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DR. B.R. AMBEDKAR'S APPROACH ON CURRENCY SOLUTIONS: A VITAL FRAMEWORK FOR STABILIZING THE INDIAN RUPEE

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Abstract:

This paper analyzes Dr. B.R. Ambedkar's currency solutions to stabilize the Indian rupee, emphasizing his contributions to Indian monetary policy. It explores Ambedkar's critical assessment of the colonial financial system, his opposition to the Gold Exchange Standard, and his advocacy for the adoption of the Gold Standard. The research investigates how his monetary ideas continue to be relevant in the context of India's modern economic challenges. Through a systematic review of historical data, policy frameworks, and Ambedkar's seminal work "The Problem of the Rupee" (1923), this study assesses the feasibility of his proposed solutions in addressing contemporary economic issues and a vital framework for stabilizing the Indian rupee.

Introduction:

The Indian rupee has faced instability since the colonial era, marked by fluctuating exchange rates, inflation, and inconsistent monetary policies. Dr. B.R. Ambedkar, in "The Problem of the Rupee", critically analyzed the colonial monetary policies and suggested an alternative framework for stabilizing the Indian currency. His advocacy for a gold standard system and rejection of the Gold Exchange Standard highlighted his understanding of the pitfalls of British economic policies. This paper revisits Ambedkar's solutions and explores their applicability in contemporary monetary policy to address challenges like inflation, external shocks, and currency volatility.

Research Objectives:

1. To analyze Ambedkar's critique of the colonial monetary system and its impact on the Indian economy.
2. To evaluate Ambedkar's recommendations, particularly his advocacy for the Gold Standard, and its relevance in modern monetary policy.
3. To assess the applicability of Ambedkar's solutions for stabilizing the Indian rupee in present-day economic conditions.
4. To explore how Ambedkar's ideas can inform policy reforms aimed at strengthening the Indian financial system.

Research Hypothesis:

1. H0 (Null Hypothesis): Dr. B.R. Ambedkar's currency solutions are not relevant to contemporary monetary policies for stabilizing the Indian rupee.

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2. H1 (Alternate Hypothesis): Dr. B.R. Ambedkar's currency solutions offer relevant insights that can contribute to stabilizing the Indian rupee and strengthening India's finance

Research Methodology:

Research Design:

The study adopts a qualitative and historical research design that includes a review of primary and secondary sources. It critically analyzes Ambedkar's "The Problem of the Rupee", colonial-era monetary policies, and post-independence monetary reforms.

Data Collection:

Primary Sources: Dr. Babasaheb Ambedkar Writings and Speeches, Volume No. 06 "The problem of the rupee- history of Indian currency and banking, Vol. 01. Published by the education department, Government of Maharashtra 1989.

Secondary Sources: Scholarly articles, historical reviews, and contemporary analyses of Indian monetary policy and relevance of Socio-Economic Thoughts of Dr. Ambedkar in Today's perspective.

Method of Analysis:

A comparative analysis is conducted to evaluate Ambedkar's proposals against contemporary monetary practices. The study explores the evolution of India's monetary framework, assessing the impact of adopting a fiat currency system and its implications for inflation, currency stability, and foreign exchange.

The Problem of the Rupee: Ambedkar's Analysis:

Ambedkar traced the instability of the rupee to the British-imposed Gold Exchange Standard, which pegged the Indian rupee to the British pound, leaving India vulnerable to fluctuations in the British economy. This system increased India's dependence on Britain and led to significant capital drain. Ambedkar's Critique of the Gold Exchange Standard. Ambedkar argued that the Gold Exchange Standard failed to ensure price stability and exposed India to external shocks. He pointed out that the system was exploitative and resulted in currency depreciation and inflation, further impoverishing the Indian population.

Proposed Solutions: Adoption of Gold Standard

Ambedkar recommended replacing the Gold Exchange Standard with a Gold Standard, where the rupee would be backed directly by gold reserves. He believed this system would stabilize the currency by linking it to a universally accepted standard, ensuring price stability and insulating the Indian economy from external volatility.

Statement of Evidence:

Submitted by Dr. B. R. Ambedkar, Bar-at-Law to the Royal Commission on Indian Currency

In his own following statement Dr. B. R. Ambedkar says that.

