tive and punitive. While we think that there has since 1918 been some improvement in the situation so far as the anarchical movement is concerned, we realize that strong measures may be needed for the suppression of any organised attempt at widespread disorder. We prefer, however, to leave this contingency to be dealt with when and if it arises, rather than retain a statute which is regarded as a stigma on the good name of India.

17. There remain then two Acts, the Indian Criminal Law Amendment Act, 1908, and the Prevention of Seditious Meetings Act, 1911. It is around those two Acts that controversy has centred and regarding which we have been careful to obtain a full expression of opinion. These Acts also differ from those to which we have already referred in that while the Committee was sitting, they were actually being used in the Punjab, Delhi and the United Provinces. The evidence adduced satisfies us that their effect was beneficial and necessary to the maintenance of public tranquillity. It is affirmed that local officers responsible for the maintenance of peace and order would, under existing conditions if these Acts were repealed, find themselves in an impossible situation faced, it might be, with disorder on a large scale which they could not prevent. The application of these Acts moreover is subject to safeguards which ensure that sanction to their introduction is only granted after careful scrutiny of the necessity for such action. The Local Governments are unanimous in asking for the retention of the Seditious Meetings Act. Most of the Local Governments similarly affirm the need for retaining Part II of the Criminal Law Amendment Act, 1908. It is desirable therefore to examine most carefully the reasons for and against their repeal.

18. These Acts are first attacked as being "unconstitutional," and, like the Act of 1919, inconsistent with the present policy of Government. In support of this view our attention has been directed to the law that obtains in England with regard to public meetings. The following dictum of Professor Dicey is quoted: "The Government has little or no power of preventing meetings which to all appearance are lawful even though they may in fact turn out when actually convened to be unlawful because of the mode in which they are conducted." We would point out that the learned Professor is merely stating what are actually the principles underlying the law in England. He does not attempt to discuss their propriety, nor, we may add, their applicability to another country where entirely different conditions may prevail. He does however allude to "the policy or the impolicy of denying to the highest authority in the State the very widest power to take in their discretion precautionary measures against the evils which may flow

from the injudicious exercise of legal right." The learned author also points out that the right of public meeting is "certainly a *singular*" (not "similar" as given in the written statement of one of the witnesses before us) "instance of the way in which adherence to the principle that the proper function of the State is the punishment, not the prevention, of crimes, deprives the Executive of discretionary authority." We are unable to accept as complete the analogy to be drawn from English practice. Apart from the great difference in the class of audience which may be addressed, we recognise that while democracy and all the rights that it entails have been the result of gradual growth through the course of centuries in Great Britain, it is a recent introduction into India. We know that some public speakers do not exercise that self-restraint which has become customary in England and which is certainly no less desirable in India.

19. The next argument advanced for the repeal of these Acts is that they offend public sentiment and that their retention would be a direct incitement to further agitation. This argument is one to which we attach great weight, even though we recognise that the repeal of these Acts would only appeal to a few. The masses would remain unaffected and would probably be unaware that they had been repealed. We realise that the wholesale repeal of these Acts would do much to strengthen those who are anxious to assist Government and would be useful for the purposes of counter-propaganda. We realise also that substantial support is necessary for Government to meet the strong extremist movement, which is the greatest obstacle to the successful development of the reforms recently introduced and to all political and industrial progress.

20. The real point, however, at issue is whether the ordinary law that would remain would provide sufficient means for coping with any existing or reasonably apprehended disorder. Evidence has been adduced to show that in certain places the ordinary law is inadequate and this evidence we are not prepared to reject.

This brings us to the third objection that the ordinary law alone should be applied to prevent the evil with which these two Acts are designed to cope. We have had long discussions as to the manner in which section 144 of the Criminal Procedure Code has been recently applied. It is no part of our duty to express an opinion on any individual case in which this Section has been used or to enter into any legal argument. In the opinion of those best qualified to judge this section cannot be used effectively when danger of unrest is widespread. We also note the popular view that Section 144 of the Criminal Procedure Code was not desiged to prevent meetings over a large area, and that its use for such a purpose arouses probably as much resentment as the application of the seditious Meetings Act. It is the only preventive section in the ordinary law. Sections 108A of the Criminal Procedure Code is only partially preventive. Sections 120A and B, 124A, and 123A of the Indian Penal Code are punitive. Further, even if satisfactory evidence is available these sections can be used only against individuals and not to prevent seditious meetings or speeches. We consider it probable that if in those areas to which the Seditious Meetings Act has recently been applied, no preventive action other than that possible under Section 144 of the Criminal Procedure Code had been taken, the danger of disorder would have been appreciably increased, and the number of prosecutions under these punitive sections would have been larger, which might have had the effect of exasperating public opinion. We would point out that in some cases referred to in Appendix B, the riot was directly connected with such a prosecution.

21. A fourth argument is based on the recent findings of the Committee appointed to examine the Press Act. It is unnecessary for our purpose to discuss whether the written or the spoken word commands the greater circulation. We agree with that Committee that "the more direct and violent forms of sedition are now disseminated more from the platform and through the agency of itinerary propagandists than by the press." The prosecution of a paper is moreover much simpler than the prosecution of a speaker, attended as the latter is by the difficulties of obtaining an accurate report of the speech delivered. We think that the instances we have given above are sufficient illustration of the danger of allowing violent and inflammable speeches. Though the speaker can be prosecuted the mischief may have been done. Of this there have been lamentable illustrations.

22. Fifthly, it is argued that the seditious Meetings Act of 1911 not only stifles noxious speeches at public meetings but also deters people who might assist in counter propaganda. Cases have been quoted of persons otherwise well disposed to Government who declined "to ask for leave to hold a meeting or make a speech." We recognise that this is a necessary and undesirable result of the application of the Seditious Meetings Act. It is, however, a lesser evil than allowing speeches to be made which result in such disorder as would equally prevent any exponent of moderate views from obtaining a hearing. Such intimidation is, we learn, very general.

23. In this connection, since we regard it as important that every opportunity should be given to the electorate of hearing both sides of a question, we recommend, before the next general election, the introduction of a Bill on the lines of the Disorderly Public

Meetings Act, 8, Edward VII, which makes a disturbance at a public meeting an offence, and provides a heavier penalty when this offence is committed during a Parliamentary election. We would also suggest that should such a Bill be presented, it should include a clause making it incumbent on the promoters of any meeting to provide adequate facilities and security for such reporters as the District Magistrate may wish to depute. We recommend for the consideration of the Government of India the suggestion that the District Magistrare should, with the consent of the Local Government, be empowered to demand in any area of his district, notified in this behalf, that notice be given to him of the intention to hold a public meeting, so that he may be able to make proper arrangements for obtaining a report of the proceedings. This we may observe, is entirely different from demanding that a person should obtain leave to hold a meeting.

24. Finally, it is pointed out that, in the last resort, should the ordinary law prove insufficient, recourse can be had to legislation by Ordinance. We would deprecate any idea that this method of legislation should be regarded as part of the ordinary procedure of the Legislature. It should, we think, be reserved for exceptional circumstances or sudden emergencies. To regard it as in any way the normal method of legislation implies a distrust of the Legislative Assembly and Council of State to which we would be sorry to subscribe. In fact, the most potent argument advanced in favour of the repeal of these two Acts is that such repeal would be an illuminating object lesson in the value of constitutional reforms. "Trust your Legislatures," we are told, "confidence will beget confidence. If you need exceptional powers, prove your necessity and the Legislatures will grant them." We have accepted this principle to the utmost limit consistent with safety in advising the repeal of the enactments to which reference has already been made. These can clearly be differentiated from the measures now under discussion, in that the latter are of a less drastic character. To quote from the speech of the late Hon'ble Mr. Gokhale on the Seditious Meetings Bill : "I will freely admit that from the stand-point of Government it could not have introduced a milder measure than this. The more objectionable features of the Act of 1907 have been removed, and if, when the need arises, the law is applied with reasonable care and caution, it is not likely to produce any serious hardship." Though seldom applied these two enactments were actually found necessary for the preservation of law and order during the sitting of the Committee. An obvious objection to a more complete acceptance of this principle in regard to the enactments under objection is that in allowing proof of the necessity for legislation to accumulate, even

stronger measures than those now under consideration might eventually be required for the suppression of disorder. There might quite conceivably be difference of opinion as to the amount of proof required to justify such legislation, and any action by Government in the way of Ordinance in advance of public opinion might provoke a grave constitutional crisis. By the time public opinion had become sufficiently alarmed to demand legislative action the damage might be complete, and in some cases beyond repair.

25. As regards the Indian Criminal Law Amendment Act, 1908, it has been suggested that sections of the Indian Penal Code are sufficient to cope with any situation that is now likely to arise. It is generally accepted that part I of this Act has failed to achieve in Bengal the purpose for which it was designed. As regards Part II. the conspiracy sections of the Indian Penal Code might meet the case if, but only if, evidence were forthcoming. It was in no small measure the impossibility of obtaining evidence owing to the intimidation of witnesses that led to this enactment. As we have already seen, there is definite evidence of certain organisations encouraging acts of violence or resorting to intimidation. Recently in Delhi it has been necessary to declare certain Associations of Volunteers unlawful under Section 16 of this Act. We have carefully examined the circumstances which led to this action. The Volunteer movement as did the *Samities* in Bengal, began to intimidate and terrorise the general body of the population. There was a tendency towards hooliganism. It has been proved that some of these Associations resorted to violence, that their behaviour at Railway Stations and public meetings was objectionable and rowdy, that they obstructed the funeral of an honoured citizen and held a most undesirable demonstration at the house of another. They actively interfered with the elections by threats and picketing. There was every reason to believe that their activities, if left unchecked, would lead to serious disorder. The conclusion we have arrived at is that some of these Volunteer Associations in Delhi were seditious organisations, formed for the purpose of intimidating loyal citizens, and interfering illegally with the administration of the province. The result of the action taken by Government has been, we were told, to destroy the worst features of volunteer activity in so far as it was synonymous with rowdyism in the city of Delhi." Evidence has also been given of a possible recrudescence of secret associations in another part of India. It has also been stated in evidence that Bolshevik emissaries have entered India, and we cannot overlook the possibility of illegal associations promoted by them terrorising the population, as was the case in Bengal in 1909, or in Poona in 1910, and engaging in a campaign of crime and terrorism. Actually

Part II of this Act has been sparingly used. Its object is not only to break down existing unlawful association, but to deter young and comparatively guiltless persons from joining these bodies and to discourage the supply of pecuniary assistance. We regret that we cannot at this juncture recommend the immediate repeal of Part II of this Act. There are too evident indications that its application might be necessary to prevent the formation of secret societies. Nor can we for the reasons already given advise the immediate repeal of the Seditious Meetings Act of 1911. We were informed, and see no reason to disbelieve it, that the result of the application of the Act in each case has been that sober-minded people approved the action taken by Government, and that the application of the Act was of the greatest value in preserving public tranquillity.

26. Our recommendation follows that made by the Bihar and Orissa Government: "Subject, however, to the reservations temporarily made in favour of the Seditious Meetings Act and Part II of the Criminal Law Amendment Act, which cannot be abandoned until the present tension created by the non-co-operation movement has been relieved by the action of its leading promoters. His Excellency in Council desires again to emphasise the importance of removing from the Statute Book, as far as possible, all special laws of this character, so that the Government of India under the reformed constitution may proceed with a clean slate. At the same time, however, His Excellency in Council is conscious that in the future the need for the special powers may again arise."

In view of the grave situation which exists and which may become more serious, we also think that it would be more prudent to defer actual repeal of these Acts until such time as the situation improves. We sincerely hope that it may be possible for the Government to undertake the necessary legislation during the Delhi session. But it is impossible for us to make any definite recommendation on this point at present. We hope that the repeal of these Acts may be expedited by a healthy change in the character of the agitation going on at present. The duration of retention rests in other hands than ours.

27. To this endeavour to adjust the conflicting claims of political considerations and administrative necessity we have applied the principles on which the Constitutional Reforms are based. The problem before us is, we consider, a test case of the "co-operation received from those upon whom new opportunities of service will thus be conferred and the extent to which it is found that confidence can be reposed in their sense of responsibility." We recognise our responsibility, which a year ago we did not share in

the maintenance of peace and order. We are prepared to trust both the Provincial Councils and the Imperial Legislature for such support as may be necessary. We are confident that the Executive will use any exceptional powers with the utmost caution and restraint. Their action may always be challenged in the Legislatures. Lastly, we desire also to take into account the difficulties which at the present time confront local officers. Evidence before us shows that the Magistrates and the Police have on many occasions been sorely tried, and we wish to record our appreciation of their loyalty in very difficult positions. We look forward to the day when the District Magistrate himself seeking the help and advice of such persons as may be in a position to influence public opinion will find not merely critics but defenders in the Legislature, and when the discharge of his duties will not be regarded with suspicion, or made the subject of further enquiry. Animated by these ideas, we recommend the repeal of all the Statutes included in the terms of reference to this Committee, with a reservation as to Bengal Regulation III of 1818 and the corresponding Regulations of the Madras and Bombay Presidencies, but we advise that the repeal of the Prevention of Seditious Meetings Act, 1911, and Part II of the Indian Criminal Law Amendment Act, 1908, should be deferred for the present. Their retention is necessary in view of recent declarations which we cannot but regard with the gravest apprehension.

SUMMARY OF RECOMMENDATIONS OF

The Indian Railway Committee

(THE ACWORTH COMMITTEE.)

A.—Unanimous Recommendations

[The Railway Committee 1920-21 appointed by the Secretary of State for India issued a bulky report early in October 1921. On the main question of Company VERSUS State management of Railways there was a strong divergence of opinion. The Chairman along with the non-railway men members were for State management, thus upholding Indian Public opinion demanding the nationalisation of Railways. The other coup consisting of capitalist vested interests, the majority being agents of Company-management. The report of the Committee caused an immense flutter in financial circles in London and very great influeuce was brought to bear upon the authorities in order that English capital may continue to exploit the Indian Railways as ever.

