REVERSE COUNCILS AND OTHER "ORGANISED PLUNDERS"

BY THE SAME AUTHOR.

Mr. Montagu's Failure	...	1	8	0
Leprosy in India	...	0	8	0

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BY

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and "Leprosy in India"

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PREFACE.

Let it not be put down to sheer pedantry if I say that I am loyal to England no less because of King Shakespeare than of that sympathetic personality, King George. I am for a real and lasting partnership between India and England. It would be a great pity if any mishap should befall this old England, not merely of 'Angles' but of 'Angels'. Hence, she should adopt a more honest and a more enduring course. As for India—as Dr. Besant is always happy to say—this old and ancient land is, and will ever remain, young—provided Hinduism lives.

After the complete book was printed, I saw the inspired article in the *Economist* on "Indian Exchange". I may claim that the chapter on 'Currency and Exchange' in this book, gives a full reply to the *Economist*, as well as to Mr. F. V. Rushforth's book, that vast jargon on 'Balance of Remittances' and to Mr. H. S. Jevons' books of apologia for the Government. Happy Mr. Jevons! Government have paid him Rs. 7,500 for one of his books. But then, Government's subsidy might have been a forlorn effort at replying to Mr. Bomanji's prize-scheme.

I have scrupulously refrained from mentioning Mr. Montagu's name in the whole book. Now that he is no more, I feel I have been rather too hard on him in my previous book. After studying all the available literature on this subject, I find there are others more deeply dyed in the conspiracy. Poor man, after all, he gave us the Reforms. Some Englishmen, in their bitterness, blame him for this measure, and are ungrateful not to remember that he gained for England at least £ 500 millions.

In being able to write this book, I am very much indebted to the Indian Merchants' Chamber, Bombay, for their open correspondence and annual Reports, to 'Kristodas' and the Editorials of the *Bombay Chronicle*, to the commercial columns of the *Times of India* and to that high-class journal, the *Capital.* I am also very much beholden to the Y.M.I.A., one of Dr. Besant's splendid creations or benefactions.

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INTRODUCTION

If the numerous companies and industries of the last three or four years, scotched very nearly at their birth, could only tell their tale, they would speak to the authors of the Reverse Councils policy of 1920, almost like the ghost of him whom 'King Richard III' had slain,

> Let me sit heavy on thy soul to-morrow,
> Think, how thou stabb'dst me in my prime of youth
> At Tewkesbury : Despair therefore, and die !

Nobody expects Indians to live like Methuselah or Dasaratha; but surely, the victims of poverty, destitution and starvation as well as of preventible diseases can likewise exclaim to those responsible for the management* of Indian finances during the last few years,

Let me sit heavy on thy soul.

It might seem odd that anything should be written on this subject at this late hour, or that any one should dream of resuscitating this unfortunate controversy as if one has gone mad over it; especially, when there is too great eagerness on the part of all concerned to consider it as a completely closed topic—deeply buried and put out of men's thoughts, never to be exhumed and exposed to the vulgar gaze of the public. Certainly, no one should bo willing to reawaken painful memories of an

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* An Ex-Lieutenant Governor—not of the Michael O'Dwyer type,—in an article on the Leper Problem in the *Asiatic Review*, January, 1924, writes "The answer is that India is a poor country and cannot afford the large expenditure which would be required for the provision of Asylums on a scale sufficient for the segregation of the entire leper population.

Power has been taken by law for the compulsory segregation of pauper lepers, but very little use has yet been made of it, as owing to the financial stringency which has prevailed since the Act in question was passed, it has not yet been found possible to proceed with the construction of the settlements needed for their confinement."

The Madras Mail, which takes a very keen and noble interest in the Leper Problem and which writes very often on this question says, "With every desire in the world to isolate these from the general population and to treat them with humane consideration, we are afraid that there are indications that the straitened financial situation in India generally will not permit of this being done on the scale which is essential if it is to be successful."

affair of which the men responsible seem only too heartily ashamed, with the exception of one individual, Mr. Cook or, as he now is, perversely enough created, Sir Edward Cook.

The poor Finance Member of 1922, a dupe and, perhaps, an unwilling tool (sic) of a conspiracy to defraud India, almost cried, 'Why bring in a topic as far back as 1920.' In that poor man's view, two years have become two centuries. Sir Basil Blackett who, like Lord Reading, has succumbed to the wiles of the incompetent but self-satisfied I.C.S. (*pace* their demand for an increase of salaries), in a recent speech in Bombay referred to the Reverse Councils transaction as an event of only historical importance. Have these three years been transmuted into three centuries or have we escaped out of the present cosmos and has our measurement of time, hence, been changed? Only the English nation reserve to themselves the sole right to observe or celebrate anything, whether it is the Pilgrim Fathers' Day or the latest, the Armistice Day of Nov. 11, for ever and ever. It might be asked what is it that India has to commemorate as a result of the war, to the successful prosecution of which she contributed in no small measure—not to speak of an overworked phrase. Is there anything of which the rulers might be proud, except the ugly recollections and effects of two diabolical acts, one in 1919—now assuming added poignant pungency with Justice McCardie's hypocritical eulogium—the other, in 1920, both following in quick succession, the former affecting the honour of India, the latter her economic condition? And these two, our very unselfish and disinterested rulers would fain forget altogether and would have us do likewise.

I recur to this subject, not because it is a sort of King Charles' Head with me; but because I am more than ever convinced that the Reverse Councils transaction is the parent of all the financial ills that India has been afflicted with ever since 1920, and that the mentality that skilfully and cunningly worked up this scheme to smash India's financial strength and well-being has not been laid low, but is still going strong. It has even got its tentacles deep in every other financial question, military, currency and exchange, railways, stores, etc. The persistence of the India Council to survive like a cat's life and to stick on with the motto 'Reforms might come and Reforms might go, but I go on for ever,' lends strong colour to this view. The evil spirit that took hold of our finances in 1920, has not proved a temporary thing nor has it been exorcised and driven out. On the other hand, it has pervaded every branch of the administration and has spread and taken a deep hold even in Provincial and Local Administrations, as in the results of the Lloyd and Lawless Hepper combination in Bombay. The doubling of the salt tax (the present decrease does not affect my view-point), the way in which all possible taxes have been levied upon the people, the remorselessness with which burdens have been heaped on the poor Indian taxpayer, the headlong manner in which India has been deliberately pushed into bankruptcy, everything shows, there has been some method in all this madness. Mr. Baldwin's honest dictum that the more a country is prosperous, the greater will it be a customer to England, is not meant perhaps to be applied to India. Some of our purblind and mole-eyed rulers, in their intense greed and selfishness, have no such belief in the fact that the more India is prosperous, the more valuable will she prove as a customer to England. Perhaps, the reverse holds sway in their minds, which, if true, might with all due respect be termed almost cannibalistic. The wonder of it is, that England adopts a generous attitude and directs all her commiseration towards Germany and would even welcome her as a prosperous customer, but not, towards India, just as England would open Kenya and Tanganyika to the colonisation of her former enemies, the Germans or the Boers, though the latter's hatred towards Englishmen would flare up at the first opportunity—*vide* Lord Selborne's admission in the *Empire Review*.

Of those who are aghast at some of my strong remarks, it may be asked whether the country has seen such poverty, such utter dearth of money, such low purchasing power on the part of the people, even in the pre-war days, when our Note circulation was only 64 crores. What has become of all the additional wealth that must have poured into the country as a result of the war, and where has gone all the increase of wealth due to the huge balance of trade and the natural increase due to efflux of time? Has the country ever known such a large number of insolvencies, bankruptcies, such closing down of firms, manufactories and establishments? Has the country ever known so many auctions going on everywhere? The money market is ever stringent; there is an utter paucity of money everywhere; and a very constriction in the circulation of money, in spite of the boasted 170 or 180 crores notes with their attendant rupee coins. But we know, everything will be attributed to trade depression and to world causes, according to our invertebrate Viceroy, Lord Reading.

Again, has the country ever known or seen such pauperism or beggary as in the present day or such a large unemployment problem? Everywhere we see people remaining houseless and we hear of many dying on pavements and thoroughfares owing to sheer starvation. These poor, destitute people are in all stages of misery, crippled, diseased or derelict human beings. Their condition is worse even than that of cattle and they seem to be mere chattels, not worth a minute's thought, either of the Government or of the well-to-do. The people, on the whole, have been rendered poorer than before, and their sufferings are really very acute. While a few wallow in luxury, to the vast majority, life is one of day to day struggle for bare maintenance. Even the vast mass of the middle classes are on the verge of penury; conditions of health and sanitation are no better; and victims of disease are as numerous as ever. There is an infinite amount of suffering, all silently borne. Keen observers say, they have never seen such a large number of destitutes during the last 20, 30 years and this, in spite of the great Mercy of Influenza which checked the growth of population by 14 millions.

