materially affect the conclusion, for although India was not a belligerent country. Dr.Ambedkar’s clarity of sight concludes the directive understanding that, “The exchange standard is as good as gold Standard.”\(^2\) when we experience the general prices higher than the gold prices.

ii) Dr.Ambedkar on The Stability of Rupee -

“A contract as one of goods may remain exact to the measure stipulated, but may nevertheless be vitiated as a contract in values by reason of change in the measures of values. The necessity of preserving stability in its measure of values falls on the shoulders of every government of an orderly society.” - Dr.Ambedkar

Any government, in spite of the gains, can never suppose the development of trade and commerce on the basis of speculative practices and riches that can be derived form it. The inexperience of Indian history of currency during 1873 and 1893 can be stated and valid example of it. Dr.Ambedkar raised the vital question, ‘Was the Indian currency of that period good?’ On the other hand on the basis of independent facts the money may be bad and the trade may be good, but the speculative conditions affecting to the rise of practices of depredation of labour community is the face of Indian currency system of British Government.

1. Dr. Ambedkar, Vol.6P,566  
2. Dr. Ambedkar, Vol.6P, 569  
3. Dr. Ambedkar ,Vol.6, P444
Dr. Ambedkar exhibits on the plenty of Indian trade, "But the bounty was a mulcting of the Indian laborer, whose wages did not rise as fast as prices, so that the Indian prosperity period was founded not upon production, but upon depredation made possible by the inflation of currency." 1

The Stability of Indian Rupee in British Government:

The Chamberlain Commission, who was in fix of that the Indian Rupee under the prevailing currency system was good enough to maintain its exchange value, on the ground that the Indian trade enhanced during the exchange standard remarkably. Dr. Ambedkar tested the conclusions on the requisite data showing the position, the facts during 1892 to 1915 Dr. Ambedkar cited the rates during June 1893 to January 1917 and measured 25 to 30% depreciation of Rupee.

Re. 1 = 7.53344 Troy Grs. (Fine gold)  
Re. 15 = 1 Sovereign  
Re 23.14-4 per 180 grs.  
Re 1 = 1 s 4d to 1s. 3.90 6d.

Since 1892 Rupee showed continuous downward trend with some fluctuations but till at the end of year 1900, Dr. Ambedkar ponders to enquire, "Do not the facts furnish an incontrovertible proof of the futility of the exchange standard? How can a system which fails to maintain its value in terms of gold, which is supposed to do, be regarded as a sound system of currency? There must be some where some weakness in the mechanism of a system which is liable to such occasional breakdowns". 2

He pretends a solution, that, "The only scientific explanation sufficient to account for the fact of the Rupee would be to say that the Rupee had lost its general purchasing power. It is an established proposition that a currency or unit of account will be valued in terms of another currency or unit of account for what it is worth i.e. for the goods which it will buy". 3

By an extensive data of currency circulation and indexing both Indian and England Dr. Ambedkar exhibits how general price level is responsible cause to the fall of Rupee in terms of gold. He critically asserts the folly of the Bahington Committee who proposes a plan to rise the gold value of Rupee to 2s gold, when it had scarcely the purchasing power of 1 s 4d s sterling was yet another long away. The only thing

1. Dr. Ambedkar, Vol.6, P.505  
2. Dr. Ambedkar, Vol.6, P.515  
3. Dr. Ambedkar, Vol.6, P.517
which Dr. Ambedkar marked was the linking the rupee with the gold
because for him, "Linking to gold involved unlinking to sterling, and it is
sterling which mattered and not gold. Given this importance of sterling
over gold, was any policy of exchange stabilization called for?" 1. For him
the problem of stabilization was about to control the abnormal deviations
from the purchasing power parity (PPP) between the two countries. On
August 31st 1920 the gold value of Rupee was introduced in the council as
per the report of the committee, which was:

Rs 23 ¼ per tola and
Rs 10 = per Sovereign.

While the market price of Rupee assumed Rs 15-14-0 per tola. Inspire of no danger to Rupee, government fixed higher gold parity for
the Rupee. The reason for this action was correlative to the constitutional
shares between Central and provincial Government. Whatever may be
the case Dr. Ambedkar's view, "it is impossible to escape the conclusions
that the fall in the exchange value of the rupee is a resultant of the fall in
the purchasing power of the rupee." 2. He noted the reason of the fall of
purchasing power of Rupee with a reference of committee's reason, which
was 'decline of supplies to the population,' put him in surprise it was a
political answer to the responsibility.