1. We propose great changes in the constitution, status, and functions of the Railway Board. We recommend that at the head of the Railway Department there shall be a Member of Council in constant touch with railway affairs; and we suggest that with this object there shall be created a new Department of Communications responsible for railways, ports and inland navigation, road transport (so far as the Central Government deals with this subject) and posts and telegraphs. We think the Member in charge of Communications must be an experienced administrator and able to represent his Department both in the Legislature and with the public. We do not think he need be expected to be a technical expert.

2. We recommend that, on the one hand the re-constituted Railway Department should delegate considerably increased power of day-to-day management to the local Railway administration, and on the other hand should be relieved from control by the India Office and by the Government of India except on large questions of finance and general policy.

3. We recommend that the Finance Department should cease to control the internal finance of the railways; that the railways should have a separate budget of their own, be responsible for earning and expending their own income, and for providing such net revenue as is required to meet the interest on the debt incurred or to be incurred by the Government for railway purposes; and that the railway budget should be presented to the Legislative Assembly, not by the Finance Member of Council, but by the Member in charge of Railways.

4. We recommend that, subject to independent audit by the Government of India, the Railway Department should employ its own accounting staff, and be responsible for its own accounts. We think that the present accounts and statistics should be thoroughly overhauled and remodelled with the assistance of experts familiar with recent practice in other countries.

5. We recommend that the title of Railway Board be replaced by the title Railway Commission; and that under the Member of Council for Communications, there shall be a technical staff consisting on the Railway side of a Chief Commissioner and four Commissioners; that of the four, one should be in charge of finance and the organisation and staff of the office, and that the three other Commissioners should be in charge of three respective geographical divisions, western, eastern and southern. The Divisional Commissioners, while normally engaged at head-quarters, should devote a substantial portion of their time to personal visits to their divisions.

6. We recommend that the technical staff attached to the Commission shall be strengthened. especially on the traffic side. We think the staff should be divided into six sections, each under a Director, one of whom should be responsible, under the Commissioners, for Ports and Inland Navigation and Road Transport.

7. The changes and additions to the head-quarters establishment which we have proposed may cost from £25,000 to £30,000 per annum.' But we recommend this expenditure in the interest of true economy. And we point out that salaries in the highest posts of the Indian Railway Services are at present, inadequate, and that, in consequence, not only dues the service fail to attract the right men, but it is actually losing to other employment those already in it.

8. We think that the present number of Circles, each with an Engineering Inspector, is unnecessarily great, and we recommend that the number of Engineering Inspectors be reduced, and the money utilised for the appointments of new officers called Inspectors of Traffic.

9. We discuss the rights of management reserved to the guaranteed companies under their contracts, and we recommend that the new Member for Communications should by agreement, where necessary, with the companies, modify the present position; on the one hand giving to the Railway Commission greater powers in reference to matters to such as initiation and enforcement of reforms and some control over the appointment and retention of principal officers, and on the other hand, giving to the local executive officers greater freedom from interference in matters of every-day management.

10. We suggest that there should be a less rigid regard than hitherto to the claims of seniority.

11. We lay stress on the importance of giving to the Indian public an adequate voice in the management of their railways. And accordingly we recommend the establishment of Central and Local Railway Advisory Councils. We propose that the Central Advisory Council, under the Chairmanship of the Minister of Communications, should consist of not more than 25 members of whom three or four would represent the Departments of Government specially concerned; eight or nine, should be nominated, according to a scheme to be arranged, by the various associations representing trade and industry; and a similar number, to represent agricultural interests and the travelling public, should be added by the nomination of one member by each of the Provincial Legislative Councils.

12. We recommend the establishment of Local Advisory Councils, similar in constitution to the Central Council and perhaps of half the size, either at the head-quarters of each railway, in which case the Agent would act as Chairman; or alternatively, at each important railway centre, in which case the Agents of all the railways concerned should be members, and one of them Chairman.

13. We recommend that these Councils be established as soon as possible, without waiting for the full introduction of the scheme which we put forward.

14. We recommend the establishment of a Rates Tribunal, consisting of an experienced lawyer as Chairman, and two members representing respectively, railway and commercial interests; and that there be given to them jurisdiction over all the questions of the reasonableness of rates and of facilities; that they be instructed to investigate the conditions attached to "owners'" and "railways'" risk notes at the present time, and to frame new standard forms for use in future; and that there be, under certain circumstances, an appeal from the decisions of the Rates Tribunal to the Governor-General in Council.

15. We recommend that steps be taken to reduce the delay in settling claims for loss and damage, and that the utmost possible efforts should be devoted, not only by the local officials, but by the Railway Commission itself, to stamping out the very serious and wide-spread abuses in connection with allocations of railway wagons.

16. We discuss the hardships to which third-class passengers are subjected, especially on the occasion of the great "*Melas*" or pilgrimages; and we recommend various measures which, pending the radical improvement of the situation by the provision of adequate facilities, may do something to mitigate present conditions.

17. We recommend that there be reasonable general increase in Indian rates and fares, and that the sur-taxes at present levied on railway traffic be withdrawn.

18. We recommend that greater facilities should be provided for training Indians for the superior posts in railway service ; and that the process of their employment in such posts should be accelerated.

19. We recommend that branch lines shall, as far as possible, be constructed and worked by the main lines to which they are tributary ; and only if the State is unable or unwilling to provide the funds itself shall the formation of separate branch line companies be encouraged.

20. We recommend that, as soon as financial conditions make it possible for the Government to go forward again with the railway development, the Indian States should be called into Council and invited to take part in working out a common interest.

21. We recommend an enquiry into the question of inland water way communication as effected by alleged unfair railway competition.

22. We recommend a thorough investigation, by a Commission of the most competent experts whom the railway board can furnish, of the gauge question as it affects and is affected by the potential future development of the Indian system as a whole.

23. We recommend that the system of management by companies of English domicile should not be continued after the termination of their existing contracts, and that these companies should not be permitted further to increase their share capital.

24. We recommend that no steps should be taken towards establishing combined companies, both with English and with Indian domicile.

B—Supplementary Recommendations.

By the Chairman and Indian Interest.

The Chairman ; The Hon. Mr. V. S. Sastri, Mr. E. H. Hiley ; Mr. Purushotamadas Thakurdas ; and Mr. J. Tuke.

25. We recommend that the undertakings of the guaranteed companies, as and when the contracts fall in, be entrusted to the direct management of the State, and that when the contract with the East Indian Railway terminates in 1924, the Oudh and Robilkhand State Railway be absorbed into that undertaking.

26. We recommend that the whole of the capital for the future development of the Indian railways be raised directly by the State.

27. We recommend that the money required to put the existing railways into proper shape should be raised, even at to day's prices as fast as can be economically spent, but we do not recommend the immediate raising of capital for the extension of the existing system.

28. We recommend that Government issues for railway purposes should in England take the form of ordinary sterling loans, while in India rupee loans might perhaps be earmarked as for railway purposes.

29. We support the recommendation of the Mackay Committee that in periods of easy money, fund should be raised in excess of immediate requirements so that it may not be necessary to have recourse to the market at a time of stringency.

30. We recommend the establishment of a systematic organisation to familiarise the population of India with the idea of subscribing to Government loans, and specially to reach through local Indian agencies the mass of the people to whom the idea of investment has hitherto been strange.

C.—Supplementary Recommendations.

By the European Capitalist Interest.

By Sir H. P. R. Burt; Sir R. N. Mookerjee; Sir R. Anderson; G. C. Godfrey, and Sir H. Ledgard.

25 A. We recommend that the system of both State and Company management should be continued, and that the Government should not be committed to a policy of State management only for all railways. We accordingly propose a scheme for creating Indian domiciled companies to manage the East Indian and, possibly, the Great Indian Peninsula Railways. The cases of other lines to be considered on their merits when the contracts become terminable.

We do not recommend that the provincial Governments should take any part in the work.

26 A. We agree that much capital must be raised direct by the State, and that this should be done by the Central Government. We also recommend, from 1924 onwards, that the fullest use be made of Indian domiciled companies, as proposed under our scheme, as a means of providing funds from independent sources. We also hold that as the total amount required is so large, no channel through which money can be obtained on reasonable terms should be neglected; for instance, further debenture loans through existing companies might be negotiated.

27 A. We agree that money should be raised as fast as it can be economically spent, rather than that new development should be arrested. We recommend that the assistance of private enterprise should be enlisted to provide capital for new lines.

28 A. We recommend that Government borrowings for State and Guaranteed railways should be by direct Government loans advertised, whether in England or India, as being for railway purposes.

29 A. We agree in supporting this recommendation of the Mackay Committee.

30 A. We recommend that the assistance of all Banks in India should be enlisted when money is required to be raised, and that independent offers of loans on special conditions should not be lightly set aside.

D.—Conclusion.

We desire to express our sense of our exceptional indebtedness to our Secretary, Mr. T. Ryan. Not only has he performed all the ordinary duties of a Secretary with the utmost efficiency, but during the sittings in India he also bore, owing to our inability to obtain a verbatim report of the proceedings, the heavy burden of preparing each day for our use an accurate precis of the oral evidence received. Further, during the whole course of our proceedings, he placed at our disposal the resources of his exceptional memory in reference to the subjects that came before us.

To Mr. E. R. Pole, who came to India as Personal Secretary to the Chairman, and was almost immediately appointed Assistant Secretary to the Committee, we also owe our hearty thanks. No task was too heavy for him and he was always ready to work unsparingly to obtain any information that any member of the Committee desired to obtain.

W. M. ACWORTH (*Chairman.*) — H. P. BURT.
V. S. SRINIVASA SASTRI — R. N. MOOKERJEE.
PURUSHOTAMDAS THAKURDAS. — E. H. HILEY.
JAMES TUKE. — A. R. ANDERSON.
H LEDGARD. — G. C. GODFREY.

T. Ryan (*Secretary*).

London, 22nd August 1921.

REPORT OF THE
Indian Railway Committee

The following are important extracts :—

The Mackay Committee of 1907 considered that the Government should fix periodically a standard of annual capital expenditure which at that time they thought might be taken at £12,500,000 equal to Rs. 18'75 crores, and they laid stress on the desirability of Government adopting a steady annual rate of expenditure which they might reasonably hope to maintain even in times of difficulty. In practice the Government did not see their way either to attain the modest standard recommended by the Committee. or to adhere over a series of years to any uniform rate.

The effect of this policy of inadequate allotments, varying irregularly up and down from year to year, would have been bad enough in any case. But it is made worse when, as not infrequently happens, the allotment is suddenly cut down during the currency of the year to which it relates, and works in progress are suspended, staffs are disbanded at a moment's notice, and materials are left lying on the ground for an indefinite period. An almost equally bad effect is produced when later on the year, the general financial position having unexpectedly improved, the Finance Member with equal suddenness lifts his hand and thus encourages the railways to spend more freely. For then, in fear of the guillotine of "lapse" which must descend on 31st March, in eager haste the railway officials start to spend, with inadequate staff and hurriedly collected materials, the money unexpectedly thrust upon them.

We cannot but feel that the authorities ultimately responsible for Indian railway finance—how far that responsibility was located in Whitehall, and how far in India, we cannot say—have entirely failed to appreciate the position of the Indian railways as a commercial undertaking. The owner of a factory, with a record of success behind it, who found his entire output reduced and slowed down for lack of a certain new machine costing, say, £10,000 and refused to buy this new machine, saying he could not raise more than £3,000 to pay for it except at a rate of interest to which he was unaccustomed, would ere long find himself in the Bankruptcy Court. And his fellow businessmen would say he had deserved his fate. This is in effect what has been happening in India from a date long before the war. With this difference : the manufacturer only brings down a single factory. The Indian case is that railway undertakings, in which a great capital has been invested all over the country have been held up for lack of the relatively small new investment in new machinery required year by year to make the whole of the plant efficient and economically productive. And there is another difference. If the single factory goes down, the customers can go elsewhere to fill their wants. The unfortunate customers of the Indian railways have nowhere else to go to. They merely suffer. They are ceasing to suffer in silence.

How much the economic development of India has suffered, not from hesitation to provide for the future—no attempt has been made to do this—but from the utter failure even to keep abreast of the day-to-day requirements of the traffic actually in sight and clamouring to be carried, it is impossible to say. Had the Government thought fit to borrow money even at a rate considerably higher than the rate of net return that the railways could earn on it we believe its action would have been abundantly justified. But in fact the Indian Government never needed for many years previous to 1914 to face this position. A reference to the curve of net revenue given in the Administration Report on Railways in India will show that, though in the earlier years the interest on railway capital had to be met partly out of taxation, for the last 45 years the net earnings of the capital invested in Indian railways has never sunk below 4 per cent. For the last 20 years it has only three times sunk below 5 per cent ; and this result was attained, though a substantial sum had been charged against revenue for repayment of capital and in spite of the fact that a not inconsiderable part of the total mileage had been built not on commercial grounds but for strategic purposes. Now the average rate payable by the Government of India on this borrowed money is about 3-3/4 per cent. We are unable with these figures before us to find any justification for the policy which has been persistently pursued of starving the development of Indian Railways.

We are aware that those responsible for Indian finance are impressed with the idea that borrowing must be restricted lest the rate of interest be advanced and the credit of the Government of India be thereby impaired. Speaking with all modesty on a matter on which the bulk of the Committee have no expert knowledge, we are unable to agree. So long as the solvency of the borrower remains unquestioned, all experience shows that the rate of interest the borrower has to pay depends not on the amount of his borrowing, but on the market value of money at the date of the issue. First-class English railway debentures are quoted to-day at, roughly, two-thirds of their pre-war price. The companies have not borrowed in the interval; the security of the debentures remains unquestioned; it is only the value of money which has changed.

India has a population of 300,000,000. It has an area of 1,800,000 square miles, and it is under the British Flag. Argentina has a population of 8,000,000, an area of 1,150,000 square miles, and it is not under the British Flag. At the time when the Mackay Committee reported that it might be possible to borrow up to £9,000,000 per annum in the London market for the extension of Indian railways, the Argentine railway companies were raising money in the same market at an average rate of about £11,000,000 per annum, solely on the security of the railway earning; and the credit of the Argentine railway companies was not impaired. We are not aware that there has been any suggestion that the Argentine railways were extended with undue haste. India has, as we have said, a population of 300,000,000. It has to-day 36,700 miles of railway. In railway mileage it stands intermediate between Canada with 39,000 miles for a population of 8,000,000, and Australasia with 29,000 miles for a population of 6,000,000. We can not believe that India would have occupied so humble a position had the railway management not been fettered by a policy which has constantly restricted the raising of new capital for improvement and development.