The expenditure of the country stands vastly increased, but very little of it has gone for the redress of poverty and relief from disease; and such increase of expenditure is going on in wasteful and unproductive channels and practically nothing towards the amelioration of the condition of the masses. Whereas in England, they boast of having spent £400 millions on war pensions, of having spent a like amount in the relief of the unemployed; while, all the time, serious and gigantic efforts are put forth by the various political parties for the revival and greater expansion of trade. They have even gone to the length of recognising Soviet Russia and helping down-trodden Germany to achieve their national urge. Look at the care with which England's statesmen and financiers scan the weekly trade and industrial reports! And what has our Government got to its credit here? Does the Government evince the least care about the condition of our trade and industries, the least concern that cotton mills are closing down or that coal and iron and steel Companies are working at a loss or that there is a great depression and stagnation in trade? I write this in spite of the belated effort at protection to iron and steel. Has the Government shown the least anxiety to enquire what a large number of people are remaining unemployed or destitute, even in the low standard of living prevalent in India? There is very great distress throughout the country, both among the labouring classes as well as amongst brain workers. The Government of India remain supremely oblivious of the whole thing and, in a reply to a question in the Imperial Legislature, stated, they were not aware that there was great unemployment in the country. Not merely that, they have even sidetracked the demand for enquiry into the economic condition of the people and have appointed, in its stead, a committee to enquire into taxation, composed of effete personnel. For a seat on such a not-wanted committee, so-called eminent Indians are buzzing round. The problem of health and disease is viewed from the standpoint whether the post of Public Health Commissioner should be left un-axed or not! While such hard facts and situations confront us, the very I.C.S. whose chiefs had so ably mismanaged the country's finances, are not ashamed to clamour for increase of salaries as if their need was the direst. Whatever it be, one thing is certain, some malignant being, driven by the motive power of jealousy and envy, has been hard at work, ever since January 1920. And all the sufferings of the people, whether of high taxation or low purchasing power, the increase of indebtedness of both merchants and agriculturists—not to speak of the extravagance of the Government and the vastly increased national debt—are distinctly traceable to that.

II

The outstanding fact of the situation is, India has been being treated more as an enemy country than as one who fought on the side of the Allies. Every one will have to admit that, after a close scrutiny of all the events that occurred after the armistice. It is, no doubt, a very unpleasant and bitter observation to make, but none the less, it is nothing but the bare and naked truth. The treatment of

Germany by France has not been worse than the treatment meted out to India after the stress and anxiety of the war was over. Barring the Reforms, every single act of the Government looks as though India was like Turkey, a faithful ally of Germany; and effective 'reparations, restitutions and guarantees' should be exacted from her. Reparations took the form of Reverse Councils and 7% loans; restitutions, in the shape of greater military expenditure, more contributions to the War Office, in stores, in capitation rates, etc., in the form of increase of salaries and that new and mean invention, proportionate pensions; and guarantees took the shape of Rowlatt Act, the Punjab episode and 20,000 political prisoners later on in the 'Justice' regime. It is a sight for the Gods to see or to adjudge. Why! as for the loss of territory, India is to lose like Germany and Turkey, and Indians are to be bundled out of not only Canada, Australia and S. Africa but also from Kenya and from German East Africa or Tanganyika as it is called.

To crown all, a new demand has been sprung upon India and that is, India should pay £40 millions to England as India's share in the war-pensions expenditure incurred by England. The infamous nature of the demand has only to be mentioned to be realised. When, first, England put in £400 millions—her war-pensions expenditure—as a claim against Germany, the world was more or less aghast and shocked at, what may be called, England's greed and subterfuge and she was practically forced and shamed into dropping this claim unless it is to become a matter of international scandal. Even with Turkish capitulations, England and the Allies could not have their own way. And though she failed with Germany and Turkey, she has turned on India, her former enemy forsooth,—India, not the glorious dependency of Britain or equal partner in the British Commonwealth announced from Wembley and other places for eye-wash purposes—but India, one of England's enemies for all *practical* purposes, the late ally of Germany and Turkey and Austria-Hungary; why, it is but right that India should be made to pay her share in the war pensions. The other countries will not interfere in this matter as it is only a domestic question within the British Empire and it is not likely to assume international importance or to be called international scandal, as in the case of Germany, and therein lies the safeguard with which the egregious War Office in London has been making demands upon demands on India, the latest being this £40 million exaction.

To put it in another way or to institute a parallel, it may be wondered at whether even General Von Mackensen planned his operations so thoroughly and effectively against Rumania so as to hem her in from all directions as the operations conducted against India, almost simultaneously by the War Office, India Council, Lombard Street and by the frightened sedition scaremongers in Simla and the Die-hards in London. The Rowlatt Act and the Punjab shame were like Mackensen's attack and sally in the Transylvanian hills and sector. And while the country was mustering all its feeble strength to ward off that ignominious attack, she was pounced upon in the opposite side with the Reverse Councils scheme and the Currency and Exchange legerdemain just as Mackensen captured the Danube region. To carry the comparison no further, the whole of India has been ravaged likewise economically, financially and politically from all sides, the climax reaching in the imprisonment of Mahatma Gandhi and in the £40 million pensions demand and the Lee Commission.

On such occasions, the impotent Indian's plea has always been, 'England's honour is at stake.' As if England ever cared for her honour in her dealings with India or she had much honour to lose with regard to Indian financial affairs. Leave alone honour; at least, elemental gratitude should have dictated to England a quite different course. The late Sir William Meyer, one of the very few capable financiers the I.C.S. has produced, said, 'It was only through India's help that the whole of the operations of the Near East and Middle East was successfully conducted, as she poured her enormous supplies and that it was only through India that even the pegging of exchange in New York was possible.' He also affirmed that 'even the U.S.A.'s financial help to Britain was rendered easier because India was the pivot on which the whole financial policy of Britain revolved during the war.' All the various services of India were clean forgotten, her troops, her monetary contributions, her enormous raw materials. Instead, India became the pivot of England's after-war finance in another direction which will be explained later on. That will also show how England or her mentors in India have ignored the caution or admonition which the late Sir William Hunter issued in the following words:—

> "I hope that this country will realise once and for all the poverty of the people from whom the Indian revenues are raised. When we have clearly recognised this, we shall see that the smallest act of financial sharp-dealing (mark the words) with India is an act not only of iniquity but of cruelty and meanness and one which carries with it lasting reproach."

> "If the British nation had realised the poverty of India, it would have refrained from several acts which now form standing reproaches against England in the Native Press. Fortunately for the national honour, the list of our injustices to India, although sufficiently painful to all who wish to see this country discharge its great duties in a noble spirit, is not a very long one. But under pressure of party exigencies and class interests in England, that list may at any moment be added to."

Unfortunately for India and for England, the list has grown too long, and has been added to, very much, much too much.

MYSTERY UNRAVELLED

There has been a good deal of mystery surrounding the whole Currency and Exchange policy which requires much unravelment, and the Government's persistent refusal to publish the correspondence from March 1919 to September 1920, a period of 18 months, between the India Office and the Government of India lends support to the general impression that there are certain dark corners which will not stand the full glare of publicity, some shady transactions or some ulterior motives which would perhaps bring down the honour of some. Whatever it be, to refuse to publish correspondence is not to inspire confidence in their integrity of purpose. Those who initiated this policy had in mind sure gains to England, as subsequent quotations would show, and even they will admit and will perhaps be "sniggering" that the results have exceeded their most sanguine expectations. The Reverse Councils policy imposed on India by the City of London and its chief care-taker, the India Office, is not so innocent a venture as Mr. Hailey of 1920 sought to make out. Though his defence was lachrymose to the extreme, the following are the clues, which I have been at some pains to find out, that give away the whole show and afford unmistakable proofs that the policy was launched upon with the sole eye to English interests in England and in India.