The answer behind the basic question of the two sides, money or
commodity is a determinant factor, when the result of the exchange
undergoes a change in general price level. Dr. Ambedkar cited the reason
that, "the rise of prices in India was due to the supply of currency, not
having diminished along with diminution in the supply of goods." 3.
Thus in other word the Rupee fell in purchasing power because the issue
of currency was in excess. Thus the expansion of currency was a cause to
fall in exchange was put forth by Dr. Ambedkar. The proposition seems
quite reasonable to the Indian condition of a diarchic government. With
an extensive data Dr. Ambedkar had exhibited the volume of paper
currency poured by the British government but it acted aversely to make
redemption into gold, so as to maintain the value of Rupee. On the use of
gold funds, "Government behaved like a miser sitting tight on its gold
reserve and refusing to use it for the very purpose, which was designed to
serve." 4. The redemption the side of the rupee also damaged badly so as
to give effect to a fall in the value of Rupee.

1. Dr. Ambedkar, Vol.6, P.522
2. Dr. Ambedkar, Vol.6, P.528
3. Dr. Ambedkar, Vol.6, P.530
4. Dr. Ambedkar, Vol.6, P.542
“In any monetary system there is no danger of indefinite contraction” - Dr. Ambedkar

People are easily satisfied with a system which provides some kind of convertibility however small. The common distinction, which is assumed between convertible and inconvertible currency, that the former is automatic and the later is managed, as per Dr. Ambedkar, is a gross error. Because if in managed currency the discretion rests upon the issuer then the convertible should also be managed perhaps more managed. The contrast is viewed only because in convertibility the discretion as to issue is regulated. While in an inconvertible currency it is unregulated. But the regulated issue remains discretionary and if the discretion is lost a prudent issue currency may be driven specie out of circulation, and thus easily becomes inconvertible. Therefore the distinctions between the both of currencies depend upon the prudent management right to issue the currency. The result can be seen in the mismanagement of the British Government of India on the question of gold standard. Therefore the countries having convertible currency the affairs are managed prudently.

Convertibility of Rupee:

In the British India when government adopted gold exchange standard Dr. Ambedkar depicted the Rupee’s status, “Now the rupee is a debased coin inconvertible and is unlimited legal tender. As such, it belong to that order of money, which has inherent in it, the potentiality of indefinite expansion i.e. depreciation and rise of prices.” In reference to its inconvertibility he marked the position of Indian Rupee as “It is a deferred, delegalized, delocalized, and therefore devitalized kind of convertibility,” hence not to call it a convertible rupee but may be called ‘moratorium’ a negation of convertibility, subject to a fall of exchange rate and subject to no guarantee of lifting the moratorium. In fact the distinction between the convertibility and absolute inconvertibility is too thin. To say the inherent potentialities of an inconvertible currency, the example of Indian gold Exchange Standard of British India is well enough to show. But at some degree it gave comfort to British and deprival to Indians, by which British government got gold reservoir to

1. Dr. Ambedkar, Vol.6, P.495
2. Dr. Ambedkar, Vol.6, P.496
manage and Indian unlimited paper currency. Indians had the chief objection of inconvertibility of Rupee, and the preposterous defensive answer was given, that to maintain the value of Rupee it was made so. Dr. Ambedkar numerically interpreted the defense; ‘No one wants the conversion of bananas into apples to maintain the value of bananas.’ i. the value of bananas is maintained by its own supply and demand. If rupee has to regard its value, the supply of the same is vital.

The convertible currency is powerful and useful because it presupposes the prudent management of supply in a limited issue. It gives effect in two ways the prudent responsibility of the government to convert the Rupee and maintains the value of it under the limited circulation and Government has to guard against an indefinite expansion. When the standard value equals to metallic money the expansion remains normal. When a standard value is a convertible paper money, provisions to check on its expansion must be reserved. But in case of a standard value greater than its cost and is inconvertible currency must result to indefinite expansion, which is another name of fall of exchange or the inflation.

Is falling Exchange Beneficial?

"From purely psychological point of view there is probably much to choose between rising prices and falling prices. But from the point of view of their incidence to the distribution of wealth, very little can be said in favour of a via media of transferring wealth from the relatively poor to the relatively rich.