Railway Supplies.

Till quite recently India produced hardly any of the supplies that her railways require. Locomotives, carriages, wagons, or at least their component parts, rails, signalling work, bridge work—all were imported from Europe. Even now India produces only a very small part of what she needs. At an early stage of the war it became difficult to obtain from Europe the customary supplies. Later on it became practically impossible. The inevitable result was that maintenance and renewals fell seriously into arrears from 1914 to 1918.

Obviously, the expenditure was only postponed and had to be faced later on. An ordinary commercial concern would, as a matter of course, have carried the money so underspent to a reserve for renewals, to be spent when the materials were again available. The Independent railway companies did this. Not so the State. The money was treated as part of the ordinary revenue of the Government in the year in which it was not spent, with the result that the net profits of the State railways are shown in the official returns as having risen steadily from 4·54 per cent. in 1914 to 7·07 per cent. in 1918-19. The apparent gain was not real. Had there been a separate railway budget the money underspent would have been earmarked in it as advanced to the Government for general purposes. It was indeed announced at one time that a reserve was being made, or would-be made. The end of the war has come, and the money is not there : other liabilities had been too strong for the Government of India and so the reserve fund vanished. The railway machine is in urgent need of repair, and funds to put it right are not forthcoming. The position at present is this : maintenance is lamentably in arrears. The cost of materials of all kinds is far above pre-war level. Wages likewise have advanced steadily.

Indian railway rates and fares have always been among the lowest, if not actually the lowest, in the world. They have only been advanced in the last few years very slightly as compared with the rest of the world. A general and substantial increase is overdue. Witnesses from all parts of India have agreed in recognising that rates and fares should be increased, and saying that they will be ready to pay the increases, provided a reasonably efficient service is given in return. One of the most important railway companies applied many months ago to the Railway Board for permission to increase its rates beyond the maximum hitherto authorised. It met with a refusal.

The Manner of Reform

We now proceed to discuss the manner in which reform should be carried out. At the outset we wish to disclaim any idea that the railway organisation should be independent, an *imperium in imperio.* This is quite out of the question. The Indian Government owns the railways ; the Indian Government must control them. But that is no reason why the control should take the form which is found suitable in respect of other departments of the State. What we propose is in outline that the railways should have a separate budget of their own and assume the responsibilities for earning and expending their own income. The first charge on that income, after paying working expenses, is interest on the debt incurred by the State for railway purposes. The amount of this debt is known —we may call it roughly 252,000,000*l.* The annual liability of the Indian Government for the interest is 8,700,000*l.* Whether the railways should pay precisely this amount, or a large amount, in consideration of the fact that in early years taxation had to be imposed to meet that portion of the interest which the railway receipts did not then cover, or a smaller amount in consideration of expenditure which the railways have since incurred for non-railway purposes, is a matter for argument. We have no wish to express a positive opinion, though we think there is much to be said for letting by-gones be by-gones and fixing the payment to the Government at the same sum that the Government has itself to find at the present time for interest on the railway debt. The point is that the Railway Department, subject to the general control of

Government, once it has met its liability to its creditors, should itself regulate the disposal of the balance, and should be free to devote it to new capital purposes (whether directly or as security for new debt incurred) or to reserves, or to dissipate it in the form either of reduction of rates or improvement of services.

We have expressed our own view that the only payment by the railway to the general Exchequer should be the interest at a fixed rate on the capital advanced. But we desire to point out that this is not necessarily involved in the separation of the railway budget. It would be possible, however undesirable, for the Government to impose a sur-tax on railway traffic such as is now in force, or even to call upon the railways for an emergency contribution to the necessities of the State. Neither method would involve interference by the Finance Department with the Railway Department's control of its own internal finance.

Naturally, the steps taken to raise new capital and in general the large questions of policy must continue to be controlled by the Government, i. e., by the Viceroy's Council and the Legislative Assembly, and in the last resort by the Secretary of State and the House of Commons. But there must be a Member in charge of railways, taking part in the Council deliberations, and able to discuss with his fellow Members railway questions equally where they concern finance as where they are management questions proper. Under the new constitution the Budget is to be voted by the Legislative Assembly. This right must, of course, be preserved. But there is no reason why the Railway Budget should not be submitted by the Railway Member as an annexe to the general Budget instead of by the Finance Member himself. Even in England, though departmental, estimates have to be approved by the Treasury, and the Treasury control over them is undoubted. The estimates for the War Department are submitted to Parliament, not by the Chancellor of the Exchequer, but by the Secretary of State for War.

In India, with its vast population, normally sedentary, but at intervals—sometimes of months, sometimes of a year, sometimes of several years—flocking in enormous numbers to *melas* (fairs or fetes) or on pilgrimages to holy places, occasional overcrowding is inevitable. To construct and equip the railways so that on rare occasions they should be able to accomodate, without inconvenience, traffic out of all proportion to the normal is evidently impossible. And so long as the present shortage of funds persists serious hardship is unavoidable. But when it comes to overcrowding as a constant every-day affair, carried to the length that Members of the Committee have seen with their own eyes passengers by regular trains perched in the luggage racks and in suburban services hanging on outside or squatting on the steps of the coaches, it is another matter. Serious measures must be taken to deal with it. It cannot be done away till funds are provided on a scale sufficient to allow of railways being brought up all round to a much higher standard of efficiency. But even with restricted facilities something more might be done by measures such as borrowing stock to the utmost possible extent from other lines to meet exceptional local pressure, and by strict supervision of matters such as enforcing cleanliness and the provision of drinking water. We consider that in such ways as these the utmost efforts should be made to minimise the inconveniences to which the lower class passengers are subjected.

Rates and Fares.

Dealing with Government's right to control rates and fares the Report states :—We have no doubt whatever that further power to control rates ought to exist and be exercised by some appropriate public authority. We believed that the clause which exists in all contracts, and provides in effect that every company shall be liable to have its position modified by subsequent Act of general applicability, enables the Government to confer such power upon a competent authority.

We have discussed with very many witnesses, representing not only the Indian public but the railway companies, what the authority to control rates should be. We have found an unanimous readiness on both sides to accept the constitution of a new Tribunal, practically identical with that recommended for the same duties by the Rates Advisory Committee constituted under the English Ministry of Transport Act 1919, and accepted as satisfactory both by the railway companies and by representative organisations of the traders in England. We recommend the establishment of a Rates Tribunal consisting of an experienced lawyer as chairman and two lay members, one representing the railways and the other the commercial interests, with power, in any case deemed of sufficient importance, to add two additional members, one on each side. We do not think it necessary to go into the constitution and powers of the suggested Tribunal in any further detail. The proposals of the Rates Advisory Committee, which are the result of a exhaustive public discussion by all parties interested from all points of view, are embodied in Part III of the Railways Act 1921, just passed by Parliament. The causes in Part III raise all the questions in issue and are available for reference when the time comes for practical action to be taken in the matter.

That the proposed Tribunal in England will not lack work is evident. It is not, however, possible at present to say how far this will be the case in India. We suggest that in the first instance the lay members of the Tribunal should be appointed, but only paid a retaining fee until it can be seen what the work is. We think, however, that the legal chairman should be appointed forthwith as a whole-time officer. The law of railway rates is not a simple matter. In addition to legal knowledge there is required a grasp of the economic principles involved and at least a general familiarity with geographical and business relations and the communities to which they are to be applied. Railway rates are not a subject in which, as far as we know, any lawyers in India have specialised at the present moment. There are not a few lawyers who have so specialised in England. But to preside over an Indian Tribunal a chairman would need both to be a specialist in railway law and to be familiar with Indian conditions. It is evident that the Indian Railways Act, which dates from 1890, require extensive revision. We consider that the lawyer appointed as chairman of the Rates Tribunal could not be better employed at the outset than in examination of the Act in the light of modern developments, both of circumstances in India and of legislation in other countries and preparing for the consideration of the competent authorities the draft of a new Railway Act.

The jurisdiction of the new Tribunal should, we think, embrace all questions of the reasonableness of rates even within the contractual maxima and minima, and of the conditions attached thereto, whether the question be the unreasonableness of a rate *per se* or its unreasonableness as compared with the rates charged to other persons or at other places in what are alleged to be comparable conditions. The same Tribunal might have jurisdiction in respect of the obligation to provide reasonable facilities, a matter which at present also has to be determined by a Railway Commission.

But both in respect of reasonable rates and reasonable facilities we think the Tribunal should be protected from being flooded with applications. We think that by a procedure analogous to that under section 31 of the Railway and Canal Traffic Act, 1888 (commonly known as the Conciliation Clause), application should in the first instance be addressed to the Ministry of Communication. The Ministry should bring the two parties together, not necessarily having regard to the great distances in India, face to face, by the interchange of statements and should then express its opinion on the merits of the dispute.

We do not think that applicants should be prevented from taking their case to the Tribunal by the fact that the opinion of the Ministry was adverse to their claim. But the question should be considered whether frivolous allegations should not be checked by requiring the deposit with the Tribunal of a certain sum—a figure of Rs. 100 has been suggested—to be dealt with at the discretion of the Tribunal.

We recommend that in cases of importance, either by reason of the amount of money involved or because they raise a question of general principle, there should be an appeal. We suggest that it should lie to the Governor-General-in-Council—this is in accordance with the Canadian precedent. Leave to appeal might be granted either by the Tribunal itself or by the Governor-General in Council.

Employment of Indians

At the date of the last report there were employed on the railways of India about 710,000 persons ; of these, roughly 700,000 were Indians and only 7,000 Europeans, a proportion of just 1 per cent. But the 7,000 were like a thin film of oil on the top of a glass of water, resting upon but hardly mixing with the 700,000 below. None of the highest posts were occupied by Indians ; very few even of the higher. The position of a District Engineer, District Traffic Superintendent, or of an Assistant Auditor is, with one or two exceptions, the highest to which Indians have hitherto attained. The detailed figures in Appendix No. 2 show that, on the principal railways of the country, out of 1,749 posts classed as superior, 182, or rather more than 10 per cent., are filled by Indians. Of the 182 Indians, 158 occupy posts as assistant district officers in the various departments ; 24 have reached the higher grade of district officers.

Case Against State Management.

The report on future management signed by Sir H. P. Burt, Sir R. N. Mookerjee, Sir A. B. Anderson, Sir G. C. Godfrey and Sir H. Ledgard states :—

This issue of State *versus* Company management is not such a clean-cut one as might appear at first sight, especially to those who advocate State management without any qualification : for it is not a question whether from now onwards all railways in India should be managed by the State or whether all should be managed by the companies. On the one hand it is agreed that the position as regards at least one State railway, the North-Western, cannot for strategical considerations be altered ; and on the other hand there is the case of the Bengal-Nagpur Railway Company, between whom and the Secretary of State there is a contract which is not terminable for more than a quarter of a century hence, *i.e.*, in 1950. The company system cannot therefore be extended to the former, and, as for the latter it appears to us that prudential consideration alone forbid the pronouncement of a permanent policy for meeting the circumstances which may exist at that advanced date. It is clear, therefore, and it must be recognised at the outset as fundamental to a proper consideration of the question, that for many years to come the dual system of both State and company operation must remain in force.

There is another fundamental fact of which the Indian public are perhaps not generally aware or sufficiently appreciative, but which has been brought prominently to the notice of the Committee through evidence ; and that is that owing to the effects of the war on Indian finance the Central Govt. will be unable for at least the next decade, and probably for much longer, to finance the railway system to the extent which the development of the country demands. It is admitted on all hands that the State in the past has been fitful and parsimonious in its contributions to railways ; it is this failure on the part of the State to provide for the crying needs of rail transport which is responsible more than anything else for the complaints made by the public against railways, and though a separate railway budget which has been suggested is administratively possible, and may conceivably give more stabilisation, this will not in itself produce more money.

The immediate problem which we have to consider resolves itself into the question what should be done in the case of the two guaranteed companies whose contracts are terminable in the near future, the East Indian Railway and the Great Indian Peninsula Railway, in 1924, and 1925 respectively. The next would be the Burma Railway in 1928, followed at intervals by other railways till 1950, when the contract with the Bengal-Nagpur Railway Company falls in. The importance of the question is greater than is suggested by the mention of the two railways whose contracts shortly expire, because their mileage is approximately one-third of the total mileage of all the guaranteed companies' lines in India, about 6,000 out of 19,000 miles, and they form the great arteries of the Indian system connecting the two largest cities, Bombay and Calcutta, with each other and with the capital at Delhi.

The problem raises two issues ; in the first place, whether the management of company railways by London Boards should continue, or whether the management should be located in India. This issue has been partially settled by the decision of the Secretary of State, that the management of the East Indian Railway should be moved to India after the expiry of the present contract in 1924. We need not discuss further the arguments for and against a continuance of the London Boards. The weight of evidence in India rejects the present system of management by companies domiciled in England, and for the reasons stated and notwithstanding the valuable services rendered by the companies in the past, we are in agreement that, that system should be changed, according as the several contracts can be determined.

As regards the second issue, whether, if the complete control be in India, management should be by a company or by the State, it is desirable in the first instance to summarise briefly in the case for each policy, as set forth in the recorded evidence of the Committee. The opinions elicited are very divergent.

It has been suggested that in India there is no company management in the ordinary meaning of the words, and that the system which exists there at present has not worked and cannot be made to work satisfactorily. The system is that the State owns the lines and contracts with companies to work them. There are certain faults in the way in which the system has been worked, but those are capable of elimination—they are not inherent in the system.

The difficulties referred to above which have so serioulу hindered the railway administrations in India in meeting trade demands and providing better accommodation for passengers, particularly for the third class, afford no proof that the company system must be a failure and no argument in favour of complete nationalisation. In fact the latter might well result in perpetuating and even accentuating the timid financial policy to which we have referred, as it is on record that the companies repeatedly and strenuously pressed for greater liberality in expenditure. The working of the company system as evolved for India can only be judged in the light of the financial difficulties which have surrounded it at every turn. Freed from these difficulties, which are certainly not inseparable from the system, it has in our opinion great national advantages suitable for any country, in that it ensures the larger share of any profits which may be made from the railways going into the coffers of the State, while avoiding the extravagance and other serious disadvantages of State management through a vast and growing bureaucracy.