Mr. T. M. Ainscough, Britain's Trade Commissioner in Calcutta, in his first report 'On the Conditions and Prospects of British Trade in India,' dated July 23rd, 1919, (mark the date) when the notorious Babington-Smith Committee was conspiring against India, wrote:

> "The future trend of exchange is likely to have a considerable influence on Japanese competition. The recent advance in the sterling rates of the rupee from 1sh. 4d. to 1sh. 8d. has given the imports from countries on a gold basis, such as the United Kingdom, America and Japan, an advantage of 20 per cent; that is to say, the prices of United Kingdom, America and Japanese goods expressed in rupees are reduced by 20 per cent. Theoretically, the exchange rates on Japan should follow those on London within very close limits. In practice,

however, though the T. T. rate on London has advanced approximately 25 per cent., the T. T. rate on Japan during the same period only shows an advance of, say, 17 per cent., taking the highest and lowest points reached. At present the T. T. rate on Japan shows an advance of only 14 per cent. compared with 25 per cent. on London. * * *

More important still, the high exchange operates in precisely the opposite way in the case of exports from India; that is to say, the prices of Indian produce as expressed in the gold currencies of overseas importing countries are raised by the same proportion. Now Japan imports 60 per cent. of the raw cotton used by her textile trades from India, so that the high prices expressed in gold yen, at which she will have to purchase her raw materials, must be reflected by enhanced rates for the manufactured piece-goods. On the whole, therefore, the rise in exchange should not only greatly benefit Lancashire by reducing piece-goods prices in India, but should improve her position *visa vis* Japan, the prices of whose goods will not be reduced in the same proportion." (Two birds at one stroke.) (Page 17).

"The recent rise in the sterling exchange is of such importance to the import trade of the country that it may not be considered out of place briefly to refer to the causes underlying it and to the favourable effect which it is likely to have on United Kingdom trade with India. * * *

The effect of the rise in exchange from 1sh. 4d. to 1sh. 8d. (later on raised to unheard and undreamt of levels of 2sh. 4d. and 2sh. 11d.) is automatically to reduce the local price of overseas imported goods, expressed in rupees, by 20 per cent. This has been a great stimulus to the import trade, particularly, in the case of cotton goods, where the discrepancy between Calcutta offers in rupees and Manchester quotations in sterling was frequently bridged by the exchange, and many orders were placed this spring which otherwise would not have gone through. High exchange also places the British maker in a more favourable position *visa vis* his competitor in India. On the whole, therefore, his material interests would appear to be best served by the fixation of exchange at *as high a rate* as may be possible in the circumstances." (Italics mine) (pages 20 and 21).

" There is every probability, therefore, of a steady improvement in local conditions and very large purchases of Lancashire goods in the autumn. These will be considerably aided by the rise in exchange to 1sh. 8d., an advance of no less than 25 per cent. on normal rates, which is all in favour of the importer."

After writing and submitting to the Board of Trade in London, that able and patriotic report, Mr. Ainscough left Calcutta for London and, from September 1919 to March 1920, toured the whole of England, made a personal visit to all the industrial areas and urged on the manufacturers the need for dumping on India their goods at that most favourable opportunity—which would never recur even for a century unless an alchemist renders gold cheap—and to screw out the last benefit out of the high exchange then prevailing. What part he actually took in the moulding of the decisions of the Babington-Smith Committee or what effect his luminous and suggestive report had on that Committee, is not clear; that, we must leave the reader to guess or to judge. His visit to England and his beating-up and whipping-up the industrial areas coincided with the strange reasonings and stranger conclusions of the Currency Committee, and we may take it that the Department of

Overseas Trade to which office Mr. Ainscough belongs, would not have allowed the grass to grow under their feet, but might have confidentially implored the Currency Committee to have a thought for the suggestions made in his report. That was not improbable as England was casting about for all possible and impossible methods to recover her lost ground and to have a great expansion of her trade and industry. Whatever it be, Lancashire's interests could not have been forgotten by Sir Charles Needham, Mr. F. C. Goodenough whose Bank has a large stake in Lancashire, Sir Marshall Reid and Sir William B. Hunter, some of the members of the Currency Committee representing England's export trade to India.

The next clue is that given by Mr. Moreton Frewen after the holocaust of Reverse Councils affair was over. There was apparently great rejoicing in England, much ringing of bells and lighting of bonfires.

In a lecture on the *Problem of Exchange*, in March 1921, addressing the Empire Resources Committee at the House of Commons, Mr. Alfred Bigland presiding, Mr. Moreton Frewen drew attention to the figures given by the Secretary of State for India in his answer to

Mr. Arthur Samuel on March 2. Mr. Frewen said:

"The figures, showed that India's net exports for 1919 were no less than 125 crores of rupees, which, at the 1919 average rates of exchange might be reckoned at 125 millions sterling. Deduct 30 millions sterling for "home charges" liquidated by the sale of Council Bills (33 crores) and there was owing to India fully 90 million sovereigns. Thus, we are confronted with this dilemma. If silver had not gone all to pieces, and thus destroyed our export trades to Asia, and thrown all the exchanges against Asia, there must have been during the last financial year such vast shipments of our gold to Asia as might have produced the most serious panic. Next the United States would have embargoed the export of her gold and where under such conditions sterling exchange on New York would have gone to who can tell? That prospect for the dollar still gravely menaces our exchange in the near future. We may not improbably see such a further drain of gold to the Orient as may result in New York exchange at $2."

In addition, I remember to have read Mr. Moreton Frewen saying that but for the Reverse

Councils liquidating India's resources in London, the drain on England's gold and money power would be too enormous to bear. Now, this aspect to the bullion and money interests of London could certainly not have been forgotten by Sir Babington-Smith, Lord Chalmers (that hero of Ceylon fame), Sir Charles Addis and Mr. F. C. Goodenough. Did Messrs. Gubbay and Brunyate representing Indian Government sail along the current or, perhaps, the queer views of the Government of India, so mightily interested in the welfare of India, leave them no alternative but to concur in the decisions of their colleagues?

The third clue is that afforded by the vigorous statement of Major Grogan in March 1920, though he holds some vigorous views about Kenya to our disadvantage. He stated in a letter to the Press that there was no other explanation for their amazing action except on one of the following theories: namely,

"(1) A plot to whitewash the Indian Government.

(2) Political influence leading to a premeditated policy of assisting Manchester and Dundee exports by imposing a burden equivalent to 100 per cent sterling Excise on their competitors in India.

(3) Financial influence leading to a premeditated policy of sweeping every Indian debtor into the maw of the British Banking Trust.

(4) Subservience to some factor desperately interested in the maintenance of the high value of silver.

(5) An organised attempt of the Indian bureaucracy surreptitiously to multiply its salaries and pensions.

(6) All round general nescience on the part of all the responsible authorities."

Every one of his conjectures has proved correct except his remark under (4) and (6); for nobody, but Mr. Hailey that round man in a square hole, thought that the price of silver would remain high, not even the members of the Babington-Smith Committee. Nor can it be said that there was any general ignorance on the part of all the responsible authorities; for, subsequent developments show that all of them except Mr. Hailey were too uncommonly shrewd in this affair. Not only have Mr. Grogan's first three 'theories' come to pass and become established facts but also they are trying to make good by means of the Lee Commission where they failed "surreptitiously to multiply its salaries and pensions"—a very mean procedure after all the havoc caused.

Sir Charles Innes, also, has given a glimpse into the mentality of those who wanted the 2sh. rate.. He said in the Legislative Assembly during the debate on the Stores Purchase Policy,

> "We know that Germany and Belgium can dump by reason of their depreciated exchanges."

> "We must give a moderate amount of Preference *to British firms, while the present economic* situation continues (though protection in India, however small, lets loose the floodgates of alarm and hypocrisy in England). Mr. Sethna must know that Germany at the present *time* is pursuing a deliberate policy. She has set herself out to depreciate the exchange value of her mark in order that she may capture the markets of the world."

This is on all fours with Major Grogan's warning or exposure under No. 2. The point is, England deliberately set herself out to depreciate the exchange value of her sterling in order that she may capture the Indian market as against foreign and local competitors. All the talk about the high price of silver, the fear of inconvertibility, the concern to save in

Home Charges is all sheer bunkum, a mere camouflage or, it may be expressed, as a red herring drawn across the trail. The real purpose was to depreciate sterling in terms of the rupee; and, to give it an air of reality and permanency, Reverse Councils were sold so that the pressure of remittances both by importers and profiteers may not bring down the level of exchange too soon. In other words, sterling is to be depreciated—a course against which England is everyday inveighing with respect to the depreciated exchanges of France, Germany and Belgium—in terms of the rupee at as low a rate and as long as possible.

