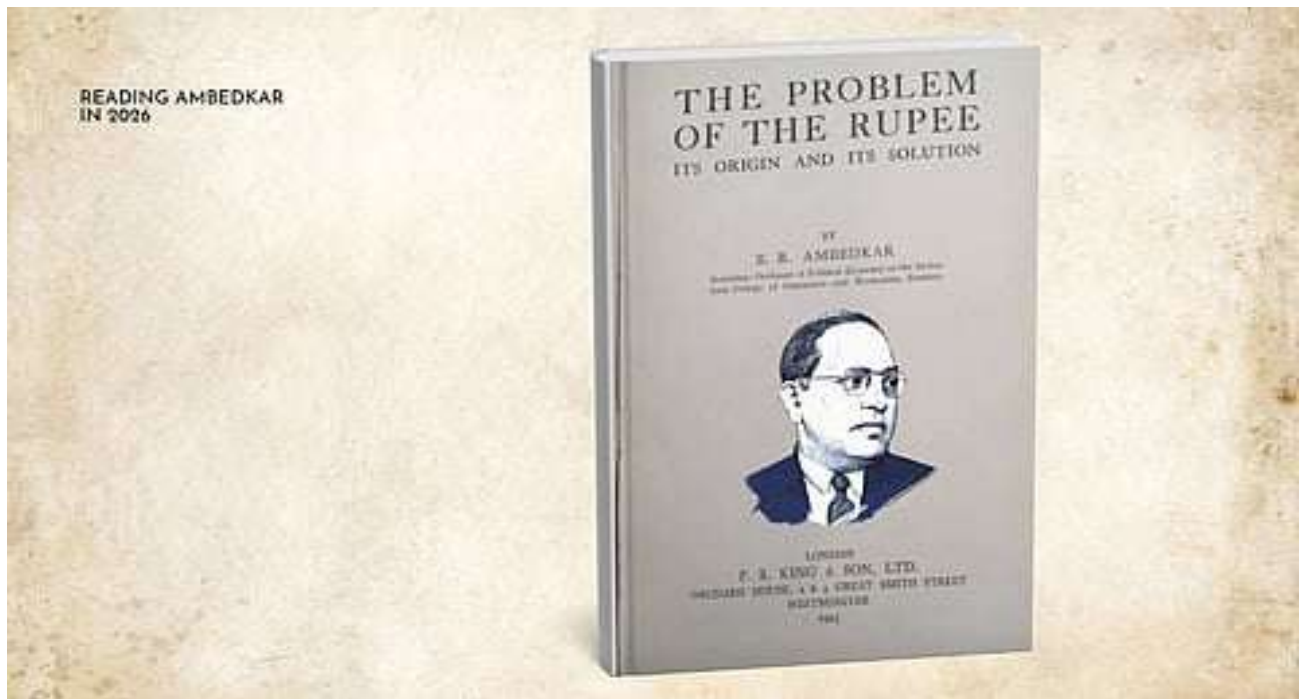


B. R. Ambedkar's 'Problem of the Rupee': A TMAIL Reading

Ambedkar's 1923 thesis at the London School of Economics dissected how the British manipulated India's currency system to serve metropolitan interests. To date, it remains a crucial TMAIL contribution to our understanding of the global monetary system.



Mohd. Imran

Published on:

17 May 2026

B.R. AMBEDKAR'S [*The Problem of the Rupee: Its Origin and Its Solution*](#) is a foundational anti-colonial text. Based on his doctoral thesis at the London School of Economics ('LSE') and first published in 1923, it is an empirically grounded indictment of how the British Empire manipulated India's currency system to serve metropolitan interests. The book was published two decades before the Bretton Woods Conference reshaped global monetary governance, and half a century before post-colonial critiques of international economic law became a scholarly tradition. Yet Ambedkar's analysis of how monetary arrangements serve metropolitan interests at the expense of global south economies remains, a century later, among the most rigorous of its kind.

The book spans approximately 303 pages and is divided into seven substantive chapters. Professor Edwin Cannan, a British economist, who was Ambedkar's thesis supervisor at the LSE, wrote in the *Foreword* to the text that he does not “share Mr. Ambedkar's hostility to the system, nor accept most of his arguments against it and its advocates” but concedes that Ambedkar “hits some nails very squarely on the head” and that “even when I have thought him quite wrong, I have found a stimulating freshness in his views and reasons.”