We desire to emphasise this aspect of the case as strongly as possible. Reliance on Government for providing the necessary funds for railway purposes has been tried for many years and found to be altogether wanting. We have during the current year the curious spectacle of Government in its Industries Department doing all it can to encourage trade development, and in its Finance Department failing to supply funds necessary for the development of its transport services on which industries depend. We can see no reason for thinking that Government will be in a position to provide year by year the large sums needed for railway purposes, and we have given our reasons for coming to that conclusion. The future holds out little hope that greater reliance can be placed on Government in this connection, and we are convinced that the position will never be remedied if Government loans are alone relied upon to secure the vast amounts required for railway purpose. The extreme importance therefore of finding new sources for the supply of capital is evident.

On a review of all these considerations, it appears to us that in the interests of India it is as necessary as it is desirable that its railways should be worked as far as possible by company rather than by State agency, and we believe there will be no difficulty in evolving a scheme of company management in India which will meet the legitimate aspirations and claims of all sections of the community, will satisfy both political and industrial interests, will relieve the financial situation and will at the same time, give an opportunity for the harmonious co-operation of both Indians and Europeans in the working of the great and vital industries of the country and thereby ensure the rapid development of the resources of India for the benefit of all. We do not think State management can be relied upon to secure the same results.

We now put forward two constructive schemes for this end. Taking the line that, as between Government and a new (Indian) East Indian Railway Company, there is no reason to complecate matters by taking into account the question of direct obligations, which at the end of 1924 Government will be under, towards the late share holders, annuitants, and debenture-holders of the existing English company. It is easy to suggest the outlines of a contract which should give the new company a reasonable return for its capital and remuneration for its services as managing agency.

If the East Indian Railway's net earnings at the end of 1924 over a period of three years have averaged about Rs. 8 crores per annum and if 6 per cent. be the then prevailing and estimated future value of money, then the capital value of the line will be about Rs. 134 crores, and this might be taken as a basis for negotiation. A new limited liability company might then be promoted with rupee capital, domiciled in India with its headquarters at Calcutta, the present headquarters of the system. The company would have a nominal capital of, say Rs. X *Plus* 50 crores, of which Rs. X would represent the Government share capital, the balance of 50 crores being the authorised new share capital, of which about 25 crores might be called up in the first few years.

Interest at 1 per cent, less than the prevailing rate from time to time for Government loans, on the paid-up public share capital, should be a first charge against the net earnings. Government must guarantee this return in order to ensure public confidence and make the shares a trustee security, but in reality this rate of interest would unquestionably be met from the net earnings, and the guarantee would therefore be purely nominal. Interest at the same rate on the Government share capital (X) should next be charged, and the balance of net earnings should be regarded as surplus profits to be divided between the Government and the public share-holders in proportion to their respective holdings. The amount to be assumed for X must be determined on a reasonable basis.

Under the foregoing scheme the Government liabilities towards the old East Indian Railway Company are liabilities of the general revenues of India, and would be a matter for Govt. to deal with quite apart. But if preferred, an arrangement could be made which we call the second scheme, based on the booked capital outlay for the line, under which the interest on the outstanding liabilities would have to be specially provided for as first charges against earnings of the new company. In this case, the amount of such charges and liabilities, and the amount to be taken as Government capital in the company, would need detailed investigation, but if capital outlay be taken as the Government holding in the new company, it would be equitable that Government should receive a fixed proportion, say one-third of the surplus profits, before division, in recognition of its ownership and guarantee.

It should be noted that under both the foregoing schemes, the actual terms and fixation of capital must be settled in the light of the financial conditions prevailing at the time the contract is made.

Whichever of the foregoing alternatives be chosen, the following general provisions would apply ;—

(*a*) •The company with the sanction of the majority of the share-holders, which in effect would mean Government, should have the power of raising further capital when required.

(*b*) The Government of India should have the right to acquire the shares subscribed by the public at a stated period, by giving six or twelve months' notice, and at such reasonable premium as may be agreed at the inception of the company.

(*c*) The Board should consist of 10 Directors ; five to be elected by the outside share-holders and five to be nominated by Govt. It is desirable that half the number of Directors should be Indians.

(*d*) Govt. should have the right to nominate a chairman from among the 10 members ; the chairman should have a casting vote.

(*e*) The management should rest with the Board of Directors as is usual in commercial concerns, except so far as legislation intervenes and except in such matter as control of rates, allocation of capital and revenue expenditure and service to be rendered to the State.

(*f*) Should there be any disagreement between the nominated and the elected Directors which necessitates the exercise of the chairman's casting vote, the matter should be referred to the Government of India, if the minority so desire.

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Let us now consider the advantages of a scheme of this nature and the possible objections. The experiment of having an Indian domiciled company is certainly worthy of trial, while it would not form an irrevocable policy when existing contracts expire at later dates. As regards advantages, we consider that in the first place Indian public opinion will obtain full recognition without the bureaucratising of a commercial organisation. The Government of India, as now constituted under the Reform Scheme, will provide sufficient assurance that such opinion will not be disregarded ; and the remedy against complaints such as unduly favourable treatment of foreign trade, if it exists in competition with internal trade, will lie with the Tribunal which the Committee have unanimously recommended should be set up.

In the second place, we hold that the appointment of Indians to high administrative posts and the promotion of successful meritorious Indians from subordinate to higher grades will be better secured under this scheme than on State-managed railways. The proposal will afford to educated Indians the best possible opportunities and facilities for learning the management and control of large commercial and public undertakings, and give them an opportunity of becoming equally competent with trained Europeans in direction and management. This is one of the most important grounds which lead Indian opinion at present to desire State management ; but we believe that by our proposal their object can be achieved in a more direct and definite way.

Whatever may have been the case in the past, India is now at the parting of the ways ; and, simultaneously with political reform, reform in commercial and industrial developments is essential. No country can prosper politically without industrial prosperity ; and this cannot be secured merely by increasing the number of Government employees.

Financing the Railways.

A third advantage is to be found in this new method of financing Indian railways. According to our reference it is a primary duty to suggest means of raising sufficient funds for the development of Indian railways. The difficulties in regard to finance of the Government in India and of companies in England have already been indicated ; and on political grounds it is desirable to limit India's indebtedness to the non-resident investor. Now, the scheme which we suggest will, we are confident, achieve our object in finding a new market in India. By the Government guarantee of a fair rate of interest such trust money as requires investment will be attacked : and there is a great probability, nay, almost a certainty, that a large amount of money from insurance companies which have of late been rapidly growing in India, will become available. It will have the further advantage of taping a new field of investors in India itself, to whom a guarantee with additions based on a share of the profits will naturally appeal ; for there are many grades of possible investors in India ranging between the public trustee and the speculator.

The first loan of the new company will undoubtedly receive a great impetus from what may be described as patriotic motives—as was the case in connection with the issue of the loan for the Development Scheme in Bombay—and when the practice is established of investing in railways, it is likely to become permanent. Moreover, the amount required for the East India Railway will, we are informed, not be likely to exceed 4 crores a year for a reasonable period in the future ; and we are confident that with good security and the prospect of a satisfactory dividend, the amount will be forthcoming in India itself, if not entirely from Calcutta.

It may be argued by way of general criticism of our scheme that Government must in some way or another find the money for railway development, presumably by fresh borrowings or increased taxation, if it is asked to do so. But the facts should be faced ; increased taxation has already been applied to meet the deficit of the present year (1921-22) and there is a heavy burden of floating debt. If, as it is hoped, Government may at some later period be in a position to raise larger sums than at present for the requirements of railways in India, there will be ample scope for utilising the money, first, in bringing State-managed railways to greater efficiency ; secondly, in providing funds for the guaranteed company railways which will still remain under contracts ; and, thirdly, in constructing the many new lines which are so urgently required. Moreover, past history cannot be ignored, the Government have regularly and continuously failed, and even refused to attempt, to raise the funds so badly required for the railways of the country.

We consider we have evolved a practical scheme of management through an Indian domiciled company which will prove to be in the interests both of India and of her people ; and in putting it forward we desire to emphasise that company management of this kind has not yet been tried on railways in India, and that those who criticise company management for reason chiefly directed against the boards in London cannot be regarded as opponents of a system which has not yet existed. When our scheme is introduced, we are confident that the public, European and Indian alike, will find many advantages in it, and will appreciate that the country is in a fair way to escape the dangers of railway nationalisation.

REPORT OF THE

Railway Finance Committee

By the middle of December 1921 the report of the Railway Finance Committee appointed by the Legislative Assembly to consider matters arising out of the Acworth Committee Report concerning the question of separation of railway from general finance and the requirements of railways in regard to capital expenditure during the next ten years was published. The Committee considered that both on point of principle and as a practicable proposition, railway finances could not be separated from the general budget, either just at present or in the immediate future, till the conditions become more normal and the financial equilibrium was re-established. Not only the separation would involve surrender by the Central Government of Railways as a source of revenue, which it would be, in the existing state of Indian finance, impractibable to replace, but it would materially disturb the financial equilibrium which was assumed when the Reforms were inaugurated. For instance, the Meston Committee assumed that the Central Government would derive a net revenue of no less than Rs. ten and three-fourth crores from Railway net gains. The point of practical importance, however, was whether the State should guarantee the Railway a definite supply of capital funds over a certain period of years, thus stopping the present practice, under which funds not used by the Railways in a particular year lapsed at the end of that year. The Committee thought that the case for the provision of a larger capital for the immediate rehabilitation and the betterment of the existing lines was amply proved, and also it would be uneconomical to refuse to the Railway Administration funds necessary to complete the works now under construction. In their opinion the above two requirements must take precedence over any new lines. They added that the guaranteed programme extending over a course of years was almost as important as the provision of larger funds. On full consideration, the Committee did not advise, both from the financial and administrative point of view, to look as far ahead as ten years referred to in their terms of reference. They suggested that the programme should be prepared on a five years' basis, provision for each quinquennial period being considered about two years before the termination of the existing period. This system, they said, would necessarily imply that there should be no lapse of money voted in one year and not spent in that year. As to the extent of the programme, the Committee said that they had taken into account the actual needs of the open lines for rehabilitation and improvement, any commitments of Government in regard to other capital liabilities, and the probable capacity of money markets to supply the necessary loan funds.

After weighing all the factors, they agreed to recommend that the minimum demand put by the Railway Board, namely, the expenditure of Rs. 150 crores, in the next five years should be provided. They recognised that the provision of funds of this amount might involve supplementing the Indian loans by outside borrowing, provided such borrowing were effected in the cheapest market.

The Committee did not fail to lay great emphasis on the improvement of the conditions of travel of Third Class passengers.

As to new lines, though the Committee contemplated the provision for new lines they felt that in order to improve the coal position certain feeder lines opening up new coal-fields should be constructed by the State, failing which private enterprise should be encouraged in the construction of such lines on branch line terms under conditions *inter alia* demanding that a guarantee should be given only to the companies domiciled in India with a substantial Indian element in their directorate and raising only rupee capital, and that should such companies work their own lines, they should engage to apply the same rule as have been or may be laid down for the proportion of Indians to be employed in the higher ranks of the State Railway's establishment.

The report of the Committee was unanimous.

REPORT OF
The Income-Tax Committee

The report of the All-India Income-Tax Committee presided over by Mr. G. G. Sim, I.C.S., which assembled at Simla to make recommendations for the amendment of the Income-Tax Act more particularly regarding the assessment of mercantile profits was published on 29th July 1921. The proceedings of the Committee were opened by the Finance Member on the 12th July and the Committee finished its sittings on the 15th July. The report is divided into three parts :—the first part contains recommendation on major issues, the second part records the recommendations regarding specific sections and the third part is devoted to a report on general questions. The report is unanimous except for the divergence of opinion on certain specific issues. The following are the main recommendations of the Committee :—

We are of opinion that, in view of the difficulties arising from a recent interpretation of a High Court of the word "Income" in Section 3 of the Act, that section should be altered on the lines of the English Income-Tax Act in order to provide that income-tax shall be charged not on income but in respect of property profits or gains as described in schedules or specific sections of the Act. In view of the variety of systems of keeping accounts in this country we are of opinion that it is impossible to prescribe in the Act any uniform system of account-keeping on which profits shall be worked out.

We recommend that the Indian Income-Tax Act should be extended in full to British Baluchistan and not confined as at present to the incomes of Government servants.

We agree that the Indian Income-Tax Act should be amended in order to provide that no account shall be taken of any income derived from a Hindu undivided family by any individual member of the family in determining the rate at which that individual shall pay income-tax on his separate income.

We agree that the Act should be amended in order to make the total deduction on account of insurance premia permissible in the case of all incomes from whatever source derived.

We are not in favour of the recommendation made by the Mahomedan members of the Madras Committee that an allowance equal to or in lieu of insurance premia should be made in the case of those communities which have religious objections against life insurance. The majority of the members of the Committee are of opinion that the adjustment system should be abolished.

As regards new business we are of opinion that no assessment should be made until the second year. Provisions should however be made in the Act for businesses that close down during the course of a financial year so that the Collector may assess for that year on the profits received for the portion of the year during which the business is carried on. We consider that there should be statutory provision that the owner of a business about to be closed down should give notice to the revenue authorities of his intention to close the business 15 days befors the business is closed down. An addition should be made to Section 24 for this purpose. Rai Bahadur Ganga Ram and Dewan Tekchand would prefer that this provision should not apply to persons who have not been previously assessed.

We are of opinion that all rules under the Income-Tax Act should be made by the Government of India and that no rules should be made by local Governments. We endorse the opinion of the English Royal Commission on Income-Tax in paragraph 408 (B) of their report that where it can be done without detriment to the public interest the general purport of the instructions issued to the income-tax staff so far as they affect the tax-payers should be made available to the public.

As regards the question of the graduation of the tax we are of opinion that the grievance caused by the jumps is not sufficient to justify any change in the present system. Some members consider that the schedule should be altered by the addition of two new rates of seven-half pies for incomes between Rs. 10,000 and Rs. 12,500 and ten-half pies for incomes between Rs. 17,500 and Rs. 20,000. The majority however do not consider that even this change is required.