Indians also were not behind-hand in giving previous warning which had absolutely no effect. No wonder, as our benefactors had then made up their minds and as they were only fishing for a most favourable opportunity from July 1919 to February 1920. I am not referring here to the speeches of Sir Fazulbhoy Currimbhoy and Mr. B. N. Sarma (as he then was) in the Legislative Council in March 1920 nor to the belated but thoroughly correct statement of Mr. J. B. Petit in July 1920 that England is inventing all possible methods to evade her payments to India. The President of the Industrial Conference in 1919, (December)—I believe, it was Sir Fazulbhoy Currimbhoy—said,

"To give you an example of how seriously handicapped we have been in the past through the secret currency dealings and policy laid down by the Civil Service and the British trade interests dominating the Government of India, I would only cite the state of our Currency Reserve, Gold Standard Reserve and the Treasury Balances. During the war, to prop up the tottering fabric of British credit in the London money market, enormous sums of Gold Standard Reserve, Currency Reserve and Treasury Balances have been transferred to the London market aggregating altogether nearly 150 million sterling. This enormous sum of 150 million sterling was transferred to London when exchange sterling was at 1sh. 4d. To-day, as you are aware, the exchange is 2sh. 4d. that is to say, a loss of 112 millions sterling on a remittance of 150 million sterling. May I ask how is this enormous overbought exchange position of the Currency Reserve, Gold Standard Reserve and the Treasury Balances of the extent of 150 million sterling is going to be liquidated. Who is going to bear the loss? Are you Indians going to bear the loss, or the British Treasury? May we, Indians, be excused when we look upon all those manipulations of exchange to its present level with strong suspicion that it may be in order to facilitate the remittances by the British Treasury to India at the present rate of exchange."

Besides, timely warning was given and objection was raised, against the policy of the Government by Mr. S. R. Bomanji to whom as well as to Mr. B. F. Madan, real credit must go for first opening the eyes of their countrymen to the danger involved in the Government's rash venture. And even when the people came to realise the Exchange policy in all its implications, the Government went on in their mad course in utter defiance of public opinion. It is of course a most humiliating thing that any so-called civilized Government should have acted like this in the twentieth century and that, a year before the Reforms. It is obvious they wanted to meet the new Legislature with certain settled facts, leaving them the sole comfort of interpellations and impotent railings. For, as Mr. Bomanji put it, "In matters financial, the Indian Civil Service colluded with British merchants to bleed India in order to infuse new blood into England's trade."

And even the *capital* had to record,

"The Bombay merchants deeply resent the currency policy of the Government, which they believe has been deliberately adopted to bolster England at the expense of India."

The most important clue has been afforded by the Government itself. They issued a communique in 22nd April 1920, as follows :—

The close attention of the Government of India has been directed to the recent course of exchange as influenced by circumstances external to India's internal trade conditions and the policy adopted on the recommendations of the Currency Committee. The initiation of the currency policy, coinciding as it did with a heavy fall in the dollar-sterling exchange, involved a rate of rupee-sterling exchange on a markedly higher level than that previously prevailing. To meet the situation created, the Government of India increased their offers of Reverse Councils with a view to support exchange. In the interval which has since elapsed, the large sales of Reverse

Councils and the marked recovery of the dollar-sterling exchange have brought into closer proximity the market rate of exchange and that based on the rupee equivalent of gold."

I could not at first make head or tail of this *communique,* so mystifying it was. The only glimpse I derived was that Reverse Councils were sold to prevent a fall in the dollar-sterling exchange and that, actually, the sale of Reverse Councils in India led to the recovery of sterling in terms of dollar. The best commentary was at last afforded four years hence in the reply of Mr. McWatters, Secretary to the Finance Department, to the Indian Merchants' Chamber on the latter's protest against the recent sale of £2 millions gold from the Paper Currency Reserve. Mr. McWatters in his letter, dated January 25, 1924, says:

"If the ratio of 1sh. 4d. gold is to be achieved, it will be necessary to begin by removing the discount at which the rupee now stands below parity reckoned at that rate; and yet the chamber has protested strongly against a sale of gold which will, *pro tanto,* tend to reduce the discount.

The sting of the scorpion is in its tail and the last remark conveys a world of meaning. Mr.

McWatter's reply seems to be modelled, even after the rebuke administered to him by Sir P. S. Sivaswami Iyer, after the fashion of the Cook-ian sophistries with which the country was entertained and beguiled for four long years. The purpose of the sale of Indian gold was to raise sterling in terms of dollar. If they were but allowed a free hand, they would spirit away all the gold which India has, to recover the sterling parity with gold. Now this unveils the mystery contained in the Government *communique* of April 1920. The result of the Reverse Councils was, among other things, that India was prevented from acquiring gold, other than the meagre Government sales, and all the gold was diverted to U.S.A., so that sterling which had been in the dumps, might rise in terms of gold. So it did from 3·20$ to a £ to 3·90 and the Government announced to an admiring world that the market rate and that based on the rupee equivalent of gold came "into closer proximity." Of course, their triumph was a short-lived one as the rupee fell to 1s. 3d. in 12 months, but their object was achieved. The real object was not to support rupee-sterling exchange but to raise sterling to its parity with gold, by keeping out

India specially from the gold market. As in 1920, so in 1924, India still continues to be a pawn in their game and she is ever to be dragged behind their chariot-wheel. Poor England, she is obsessed with the idea of reaching sterling parity* with gold at any cost, only at other's cost. It will be our purpose to show in the next chapter what cost has accrued to India by the policy of 1920. It will also make us realise with the *capital*,

> "That we have been dreadfully victimised by the insane financial policy of the Simla autocrats."

*Formerly, one pound sterling was the same as one gold Sovereign. After the war, the pound sterling depreciated in terms of gold and is now worth about 18/20 of one gold sovereign.

THE BLIGHT OF HAILEYISM

'It is a terrible thing, this blight' so wrote the *Madras Mail* adverting to the burden of Provincial contributions, especially of the heavy contribution which Madras makes to the Imperial "wasters." But what a terrible blight has overtaken the country by unchecked Haileyism—the only mitigating feature being, Mr. Hailey of 1920 was only the gramophone of the India Council above and of Mr. Cook below—has only to be explained in detail to be realised. It is impossible to assess properly the huge losses and the vast damages sustained by the country. Even Lord Inchcape had to confess that he could not solve the mystery as to what drove the Indian Government to this most foolish transaction and he asked as to what the balance sheet of this coup looked like. Sir Montagu Webb, a rare specimen of an Englishman, not far from the type of Sir William Wedderburn, estimated the losses arising from Reverse Councils sales of 1920 as being not less than £200 millions or Rs. 300

crores of rupees in addition to the direct loss of Rs. 35 crores. My own estimate is that India has clean lost about not less than £300 millions or about 500 crores. The pity of it is, the men responsible for it are flourishing more than ever, the Service which has given birth to such official geniuses, primes itself on being the foremost service in the world and thinks it requires a further reward in the shape of increased salaries for the faithful and efficient (mark the words) discharge of its duties towards India.

To substantiate our charges, we must depend on 'facts and figures' which is the only one that would impress an impartial Englishman, which type has certainly not become extinct. The losses have been :—

(1) The low rate at which our sterling securities have been sold and the manner in which India's sterling assets in London were practically made non-existent or destroyed.

(2) The liquidation of English debts owed to India without her getting any return, but with India forced to incur loss in the bargain.

(3) The heavy exodus or flight of capital and, consequently, tight money market and high rate for internal loans.

(4) The decrease in the national wealth owing to the fall in the price of securities and stocks, Government and industrial.

(5) The huge foreign loans raised by the Government and, in its wake, by all the alien controlled Local Bodies and Corporations only too glad to float loans outside and thus, an increase in Home Charges.

(6) Companies in India either wound up or issuing debentures carrying very high rates of interest.

(7) The direct exchange losses of the Government as well as losses in revenue owing to less wealth and less income and hence greater taxation.

(8) The dissipation of national wealth by the artificial stimulus given to a very unhealthy excess of imports over exports.

(9) The very effective prevention of the import of gold into India and, on the other hand, stimulating the export of gold.

