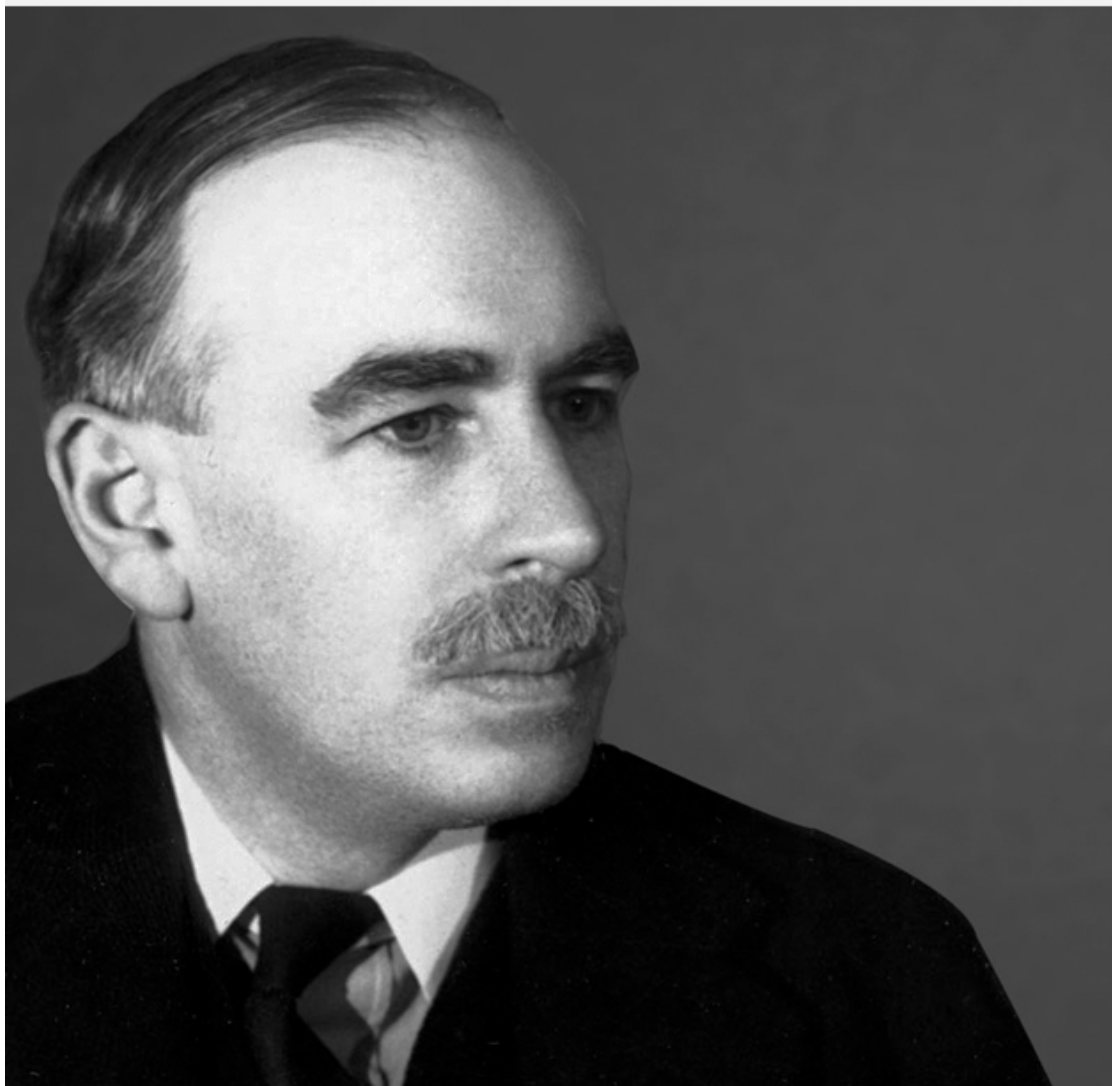




DELPHI
CLASSICS

John Maynard Keynes
Complete Works



Series Sixteen

The Complete Works of
JOHN MAYNARD KEYNES

(1883-1946)