We are of opinion that the distinction between registered and unregistered firms should be abolished and that the Act should make provision somewhat on the lines of the English Act for assessing the profits of partnerships as much at the highest rate. If the individual partners file their statements of personal income at the same time the assessors will merely have to ascertain whether the whole of the partnership profits are accounted for in these personal statements in which event he would charge the partners direct at the appropriate rate. It would be left for the decision of the assessor in each case to decide whether a partnership existed or not. The super-tax on unregistered firms should be abolished. Super-tax would then be levied on each individual partner on his total income. The only difficulty anticipated is as regards the non-resident partner. We consider that provision should be made in the Act empowering the income-tax assessor to call upon any resident partners or representatives of a firm to pay the super-tax due on the share of the profits belonging to any non resident partner. We do not consider it feasible to insert any provision requiring any spch resident partners or representative of the firm to get from the non-resident partner a statement of any other income that may accrue to him in India.

We are of opinion that the present rules made by most local Government providing that tax shall only be refunded in the district in which it was levied should be abolished and that any rules made should provide that a refund should be granted to an assessee in the district in which he is assessed to income-tax or if he is not assessed the district of his residence.

It is recommended that it should be made obligatory on all persons who deduct income-tax from interest on Government securities or securities of companies to issue to all security-holders a certificate that income-tax has been deducted at the maximum rate and that companies distributing dividends should be required by law to give a certificate that income-tax has been or will be paid at the maximum rate. In both cases the amount of rate should be specified in the certificate. These certificates should be accepted as a final authority for a refund in the district in which the assessee is assessed or if he is not assessed in which the assessee resides.

We recommend that applications for refunds should be received by post and that the refunds for those assessees who do not present themselves before the Collector should be remitted by money order. In such cases the cost of the money order should be borne by Government and should not be deducted from the amount refunded.

We are unable to support the recommendation of the Bombay Committee that in the case of Government securities the tax should be recovered at the lowest rate, the balance due being recovered direct from the assessee by the Collector.

The Census of 1921

The Census of 1921

The Census of India was taken on the night of March 18th. The total population of India as thus ascertained is 319,075.132, *viz.*, British Territory 247,138, 396 and Indian States 71,936.736, giving an increase of 3,205,218 in British Territory and 713,518 in Indian States. These figures are provisional, but the experience of previous censuses shows that the difference between the population according to the provisional totals and that as finally ascertained does not amount to more than about 1 in 2,500 persons and the figures are therefore sufficiently accurate for practical purposes.

The proportional variations at each of the last two censuses are given below :—

Variations per cent. since 1901

———	1891 to 1901	1901 to 1911	1911 to 1921
India	plus 1·5	plus 6·5	plus 1·2
Provinces	plus 3·9	plus 5·4	plus 1·3
States	—6·6	plus 10·3	plus 1·0

These ratios differ slightly from those in the statements appended, as allowance has been made in the former for the inclusion of new areas. The areas now dealt with for the first time have an estimated population of 86,145 persons.

The agricultural conditions of the early and middle years of the decade were not unfavourable to the growth of the population. There was some local scarcity but no wide-spread famine, while the birth-rate and survival rate stood high in 1913 but declined slightly in the subsequent four years. The influenza epidemic of 1918 dominates all other direct influences on the movement of the population during the decade. The epidemic left no part of India unvisited. The death rate was nearly double that of the previous year and the direct loss of life due to the ravages of the disease during a few months in 1918 alone is put at about 7 millions in British India, while the indirect effects are shown in the heavy fall in the birth-rate in 1919, the births being less than the deaths in both 1918 and 1919. Apart from the influenza epidemic, the later years of the decade were generally unhealthy. Plague which had been virulent in 1915 in the Northern and Western portions of the country again took a heavy toll in 1917 and 1918. The general failure of the rains of 1918 caused wide-spread distress over a large part of the country and the mortality from cholera in 1918–19 was exceptionally high. In the last year of the decade a large part of the country had again to face a serious failure of the monsoon. The following are provisional figures :—

THE CENSUS OF 1921

Province, State or Agency	Population 1921			Variation 1911—21 Increase (plus) Decrease (—)	
	Total	Males	Females	Actual	Per cent
INDIA.	319,075,132	164,056,191	155,018,941	plus 3,918,736	plus 1·2
Provinces.	247,138,396	126,941,215	120,197,181	plus 3,205,218	plus 1·3
1. Ajmer-Merwara	495,899	269,867	226,032	—5,496	—1·1
2. Andamans and Nicobars	26,833	20,293	6,440	plus 374	plus 1·4
3. Assam	7,598,861	3,955,665	3,643,196	plus 884,562	plus 13 2
4. Baluchistan	421,679	255,566	166,113	plus 7,267	plus 1·8
(DISTRICTS AND ADMINISTERED TERRITORIES.)					
5. Bengal	46,655,177	24,130,621	22,522,556	plus 1,170 572	plus 2 6
6. Bihar and Orissa	33,998,778	16,767,112	17,231,666	—490,766	—1·4
Bihar	23,378,758	11,585,798	11,792,960	—373,671	—1·6
Orissa	4,968,406	2,354,855	2,613,551	—163,347	—3·2
Chota-Nagpur	5.651 614	2,826,459	2,825,155	plus 46,252	plus 8
7. Bombay (Presidency)	19,338 586	10,164,934	9,173,652	—357,680	—1 8

	Bombay	16,005,170	8,291,890	7,713 280	—131,496	— 8
	Sind	3,278,493	1,836,166	1,442,327	—234,942	— 6 7
	Aden	54,923	36,878	18,045	plus 8,758	plus 19 0
8.	Burma	13,205,564	6,750,781	6,454,783	plus 1,090,347	plus 9 0
9.	Central Provinces and Berar ...	13,908,514	6,948,985	6,959,529	7,644	—·1
	Central Provinces	10,827,302	5,379,741	5,447,561	—31,694	—·3
	Berar	3,081,212	1,569,244	1,511,968	plus 24,050	plus ·8
10.	Coorg	164,459	89,851	74,608	—10,517	—6·0
11.	Delhi	486,741	280,709	206,032	plus 73,294	plus 17·7
12.	Madras	42,322,270	20,884,233	21,438,037	plus 916,866	plus 2·2
13.	North-West Frontier Province ...	2,247,696	1,226,791	1,020,905	plus 50,763	plus 2 3
	(DISTRICTS AND ADMINISTERED TERRITORIES.)					
14.	Punjab	20,678,393	11,300,955	9,377,438	plus 1,099,820	plus 5·6
15.	United Provinces of Agra and Oudh ...	45,590,946	23,894,752	21,696,194	—1,216,544	—2·6
	Agra	33,420,638	17,593,757	15,826,881	—828,848	—2·4
	Oudh	12,170,308	6,300,995	5,869,313	—387,696	3·1
	States and Agencies	71,936,736	37,114,976	34,821,760	plus 713,518	plus 1·0
16.	Assam State (Manipur)	383,672	187,951	195,721	plus 37,450	plus 10·8
17.	Baluchistan States	378,999	205,988	173,011	—41,292	—9·8
18.	Baroda State	2,121,875	1,098,054	1;023,821	plus 89,077	plus 4·4
19.	Bengal State	896,173	476,644	419,529	plus 73,608	plus 8·9
20.	Bihar and Orissa States	3,965,431	1,947,668	2,017,763	plus 20,222	plus.5
21.	Bombay States	7,412,341	3,771,186	3,641,155	plus 24,290	plus·3

THE CENSUS OF 1921 (contd.)

Province, State or Agency.	Population, 1921.			Variation, 1911—21. Increase (plus.) Decrease (—).	
	Total.	Males.	Females,	Actual.	Per cent
22. Central India Agency	6,004,581	3,072,769	2,931,812	—135,414	—2.2
23. Central Provinces States	2,068,482	1,029,507	1,038,975	—48,670	—2·3
24. Gwalior State...	3,175,822	16,86,176	1,489,646	—41,163	—1·3
25. Hyderabad State	12,453,627	6,331,984	6,121,643	—921,049	—6·9
26. Kashmir State...	3,322,030	1,757,902	1,564,128	plus 163,904	plus 5 2
27. Madras States...	5,460,029	27,457,15	2,714,314	plus 648,188	plus 13·5
Cochin States	979,019	4,83,834	495,185	plus 60,909	plus 6·6
Travancore State	4,005,849	2,032,306	1,973,543	plus 576,874	plus 16·8
28. Mysore State	5,976,660	3,045,999	2,930,661	plus 70,1467	plus 2·9
29. North-West Frontier Province (AGENCIES AND TRIBAL AREAS). ...	2,828,055	1,520,672	1,307,383	plus 1,205,961	plus 74·3
30. Punjab States...	4,415,401	2,425,191	1,990,210	plus 202,607	plus 4·8
31. Rajputana Agency	9,857,012	5,189,765	4,667,247	—673,420	—6.4
32. Sikkim State	81.722	41,502	40,220	— 6,198	—7·0
33. United Provinces States	1,134,824	5,80,303	554,521	—55,050	—4·6

Town.	Population, 1921.	Variation, 1911-21. Increase (plus) Decrease (—).	
	Total.	Actual.	Per cent.
AJMER-MERWARA			
Ajmer	114,196	+27,974	+32·4
BALUCHISTAN			
Quetta	48,933	+15,011	+44·3
BENGAL			
Calcutta with Suburbs and Howrah	1,263,292	+40,979	+3·4
Calcutta Proper	903,173	+7,106	+·8
Howrah	192,758	+13,752	+7·7
Manicktola	66,750	+12,983	+24·1
Cossipore-Chitpur ...	56,549	+8,371	+17·4
Garden Reach	44,062	−1,233	—2·7
Dacca	117,304	+8,753	+8·1
BIHAR AND ORISSA			
Patna	120,109	−16,044	−11·8
Bhagalpur	68,833	−5,516	−7·4
Gaya	67,759	+17,838	+35·7
BOMBAY			
Bombay	1,172,953	+193,508	+19·8
Ahmedabad	274,202	+41,425	+17·8
Poona	176,671	17,271	+10·8
Karachi	215,781	+63,878	+42·1
Surat	118,299	+3,431	+3·0
BURMA			
Rangoon	339,527	+46,211	+15·8
Mandala	147.429	+9,130	+6·6
CENTRAL PROVINCES AND BEHAR			
Nagpur	149,522	+48,107	+47·4
Jubbulpore	108,973	+8,322	+8·3
DELHI			
Delhi	303,148	+70,311	+30·2
MADRAS			
Madras	522,951	+4,291	+·8
Madura	138,894	+3,779	+2·8
Trichinopoly	119,521	−3,991	+3·2
Calicut	81,995	+3,578	+4·6
Salem	52,270	−6,936	+11·7
N. W. F. PROVINCE			
Peshawar	93,884	−4,051	−4·1
PUNJAB			
Lahore	279,558	+50,871	+22·2
Amritsar	160,409	+7,653	+5·0
Multan	86,251	−12,992	—13·1
Rawalpindi	97,983	+11,500	+13·3
Ambala	76,497	−3,634	—4·5

City	Population 1921	Variation, 1911-21. Increase (plus). Decrease (—).	
	Total	Actual	Per cent.
UNITED PROVINCES OF AGRA AND OUDH.			
Lucknow	243,553	—8,561	—3·4
Benares	199,993	—3,811	—1·9
Agra	185,946	+497	plus ·3
Cawnpore	213,044	plus 34,487	plus 19·3
Allahabad	155,970	—15,727	—9·2
Bareilly	127,939	—1,523	—1·2
Meerut	122,567	plus 5,936	plus 5·1
Moradabad	82,713	plus 1,595	plus 2·0
Rampur	73,200	—1,116	—1·5
BARODA.			
Baroda	94,742	—4,603	—4·6
CENTRAL INDIA AGENCY.			
Bhopal	5,054	—11,150	—19·8
Indore	92,993	plus 48,046	plus106·9
GWALIOR.			
Lashkar	76,849	plus 20,662	plus 36·8
HYDERABAD.			
Hyderabad	404,225	—97,421	—19·4
KASHMIR.			
Srinagar	141,631	+11,430	plus8·8
MYSORE.			
Bangalore (including Civil and Military Station)	238,111	plus 48,626	plus 25·7
Mysore	83,932	plus 12,626	plus 17·7
RAJPUTANA AGENCY.			
Jaipur	121,196	—16,902	—12·3
Jodhpur	73,480	plus 14,218	+24·0
Bikaner	69,448	+13,622	+24·4
Alwar	44,782	+3,477	+8·4

The People of India

DISTRIBUTION OF THE POPULATION.—CENSUS OF 1911

—	India.	British Provinces.	Native States.
1	2	3	4
Area in square miles ..	1,802,657	1,093,074	709,583
Number of Towns & Villages	722,495	538,809	183,686
(A) Towns ..	2,153	1,452	701
(B) Villages ..	720,342	537,357	182,985
Number of Occupied Houses	63,710,179	49,140,947	14,569,232
(A) In Towns ..	6,037,456	4,409,121	1,628,335
(B) In Villages ..	57,672,723	44,731,826	12,940,897
Total Population ..	315,156,396	244,267,542	70,888,854
(A) In Towns ..	29,748,288	22,817,715	6,930,513
(B) In Villages ..	285,408,168	221,449,827	63,958,341
Males	161,338,935	124,873,691	36,465,241
(A) In Towns ..	16,108,304	12,525,830	3,582,474
(B) In Villages ..	145,230,631	112,347,861	32,882,770
Females	153,817,461	119,393,851	34,423,610
(A) In Towns ..	13,639,924	10,291,885	3,348,039
(B) In Villages ..	140,177,537	109,101,966	31,075,571