There are other visible and invisible items too numerous to mention. One such may be mentioned and that is a stroke of clever legerdemain on the part of the Government. Estimating in their innocent and childlike simplicity the exchange rate to be 2sh. 6d. for

1920 and 1sh. 8d. for 1921 and by this clever paper manipulation, providing for a huge windfall of crores of rupees as if they dropped from the skies, they increased the expenditure right and left, rather extravagantly to an unheard-of level, and when exchange broke down under their very hands from 2sh. 11d. to 1sh. 2½d. a rupee in 14 months—an ignominious fall—the expenditure came to stay; but the anticipated profits, all went agley, to quote the *Capital*. The increased expenditure, based on exchange profits, came home to roost and the people had to foot the bill in the shape of a multiplicity of increased rates, taxes and duties. If there had not been the lure of high exchange profits, there would not have been the temptation to enter into unnecessary commitments. But, did they at least increase their expenditure on objects of social and economic well-being, with those expected profits? No, as any reference to budgets will show. The wonder of it is, they did not carry their beatific vision and solicitude for the Indian taxpayer to the height of, say, a 4sh. exchange and a 5sh. Reverse Councils and Indians need never have paid any taxes at all, as the exchange profits alone would have met all expenditure!

There is also one other item of loss in which there is some compensatory gain which shall be explained later on. If only they had not sold Reverse Councils at that time and at that rate, and, perhaps, if they had sold them at about 2sh. sterling rate in driblets even though the price of silver might have fallen and the cross rate rose up—of course, we know they were in a hurry to finish up the affair before these two expected things happened—I dare aver the exchange rate would never have fallen below 1sh. 8d. and would be hovering between 1sh. 8d. and 2sh. In stating this, I do not ignore the depressing effect of an unchecked import of gold and silver and the rush of remittances to England. Still, exchange would not have fallen so abjectly, but would have remained at a higher level, round about 1sh. 8d. these four years. To that extent, there would have been a gain in the exchange on their Home Charges all these years instead of the Government registering a loss sheepishly and with a woe-begone countenance. That this is no chimera is borne out by the intriguing remarks of Prof. Stanley Jevons who, in his books, taking up an attitude of "willing to wound, yet afraid to strike" suggests that even now it is not an impossibility of raising exchange to 2sh. by judicious deflation--that blessed word which has wrought such havoc at the hands of an ignoramus like Mr. (now Sir) Hailey. Why! even when exchange was tumbling down under the pressure of remittance—a quite natural result which our Government pretended to ignore—irrespective of the price of silver, Messrs. Samuel Montagu & Co., one of the Deputy Providences over India, to whose report we turn whenever a silver crisis occurs here, opined that even if the price of silver fell, 2sh. rate could be maintained.

All this digression is to show that if the Government had not been in such an unseemly hurry, exchange could easily have been maintained at about 2sh. Thus there would surely have been exchange gains these four years and less taxation. Besides, there would have been no need for the inquisition of an Inchcape Committee in spite of all extravagance in military and other adventures. Scandals like the Chaklala Workshop, Nasik Acetone Factory and the results arising from the visitations and advice of Lord Montagu of Beaulieu would never have seen the light of day and would never have been exposed. And India would surely not have grumbled at any number of

Waziristan expeditions and at any increase in posts and salaries. With the exchange at about 1sh. 8d., the Services would not have been reduced to direful straits, they would not have paraded their ragged condition and India and her Services would have gone on pleasantly without the Lee Commission and its attendant evils, intrigues, betrayals and its pound of flesh theory. They wanted to eat the cake and still have it. Reverse Councils were sold when there was no need, to help the remitters and the several interests in England and when, later on, exchange naturally fell, the Services desired the benefits of the fictitious 2sh. rate in perpetuity without sparing a minute's thought on the losses that India was made to suffer.

The losses have been enormous to India ; and to England, the gains, direct and indirect, arising from the forced policy of Reverse Councils have been even beyond the dreams of avarice. Now to make an estimate of the losses* :—

*(Here, the order given in page 35 is not followed.)

I

In January 1920, India had to her credit £55 millions in the Paper Currency Reserve invested in sterling securities or British Treasury Bills which, as the Currency Reports and Budget Statements of 1917 and 1918 stated, was nothing but so much amount loaned to the British Government and was convertible into gold if India so wanted, at any time. It was throughout treated as an investment in England which may be used even for capital purposes. In his Budget speech, 1917, Sir William Meyer said,

> "We have withdrawn £19 million from the Paper Currency Reserve in India, placing ourselves in a position to do this by taking power from time to time to increase our Paper Currency Reserve investments in England * * * and to hold a portion in British Treasury Bills which are the next best thing to gold. * * * We have lent to the Home Government for the time being the funds required for a considerable portion of their outlay in India."

In his Budget speech, 1918, Sir William Meyer a second time, explained the nature of our holdings in London and said,

> "We propose, therefore, as against our temporary borrowings on Treasury Bills here, and in view

of the satisfactory financial position of India as a whole to invest £20 million in Home Treasury Bills in order to provide for the liabilities which one way or another will come upon us shortly after the war is over

This investment will, of course, help the Home Government *pro-tanto* in providing funds for the war. And counting in investments from the Paper Currency and Gold Standard Reserves, we shall thus have put £32 million of fresh money into Home Treasury Bills this year, making in all, in addition to the £35 million we had already put in up to the end of 1916-17, a total of £67 millions lent to the Home Government, and quite outside our special war contribution since the war began. This will be increased by £16 million in the coming year through the additional investment against the Paper Currency Reserve proposed in para 70."

The Currency Report of 1917-18 also has the following:—

"It may perhaps be not out of place to note here that the holdings of the Government of India in Treasury Bills, National War Bonds and Exchequer Bonds in the Paper Currency Reserve and Special Reserves amounted on the 31st

March 1918 to over £52 million representing, as was described in paragraph 53 of the Finance Member's speech, an "overbought position" caused mainly by reason of the expenditure incurred in India on behalf of His Majesty's Government, but also as a result of the rupee funds placed at the disposal of the trade. These sums are in effect loaned to His Majesty's Government and are, of course, in addition to India's contribution of £100 millions to the war."

The Currency Report of 1918-19 also treats the subject in the same unsophisticated manner when, perhaps, the idea of squandering all these precious investments in England, which were virtually loans to her, had not then dawned. It says,

"The securities held in the Paper Currency Reserve increased from £40·98 millions to £65·72 millions and save in respect of £4·05 millions invested in Indian Treasury Bills, the additions were all in the form of British Treasury Bills. These additional investments were authorised by Act VI of 1918 and Act II of 1919, raising in all to £66·67 millions, the total amount of admissible investment. Consols of the nominal value of £1·63 millions were sold during the year and the sale proceeds supplemented by transfers from the Depreciation Fund were invested in British Treasury Bills."

These accumulations of India's resources banking up in London were an eye-sore to Lombard Street and its co-adjutor, the India Council, and in the name of supporting exchange, about £ 55 millions were wiped off. The Paper Currency Reserve is not certainly the first line of defence in supporting exchange and the Gold Standard Reserve should have been first used. We are discussing in another place whether there was need to support exchange at all and whether there was really any inflation that required to be dealt with by contraction in circulation by means of Reverse Councils. Here, it is enough to mention that the sale of Reverse Councils to the extent of £55 millions in 1920 at half the rate (i.e.,) at Rs. 7,8 and 10 to the pound caused not only a loss of Rs. 35 crores as even officially admitted, but by this step, England had cleared herself off her debt to India. If the £55 millions had not been spirited away, it would have served the original objects as mentioned in Budget speeches, of post-war liabilities, capital expenditure, and helping the Secretary of State's

Treasury Balances when Council Bills could not be sold. Later on, the balance of £8 millions in the Paper Currency Reserve was utilised in this manner.

The direct and immediate loss was this item of about Rs. 36 crores, not a small sum all thrown away into the mouths of greedy sharks of remitters. Under this heading must be included some secondary, though direct, losses which have arisen from the sale of the £55 million British securities in a falling market when the Bank of England rate was 7%, to meet which, perhaps, £1 or £2 millions were drawn upon from the Depreciation Fund or from the Treasury Balances. On the whole, about £57 millions of India's sterling assets were destroyed in a trice. The official figures of the direct loss are as below: –

Year	Amount sold	Their real value at Rs 15 per £	Amount realised by Government	Loss to India	Average rate
	millions	crores	crores	crores	sh. d.
1919-20	£24·54	36·81	18·55	18·23	2 . 7.7
1920-21	£30·98	46·48	28·55	17·92	2 . 2.04
			Total loss	36·16	

In the above, are included the drafts sold in April 1919 to the extent of about £150,000, and if they are omitted, the loss would be about 36 crores. If, taking pity on a much misguided Government which has been trying to minimise these losses, we omit the councils which were sold in January 1920, before they gave effect to the Currency Committee's recommendations, the loss from February 1, 1920, comes to about Rs. 32 crores.