Contents

The Books

Indian Currency and Finance (1913)
The Economic Consequences of the Peace (1919)
A Treatise on Probability (1921)
Revision of the Treaty (1922)
A Tract on Monetary Reform (1923)
A Treatise on Money (1930)
Essays in Persuasion (1931)
The Means to Prosperity (1933)
Essays in Biography (1933)
The General Theory of Employment, Interest and Money (1936)
How to Pay for the War (1939)
Miscellaneous Essays

The Memoirs

Two Memoirs (1949)

The Delphi Classics Catalogue

© Delphi Classics 2026
Version 1

The Complete Works of
JOHN MAYNARD KEYNES



By Delphi Classics, 2026

COPYRIGHT

Complete Works of John Maynard Keynes



First published in the United Kingdom in 2026 by Delphi Classics.

© Delphi Classics, 2026.

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, without the prior permission in writing of the publisher, nor be otherwise circulated in any form other than that in which it is published.

ISBN: 978 1 80170 301 7

Delphi Classics

is an imprint of

Delphi Publishing Ltd

Hastings, East Sussex

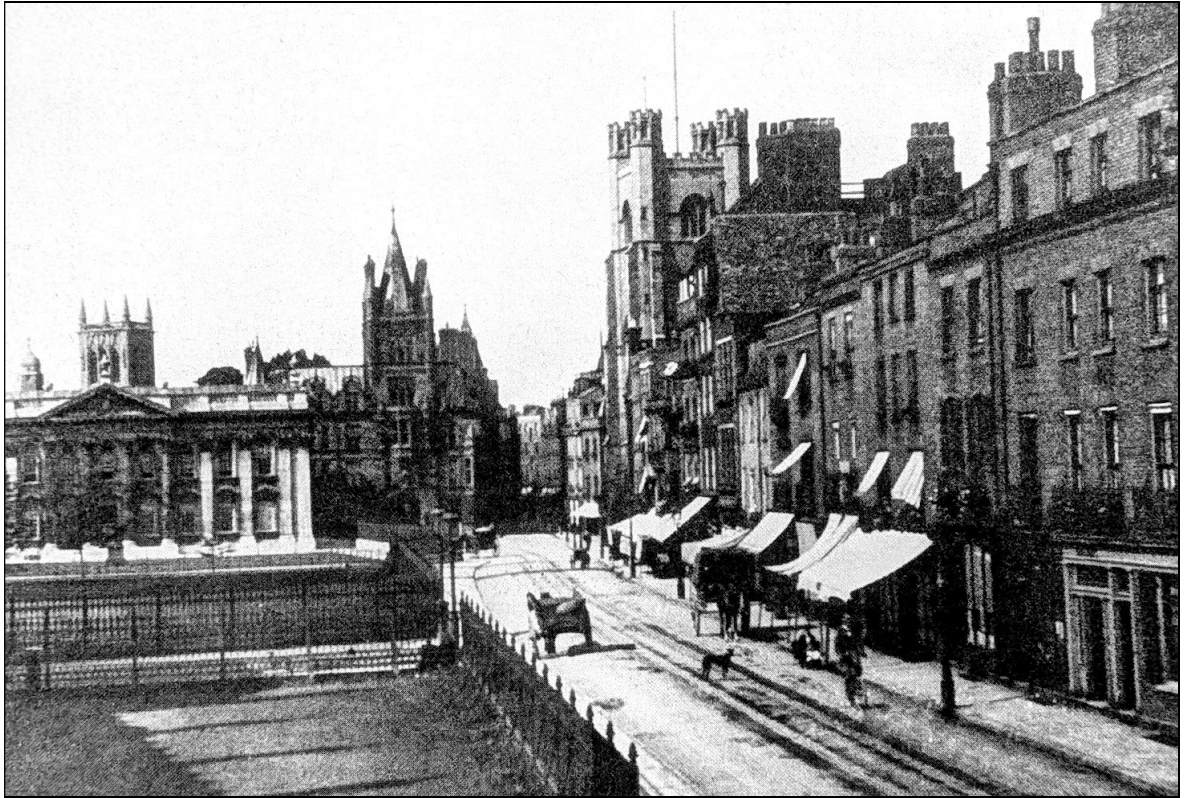
United Kingdom

Contact: sales@delphiclassics.com

DELPHI  CLASSICS

www.delphiclassics.com