OCCUPATIONS OF THE INDIAN PEOPLES.—CENSUS 1911

INDIA	313,470,000
A.—PRODUCTION OF RAW MATERIALS	227,030,000
I.—Exploitation of the Surface of the Earth ..	226,550,490
Pasture and Agriculture	224,695,983
(a) Ordinary cultivation	216,787,180
(b) Growing of special products and market gardening	2,012,500
(c) Forestry	672,090
(d) Raising of farm stock	5,176,104
(e) Raising of small animals	48,063
Fishing and Hunting	1,854,588
II.—Extraction of Minerals	529,609
Mines	375,927
Quarries of hard rocks	75,424
Salt, etc.	78,258
B.—PREPARATION AND SUPPLY OF MATERIAL SUBSTANCES	58,191,121
III.—Industry	35,323,041
Textiles	8,306,501
Hides, skins and hard materials from the Animal Kingdom	698,741
Wood	3,799,892
Metals	1,861,445
Ceramics	2,240,210
Chemical products properly so called, and analogous	1,241,587
Food industries	3,711,675
Industries of dress and the toilet	7,750,609
Furniture industries	39,268
Building industries	2,062,493
Construction of means of transport	66,056
Production and transmission of Physical forces (heat, light, electricity, motive power, etc.) ..	14,384
Industries of luxury and those pertaining to Literature and to Arts and Sciences ..	2,141,665
Industries concerned with refuse matter ..	1,388,515
IV.—Transport	5,028,900
Transport by water	982,766
Transport by road	2,781,933
Transport by rail	1,062,493
Post Office, Telegraph and Telephone services ..	201,780
V.—Trade	17,839,102
Banks, establishment of credit, exchange and insurance	1,220,187
Brokerage, commission and export	240,858
Trade in textiles	1,277,470

Trade in sk'ns, leather and furs	296,712
Trade in wood	224,838
Trade in metals	59,766
Trade in pottery	101,981
Trade in chem'cal products	171,927
Hotels, cafes, restaurants, etc.	719,052
Other trade in food stuffs	9,478,868
Trade in clothing and toilet articles	306,701
Trade in furniture	173,413
Trade in building materials	84,613
Trade in means of transport	239,396
Trade in fuel	524,962
Trade in articles of luxury and those pertaining to Letters and the Arts and Sciences	522,130
Trade in refuse matter	3,695
Trade of other sorts	2,192,534
C.—PUBLIC ADMINISTRATIONS AND LIBERAL ARTS	10,912,123
VI.—Public Force	2,398,586
Army	665,278
Navy	4,640
Police	1,728,668
VII.—Public Administration	2,648,005
VIII.—Professions and Liberal Arts	5,325,357
Religion	2,769,490
Law	303,408
Medicine	626,900
Instruction	674,392
Letters and Arts and Sciences	951,167
IX.—Persons living principally on their income	540,175
D.—MISCELLANEOUS	17,286,678
X.—Domestic Service	4,599,080
XI.—Insufficiently described Occupations	9,236,210
XII.—Unproductive, Etc.	3,451,380
Inmates of jails, asylums and hospitals	132,680
Beggars, vagrants and prostitutes	3,318,700

Mines and Minerals.

Totals value of Minerals for which returns of prodoction are available for the years 1919, 1920 and 1921.

——	1919.	1920.	1921.
	£	£	£
Coal	10,119,256	9,381,164	8,673,377
Petroleum	8,340,894	7,951,632	5,603,975
Manganese (A) ..	1,546,330	3,823,095	1,537,068
Gold	2,256,039	2,783,915	2,050,576
Salt	1,823,522	1,446,409	742,147
Mica (A)	863,448	1,065,438	426,274
Lead and Lead-ore ..	668,642	975,927	784,586
Silver	487,246	843,109	593,008
Saltpetre	471,247	540,012	357,032
Building materials ..	436,183	454,750	422,219
Tin and Tin-ore including low grade tin-ore.	251,740	325,626	162,770
Tungsten	521,194	139,707	29,292
Jadeite (A)	87,103	120,380	126,535
Chromite	88,724	79,970	36 492
Iron-ore	45,887	67,743	140,555
Ruby, Saphire and Spinel	108,087	61,9[illegible]2	50,165
Monazite	60,712	49,231	30,959
Clay	49,960	40,812	37,378
Magnesite	19,728	17,216	15,632
Steatite	6,498	10,585	5,880
Alum	4,800	7,320	4,293
Asbestos	1,656	7,272	884
Ochre	3,600	(B) 5,356	2.174
Bauxite	1,934	4,128	3,280
Diamonds	20,825	4,125	4,865
Gypsum	2,869	3,693	2,267
Amber	616	1,666	1,123
Barytes	1,561	1,553	3.485
Aquamarine and beryl ..	..	1,225	1,274
Corundum	5,347	575	55
Graphite	819	560	52
Antimony	203	40	70
Potash	42	25	......
Molybdenite.. ..	101	19	13
Samarskite	10	12	......
Total ..	28,296,823	30,219,722	21,883,536

(A) Export values.

(B) Includes the value of ochre produced in the Panna and Baramuda States.

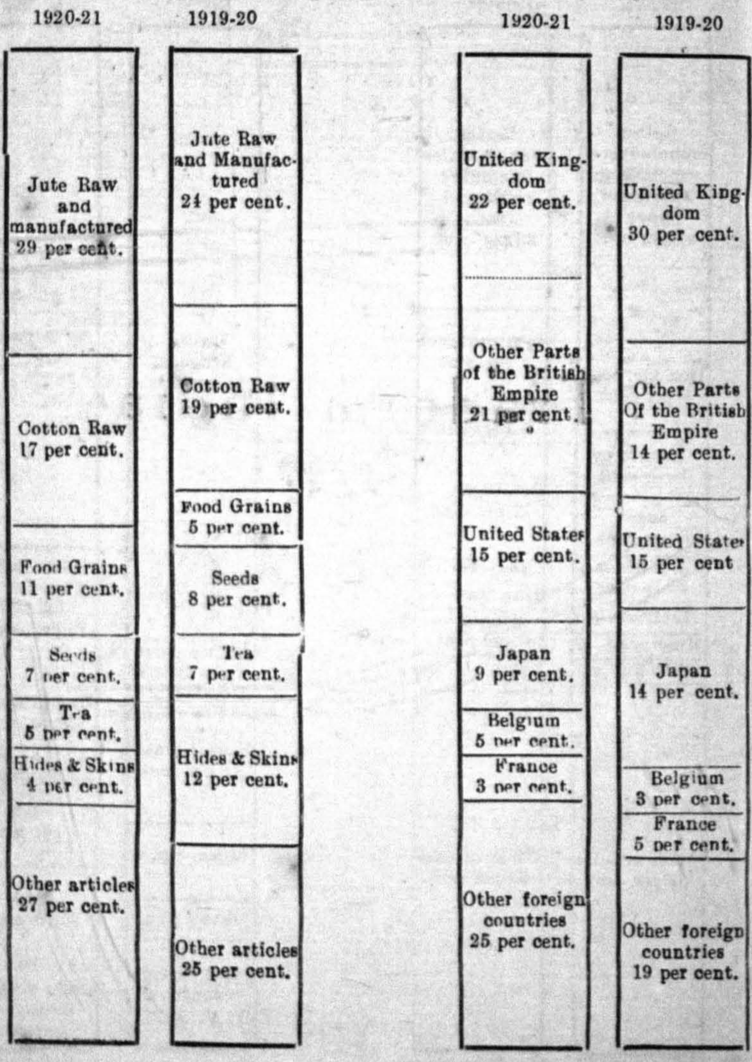
The increases or decreases are shown in sterling values, taking the rupee at 2s. (The true average for 1919 was 1s. $8\frac{27}{38}$d., and for 1920, 2s. 016d)

Trade in India
1921

EXPORTS

Share of the Principal Articles and Countries in the Export trade of British India in 1920-21, as compared with the year 1919-20.

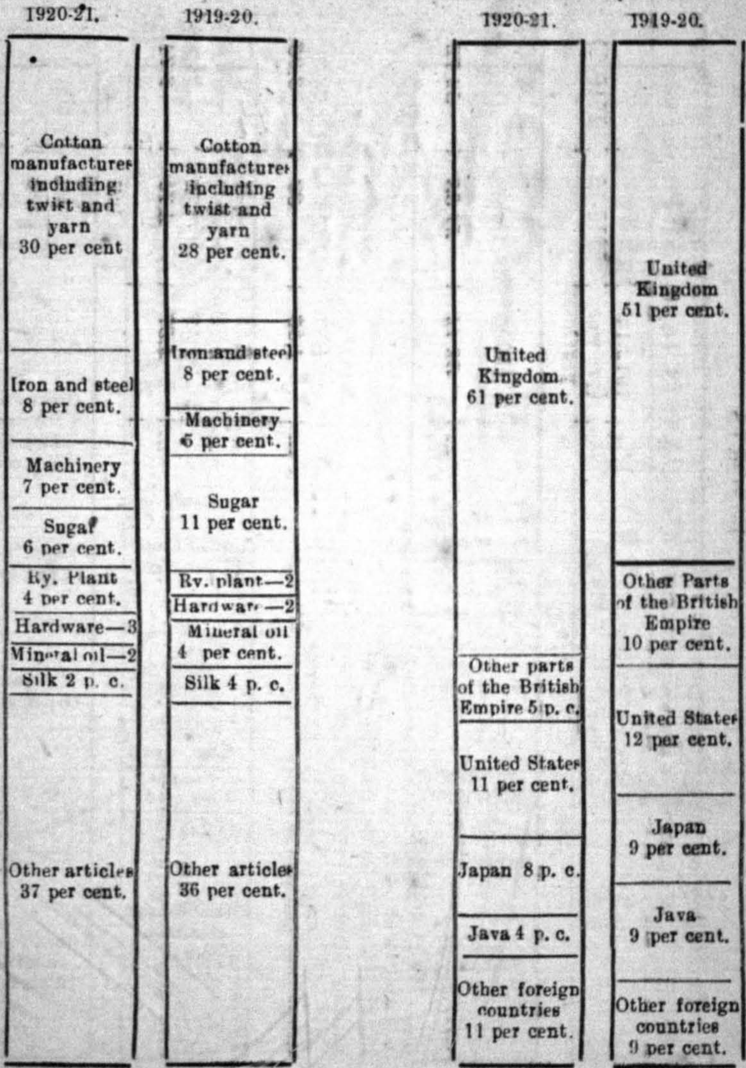
(1) Share of Principal Articles (2) Share of Principal Countries



IMPORTS.

Share of the Principal Articles and Countries in the Import Trade of British India in 1920-21, as compared with the year 1919-20

(1) Share of Principal Articles. (2) Share of Principal Countries.



IMPORTS

The following table compares the values of the chief imports during each of the past three years with the values recorded during 1913–14, the last Pre-war year.

—	1913-14 (pre-war year).	1918-19	1919-20	1920-21
	Rs. (lakhs).	Rs. (lakhs).	Rs. (lakhs).	Rs. (lakhs).
Cotton goods	62,14	51,68	54,72	88,54
,, twist and yarn	4,16	8,87	4,36	13,58
Iron and steel	16,01	12,45	16,33	31,30
Machinery of all kinds, including belting ...	8,26	5,86	9,58	24,09
Railway plant and roolling stock	10,03	10,04	4,59	14,13
Sugar	14,96	15,61	22,99	18,50
Motor cars and motor cycles	1,53	39	3,93	12,34
Hardware	3,95	3,21	4,37	9,08
Mineral oil	4,12	3,61	9,26	8,34
Paper and pasteboard	1,59	2,72	2,34	7,30
Silk, raw and manufactured	4,37	4,75	7,71	7,26
Chemicals, drugs, etc.	2,41	4,22	3,74	5,16
Liquors	2,24	3,30	3,37	4,90
Provisions	2,47	1,94	2,91	3,61
Salt	88	2,33	2,10	2,28

Imports in India.

CHIEF IMPORTS	1918-19 Rs. (lakhs).	1919-20 Rs. (lakhs).
Cotton goods	51,68	54,72
„ twist and yarn	8,87	4,36
Sugar	15,61	22.19
Iron and steel	12,45	16,33
Railway plant and rolling stock	1,04	4,59
Machinery of all kinds, including belting ...	5,86	9,58
Mineral oil	3,51	9,26
Silk raw and manufactures	4,75	7,70
Hardware	3,21	4,37
Motor cars and Motor cycles	39	3,93
Chemicals, drugs, etc.	4,22	3,74
Liquors	3,31	3,37
Provisions	1,94	2,91
Paper and pasteboard	2,72	2,34
Salt	2,33	2,10

Other Important Imports.

Grain, pulse, and flour	1,12	3,09
Spices	2,41	2,26
Instruments, apparatus, etc.	2,17	2,22
Matches	1,65	2,05
Tobacco	2,15	2,02
Glass and glassware	1,25	2,00
Fruits and vegetables	93	1,90
Dyeing and tanning substances	1,59	1,89
Woolen manufactures	2,17	1,61
Apparel	1,83	1,59
Wood and timber	1,00	1,58
Paints and painters' materials	1,27	1,30
Seeds	1,25	1,26
Soap	1,00	1,22
Drapery and millinery	1,07	97
Articles imported by post	4,96	3,94

Exports from India.