Scorpe said, “Without stability of value, money is a fraud”, Dr. Ambedkar adds, surely having regard to the magnitude of the interest affected, depreciated money must be regarded as greater fraud.”*

It is a general trend in economic and political field to assert bounty to the falling exchange country, and penalty to the rising one. Indian exporters think so in case of falling rate of Rupee is beneficial to them in comparison to the foreign country. Even Japanese producers think this in comparison to the U.S. for their respective currencies i.e. Yen and Dollar. It is a rare argument that puts forth the real consequences of the fact. Dr.Ambedkar gives a profound interpretation of this misconception of ‘bounty’ due to falling exchange. His affirmation is that of “Equally good or equally bad.” 2 The producers of the falling exchange country and the

1.Dr.Ambedkar, Vol.6, P.499/   2.Dr. Ambedkar Vol.6,P.434/   *Dr.Ambedkar, Vol.6, p.439
rising exchange country. The people who think that a fall in the exchange rate of our country's currency makes a benefit to our producers and penalty to opposite country, which has its, currency on upward trend. And for that it is argued that, the gold value of silver fell and Indian exporter get more rupees for his produce, because in exchange more Rupees are to be counted for the rival standard with the successive fall in exchange it exerts penalty on the rival country.

Upon this common trend of talking, Dr. Ambedkar says, "If we go behind the bald statement of a fall of exchange and inquire as to what determined the gold price of silver the above inferences appear quite untenable."¹ He argues that, the prices of both the standard must be taken as unquestionable proposition. The counter part of falling prices of the opposite country and increasing prices of our country must be taken in to consideration. In such a condition, "it is difficult to understand how it can help to increase export and diminish imports. International trade is governed by the relative advantages, which one country has over another, and the terms on which it is carried on are regulated by the comparative cost of articles that enter into it. It is, therefore obvious that there cannot be a change in the real terms of trade between the countries except as a result of changes in the comparative cost of these goods."² a fall in gold prices accompanied by a rise in silver prices. There is hardly any place to accept the fall in our country's exchange boosts export and diminishes import.

Dr. Ambedkar is very clear to say, "If the falling or rising exchanges, (it is) simply an expression of the level of general prices, then the producers of all articles were equally affected. There was no reason why the cotton trade or the wheat trade should have been more affected by the fall of exchange than the cutlery trade."³

Dr. Ambedkar’s uphold is that in no sense English producer is to be penalized with the fall in silver exchange, who got fewer sovereigns but of high purchasing power than the worse of the Indian producer, who got more, but of low purchasing power. The only difference, which makes in both producers, is nothing but the number of counters in their

1. Dr. Ambedkar, BRA.Vol, 6.P.434
2. Dr. Ambedkar, Vol.6, P.433
3. Dr. Ambedkar, Vol.6, P.434
respective dealings. He exposes the situation in which how an Indian producer will be benefited the bounty and penalty to English producer, “Only if the fall of Silver in England in terms of gold was greater than the fall of silver in terms of commodities in India. In that case the Indian producer would have obtained a clear benefit by exchanging his wares for silver in England and thus recurring a medium which had a greater command over goods and services in India.”

Dr. Ambedkar marks the odd view if be holded by the countrymen they naturally opposed the currency reforms while the falling exchange which is a curse to the Government dealings. He further demonstrates, “To put the same in simple language, his bounty was the difference between the price of his product and the price of his outlay.”

Dr. Ambedkar’s confident assertion is that, ‘the fall of exchange in Indian exchange will have to accompany a penalty to the Indian trader instead of a bounty on his trade. The price he receives for his product remains smaller than the outlay he incurred. There cannot be bounty in export trade as such it is presumed but there should be a disharmony between the general level of prices and the prices of particular goods and services within the country, and this can been observed if there is any such country which has no export trade.’

The upheld of the view is incidental only because with the fall of exchange in Indian prices of all goods and services proceeds in an indifferent manner. It is found many times to see that when a general price level is rising, prices of certain commodities are falling. The contention of bounty to the Indian producer is misty on the fall of exchange because with that general price level rise does not make rise in the wages and the Indian producer pay lower wages for his products, which bring him higher price. What ever may be the case it is an incidence in economic incentive or a supplied motive force. The vital thing is that if the fall in exchange gives rise to general price level and loss to wage earners community, it is better to have currency reforms than the wage reforms. It is the work entrusted to be at the hand of planners as devotion towards the social distribution of wealth.

1. Dr. Ambedkar, Vol.6, P.434
2. Dr. Ambedkar, Vol.6,P.436

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