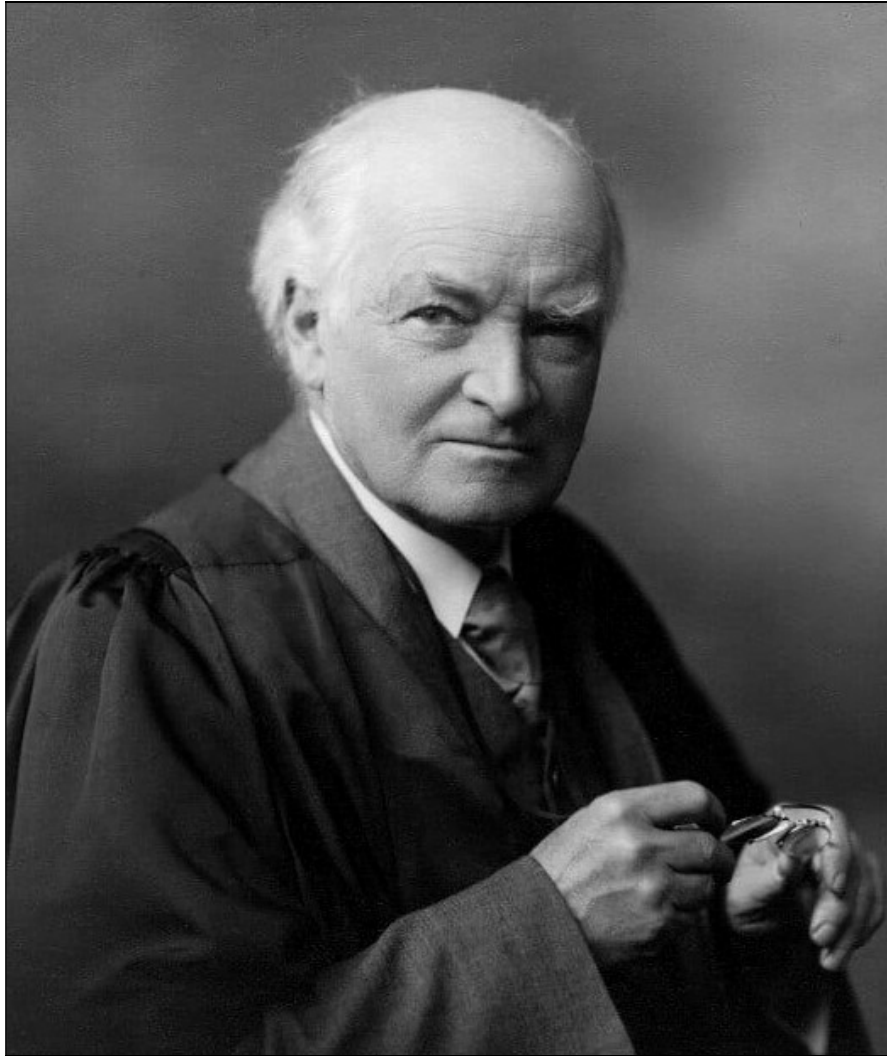
The Books



The City of Cambridge, c. 1890 — John Maynard Keynes was born in Cambridge on 5 June 1883.



The city in recent times



Keynes' father, John Neville Keynes (1852-1949) was an economist university lecturer.



Keynes' mother, Florence Ada Keynes (1861-1958) was a historian and politician.



Keynes as a young man

Indian Currency and Finance (1913)



John Maynard Keynes was born in Cambridge on 5 June 1883, to an upper-middle-class family. His father, John Neville Keynes, was an economist and a lecturer in moral sciences at the University of Cambridge and his mother, Florence Ada Keynes, a local social reformer, who went on to become the town's second female mayor. It was a happy family home, where the parents remained close, attending a Congregational Church, while remaining in the same house throughout their lives, where the children were always welcome to return. Keynes received considerable support from his father, including expert coaching to help him pass his scholarship exams and financial help both as a young man and when his assets were nearly wiped out at the onset of Great Depression in 1929.