II

Viewed from another standpoint, it can be claimed that the whole of the £55 millions is a dead loss to India. As Mr. Cook, the then puissant Financial Secretary said, in 1921, gain or loss in exchange would only arise if a sum transferred to India or England is retransferred in the opposite direction at a different rate of exchange. There was no necessity for retransferring this £55 in the manner it was done. There were the inevitable 'Home Charges' every year; there were again the huge capital liabilities to be incurred in England on account of railways; or, as 'the Indian Merchants'

Chamber suggested, they could have used this £55 million to liquidate the sterling debts of India, they could have mobilised Indian securities in London and sold them to the Indian people, or they could have used a portion of the £55 million to pay off at least the balance of £20 million of India's war contribution of £100, which was left unpaid. They did none of these. Instead, England was relieved of her debt of £55 millions and practically, this was a repudiation of her debt to India.

Now, let those who are raising an outcry against the Gaya Congress resolution, including Pandit Motilal Nehru, look into this transaction and see how deliberately and artfully, this repudiation of debt has been effected. England has gained to the extent that the £55 millions loan due by her has been extinguished without India getting practically any return. Since England herself has had recourse to the repudiation of her debt, though it was with her own dependency—enthroned as an equal partner only for mulcting the heavy contribution to the League of Nations—how can she with any justice complain if States, less fortunately placed, are driven to a like course? It was England that first suggested the cancellation of debts and it is said that Sir Basil Blackett was the author of this ingenious scheme. She tried her best to draw in U.S.A. into this trap, but Uncle Sam simply shrugged his shoulders in an impatient manner and pretended not to hear the loud noise of the one-sided discussion which was carried on in the other side of the Atlantic about the cancellation of debts. All the time, Uncle Sam kept quiet till the buzzing clamour died down, and, then, firmly insisted on England paying her debts. Even here, England managed to get her debts reduced by one-half, and instead of paying £60 to £70 millions per annum, she got a substantial reduction and she is now paying only £30 to 36 millions per annum. Some Americans have taken an adverse view of this transaction and have stated that England has repudiated her debts by one-half.

When even rich England is not above adopting such measures, it is no wonder if repudiation becomes an accepted creed. Considering the injustice done to India as well as the above example, our sympathies will be with France, Italy, Russia, and other countries and we can only hope, they will stick on to their resolution and will not yield to England's blandishments or allow themselves to be coaxed into paying the debt. Here, one thing must be mentioned to the credit of England and that is, she was prepared to cancel the debts due to her and this was almost the only one act of magnanimity you find in all England's history. And even this was conditional on America's cancellation of debts due by England. Whatever it be, nations in like predicaments will be justified in giving their moral support to Russia and others in their determination not to pay up their debts. Some will even be driven to a fervent hope that the grant of Jubaland to Italy will make no difference on the debt question. It may also be hoped that Russia will stick to her resolve not to pay a farthing of her debts. It is how the law of Nemesis must work, if it is to work at all. Indians will also be justified if they carry on propaganda work telling these nations they are completely in the right and that they are only following England's footsteps. The treatment of India is one, if well-known and well-advertised, that is sure to have a great repercussion in the world, and England can no longer boast of her sanctity of contract and of her honour in the discharge of her foreign debts. She settled with U.S.A.

because she could not help it and America would not brook delay. But England has done to India the very things which she is objecting to in others, repudiation of debt and depreciation of her exchange.

Viscount Peel, one of the most impossible men that ever was Secretary of State, and to whom we would be thankful if he does not bother us with his meddlings—it is a wonder how every man in England thinks he is a sort of Deputy Providence over India and is an expert on Indian affairs—commended to India the policy of England and the latter's high code of honour. He said in a lofty strain or in high-falutin, in a speech at the Calcutta dinner in London, June 1923,

> "I hope and believe that we have been able to give much wise advice to India on constitutional reform and constitutional advance. But I believe that one of the best pieces of practical advice we can give India is to show the absolute necessity of strict finance. We in this country have paid our debts to America, or rather have made full arrangements to do so, and our position in the world has been enormously enhanced by the knowledge that the debts of Britain will always be paid (Cheers). If we can further

in India the policy of honest finance, of paying your way as an essential of good government, I feel sure that every Indian, be he co-operator or non-co-operator, to whatever province or religion he may belong, will feel that in striving for the absolute solvency of the public exchequer in India, we have done the country a great service (Cheers)."

When he uttered the above pious remarks he could not have been ignorant of the Currency and Exchange twist of 1920 and of its unsurpassingly far-reaching results. Not only have India's assets disappeared but she has been plunged into greater indebtedness as the next section will show. We may therefore hurl this unwanted advice back in the face of the man who bespoke it and ask him who is lacking in "strict finance" and in "honest finance" and who endangered "the absolute solvency of the public exchequer in India." What about "the debts of Britain" to India, my good bumptious Lord, Viscount Peel!

III

If the loss had been confined only to the direct one, India would not have minded it. But the indirect losses have been too many and too grievous. The Reverse Councils policy left in its trail a veritable crop of havoc and disaster. Of all the losses that befell us, the most devastating is the smashing of India's money power in the name of deflation, the flight of a much-needed capital and in consequence, the huge foreign loans raised in England. They have only to be mentioned in detail for the country to realise the machivellian spirit underlying their policy, in all its seriousness. Then no epithet would be too strong to characterise their action of 1920.

The Government of India sterling loans have been :—

			£
April	1921	7%	7,500,000
December	1921	5½% at 93½	10.000,000
June	1922	5½% at 95	12,500,000
November	1922	4½% at 85	20,000,000
May	1923	5% at 97	20,000,000
			£ 70,000,000

The Government so solicitous in the welfare of the Indian people had thus increased India's sterling obligations to the extent of £70 millions in 2 years. And, in its wake, the numerous foreign controlled Local Bodies and Trusts and a few Indian concerns unable to find funds in India owing to dear money market, have launched on foreign loans, a few like the Calcutta Port Trust simply itching to raise loans in England and that at even very high rates of interest. These loans are :—

		£
1921.	Calcutta Port Trust 7%	1,000,000
	Calcutta Electric Supply Corporation	1,750,000
	Calcutta Tramways	250,000
	Indian Electric Supply and Traction	250,000
1922.	Calcutta Port Trust 6%	1,250,000
	Karachi Port Trust	333,000
	Bombay Port Trust 6%	1,600,000
	Bengal Telephone 7%	350,000
	Calcutta Improvement Trust 6%	350,000
	Rangoon Port Trust 6¾%	333,000
	Calcutta Corporation 6%	500,000
	Madras Electric Supply Corporation 7%	200,000

		£
	Patiala	50,000
	Tata Iron and Steel 7%	2,000,000
	Excluding £ 2,000,000 debentures waiting to be issued and £ 1,333,000 old debentures raised in England	
1923.	Andhra Valley Co. 7½%	1,000,000
	Tata Power Co. 7½%	850,000
	Tata Power Co. 4½%	1,000,000
	Kazimbazar 6½%	875,000
	Rangoon Corporation 5½%	300,000
	Rangoon Port Trust	300,000
	Calcutta Electric Supply Corporation 5½%	500,000
	Karachi Port Trust 6%	333,000
	Bombay Port Trust 6%	1,600,000
	Rangoon Electric Tramways	200,000
	Calcutta Improvement Trust 5%	1,000,000
	Madras Port Trust	500,000
	Do	330,000
	Bombay Corporation from Exchange Banks 65 lakhs or	433,000
1924.	Karachi Port Trust 5½%	333,000
	Madras Electric Tramways 5½%	130,000
	Calcutta Port Trust 5% at 90	1,000,000
		£ 21,100,000

Certain other loans and debentures might have been put through privately and I might have overlooked some. So then, the Government loan of £70 millions and the other loans of about £30 millions, both to the extent of about £100 millions have been raised in England in the short space of three years. There is also a likelihood of the 7% £7½ million loan of April 1921, doubling itself or becoming £15 millions if the conversion terms of the £15 millions at 3% are accepted by the bondholders. Since the conversion terms are so infamously favourable, that particular debt of £7½ millions will become £15 million loan at 3%. Altogether, India has been saddled with a heavy loan of about £110 millions in three years. The reader will now recall the amazingly correct prophecy of Major Grogan about the "premeditated policy of sweeping every Indian debtor into the maw of the British Banking Trust."