This article provides a detailed overview of Ambedkar's *Problem of the Rupee*. It examines how Ambedkar systematically dismantled the theoretical foundations of the gold exchange standard and exposed its function as an instrument of colonial resource extraction rather than a neutral monetary arrangement. In doing so, it situates his contribution as an early and empirically grounded critique of the international monetary system.

Dissecting the Problem of the Rupee

Ambedkar opens the book with a sweeping historical survey of India's monetary system from the Mughal period to the early British *Raj*. Ambedkar notes that since the time of Akbar, the units of currency had been the gold *mohur* and the silver rupee, both identical in weight at 175 grains troy, but circulating without any fixed ratio of exchange between them—a system he describes, following English economist W.S. Jevons, as a “parallel standard” rather than a double standard.

He adds, however, that an alleviating contrivance existed: both coins bore a fixed ratio to the copper *dam*, permitting them to circulate at an effectively fixed ratio to each other. He notes that in Southern India, gold *pagodas* served as the standard of value, entirely independently of the silver rupee system. The disintegration of the Mughal Empire led to monetary chaos: regional rulers debased coinage, and the market was flooded with coins of inconsistent purity.

Professor Edwin Cannan, a British economist, who was

Ambedkar's thesis supervisor at the LSE, wrote in the Foreword to the text that he does not “share Mr. Ambedkar's hostility to the system, nor accept most of his arguments against it and its advocates”

The chapter traces how the East India Company, inheriting this disorder, moved India from this parallel standard to a silver monometallic standard. Ambedkar documents how [Indian Coinage Act, 1870](#) consolidated the silver standard but introduced no new coinage principles. This chapter demonstrates that the so-called “rationalisation” of Indian currency was a deliberate restructuring to make India's monetary system legible and exploitable by British commercial interests.

Chapter II examines the catastrophic consequences of tying India's currency exclusively to silver. Ambedkar meticulously documents how the global depreciation of silver after 1873—triggered by the demonetisation of silver in Germany, Scandinavia, and the Latin Monetary Union—devastated India's terms of trade. The rupee's exchange value against gold-standard currencies plummeted, making India's exports cheaper but its imports ruinously expensive. Ambedkar shows with statistical rigour that this dislocation was not a natural market phenomenon, but a direct consequence of policy choices made in London.

Ambedkar deepens his critique by cataloguing the “evils” of the silver standard's instability in Chapter III. He describes the economic consequences of the dislocation of exchange parity as being of the most “far-reaching character.” The instability of the rupee injured both Indian exporters and importers: exporters gained a temporary bounty from cheap rupees, but this was offset by the rising cost of imports, while the general purchasing power of wages collapsed. Ambedkar's concern here is fundamentally distributive—he is interested in how currency instability affected the working classes and the poor, not merely aggregate trade figures.

In Chapter IV, Ambedkar analyses the movements to place India on a gold standard. He discusses the recommendations of Colonel J.T. Smith, the

Mint Master of India, and the efforts of the Herschell Committee (1893) to stabilise the rupee by closing the mints to the free coinage of silver. Ambedkar documents how the closure of the mints in 1893 was primarily motivated by the British Government's anxiety about its gold payments to India, rather than by any concern for the welfare of the Indian economy.

Ambedkar is particularly scathing about the Fowler Committee (1898), which recommended a gold standard for India. He argues that while the Committee recommended a gold standard in principle, it simultaneously perpetuated the "folly" of the Herschell Committee by allowing the Government to continue coining rupees on its own account according to the "most naive of currency principles, the requirements of the public." This internal contradiction, Ambedkar argues, was what ultimately doomed India to the gold exchange standard rather than a genuine gold standard.

Chapter V is perhaps the most analytically dense and politically charged chapter of the book. Ambedkar demonstrates that the transformation of India's currency system from a gold standard to a gold exchange standard was a deliberate policy choice by the colonial administration. He directly challenges the received wisdom that the exchange standard was the system "originally contemplated by the [British] Government of India," calling this a "gross error."

Under the gold exchange standard, gold did not circulate within India; instead, the rupee's value was maintained through a system of reserves held in London. Ambedkar argues that this arrangement was nothing more than a mechanism to ensure that India's gold reserves were available for the use of the British Treasury, not the Indian economy. The gold exchange standard, he contends, made India's monetary policy a function of London's needs, stripping the colony of any genuine monetary sovereignty.