In his early schooling, Keynes displayed a unique talent for arithmetic, but his health was poor leading to several long absences. He was tutored at home by a governess and his mother. In January 1892, at the age of eight, he started as a day pupil at St Faith's preparatory school. By 1894, he was top of his class and excelling at mathematics. In 1896, St Faith's headmaster, Ralph Goodchild, wrote that Keynes was "head and shoulders above all the other boys in the school" and was confident that he could get a scholarship to Eton, which indeed happened the following year.

At Eton College, he displayed talent in a wide range of subjects, particularly mathematics, classics and history. In 1901 he was awarded the Tomline Prize for mathematics. At Eton, Keynes experienced the first "love of his life" in Dan Macmillan, older brother of the future Prime Minister Harold Macmillan. Despite his middle-class background, Keynes mixed easily with the upper-class pupils.

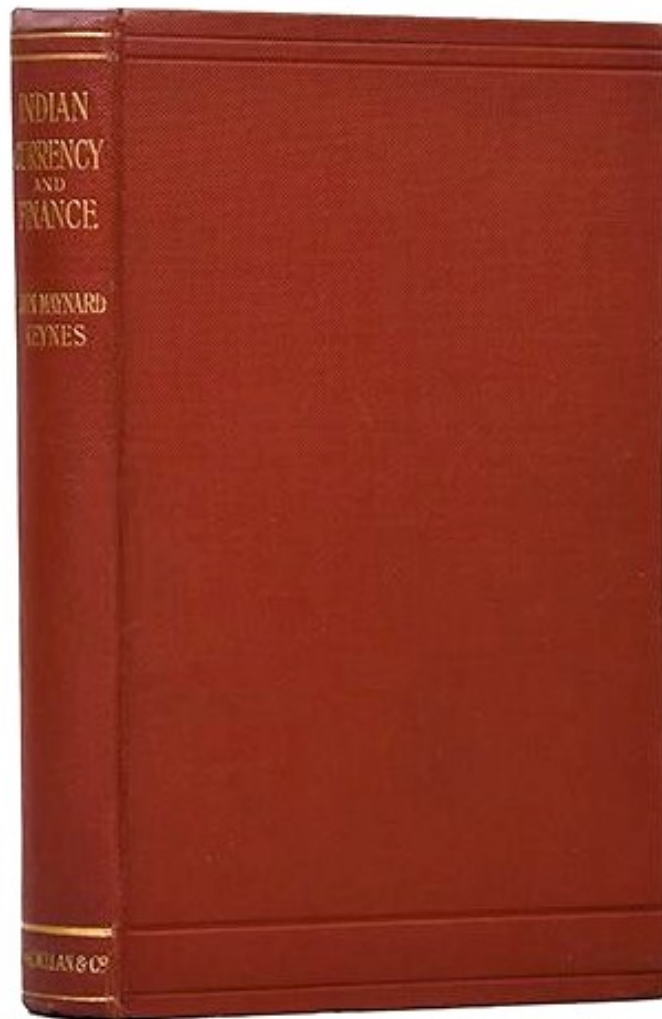
In 1902 he left Eton for King's College, Cambridge, after receiving a scholarship to read mathematics. Alfred Marshall begged Keynes to become an economist, although his inclinations drew him towards philosophy, especially the ethical system of G. E. Moore. He was soon elected to the University Pitt Club and was an active member of the semi-secretive Cambridge Apostles society, a debating club largely reserved for the brightest students. Like many members, Keynes retained a bond to the club after graduating and continued to attend occasional meetings throughout his life. While at the University of Cambridge, Keynes was president of the Cambridge Union Society and Cambridge University Liberal Club. During this period, he described himself as an atheist.

In May 1904, Keynes received a first-class BA in mathematics and continued to involve himself with the university over the next two years. He took part in debates, further studied philosophy and attended economics lectures informally as a graduate student for one term. The economist Harry Johnson wrote that the optimism imparted by Keynes' early life is a key to understanding his later thinking. He was always confident he could find a solution to whatever problem he turned his attention to and retained a lasting faith in the ability of government officials to "do good". Keynes' optimism was also cultural, in two senses: he was of the last generation raised by an empire still at the height of its power and he was also of the last generation that felt entitled to govern by culture, rather than by expertise.