Now, let us institute a comparison in the Government of India's sterling debt before, and after, 1920-21 :—

	Sterling debt.	Increase + or Decrease − (millions)
	£	£
1912-13	179,179,193	...
1916-17	174,144,124	− 5

Including the war contribution of £ 100 millions which was made in 1916-17.

	274,144,124	+100.
1920-21	191,329,245	− 82·8
1923-24	260,789,797	+ 69·4
1924-25 (Budget Estimate)	279,475,297	+ 18·6

The reader must be aware that the sterling debt of £179 millions in 1912-13 was the result of the accumulations of a hundred years, including in it the Mutiny Loan and East India Company Loans which were said to be unjustly included in our debt according to the late R. C. Dutt and to Messrs. Lala Lajpat Rai and K. T. Shah. Besides, the major portion of the debt was incurred for Railways and Irrigation or was termed as productive debt. By 1916-17, £5 millions were discharged.

Then came the perfectly justifiable War contribution of £100 millions which was demanded of India by England more to ease the overbought position of India in London and to help in the Ways and Means programme of both the countries. I would not have regretted or opposed at all even if I had the power, if the contribution had been put down as £200 millions or £300 millions. It is generally said that Pandit Madan Mohan Malaviya, that prince amongst patriots, the noblest Indian of to-day, showed some opposition even to the £100 millions. On the most reliable authority, I heard at the time that the great Pandit learnt that £300 millions were demanded of India and that he showed a slight measure of opposition so that the figure might be brought down to £100 millions and so that the hands of Lord Chelmsford and Sir William Meyer might be strengthened in offering a lower sum. I demur to the view that is generally held that India's financial ills and higher taxation are due to the strain caused by the £100 million contribution. It is a surprise to me to find that even an able publicist and financier like Mr. Pheroze Sethna attributing the doleful condition of our finances to the £100 million debt and the interest payments. I repeat India would not have minded a £200 millions or £300 millions contribution if the Indian finances had been honestly managed and if great solicitude and care had been bestowed on India's money power, at least to the extent that the Chancellors of the Exchequer have been displaying in England. The figures bear me out, for by 1920-21, £80 millions of the sterling debt or War contribution were paid off, India raising internal or rupee loans for this purpose.

England has not become poorer because she has to pay £1000 millions to America so long as her money power is not affected and so long as no envious hand strikes at the heart of her monetary strength. With all this £1,000 million, England has enormous surplus capital and she is even investing in America itself. India, too, would have been in this enviable condition. She too acquired some money power, capital resources and investing habit, and in 1917, 54 crores of rupee loan were raised, in 1918, 57 crores and in 1919, 21 ¾ crores and with these, the £80 millions of sterling debt were converted into rupee debt.

This was perhaps too much for the economic ogres in London—of the type of the pestilent Yate—who were getting alarmed at India's money power and who were pining away with jaundice. They were afraid that India would escape from their clammy hands and Octopuslike clutches. The opportunity offered itself in the shape of Reverse Councils to transfer India's surplus money power to England and to force India into still greater indebtedness. Official apologists beginning from Strachey, and down to Sir Theodore Morison and Mr. H. F. Howard,—one of the 'busybodies' in the devil dance and muck-rake in 1919 and 1920—have been at pains to show that the Drain theory, the pet complaint of Indians, was only a figment of the imagination, that there was nothing like Drain and that India was only paying the Home Charges for services rendered, for stores purchased, and for the interest on loans. How can anyone think of complaining against such justifiable charges or of repudiating them? These *Pundits*, the opponents of the Drain theory, of course in their generosity, gave us hope that the moment India raised her own loans for her needs and supplied the stores needed, the Home Charges would be automatically reduced and such a desirable state of affairs remained in the hands of the Indians themselves to achieve. This solicitude for the reduction of Home Charges is only a paper solicitude like that shown for greater expenditure on Education and Sanitation at the time of levying any additional taxation though when the increased revenues come in, they are swallowed up by the Army and Civil Services. Mr. H. F. Howard in his *India and the Gold Standard*, says:

> "Of the above items (Home Charges) capital expenditure and cost of stores represent almost entirely, actual payments in purchase of railway and other material. That such purchases are made in England is due to the fact that it is not as yet possible to purchase in India the articles required or else not possible to purchase them as economically. The extent to which a reduction in the Home purchases may in the future be possible, depends upon India's industrial development."

* * * *

> The policy of the Government of India is to raise in that country so far as this is practicable, the money required for capital expenditure, supplementing the amount so raised by sterling loans in England.

> The existence of the sterling interest charges is due to the fact that India has had, like many of the Colonies, to have recourse to British capital for the proper development of her resources. The transaction is entirely a commercial one for India's benefit and the payments are made for value received."

Such a golden opportunity offered itself in 1919-20 to reduce the incidence of Home Charges or Drain. Did Mr. Howard try to put his preachings to practice or did the idea suggest itself to any of the luminaries of the I.C.S. whose capacity Lord Curzon and others are not tired of lauding to the skies? In the Budget speeches in 1923 and 1924, Sir Basil Blackett raises this issue. He seems to have become alarmed at the growth of India's debt and has outlined methods for the redemption of debt. Hence, he makes a rather belated—belated not from his standpoint as he, poor man, came in only in 1923 to clear the unholy mess created by Cook-ian vanities and cocksureness—confession that a high exchange would have mitigated the burden of sterling debt. He says in his Budget Speech, 1923,

> "The Government of India's sterling debt of £240 millions sterling at 1sh. 4d. amounts to 360 crores, at 1sh. 5d. it amounts to 339 crores, at 1sh. 6d. it amounts to 320 crores while at 2sh. it amounts to 240 crores."

This blissful and glorious prospect was present in 1920 and never to recur, although we hope Sir Basil Blackett will not allow himself to be lured by this vision into manipulating the exchange to any higher level than 1sh. 4d. In 1920, the sterling debt was £191 millions. They had only to carry on the policy of 1917 to 1919. The £55 millions could have been used to pay up a portion of the sterling debt. Since exchange was favourable in 1919 instead of raising a paltry 21 crores at 5%, they could have raised unlimited rupee loans at 5½% or 6%—the latter rate prevailed in the three years after 1919—and thus converted as much of the sterling debt into rupee debt. Are we crying over spilt milk? No. Our complaint is, they deliberately did not want to do it. Instead, after creating money scarcity in the name of deflation and aiding actively in the export of capital, they began to incur sterling debt within a period of six months after the Reverse Councils sales and that, at the exorbitantly high rate of 7 per cent. and with the ludicrous conversion terms at 3 per cent. in perpetuity. Thus, by the end of 1923-24 £70 millions were incurred by Government in two years. Even the London *Times* expressed some concern that such a huge loan should have been raised in such a short time. In the Railway Committee Report, a list of loans raised in England in the pre-war period is given and in

15 years, the total raised was about £94 millions or on an average of £6·3 millions a year. The utter enormity of the offence will be more clear when we take into account the position in the pre-war or war period. For example, that rare Financier, Sir William Meyer said with evident pride and satisfaction, in 1918,

> "In the current year, we have completely kept out of London market. Indeed we have gone further. We have this year discharged £2 millions of previous sterling debt, while the sum total of our net Indian borrowings has reached what would have been in normal times a great figure for any country and is a gigantic one for us, viz., £65 millions."

So then, it is clear under happier conditions or if the late Sir William Meyer had continued as Finance Member, instead of the runaway Sir James Meston, (now Lord Meston) who resigned at the nick of time—he did not perhaps like to compromise his reputation and he left the place to an amateur whose only qualification was "gift of the gab in the running" as 'Sam Weller' would say, and now Lord Meston talks pompously, though he failed in his duty at the critical time—our sterling debt would now be about £100 millions instead of £279 millions. And all the loans raised in England could have been raised within India itself. This question of money and capital in India deserves to be discussed at greater length in a separate chapter. Here, we are concerned with showing up the losses. Before proceeding to the next section, we shall just haul up the Corporations and Port Trusts which have of their own accord acted or have been allowed by the Government to act, in a like irresponsible manner. The debt of these local bodies was as follows:—

Year.	India.	England.
1914	Rs. 50,30,24,329	£2,232,600
1921	" 63,30,81,325	£2,232,600

As we see, in this interval, the rupee loan of these local bodies increased by 13 crores while the sterling debt remained stationary. After the holocaust of 1920, all these bodies mostly alien controlled, fell on each other in their eagerness for raising sterling loans and the result is that about £12 millions sterling debt has been raised in three years, as if with a vengeance, no small proportion compared to the total debt. Even the *Times of India* was forced to record its protest against such irresponsible action done almost with the connivance of the Government. It wrote about four or five times viewing the whole affair with considerable apprehension. The following are two typical comments from its commercial columns:—

> "The ever growing load of sterling obligations cannot but be viewed with grave misgivings. * * It is becoming increasingly difficult for this country to meet her sterling obligations and the continuous addition to the sterling loans may have a disastrous effect on the Indian exchange and financial position in the future." May 18, 1923.

