

“Too Sensational”

Miss Prism: Cecily, you will read your Political Economy in my absence. The chapter on the Fall of the Rupee you may omit. It is somewhat too sensational. Even these metallic problems have their melodramatic side.

—Oscar Wilde, *The Importance of Being Earnest*. (first performed 1895)

In the nineteenth century Britain was on the gold standard and India on the silver standard. In the 1870s the price of silver fell precipitously, partly because major countries, notably France and the United States, had been moving from a bimetallic standard to the gold standard. As a result the Indian rupee depreciated sharply relative to the British currency (pound sterling) and many other currencies. This increased the competitiveness of Indian exports, but also raised the rupee cost of sterling-denominated “home charges” that India had to make to Britain. (These charges covered various costs of imports, pensions, and so on that the Government of India incurred in Britain.)

Hence the choice of monetary regime became a subject of vigorous debate. In 1886 the Gold and Silver Commission was set up to investigate the causes and effects of the fall in

the silver price. It produced a voluminous report, which had benefited from submissions from most of the British economists of the period. Hence it becomes clear why Miss Prism concluded that "even these metallic problems have their melodramatic side."

Presumably the melodrama was associated with the consequences—including the debates—that resulted from the sudden and steep exchange rate depreciation of the rupee relative to sterling. It has its modern parallel in the many crises of the fixed-but-adjustable exchange rate regimes which are discussed at length in this book. They, also, have been "too sensational."