In October 1906 Keynes began his Civil Service career as a clerk in the India Office. He enjoyed his work at first, but after a couple of years he grew weary of the position and resigned to return to Cambridge and work on probability theory, through

a lectureship in economics, at first funded personally by economists Alfred Marshall and Arthur Pigou. He became a fellow of King's College in 1909.

Keynes was made the editor of *The Economic Journal* and by 1913 he had published his first book, *Indian Currency and Finance*, giving a defence of the Indian currency system against those that wished to move to a gold-based currency. In this landmark text, Keynes analyses in detail the monetary arrangements of India, from the late nineteenth century to the present day. The text focuses on the historical context, evolution and implications of India's transition from a silver-based currency system to a more complex gold-exchange standard. It delves into the characteristics of the Indian rupee, government policies, and the intricacies of the banking and currency mechanisms that operate within the Indian economy. Keynes explains the challenges posed by fluctuating silver values and explains the rationale behind the shift to a gold standard initiated in 1893, emphasising the administrative decisions that led to the current system. He also outlines various critiques of currency policies from the past and prepares the reader for a deeper exploration of topics related to the rupee's value, the transition to paper currency, and the role of gold in stabilising the economy. On the back of this success, Keynes was appointed to the Royal Commission on Indian Currency and Finance, where he demonstrated considerable talent at applying economic theory to practical problems.



The first edition

CONTENTS

PREFACE

CHAPTER I. THE PRESENT POSITION OF THE RUPEE

CHAPTER II. THE GOLD-EXCHANGE STANDARD

CHAPTER III. PAPER CURRENCY

CHAPTER IV. THE PRESENT POSITION OF GOLD IN INDIA AND
PROPOSALS FOR A GOLD CURRENCY

CHAPTER V. COUNCIL BILLS AND REMITTANCE

CHAPTER VI. THE SECRETARY OF STATE'S RESERVES AND THE CASH
BALANCES

CHAPTER VII. INDIAN BANKING

CHAPTER VIII. THE INDIAN RATE OF DISCOUNT

ENDNOTES.

INDIAN CURRENCY AND FINANCE

BY

JOHN MAYNARD KEYNES

FELLOW OF KING'S COLLEGE, CAMBRIDGE

MACMILLAN AND CO., LIMITED
ST. MARTIN'S STREET, LONDON
1913

The first edition's title page

PREFACE



WHEN ALL BUT the last of the following chapters were already in type, I was offered a seat on the Royal Commission (1913) on Indian Finance and Currency. If my book had been less far advanced, I should, of course, have delayed publication until the Commission had reported, and my opinions had been more fully formed by the discussions of the Commission and by the evidence placed before it. In the circumstances, however, I have decided to publish immediately what I had already written, without the addition of certain other chapters which had been projected. The book, as it now stands, is wholly prior in date to the labours of the Commission.

J. M. KEYNES.

King's College, Cambridge,
12th May 1913.

CHAPTER I. THE PRESENT POSITION OF THE RUPEE



1. ON THE broad historical facts relating to Indian currency, I do not intend to spend time. It is sufficiently well known that until 1893 the currency of India was on the basis of silver freely minted, the gold value of the rupee fluctuating with the gold value of silver bullion. By the depreciation in the gold value of silver, extending over a long period of years, trade was inconvenienced, and Public Finance, by reason of the large payments which the Government must make in sterling, gravely disturbed; until in 1893, after the breakdown of negotiations for bimetallism, the Indian Mints were closed to the free mintage of silver, and the value of the rupee divorced from the value of the metal contained in it. By withholding new issues of currency, the Government had succeeded by 1899 in raising the gold value of the rupee to 1s. 4d. at which figure it has remained without sensible variation ever since.

2. There can be no doubt that at first the Government of India did not fully understand the nature of the new system; and that several minor mistakes were made at its inception. But few are now found who dispute on broad general grounds the wisdom of the change from a silver to a gold standard.

Time has muffled the outcries of the silver interests, and time has also dealt satisfactorily with what were originally the principal grounds of criticism, namely, —

(1) that the new system was unstable,

(2) that a depreciating currency is advantageous to a country's foreign trade.