CHIEF EXPORTS	1918-1919. Tons (1,000)	1919-20 Tons(1,000).
Rice not in the husk ..	2,017·9	617·7
,, in the husk	35·2	33·8
,, flour	·1	8·6
Wheat	476·2	8·6
,, flour	30·9	43·2
Gram	282·2	5·2
Beans	78·9	115·9
Lentils	29.8	5·7
Other Pulses	50·6	13·7
Barley	226·3	1·7
Jawar and Bajara	5·5	7·7
Maize	13·8	·8
Other kinds	·7	10·0
Total Value Rs. (lakhs) ..	40,07	15,15
Oils	3,51	3,22
Metals and ores		
Manganese ore	75	72
Wolfram	1,13	61
Other sorts	1,28	1,22
Dyes—		
Indigo	1,25	1,33
Myrabolams	49	1,01
Other sorts	31	31
Opium	3,15	1,96
Hemp, raw	1,47	1,89
Oil cakes	84	1,83
Coffee	1,19	1,71
Rubber..	2,50	169
Spices	1,09	1,57
Manures	62	1,48
Wood, teak	60	1,25
Paraffin wax	1,12	1,18
Fodder, bran and pollards ..	35	1,04
Coir	35	1,04
Tobacco	96	93
Mica	90	86
Coal and coke	19	83
Provisions and oil man's stores	62	62
Saltpetre	93	55
Articles exported by post ..	1,69	2,202

India's Foreign Trade

And Share of the Principal Countries

	Imports.		Exports		Total Trade.	
	1918-19	1919-20	1918-19	1919-20.	1918 19	1919-20
	share per cent	share per cent	share per cent	share per cent	share per cent	share per cent
United Kingdom ...	46	50	28	30	35	38
British Possessions	12	10	24	14	19	13
Total British Empire ...	58	60	52	44	54	51
Total foreign Countries ...	42	40	48	56	46	49
Total Value of Trade in Rs. (lakhs) ...	1,69.03	2,07,97	2,53,88	3,26,80	4,22,91	5,34,77
Trade with the Principal Countries.						
British Empire—						
United Kingdom	4·5	50·5	28·5	29·6	85·3	37·7
Ceylon	1·8	1·2	4 2	3·4	3·2	2·6
Strait Settlements	3·3	2 9	2·9	2·3	3·1	2·5
Hongkong ...	1·1	1·3	2 0	2 8	1·6	2·2
Australia ...	1·3	1·6	2·1	1 0	2·0	1·2
Egypt ...	1·0	·6	5·8	1·2	4·0	1·1
Other British Possessions ...	4·0	1·9	6·5	3·7	4 8	9·7
Total British Empire ...	58·0	60·0	52 0	44·0	54·0	51·0
Trade with Foreign Countries—						
United States ...	9·5	12·1	13·1	14 9	11 7	13·8
Japan ...	19·8	9·2	11 6	14·3	14·9	12·3
Java	6·7	9·4	1 4	·6	3·5	4·0
France	1·1	·8	3·5	4·8	2·5	3 3
China (exclusive of Hongkong and Macao)	1·5	1·8	1·2	3·4	1·3	2·8
Belgium ...	...	·3	...	3·1	...	2·0
Turkey, Asiatic ...	·3	·4	2 9	2·7	1·9	1·8
Italy	·5	·6	3 8	2·4	2·5	1·7
Other Foreign countries ...	2·6	5·4	10·5	9·8	7·7	7·3
Total Foreign Countries ...	42 0	40 0	48·0	56·0	46·0	49 0
Total ...	100	100	100	100	100	100

BALANCE OF TRADE OF INDIA

	For the Eight Months, April to November of		
	1919	1920	1921
	In Lakhs	In Lakhs	In Lakhs
Exports of Indian merchandise (private).	Rs. 1,97,67	Rs. 1,68,36	Rs. 1,39,92
Exports of Foreign merchandise (re-exports).	12,31	13,46	9,05
Imports of Foreign merchandise (private).	1,21,96	2,23,02	1,74,22
Net exports of merchandise (private).	88,02	—41,20	—25,25
Net Imports of gold (private)	2,29	5,57	—8,56
Net Imports of silver (private).	—1	1,64	8,46
Net Imports of treasure (private).	2,28	7,21	—10
Council Bills and telegraphic transfers paid in India.	25,84	..	..
Telegraphic Transfers from the Bank of Montreal paid in India.	2,26	..	..
Sterling Bills on London sold in India.	20	28,55	..
Enfaced Rupee paper (net imports).	60	53	—1,42
Interest on same.	18	14	15
Balance of trade in favour of India.	57,06	....	....
Balance of trade against India.	....	20,53	23,88

The following statement shows the chief articles of the foreign trade of India in 1921–22 :—

Imports

	(000 omitted)
Cotton Goods ...	£30,281
Machinery, &c. ...	22,837
Sugar, &c. ...	18,335
Iron and Steel ...	14,090
Railway plant ...	12,607
Cotton Yarn ...	7,678
Mineral Oils ...	4,892
Hardware, &c. ...	3,946
Coal and Coke ...	3,900
Instruments, &c. ...	3,432
Liquors ...	4,511
Dyes	2,137
Silk Goods	1,991
Motor cars, cycles, &c. ...	1,812
Provisions	1,802
Paper, &c.	1,561
Glass	1,483
Matches	1,359
Build'g, &c., Mat'ls ...	1,338
Spices	1,284

	(000 omitted)
Chemicals	£1,273
Brass, &c. ...	1,222
Fruits and Vegetables	1,120
Cigarettes &c. ...	1,100
Drugs and Medicines	1,056
Rubber Manuf's. ...	1,029
Salt	1,011
Silk (raw)	881
Copper	837
Plants	826
Woolen Goods ...	819
Wood and Timber ...	767
Apparel	751
Belting	672
Stationery	609
Soap	599
Haberdashery, &c. ...	419
Government Stores :	
Railway plant, &c. ...	£1,613
Coal, coke, &c. ...	1,044

Exports

	(000 omitted)
Cotton (raw) ...	£35,980
Jute Manuf's ...	19,998
Grain, Pulse & Flour ...	19,994
Tea	12,147
Seeds	11,605
Cotton Yarn and Manufactures ...	10,434
Jute (raw) ...	9,366
Lac	5,277
Hides and Skins ...	3,988
Leather	2,689
Metals and Ores ...	2,370
Oils	1,896
Wood (raw) ...	1,696
Opium	1,369

	(000 omitted)
Coal, coke, &c. ...	£1,069
Coffee	927
Oilcake	911
Dyes	882
Paraffin Wax ...	852
Manures	778
Bran, &c.	764
Spices	669
Rubber	515
Wood	425
Mica	422
Hemp	265
Re-Exports	
Cotton Manuf's ...	2,643
Sugar	1,140

The following table shows the distribution of the Indian private sea-borne trade in 1921-22 :—

COUNTRIES.	PRIVATE MERCHANDISE ONLY.	
	Imports.	Exports.
Total Value (000 omitted) ...	£177,564	£154,253
	Per cent.	Per cent.
United Kingdom	55·6	19·7
Belgium	2·0	3·5
Ceylon	0·5	5·0
China (excluding Hong Kong) ...	1·0	4·8
Egypt	0·2	1·3
France	0·8	4·3
Germany	2·7	6·5
Holland	0.8	0·9
Hongkong	0·6	2.7
Italy	0.8	2·5
Japan	5·1	16·6
Java and Borneo	9·1	1·8
Mauritius	0·8	1·0
Straits Settlements	1·5	3·2
Switzerland	0·4	0·04
United States	8·1	10·8
All other countries	9·0	15·4

(NOTE.—Rupee figures converted at rate of Rs. 15 = £1.)

Trade of India 1921

The chief event of the year was the amendment of the second Schedule to the Indian Tariff Act, 1894, which was embodied in the Indian Finance Act, 1921, and took effect from 1st March, 1921. The general *ad valorem* tariff rate on imported articles, which had stood at seven and half per cent. since March 1916, was raised to 11 per cent. A specific rate of duty of 12 annas per gross of boxes, in place of the previous seven and half per cent. *ad valorem* duty, was imposed on matches ; and a duty of 20 per cent, was levied on certain articles of luxury such as confectionery, motor cars, motor cycles and pneumatic rubber tyres (excluding lorries), silk piece-goods, fireworks, clocks and watches, electroplated ware, gold and silver plate, musical instruments, cinematogragh films, toys, etc. The special rates of duty on imported liquors, foreign sugar, and tobacco other than unmanufactured tobacco were increased ; cotton machinery, hitherto free, was brought under the two and half per cent rate, and metallic ores of all sorts were made free. By Notification the imports of grain, pulse and flour were exempted from duty throughout the year. The revised rates were in force for only one month of the year under review, namely, March 1921.

The gross sea and land customs revenue (excluding salt revenue) collected during the year under review reached the unprecedented level of Rs. 31,88 lakhs, an increase of no less than Rs. 9,40 lakhs, or 42 per cent. over the preceding year and of Rs. 20,54 lakhs or 181 per cent. over the pre-war year 1913-14. To the total customs revenue realised during the year, import duties contributed Rs. 23,08 lakhs or 72 per cent; export duties Rs. 4,83 lakhs or 15 per cent; the excise duty on cotton manufactures Rs. 2,35 lakhs or 7 per cent ; and that on motor spirit Rs. 54 lakhs or 2 per cent. ; land customs and miscellaneous yielded approximately Rs. 1,08 lakhs or 4 per cent. Under imports the most noticeable increases were in cotton goods Rs. 2,60 lakhs, carriages and carts, including motor cars and cycles Rs. 77 lakhs, liquors Rs. 50 lakhs ; hardware and cutlery, and paper Rs. 47 lakhs each ; tobacco Rs. 42 lakhs ; machinery Rs. 34 lakhs ; instruments and woolens Rs. 21 lakhs ; and railway plant Rs. 20 lakhs. On the other hand, petroleum showed a decrease of Rs. 31 lakhs and sugar of Rs. 19 lakhs.

Review of the Trade of India in 1920-21

The official Review of the trade and industrial position of India issued in 1922 points out that the year 1920-21 carried Indian trade one more stage on its slow return to normal conditions. The previous year had witnessed an unprecedented boom when Indian exports increased monthly from Rs. 22½ crores in April, 1919, to the record figure of Rs. 31½ crores in March, 1920. Imports had also increased during the same months from nearly Rs. 14½ to nearly Rs. 24 crores. The total trade of that year, imports and exports combined, had reached the record value of Rs. 535 crores. The pace was too fast, however, and before the year 1919-20 had closed, it had given the first clear indications that the inevitable reaction was at hand. By January, 1920, freights had definitely fallen, tonnage was no longer scarce and a further decline in freights was confidently expected. Freight charges are an important item in the landed cost of produce, and neither dealers nor manufacturers can afford to buy on a falling market save for urgent requirements. A natural consequence was that forward orders on India diminished, and subsequent business was largely confined to spot transactions. In February, a check to the rising prices of one or two commodities indicated that stocks of those goods in the world's markets (where exchange and political conditions permitted of import business) were approaching satiety levels. A third factor was the downward trend of exchange. The demand in the United Kingdom for council drafts ceased early in January and the attempt to stabilize the ruppee at 2*s*. gold led to violent competition in India for reverse councils. T. T. selling rates on London, which had stood at 2*s*. 10½*d*. on the 11th February 1920, had fallen to 2*s*. 3*d*. by the middle of the following month. Taxation was everywhere high, and financial stringency prevailed, foreign exchanges were capricious and unrest was beginning seriously to affect the world's industries. Russia and Central Europe were still out of the market, and India had lost in them some of her principal customers. Finally, owing to poor harvests in India it was impossible wholly to remove embargoes on the exports of food-grains, and one of the incidents to a favourable trade balance was in consequence curtailed.

Exports were first affected. As already stated, exports during March, 1920, had reached the record figure of Rs. 31½ crores. By the following month, April, they had fallen to Rs. 28½ crores, by

September to less than Rs. 22 crores and by March, 1921, to Rs. 18 crores. On the import side, the effects of the slump were much slower in their operation, and although their influence was felt in restricted sales and congested ware-houses, it was concealed under a steady inflow of goods. Indeed, during the first three quarters of the year imports increased considerably in value, carried onwards and upwards by the momentum of the trade boom and high exchange rates of the previous year. This was only to be expected. Trade returns of imports are invariably out of date as a record of business transactions, for even in normal years they indicate values on arrival in fulfilment of orders placed three, six or even (in the case of machinery) twelve months earlier, as contrasted with the departure values recorded in the export returns, which reflect more quickly serious fluctuations of trade. The contrast is, of course, considerably more pronounced, if, as in the year under review, the orders were placed abroad when demand was keen, industries at high pressure, and deliveries seriously delayed. Moreover, the industrial boom in India had encouraged the placing of heavy orders for plant, machinery and stores; and large quantities of railway stores were needed to make good the deterioration of the previous five years. Hence, imports into India increased monthly from over Rs. 21½ crores in April, 1920, to the record figure of over Rs. 31 4/5 crores in October. The orders for these goods must have been placed at anything from six to twelve months earlier; indeed mill-work and machinery was delivered in India in 1920 in fulfilment of orders placed in 1917 or even in 1916. Nor should it be forgotten that the goods arrived in satisfaction of the colossal credits accruing to India on her record exports of Rs. 327 crores during 1919-20. From January, 1921, imports also declined, until they stood at Rs. 24¼ crores for March, the concluding month of the year.

Thus the year 1920-21, which had apparently opened well, closed in a state of serious depression. In all the circumstances, failures of individual firms have been surprisingly few—additional evidence of resources built up during the war. Although exchange is low and fluctuating, it has survived the debacle of Continental exchanges. The internal currency position is good and the note issue well supported. It is true that labour difficulties are in evidence in India as in other parts of the world and that railway facilities which vitally affect the coal position are handicapped by many years' depreciation, without replacement (much less normal expansion), of rolling stock and permanent way. These are factors which must affect industrial activity in India and thus indirectly the volume of her imports and exports. At the same time, they were not sufficient to discourage foreign purchasers during the trade boom of 1919-20, and not even the pessimist can regard them as permanent obstacles to a revival of trade. Much will depend on the activity and distribution of the monsoon. Continental countries, popularly adjudged bankrupt, have already begun to purchase Indian goods in small quantities without the help of International Credit Schemes, and their stocks are known to be below. India herself still has leeway to make up in productive capital expenditure on plant, machinery and railway materials. The revival of trade may be slow, but the conditions essential to a revival are in evidence.

IMPORTS.

The demand for imported goods in India was starved during the artificial trade conditions of the war. During 1918-19 there was a recovery, but only a partial recovery, as war conditions were fully operative during eight months of that year, while the remaining four months were not sufficient to cover more than the preliminary steps towards decontrol and towards return to peace conditions of manufacture. In the result, imports, in spite of high prices, did not attain even the values of 1913-14. During 1919-20 the recovery was more marked, and a total of nearly Rs. 208 crores of imports was reached. The theorist would say that satiety point had been reached. But if 1919-20 was a record year for imports, it was no less so for exports, and the balance in India's favour, on the year's exchange of merchandise, was as high as Rs. 119 crores. Exchange was high, credits were good, foreign prices were still rising. It is true local stocks were also rising, but it must not be forgotten that, in important lines, such as piece-goods, dyes, sugar, provisions and mineral oils, India is accustomed to work on ample margins, which have been roughly estimated at nine and in some cases as much as twelve months' supplies. When one compares India's purchasing power in 1919-20 with that of 1913-14, and discounts the rising prices of the post-war year, one is not surprised either at the volume of her imports during 1919-20 or at the continuance of her purchases on an increasing scale well into 1920-21. It is true that, at the time of writing, there are indications of a glut. But the indications seem to come more from scattered centres of distribution than from the ample districts which they feed and which furnish collectively during seasons of plenty the vast demands of India. Last year's monsoon was poor, and the district demands were limited in consequence. Were these demands released, it would perhaps be found that the glut is more apparent than real. To what extent foreign purchases will be curtailed as a result of the increase in the general rate of import duty from 7½ to 11 per cent from 1st March, 1921, still remains to be seen.