> "Every million now borrowed in London will aggravate the exchange situation in the years to come, and from this point of view the rush of Indian Local Authorities to borrow in London needs to be discouraged." June 22, 1923.

Here, one curious fact may be pointed out. The greatest sinner in this respect, the Calcutta Port Trust opposed protection to iron and steel on the ground that it would cost all the Port Trusts in India 5 lakhs more. What dishonesty! On the sterling loans, these Port Trusts have raised at 7% and 6%, (i.e.) at 1% more than warranted by the money conditions, these Port Trusts are paying about 10 lakhs more every year than if they had raised them on reasonable terms.

We cannot conclude this section better than by requesting Sir Basil Blackett, the author of the cancellation of debts scheme, to see that England first shows her generosity towards India by cancelling a portion of the debts which have been most unjustly forced on India. Or, the Congress may have to reaffirm its repudiation of debts resolution and even seek for ways and means for effectively carrying out the object of this resolution. Sufficient proofs have already been given that no stigma attaches to it, and its sponsors, as they have the partial example of England before them, need not be daunted by the criticism of its being comical in nature or of its being a much-abhorred Bolshevik *un*-moral tenet.

THE BLIGHT OF HAILEYISM—(*Continued*)

IV

If Englishmen were in our position and if they had been victims of such financial jugglery or sharp practice, the world would have rung with horror at their denunciation, for they are given to exaggeration and hysterics when anything affects them. They would, by this time, have accurately measured the extent of the losses and would have presented a bill of damages to the perpetrators thereof, or if they were so impotent as we, at least to God Almighty. Look at the rapidity with which all the actuaries and experts were set to work to assess the damages caused by Germany and latterly by Russia. Perhaps, since they are not the aggrieved party and since they were the gainers and beneficiaries, they have secretly counted their gains and are chuckling and "sniggering" within themselves.

In peace time, India has been made to suffer all the financial damages which any of the active belligerents in the war would have suffered. Still, there is not the slightest sign anywhere that the effects of the policy of 1920 have been comprehended fully. There is not even the proverbial turning of the trodden worm. Perhaps, it is too much to expect this of a nation that allowed that vile Caliban, Frank Johnson to stay in India for a long time. Except for a vague idea or discontent that there was a loss of 35 crores, this ancient country is going on in the same immobile way as ever, even in the same passivity as in the days of the costly descents of Muhammad Ghazni and Nadir Shah. The only sensible remark that ever Michael O'Dwyer made in all his life was when he said that ' Indians are not commercially minded '. I am not sure therefore whether the Indian reader himself is not getting tired of this actual following up of the losses and estimating their extent.

To resume, in the Imperial Financial Statements, there are found two sections, Interest Receipts and Interest Charges, which deal in detail with these two items of Revenue and Expenditure. The importance of this section lies in the fact that this acts as a tell-tale for the losses that the country has sustained in interest in either way. On the one hand, the interest receipts in England that helped to reduce the incidence of the Home Charges have considerably dwindled down, while on account of the heavy loans, both in India and in England, raised even at 6% and 7%, the debt services have mounted up, and the Home Charges have considerably increased. The interest receipts of our sterling assets in the Paper Currency Reserve in England were as follows:—

1916-17	1917-18	1918 19	1919-20	1920-21
£399,152	1,429,349	1,710,850	2,306,357	1,242,032

The year 1919-20 was the year in which the full result of the £55 millions investment accrued to the benefit of the Indian revenues, and in 1920-21, as a consequence of the weekly utilization of these investments for meeting reverse drafts on London, the interest fell to half of previous year's. In these three or four years, our Home Charges were reduced by the interest accruing in London. In 1921-22, and thereafter, there was practically no receipt under this head as the green-eyed monster had reduced the assets to thin air.

In 1920-21, the interest paid on sterling debt was about 10·85 crores. In the Budget statement, the interest on ordinary debt is given as Rs. 6·61 crores (i.e.,) £1 being taken as equal to Rs. 10.

[If an Englishman were writing this, he would not have modified this 6 crores into Rs. 10 crores, as it would enable him to make the figures lie and to show up a greater contrast. For, the Englishman is a liar in the pursuit of national ends. I have the warrant of Emerson for saying so, as he himself has written that the Englishman "with individual truths" and "national untruths"—in the former, he is the very Mount Everest—is conquering the world.]

In the revised estimate for 1923-24, the interest to be paid in England comes to Rs. 15½ crores and the Budget Estimate for 1924-25 shows 18 crores. In 1919-20 and 1920-21, the net interest paid in England was only 7 crores and 8 crores respectively. Hence, the net worsening of the position is by about 8 crores each year, if we exclude the Gold Standard Reserve interest, which is an uncertain factor.

What between the increase in sterling interest charges and the ingenious demands of the War Office, the net Home Charges are in the ascending scale, as shown below:—

1919-20	1920-21	1921-22	1922-23
£21,791,489	28,190,898	26,218,136	28,708,412.

For 1923-24 and 1924-25 if we exclude the

Gold Standard Reserve interest and the windfall of the price of enemy ships, which items to concede to India, the Englishman is so gracelessly grudging, the net Home Charges come to about £28 millions. Before 1920-21 for a long period, the Home Charges ranged from £18 to £20 millions. Now it looks that the £28 millions have come to stay and if the threatened £ 40 million pensions demand is accepted by the Indian Government after a show of opposition—another first rate scandal—the Home Charges may come to £30 or 32 millions, which, under more honest conditions, should now be less than even £14 millions. Now, God help India from her friends who are shedding crocodile tears about the Home Charges, but all the time are burrowing in the opposite direction.

Here, again, let me refer to the 7% loan of 7½ million sterling. A complaint was then made that not only was the rate of interest high but that Indians were shut out from subscribing to the 7% loan. The then Financial Secretary took an impish delight in pointing out that even if the subscription list had been open to Indians, the rate of exchange was against remittances from India as it was about 1 sh. 3d.

He was not ashamed to gloat over this discomfiture of Indians with the same cruel spirit with which a common cheat would rejoice openly over the misfortunes of his victim. If there had been no Reverse Councils, as I have said, all foreign loans could have been avoided, not to speak of paying off old debts; and if necessity arose for a foreign loan, with exchange at 1sh. 6d. or 1sh. 8d. India could easily have competed for any sterling loan. Though the 7% interest and the conversion interest of practically 6% for all time might have been thought of as a fair rate by some innocent persons in the rump, yet I have a shrewd suspicion that some one amongst them could not reconcile himself to the India Office charges being placed on the British Estimates and that he wanted an opportunity to fling back this charge on India by some indirect means. Such is his or their nobility and magnanimity! His penurious soul was not satisfied with the orgy and the gains of Reverse Councils for a whole year, but must follow post-haste with the 7% loan, casting all decency to the winds.

In all this list of outgoings, must be included the interest charges that have to be remitted to England by the Local Authorities in India and some companies whose loans list has been given in a previous page. As these loans could have been easily raised in India and should have been so raised, there goes, bang, another 2 to 3 crores each year. What did Mr. Howard feel on all this, for whose sake, a new post of Controller of Finance was created in the India Office in the eventful year 1920? The prospect that he held out of mitigating the sterling obligations or Drain has been wrecked beyond all chance of recovery. Hence, there is some poignant pathos in the belated recognition of this aspect by Sir Basil Blackett in his Budget speech, 1923. He said,

> "The sterling debt of £240 millions (now £279 millions) represents a claim on India's production of goods and services in the future up to the value of the principal together with a further claim on those goods and services for interest during the interval until the principal is paid off."

This is but a grim mockery, though unintentional, and it serves as a reminder of what might have been. The Old Man of the Sea has been firmly fixed upon us and there will be no more chance of shaking ourselves free from it unless, in some world upheaval, we repudiate the