3. The second of these complaints was urged with great persistency in 1893. The depreciating rupee acted, it was said, as a bounty to exporters; and the introduction of a gold standard, so it was argued, would greatly injure the export trade in tea, corn, and manufactured cotton. It was plainly pointed out by theorists at the time (*a*) that the advantage to exporters was largely at the expense of other members of the community and could not profit the country as a whole, and (*b*) that it could only be temporary.

The recent spell of rising prices in India has shown clearly in how many ways a depreciating currency damages large sections of the community, although it may temporarily benefit other sections. In fact, some recent complaints against the existing currency policy have been occasioned by the tendency of prices to rise; whereas it is plain that the great change of 1893 must have tended to make them fall, and that rupee prices would, in all probability, be higher than they now are, if the change had not been effected.

With regard to the temporary nature of the effect on exporters, experience has decisively supported theory. The nature of this experience was admirably summed up by Mr. J. B. Brunyate in the Legislative Council (February 25, 1910), speaking in reply to the similar line of argument brought forward by the Bombay mill-owning interests in connexion with the imposition in 1910 of a duty on silver.¹

4. The criticisms of 1893, therefore, are no longer heard, and the Currency Problems with which we are now confronted are new. The evolution of the Indian currency system since 1899 has been rapid, though silent. There have been few public pronouncements of policy on the part of Government, and the legislative changes have been inconsiderable. Yet a system has been developed, which was contemplated neither by those who effected nor by those who opposed the closing of the Mints in 1893, and which was not favoured either by the Government or by the Fowler

Committee in 1899, although something like it was suggested at that time. It is not possible to point to any one date at which the currency policy now in force was deliberately adopted.

The fact that the Government of India have drifted into a system and have never set it forth plainly is partly responsible for a widespread misunderstanding of its true character. But this economy of explanation, from which the system has suffered in the past, does not make it any the worse intrinsically. The prophecy made before the Committee of 1898 by Mr. A. M. Lindsay, in proposing a scheme closely similar in principle to that which was eventually adopted, has been largely fulfilled. "This change," he said, "will pass unnoticed, except by the intelligent few, and it is satisfactory to find that by this almost imperceptible process the Indian currency will be placed on a footing which Ricardo and other great authorities have advocated as the best of all currency systems, viz. one in which the currency media used in the internal circulation are confined to notes and cheap token coins, which are made to act precisely as if they were bits of gold by being made convertible into gold for foreign payment purposes."

5. In 1893 four possible bases of currency seemed to hold the field: debased and depreciating currencies usually of paper; silver; bimetallism; and gold. It was not to be supposed that the Government of India intended to adopt the first; the second they were avowedly upsetting; the third they had attempted, and had failed, to obtain by negotiation. It seemed to follow that their ultimate objective must be the last — namely, a currency of gold. The Committee of 1892 did not commit themselves; but the system which their recommendations established was generally supposed to be transitional and a first step towards the introduction of gold. The Committee of 1898 explicitly declared themselves to be in favour of the eventual establishment of a gold currency.

This goal, if it was their goal, the Government of India have never attained. The rupee is still the principal medium of exchange and is of unlimited legal tender. There is no legal enactment compelling any authority to redeem rupees with gold. The fact that since 1899 the gold value of the rupee has only fluctuated within narrow limits is solely due to administrative measures which the Government are under no compulsion to undertake. What, then, is the present position of the rupee?

6. The main features of the Indian system as now established are as follows: —

(1) The rupee is unlimited legal tender and, so far as the law provides, inconvertible.

(2) The sovereign is unlimited legal tender at £1 to 15 rupees, and is convertible at this rate, so long as a Notification issued in 1893 is not withdrawn, *i.e.* the Government can be required to give 15 rupees in exchange for £1.

(3) As a matter of administrative practice, the Government is, as a rule, willing to give sovereigns for rupees at this rate; but the practice is sometimes suspended and large quantities of gold cannot always be obtained in India by tendering rupees.

(4) As a matter of administrative practice, the Government will sell in Calcutta, in return for rupees tendered there, bills payable in London in sterling at a rate not more unfavourable than 1s. 329/32d. per rupee.

