

Book Reviews

P. R. Brahmananda. *Money, Income, Prices in 19th Century India.* Mumbai: Himalaya Publishing House, 2001. 744 pages. Hardbound. Indian Rs 1800.00.

Money, income, and prices are important macroeconomic variables that play a crucial role in an economy. The trends in money supply, movements in prices, changes in nominal and real income, as well as their interrelationships affect the economic life and well-being of a nation. The compilation of data on these magnitudes over long periods of time along with the supporting analysis is what constitutes monetary history. The present book by P. R. Brahmananda has carried out such an exercise for India. In presenting the monetary history of India, the author has kept the pioneering work of Milton Friedman and Anna Schwartz as a model for his work, and has comprehensively treated the 19th century events and experiences of the then Indian Subcontinent in the monetary and related areas. In the process, more than 200 time series of different variables have been brought together. The book not only contains a narrative account including the summary of the various viewpoints before the currency committees, and a detailed chronology of the period, but also examines the pros and cons of the various controversies of that period. Moreover, it subjects the empirical evidence to econometric testing of several important hypotheses of the modern-day monetary theory.

The book consists of four parts and an introductory chapter. Chapter 1, the introductory chapter, comprises some background features and remarks about the organisation of the book. Part I deals with the generation of time series on macroeconomic variables and starts by bringing out the major statistical gaps in the series in Chapter 2. Chapter 3 is concerned with the estimation of Net Domestic Product series according to sectors. The agricultural and foodgrains output series were reconstructed by means of the back-casting approach. The chapter also contains an alternative estimate based on land revenue data as well as a series on modern mining and manufacture. The estimation of two sets of time series of money stocks, with their components based on the cumulative net stock approach and the cumulative net absorption approach, are dealt with in Chapter 4; whereas Chapter 5 discusses the historical Rupee Census approach to money stock estimation and its limitations, and presents the estimate of Rupee Census-derived money stock series. Finally, Chapter 6 not only presents time series for 166 economic magnitudes for the period 1861-62 to 1899-1900 but also gives statistics regarding mean values, standard deviations, and the coefficient of variation for these magnitudes along with log-linear regression derived trend growth rates.

The next part, Part II, is concerned with the analytical history of the period from 1835-36 to 1861-62 and gives more detail for the period from 1861-62 to 1899-1900. This part starts by presenting an account of the Indian economy around the 1860s in Chapter 7, with the help of time series from 1835-36 to 1861-62. Chapter 8 gives an account of the changing profile of the economy from 1861-62 to 1899, with an overview of the main developments during the whole period. The detailed chronological account of the currency history of the nineteenth century is given in Chapter 9, followed by a brief account of monetary evolution during this period in Chapter 10 and with attention to the currency proportion, the money multiplier, the cash reserve ratio, velocity movements, etc. Chapter 11 outlines a theoretical backdrop to the currency controversies and discusses the five angles on the currency issues, whereas Chapter 12 deals with the report of R. H. Hollingbery as well as the events leading to the appointment of the Herschell Committee. The events before the constitution of the Fowler committee are narrated in Chapter 13. The next four chapters give a brief account of the developments both in the whole period and in the sub-periods. Chapter 14 presents an economic survey of the whole period (1861-62 to 1899-1900), whereas Chapters 15, 16, and 17 give a brief account of the developments in the period prior to the commencement of the drift in the gold price of silver and in the exchange rate (1861-62 to 1871-72), the period of the falling exchange rate with the falling gold price of silver (1871-72 to 1892-93), and the period after the closure of the mints till the advent of the gold exchange standard (1892-93 to 1899-1900) respectively. The part ends with Chapter 18, which seeks to distil some important lessons of later significance from the currency and related experience of the period.

The empirical, quantitative, analysis of the course and behaviour of the crucial variables, supported by econometric evidence is the subject matter of Part III. It also deals with general issues flowing from the study and the refinement of classical theory. The part begins by presenting a discussion of the correlation matrices along with graphs of the movement of some variables in Chapter 19, with an effort to discover the presence of any cyclical changes. Chapter 20 scrutinises econometrically the factors determining the price level with alternative money stocks among the independent variables. On the other hand, Chapters 21 and 22 deal with the factors determining the demand for money along Marshall-Friedman explanations with the use of alternative techniques and the alternative factors determining the supply of silver rupees, respectively. The factors determining the relationship between high-powered money and the cash ratio are also examined. Chapter 23 is concerned with the behaviour of the short-term and the long-term rate of interest in India and the factors determining each. The determination of real GDP and inquiries into the sources of GDP growth during the period are dealt with in Chapter 24, whereas Chapter 25 deals with the determination of the exchange rate and related issues concerning imports and exports.

The part continues with Chapter 26, which gives an account of Public Financial Issues and the factors determining government revenues, government expenditures, tax revenues, etc. Chapter 27 reconsiders the Drain theory in the light of new quantitative and econometric evidence. It presents various measures of Drain and empirically tests different hypotheses associated with Drain and its effects on the general economy. A macro-econometric model with fourteen equations consisting of ten structural and four identities is presented in Chapter 28 where a structural break around 1893 was discovered when the mints were closed. Chapter 29 outlines the theoretical framework, which is the modernised classical theory. The essentials of this framework with respect to the theories of income determination, money and prices, international trade, transfers, international money, interest rates, exchange rate, and growth and development are presented briefly. Chapter 30 sets out in detail the classical quantity theory of money under various background situations and presents the required modifications and extensions to suit the Indian economy in the light of the international situation. Finally, Chapter 31 comprises the summary and the main propositions emerging from the book.

The final part, Part IV, contains full historical statistics and more than 200 historical time series for the Indian Subcontinent. It also gives available statistical series from 1835-36 to 1861-62. The Datta report on Price, which contains information from 1890-91 onwards, was also used. Finally, a comprehensive bibliography is given at the end of the book.

The author has put an enormous amount of effort in the preparation of this book. The book shows a fine blend of labour and intellect. The author has not only laboriously collected the economic data for the 19th century but has also studied the institutional changes in the monetary sphere during the above period. The detailed account of the period presented in this book from various angles should be of wide interest. It will surely be a useful source of reference to all scholars who are concerned with the evolution of monetary standards and with analytical understanding of the history of the course of money, income, and prices.

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