Ambedkar's analysis here prefigures the Third World Approaches to International Law ('TWAAIL') critique of the Bretton Woods institutions. The gold exchange standard, as Ambedkar describes it, is structurally analogous to the conditionality regimes later associated with international financial governance: in both cases, a metropolitan power (or institution controlled by metropolitan powers) determines the

monetary policy of global south economies, ostensibly for “stability” but in practice for the benefit of creditor nations.

In Chapter VI, Ambedkar takes on the theoretical justification of the gold exchange standard, and his principal adversary is John Maynard Keynes, the English economist whose writings formed the basis of Keynesian economics. Ambedkar states bluntly in his *Preface*: “But the conclusions he [Keynes] has arrived at are in sharp conflict with those of mine. Our differences extended to almost every proposition he has advanced in favour of the exchange standard.”

Ambedkar’s fundamental objection is that Keynes and the defenders of the exchange standard concerned themselves only with stabilising the rupee’s exchange rate *vis-à-vis* gold, while ignoring the far more important question of the rupee’s general purchasing power. Stability in the rupee’s gold value, Ambedkar demonstrates statistically, does not guarantee overall price stability. He further argues that the exchange standard is inherently more vulnerable to corruption and mismanagement than a simple gold standard, because it requires active government management of currency reserves—and “the chance of mismanagement is greater by government because the issue of government money is authorised and conducted by men who are never answerable in case of bad management”.

In his concluding chapter, Ambedkar presents his remedy. He proposes a return to the gold standard through an unconventional mechanism: closing the mints not merely to the public (as they had been since 1893) but to the Government as well, thereby placing a fixed and absolute limit on the rupee issue. He proposes that India should adopt an inconvertible rupee with a fixed limit of issue, backed by gold as legal tender.

In his most radical formulation, Ambedkar even suggests that the Government should melt the existing rupees, sell the silver as bullion, use the proceeds for revenue, and replace the metallic currency with inconvertible paper (*Preface*, p. xv). He acknowledges that this “may be too radical a proposal” but insists it is “essentially sound.” This is a remarkable anticipation of modern fiat currency systems, proposed at a time when the gold standard was still regarded as sacrosanct.

Ambedkar's proposals had a direct and measurable policy impact. On December 15, 1926, he presented evidence before the Royal Commission on Indian Currency and Finance (the Hilton Young Commission), and each member of the Commission held a copy of his 257-page work. The Commission incorporated several of Ambedkar's guidelines, and the legislative assembly later passed the recommendations in the form of the [Reserve Bank of India Act, 1934](#), leading to the establishment of the Reserve Bank of India on April 1, 1935.

Ambedkar's fundamental objection is that Keynes and the defenders of the exchange standard concerned themselves only with stabilising the rupee's exchange rate vis-à-vis gold, while ignoring the far more important question of the rupee's general purchasing power.

A Third World critique of international monetary systems

The Problem of the Rupee is now over a century old, but its arguments remain alarmingly current. Whenever a debtor nation is told that "sound monetary policy" requires the subordination of domestic welfare to exchange rate stability, it is essentially the logic of the gold exchange standard at play. And each time, it is the workers, farmers, small traders, and the dispossessed who bear the brunt of this.

Keynes, who had championed the asymmetric gold exchange standard for colonial India in 1913, went on to architect the Bretton Woods system in 1944 – proposing the "bancor" to impose symmetric adjustment on surplus and deficit countries alike. Ironically, his later insistence on monetary sovereignty and equitable adjustment echoed the very principles Ambedkar had argued for in 1923, though Keynes never acknowledged the parallel.

Ambedkar's insistence on the primacy of price stability over exchange rate stability, his demand for monetary sovereignty through a fixed limit on

currency issue, and his exposure of the gold exchange standard as a mechanism of colonial extraction constitute, in retrospect, one of the earliest and most rigorous Third World critiques of the international monetary system.

That this critique was authored by a Dalit scholar from colonial India – a man who experienced the intersecting oppressions of caste, class, and colonialism-makes it both an intellectually and politically significant piece of writing. It is a reminder that the most penetrating critiques of imperial power have often come from those whom that power most thoroughly sought to silence.