The fourth of these provisions is the vital one for supporting the sterling value of the rupee; and, although the Government have given no binding undertaking to maintain it, a failure to do so might fairly be held to involve an utter breakdown of their system.

Thus the second provision prevents the sterling value of the rupee from rising above 1s. 4d. by more than the cost of remitting sovereigns to India, and the fourth

provision prevents it from falling below 1s. 329/32d. This means in practice that the extreme limits of variation of the sterling value of the rupee are 1s. 4½d. and 1s. 329/32.

7. The important characteristics of the Indian system are so much a matter of notification and administrative practice that it is impossible to point to single Acts which have made the system what it is. But the following list of dates may be useful for purposes of reference: —

1892. Herschell Committee on Indian Currency.

1893. Act closing the Indian mints to the coinage of silver on private account. Notifications by Government fixing the rate, at which rupees or notes would be supplied in exchange for the tender of gold, at the equivalent of 1s. 4d. the rupee.

1898. Fowler Committee on Indian Currency. Exchange value of rupee touched 1s. 4d.

1899. Act declaring the British sovereign legal tender at 1s. 4d. to the rupee.

1899–1903. Negotiations for coinage of sovereigns in India (dropt indefinitely Feb. 6, 1903).

1900. Gold Standard Reserve instituted out of profits of coinage.

1904. Secretary of State's notification of his willingness to sell Council Bills on India at 1s. 4½d. the rupee without limit.

1905. Act authorising the establishment of the Currency Chest of "earmarked" gold at the Bank of England as part of the Currency Reserve against notes,² and the investment of a stated part of the Currency Reserve in sterling securities.

1906. The Notification withdrawn which had directed the issue of rupees against the tender of gold (as distinguished from British gold coin).

1907. Rupee branch of the Gold Standard Reserve instituted.

1908. Sterling drafts sold in Calcutta on London at 1s. 329/32d. the rupee, and cashed out of funds from the Gold Standard Reserve.

1910. Act rendering Currency notes of Rs. 10 and 50 universal legal tender,³ and directing the issue of notes in exchange for British gold coins.

1913. Royal Commission on Indian Finance and Currency.

8. In § 6 I have stated the practical effect of these successive measures. But the legal position is so complicated and peculiar, that it will be worth while to state it quite precisely. Previous to 1893 the Government were bound by the Coinage Act of 1870 to issue rupees, weight for weight, in exchange for silver bullion. There was also in force a Notification of the Governor-General in Council, dating from 1868, by which sovereigns were received at Government Treasuries as the equivalent of ten rupees and four annas. This Notification, which had superseded a Notification of 1864 fixing the exchange at ten rupees, had long been inoperative (as the gold exchange value of ten rupees four annas had fallen much below a sovereign). The Act of 1893 was merely a repealing Act, necessary in order to do away with those provisions of the Act of 1870 which provided for the free mintage of silver into rupees. At the same time (1893) the Notification of 1868 was superseded by a new Notification fixing fifteen rupees as the rate at which sovereigns would be accepted at Government Treasuries; and a Notification was issued under the Paper Currency Act of 1882, directing the issue of currency notes in exchange for gold at the Rs. 15 to £1 ratio. The direct issue of rupees against the tender of gold also has been regulated by a series of Notifications, of which the first was published in 1893, up to 1906 rupees being issued against either gold coin or gold bullion; and since 1906 against sovereigns and half-sovereigns only. Apart from Notifications, an Act of 1899

declared British sovereigns legal tender at the Rs. 15 to £1 ratio, an indirect effect of which was to make it possible for Government, so far as Acts are concerned, to redeem notes in gold coin and refuse silver. And lastly, the Paper Currency Act of 1910 bound the Government to issue notes against the tender of British gold coin.

The convertibility of the sovereign into rupees at the Rs. 15 to £1 ratio is not laid down, therefore, in any Act whatever. It depends on Notifications withdrawable by the Executive at will. Further, the management of the Gold Standard Reserve is governed neither by Act nor by Notification, but by administrative practice solely; and the sale of Council Bills on India and of sterling drafts on London is regulated by announcements changeable at administrative discretion from time to time.

All this emphasises the gradual nature of the system's growth, and the transitional character of existing legislation. As matters now are, there is something to be said for a new Act, which, while leaving administrative discretion free where there is still good ground for this, might consolidate and clarify the position.