EXPORTS.

The combined trade of the year 1919-20, imports, exports and re-exports, had amounted to Rs. 534¾ crores, a total never before attained. Exports and re-exports had together reached a total value of Rs. 326¾ crores, also a record for one year. Including movements of bullion, official remittance and rupee paper on private account, there had been a record balance of trade of Rs. 95 crores in India's favour. Finally, the last month of that year, March 1920, had registered a new record in the value of one month's exports of Indian merchandise which had totalled Rs, 30 crores.

The volume of exports declined steadily from that month to Rs. 27 crores in April, 1920, the first month of the year under review, Rs. 20½ crores in September and Rs. 17 crores in March, 1921. Total exports for the year at Rs. 238 crores were less ever than during the last pre-war year (1913-14, Rs. 244 crores) in spite of the higher level of prices. The reasons are not far to seek. The general cost of living, wages and costs of production rose, reducing margins of profit. The monsoon was short and official control of the export of food-grains, a considerable item in India's foreign trade, had to be retained. Foreign countries in a position to buy had bought to excess and countries starved of goods had not sufficient exchange strength to place orders. Such orders as were forthcoming contracted from a forward to a spot basis. Stocks in India rose. The slump was general and acute.

The slump itself was of course a natural and not unhealthy reaction from the frenzied buying which had followed the redistribution of wealth during the war, and the subsequent reorganization of industries in the comparative security of peace conditions. Indian produce and manufactures had been in keen demand, but it yet remains to be seen to what extent they had passed into consumption or had merely accumulated in foreign markets. The conditions naturally varied with the commodity. All that can be said with safety is that the climax occurred during January-February 1920, when prices and exchange reached their highest levels, and that foreign orders diminished rapidly thereafter. Subsequent purchases were made from hand to mouth, on falling prices, freights and exchange, and behind stocks which could only be liquidated at a loss. An important factor was the weakness of the monsoon of 1920, necessitating the retention of official control of exports of wheat and rice within specified limits of quantity and price. The exports of other food-grains and flour were also kept under control. The practical effect of these orders was to restrict foreign dealings in what are normally important items of India's export trade, and to keep the prices at levels reasonable to both producer and consumer in India.

A factor of considerable importance to the export trade was the steady decline in the sterling value of the rupee from 2*s*. 4*d*. on the 1st April, 1920, to 1*s*. 3 11/16*d*. on the 31st March, 1921; that is to say, conversely, the appreciation of the rupee value of sterling from approximately Rs. 8-9-0 to approximately Rs. 15 per £. The effect of this tendency was naturally to modify the decline in rupee prices, which did not in general show so violent a fall in India as the corresponding rates expressed, in foreign currency, in foreign markets. The decline in freight rates was a contributing factor. The effect on India's export trade varied considerably with the commodities, handled and specially with the conditions of payment. On the whole, although Indian prices declined more gradually (owing to declining exchange) than prices in foreign markets, her export trade was severely hit, since steady forward business had been rendered impracticable.

An interesting feature of the year's trade is that the wide margins of price between superior and inferior qualities of the same classes of goods—characteristic of the war period—were generally maintained. This tendency was due to several causes. In the first place, Central Europe and Russia have always afforded safe markets for the lower-grades of Indian goods; hides and skins, jute, tea and rice may be quoted as instances. With these markets closed, the cheaper qualities of goods were in poor demand and their prices fell accordingly. Secondly, demands during the war were largely on munitions account; and for military purposes the better classes of goods commanded a premium. Thirdly, as freight rates rose during the war, they counted for more and more of the price of landed goods and discouraged the demand for cheap qualities. There are signs that the margins between some classes of goods are beginning to contract again—an indication of a return to normal trade conditions. But so long as freights and costs of production remain high in comparison with pre-war levels, the discrepancy between the prices of superior and inferior grades of similar commodities will doubtless continue to be wide.

THE DIRECTION OF TRADE.

The noteworthy feature in the direction of India's trade in 1920-21 was an increase in the share of the British Empire in the total trade as compared with the preceding year, from 51 to 56 per cent, with a corresponding decrease in the share of foreign countries from 49 to 44 per cent. The important variations as compared with 1919-20 are stated below:—

(1) A remarkable increase in the percentage share of the United Kingdom in imports from 50·5 to 61 per cent accompanied by a decrease in exports from 29·6 to 21·9 per cent, resulting in a net increase in the total trade from 37·7 to 44·1 per cent. In the pre-war year 1913 14 the shares were 64 per cent in imports, 24 per cent in exports and 40·7 per cent in the total trade.

(2) A decrease in the share of His Majesty's Dominions and other British possessions in imports from 10 to 5 per cent with an increase in their share in the export trade from 14 to 21 per cent, the net result being a decrease in the total trade from 13 to 12 per cent.

(3) The whole British Empire had 56 per cent of the total trade (66 per cent of the imports and 43 per cent of the exports) as against 51 per cent (61 per cent of the imports and 44 per cent of the exports) in 1919-20.

(4) A decrease in the share of the United States of America in imports from 12·1 to 10·5 per cent, although in exports her position remained practically unchanged, namely, nearly 15 per cent, thus recording a net decrease in the total trade from 13·8 to 12·4 per cent.

(5) An all-round decrease in Japan's share in the trade, namely, under imports from 9·2 to 7·9 per cent and under exports from 14·3 to 9·5 per cent, resulting in a net decrease in her share in the total trade from 12·3 to 8·6 per cent.

FRONTIER TRADE.

The Bulk of India's foreign trade is sea-borne, and the value of the trade across the land frontier of British India which extends over about 6,800 miles, is only 5 per cent of the total sea-borne trade and amounted to Rs. 34 crores in 1920-21, showing an increase over 1919-20 of 3 per cent and 79 per cent over the pre-war average. The following table shows separately the figures of merchandise and treasure included in this trade :—

	MERCHANDISE.			TREASURE.		
	Imports	Exports	Total	Imports	Exports	Total
	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)	Rs. (Lakhs)
Pre-war average.	9,17	7,66	16,83	1,14	93	2,07
Year						
1920-20	14,85	15,27	30,12	2,17	65	2,82
1920-20	16,02	15,19	31,21	2,14	62	2,76

The figures of treasure exclude Russian paper money of which there was practically no import from Chinese Turkistan, while the exports to Chinese Turkistan and Central Asia amounted to Rs. 2,39,000 during the year.

GOLD AND SILVER (COIN AND BULLION).

The special features of the year were (1) the passing of Act XXXVI of 1920 prescribing the new ratio of one sovereign equal to Rs. 10 at which the sovereign was made legal tender, and (2) the removal of the restrictions on the importation of gold coin and bullion by Finance Department Notifications Nos. 1801-F., dated 20th June, 1920, and 2034-F., dated the 13th July, 1920, and on the exportation of silver coin and bullion by Commerce Department Notification No. 3639, dated the 3rd July, 1920. A change was introduced from the 1st April, 1920, in the system of valuation of imports and exports of gold for statistical purposes, the market value at the time, and Indian port, of import or export, being adopted for the trade returns.

GOLD.

The sales of gold by the Government of India, which were begun in September, 1919, with a view to reduce the premium on gold in this country and facilitate the establishment of the ratio of Rs. 10 to the sovereign, were continued fortnightly until September, 1920. Under the influence of these auctions the price of country bar gold in the Bombay Bazar stood at Rs. 24 per tola on the 7th April 1920; at Rs. 21-6 on the 7th July, 1920, and at Rs. 23-8 on 14th September, 1920, the last day of the auction sales. From that date Bombay Bazar prices grew gradually firmer and finished at Rs. 30 on the 31st March, 1921. The imports of gold on private account amounted to Rs. 1,251 lakhs as against Rs. 1,097 lakhs in the preceding year. The United Kingdom sent Rs. 613 lakhs (49 per cent of the total) mainly in the form of bullion as in the previous year, while Rs. 235 lakhs (19 per cent), consisting chiefly of coins were imported from Asiatic Turkey (including Mesopotamia). The other principal exporting countries were Aden (Rs. 92 lakhs), East Africa including Zanzibar and Pemba (Rs. 66 lakhs), the Straits Settlements (Rs. 63 lakhs) Australia (Rs. 60 lakhs), and the United States (Rs. 47 lakhs). There was a remarkable increase in the exports on private account, which amounted to Rs. 2,139 lakhs as against Rs. 693 lakhs in 1919-20 and Rs. 490 lakhs in the pre-war year 1913-14. Japan took Rs. 1,257 lakhs or 59 per cent and the United States Rs. 858 lakhs or 40 per cent of the total. There was thus a net export on private account of Rs. 888 lakhs in 1920-21 as against net imports of Rs. 404 lakhs in 1919-20 and of Rs. 2,332 lakhs in the pre-war year. The imports and exports in the year under review, unlike those of the preceding years, did not include any transactions on behalf of the Bank of England. The imports of gold on Government account were valued at Rs. 1,106 lakhs as against Rs. 3,728 lakhs in the preceding year and only Rs. 27,000 the average imports in the pre-war quinquennium. Ninety-four per cent of the Government imports in 1920 21 (Rs. 1,011 lakhs came from the United Kingdom, and the remainder chiefly from Aden (Rs. 57 lakhs), Australia and New Zealand (Rs. 6 lakhs), and Asiatic Turkey (Rs. 2 lakhs). The Government exports (mainly to the Behrein Islands) were valued at only Rs. 7 lakhs as against Rs. 599 lakhs in the preceding year. The net imports on private and Government account were only Rs. 2 crores as against Rs. 35 crores in 1919-20 and over Rs. 23 crores in the pre-war year. The absorption of gold coin and bullion in 1920-21, was Rs. 2,521 lakhs against Rs. 1,777 lakhs in the preceding year. Large amounts were however held for export as soon as exchange price and other conditions allowed a profit.

SILVER.

The price of bar silver per ounce in London on the 1st April, 1920, was 72½*d.* It fell to 44*d.* on the 15th June, 1920, and then showed a marked upward tendency rising to 63⅞*d.* on the 20th August. Towards the end of August and in September the price remained fairly steady in the neighbourhood of 60*d.* From October the price began again to fall until the lowest figure 30⅝*d*, was reached on the 5th March, 1921. On March 31, the price was 33⅛*d.* There was a note-worthy increase in the imports and exports of silver on private account accompanied by a decrease in the imports on account of Government. The imports on private account rose from a little over half a million ounces worth Rs. 15 lakhs in 1919-20 to nearly 42 million ounces, valued at Rs. 1,073 lakhs, in the year under review. The principal sources of supply were the United Kingdom (Rs. 699 lakhs), China (Rs. 175 lakhs), and the United States (Rs. 50 lakhs) The Government imports were only Rs 29 lakhs as compared with Rs. 30 crores in 1919-20. The latter figure, however, included certain shipments from the United States under the Pittman Act, as noted in the preceding issue of the Review of Trade. The exports of silver on private account increased from Rs. 59 lakhs to Rs. 441 lakhs and went mainly to Mauritius, China, and the Straits Settlements (chiefly Straits Dollars and other coin on account of the Straits Government).

Thirty lakhs worth of silver in Government of India Rupees were exported on Government account and were entirely destined for Ceylon. The net import into India, both on private and Government account, in 1920-21 was Rs. 631 lakhs, a decrease of 78 per cent as compared with the preceding year and of 52 per cent as compared with 1913-14.

BALANCE OF TRADE.

The outstanding feature of the year's trade was the excess of imports over exports of private merchandise by over Rs. 79 crores. In the preceding year exports had exceeded imports in value by Rs. 126 crores and in 1918-19 by nearly Rs. 85 crores. In the first two months of the year under review exports held their own, but imports were fast gaining on them and the favourable margin of Rs. 7 crores in April, 1920 was reduced to Rs. 4 crores in May and was converted to an adverse balance of Rs. 3 crores in June. From that month the adverse balance continued to the end of the year, the highest figures recorded being Rs. 13 crores in November, 1920, Rs. 12 crores in December, 1920, and again Rs. 13 crores in January, 1921.

Another feature of the year was a net export of treasure on private account, valued at Rs. 1½ crores as against a net import of Rs. 11 crores in 1919-20 and of Rs. 29½ crores in the pre-war year.

The net result, on private transactions in merchandise, bullion, Government securities, and Council drafts, was that the balance of trade, which had been in favour of India since the outbreak of war, swung against India to the tune of no less than Rs 50 crores during the year under review.

To summarise the position prices had reached their apex in February, 1920, and declined thereafter. In particular the London price of silver had fallen from 72¼*d*, on 1st April, 1920, to 33⅛*d*. on 31st March, 1921. Exports of merchandise during the year showed a fall of 22 per cent as compared with 1919-20, while imports rose by no less than 67 per cent. No Council drafts were paid in India, while reverse drafts paid in London amounted to Rs. 28½ crores. Notwithstanding a net export of treasure as against the customary net imports of previous year's trade ended, as already stated, in an unprecedented balance of Rs. 50 crores against India as compared with favourable balances of Rs. 95 crores in 1919-20, and Rs. 35 crores, the average of the five war years 1914-15 to 1918-19.

In these straits, exchange had no option but to decline, in sympathy with the general causes underlying the downward tendency of trade. On the 1st April, 1920, the rate for demand bills was 2s. 4⅛d. By the end of June it had fallen to 1*s*. ⅞*d*, but rose again to 1*s*. 11⅛*d*. in July. In August and September it fluctuated between 1*s*. 10⅛*d*. and 1*s*. 9½*d*. From October it began to fall steadily, and on the 7th March, 1921, stood at 1*s*. 2 15/16*d*. On the 31st March demand bills were quoted at 1*s*. 3¾*d*.