1. In reply to the questionnaire issued by the commission I beg to submit the following statement of views. In dealing with the questionnaire issued by the commission I will begin with question number 4 because I believe that is the principle issue on which the commission is asked to give a definite finding.
2. I am emphatic in my opinion that the gold exchange standard cannot be continued with any advantage to India and for the following reasons.

A. It has not the native stability of the gold standard.

B. It is discretionary in issue without there being anything in to regulate the discretion.

C. It is economical but for that very reason it is insecure etc…

3. The choice therefore can never be between a gold standard and an exchange standard.
4. He says that gold standard means not the starting of a gold mint but making provision whereby Gold will become current currency is the standard. Ambedkar says that if you choose pics of yishu as a method of limitation then there is no reason for maintaining gold reserves as between the two

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systems I prefer the pics of the issue system. My reasons are two.

A. Exchange standard is must that it is subject to management.

B. A fixed issue system besides eliminating management will make provision for the large use of gold in currency.

5. That being my view of the solution of the problem I am necessarily in favour of the evolution of the gold standard reserve as being of no partial use for maintaining the stability of the currency.

6. The following are the requirements of my plan for the Reform of the Indian currency.

A. Stop the coinage of rupee by absolutely closing the mints to the government as they are to the public.

B. Open a gold mint for the coinage of a suitable gold coin.

C. Fix a ratio between the gold coin and the Rupee.

D. Rupee not to be convertible in gold and gold not to be convertible in rupees but both to circulate as unlimited legal tender at the ratio fixed by law etc…

7. What is to become of the existing amount of Reserve is not wanted for currency purposes. I would like to be utilised by the government as ordinary revenue surplus for any public purposes that may be urgent.

8. Having given my views on the nature and form of the change I will now discuss the next important thing namely the ratio between gold and Rupee as a result of our operations there is not a single country with a gold standard which was able to keep its pre or Gold parity.

9. As regards the effects of a rising and falling rupee on Trade and industry the point of 10 short to be made is that low exchange Confers a bounty on Trade and industry.

10. Now I come to the question of providing for the essential needs of the money markets in India the currency system should be stable and Elastic and it is for this reason more than any other that the currency in many countries is a compound of metal and paper the farmer is entered to give teddyness and stability and the letter elasticity. Unfortunately in India the plan of the paper currency is not contrived to give it elasticity. In England under a similar paper currency the elasticity is made good by the department of what is called deposit currency which is issued against good commercial paper awning to a variety of causes deposit currency has failed to take root in India and their has been consequently no mitigation of the unilasticity of the paper currency of India. We should therefore make greater provision in our paper currency reserve whereby it would be made possible to convert good commercial paper into currency best suited to the needs of seasonal demands.

The above said statement of evidence submitted by Doctor BR Ambedkar bar at law to the Royal Commission on Indian currency.

Relevance of Ambedkar's Solutions in the Contemporary Context:

Applicability of the Gold Standard in Modern India. While the Gold Standard is no longer in practice globally, Ambedkar's emphasis on a stable and resilient currency remains relevant. Modern interpretations could involve adopting policies that ensure a balance between currency stability and inflation management.

Strengthening the Indian Rupee through Policy Reforms:

Ambedkar's emphasis on self-reliance, reduced dependence on external currencies, and ensuring stable exchange rates can guide modern policymakers

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in managing inflation, currency depreciation, and capital flow.

Lessons for Contemporary Monetary Policy:

Ensuring transparency and accountability in monetary policy.Managing inflation through balanced monetary measures.Encouraging a diversified foreign reserve strategy to reduce dependence on external currencies.

Findings, Conclusion and Policy Implication:

The research highlights that Ambedkar's critique of the colonial monetary framework remains relevant in understanding India's historical monetary challenges. Although a return to the Gold Standard is impractical today, his principles of price stability, reduced external dependence, and sound monetary policies can still serve as guiding principles in modern monetary governance. Ambedkar's insights into currency stability provide valuable lessons for contemporary policymakers. By revisiting his critiques and recommendations, India can strengthen its monetary policies to ensure long-term stability of the rupee. Incorporating Ambedkar's principles into modern monetary policy could mitigate inflationary pressures and external vulnerabilities while promoting a stable and self-reliant economy.

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