9. As a result of these various measures, the rupee remains the local currency in India, but the Government take precautions for ensuring its convertibility into international currency at an approximately stable rate. The stability of the Indian system depends upon their keeping sufficient reserves of coined rupees to enable them at all times to exchange international currency for local currency; and sufficient liquid resources in sterling to enable them to change back the local currency into international currency, whenever they are required to do so. The special features of the system, although, as we shall see later, these features are not in fact by any means peculiar to India, are: first, that the actual medium of exchange is a local currency distinct from the international currency; second, that the Government is more ready to redeem the local currency (rupees) in bills payable in international currency (gold) at a foreign centre (London) than to redeem it outright locally; and third, that the Government, having taken on itself the responsibility for providing local currency in exchange for international currency and for changing back local currency into international currency when required, must keep two kinds of reserves, one for each of these purposes.

I will deal with these characteristics in successive chapters. It is convenient to begin with the second of them and at the outset to discuss in a general way the system of currency, of which the Indian is the most salient example, known to students as the *Gold-Exchange Standard*. Then we will take the first of them in Chapters III. and IV. on *Paper Currency* and on the *Present Position of Gold in India and Proposals for a Gold Currency*; and the third in Chapter VI. on the *Secretary of State's Reserves*.

10. But before we pass to these several features of the Indian system, it will be worth while to emphasise two respects in which this system is *not* peculiar. In the first place a system, in which the rupee is maintained at 1s. 4d. by regulation, does not affect the level of prices differently from the way in which it would be affected by a system in which the rupee was a gold coin worth 1s. 4d. except in a very indirect and unimportant way to be explained in a moment. So long as the rupee is worth 1s. 4d. in gold, no merchant or manufacturer considers of what material it is made when he fixes the price of his product. The *indirect* effect on prices, due to the rupee's being silver, is similar to the effect of the use of any medium of exchange, such as cheques or notes, which economises the use of gold. If the use of gold is economised in any country, gold throughout the world is less valuable — gold prices, that is to say, are higher. But as this effect is shared by the whole world, the effect on prices in any country of economies in the use of gold made by that country is likely to be relatively

slight. In short, a policy which led to a greater use of gold in India would tend, by increasing the demand for gold in the world's markets, somewhat to lower the level of world prices as measured in gold; but it would not cause any alteration worth considering in the *relative* rates of exchange of Indian and non-Indian commodities.

In the second place, although it is true that the maintenance of the rupee at or near 1s. 4d. is due to regulation, it is not true, when once 1s. 4d. rather than some other gold value has been determined, that the volume of currency in circulation depends in the least upon the policy of the Government or the caprice of an official.⁴ This part of the system is as perfectly automatic as in any other country. The Government has put itself under an obligation to supply rupees whenever sovereigns are tendered, and it often permits or encourages the tender of sovereigns in London as well as in India; but it has no power or opportunity of forcing rupees into circulation otherwise. In two matters only does the Government use a discretionary power. First, in order that it may always be possible to fulfil this obligation, it is necessary to keep a certain reserve of coined rupees, just as some authority in this country — in point of fact the Bank of England — must keep some reserve of token silver and coined sovereigns and not hold in its vaults too large a proportion of uncoined or foreign gold. The magnitude of this reserve is within the discretion of the Indian Government. To a certain extent they must anticipate probable demands on the output of the Mint. But if they miscalculate and mint more than they need, the new rupees must lie in the Government's own chests until they are wanted, and the date at which they emerge into circulation it is beyond the power of the Government to determine. In the second place, the Government can postpone for a short time a demand for rupees by refusing to supply them in return for sovereigns tendered in London and by insisting upon the sovereigns being sent to Calcutta. Sometimes they do this, but very often it is worth their while, for reasons to be explained in detail later on, to accept the tender of sovereigns in London. In either of these cases the permanent effect of their action one way or the other on the volume of circulation is inconsiderable. The kind of difference it makes is comparable to the difference which would be made if it lay within the discretion of a government to charge or not, as it saw fit, a small *brassage* not much greater than the cost of coining.⁵

DELPHI  CLASSICS

End of Sample