

against such deflation as took place. This illustrates the remarks of Sir James Brunyate that the Indian money markets are disposed to be somewhat specially intolerant of deflation and that there is a disposition among them to expect more in this line from the Government of India than is expected in other countries from their controlling financial authorities.

Inconsistency of Critics

It might be noted in passing that there is a certain inconsistency in the attitude of the critics of the Currency Reports as regards the topics of the contraction of currency and the adjustment of prices. On the one hand they do their very best to exaggerate the contraction of Currency; on the other hand they stoutly deny that prices have fallen so as to adjust themselves to the ratio. To the economist there is a startling anomaly in the same party's assuming both these positions. There was no reconciling these attitudes except by denying the Quantity Theory: and that bold step was taken before the Commission by no less a critic than Mr. B. F. Madon. Economic history shows that it is impossible to advocate inflation, even in a veiled manner, without throwing overboard the Quantity Theory. Monetary fallacies cannot survive in its searching light.

Recent Deflation

Since the Currency Report was issued our critics have again raised the cry of deflation. But I would request them to bear in mind the following circumstances:

(a) The Currency has been expanded too in every one of the recent years, for meeting seasonal requirements as well as for securing funds for the purchases of sterling by Government.

(b) Large quantities of hoarded currency have come into circulation in recent years, having been replaced by gold in the hoards. Hence the large return of rupees from