prior to the 28th April 1921, had remained at 7 per cent was reduced on that date to 6½% until 4½% in March 1922.

There was at this time therefore a difference of 3½ per cent. between the Indian and English Bank rates and the Bank of England rate has been still further reduced to 3½ per cent since the close of the financial year. Similarly, the price paid by the British Government for Treasury Bills declined from £ 5·14·6 per cent on the 28th April 1921 to 2·17·11 per cent on the 31st March 1922. That such a difference in money rates can be obtained between two countries whose trade relations are so intimate is a remarkable fact. The modern tendency however is for the rates in India to exhibit less striking seasonal differences and this tendency should be strengthened by the recent formation of a central Banking institution. The maintenance of so high a rate as 8 per cent. in the present year for so long a period was due to special factors in which the Government position played a prominent part."

The above extracts show that within a period of 12 months only, so rapid a decline occurred, in the Indian Financial position. The condition of the Money market has still further degenerated and now 8 and 9 per cent. rates seem to have become permanent features to throttle Indian trade and industry; whereas, the Bank of England rate has been either 3½ per cent. or 4 per cent. since then, and England has been *overflowing with cheap surplus* capital.

This aspect must be still further examined from the standpoints of the rate of interest for Treasury Bills or Government loans and of the price of gilt-edged securities. These have been dealt with to some extent in a previous chapter. Here it is intended to compare the position of India with England. Take the price of securities or rate of interest, from 1918 to 1920, India was in a better financial position than even England. After the Reverse Councils policy left a red trial of havoc and disaster in the name of deflation and account of the export of a much-needed capital, India sank to a lower level than ever before, whereas England rose on the crust of the wave of boom and prosperity. Already we have shown that Bank rates in India from 1918 to 1920 were lower than the Bank of England rate and the maximum never rose to more than 7%. Now, the English Bank rate is steady at 3½% or 4%

and Indian rate is, except for one or two months, oscillating between 6 and 9 per cent.

For Treasury Bills, the English rate in 1919-20 was about 6 per cent. and now about $2\frac{1}{2}$ per cent. Look at the deterioration that had taken place in India :—

Treasury Bills rate.

1919-20	1920-21	1921-22
6 months 97·8 to 98·2	97·4 to 97·12	96·15 to 97·5
maximum 5·13%	5·66%	6·31%

In England, after the war, except for a short period in 1920, the rate of interest was on the downward grade and the price of gilt-edged securities was rising. While the reverse was taking place in India under Government auspices, forsooth! The 5% Indian loan which was at 95 in May 1919 gradually declined until at last it reached the low figure of 77 and 78 in 1922. Meanwhile, the English 5% loan which was at 93 in May 1919, and though it declined to 87 for a short time, rose up and came to 99 or even above par in 1922. The $3\frac{1}{2}$% Re. paper which was so high as 71 in April 1919, fell to 51 in December 1920 and till the end of 1922, never rose above 60. The $2\frac{1}{2}$% British consols for a time in 1921-1922 were even at a higher rate than the $3\frac{1}{2}\%$ paper in India (i.e.), at 58 when the latter was only at 55. No wonder that English capital is increasing enormously; while what little money power India managed to acquire during the war, has been dashed off from her hands.

Turn to the rate of interest for Government loans:—

Before 1920		1920 and after	
	crores		crores
1917 5 %	22	1920 6%	46
1917 $5\frac{1}{2}\%$	32		
1918 $5\frac{1}{2}\%$	57	1921 6%	49
1919 5%	$21\frac{3}{4}$	1922 6%	45

One would expect in the natural order of things that the rate of interest which increased from 4% in 1916 to $5\frac{1}{2}\%$ in the next two years of war, but which came down to 5% after the war was over, should have gone still lower in 1920 to 1922 and should have been at the rate of $4\frac{1}{2}\%$ or even 4%. What led to this rise in the rate of interest for Government loans in 1920 when there was no war? No wonder, the *Capital* had to remark, in October 1920, that 5% loan which was issued at 95 in

1919 "is unsaleable to-day at 82, since this year Government floated a 6% loan." Now 5% loans are raised with great difficulty and the response for 1924 loan is a meagre sum of 13 crores.

But Mr. Hailey tried to wriggle himself out of any inconvenient queries that might arise, by a piece of "terminological inexactitude." [To quote Mr. Hailey or Mr. Cook is a wearisome task; for they have, in the three years of India's misfortune, uttered such pious frauds and made so many contradictions that to expose them would force one compile another volume. I had an idea of having a chapter under the heading, "Messrs. Hailey and Cook convicted out of their own mouths," to show how deliberately defiant and callous they had become in the treatment of India's financial problems. It is a thing either for the better nature of England or for God to rectify. For between themselves, they have rendered the position too acute for tears, though the same tendency seems to persist still even under the regime of the new experts.] In his Budget speech in 1921, Mr. Hailey made the following admission:—

"In 1914 we were borrowing on a 3½ per cent.

> basis; we have in successive years had to offer 4 per cent., 5 per cent., 5½ per cent. income tax free, for short term loans, and in the current year we were obliged to offer 6 per cent. income-tax free."

But in saying the above, Mr. Hailey did a mental acrobatic feat by jumping over the year 1919 and conveniently ignored that the 5½ per cent. rate of 1918 slid down to 5 per cent. in 1919 and instead of lowering the rate still more, it was he who created the conditions for the increased rate. A month hence in April 1921, in his discussion with the Indian Merchants' Chamber, when requested that no Government loans should be at more than 6 per cent., he said,

> "I can only permit myself to say that we only went as far as 6 per cent. with the greatest reluctance and all our interests as well as yours, are concerned in reducing the interest charges on our capital issues."

But within a month after this undertaking, the 7% sterling loan was issued and how to reconcile this 'greatest reluctance' to 6 per cent, with the 7% sterling loan beats one's powers of credulity. This 7 per cent. rate was in spite of a warning given in the Budget debate by the late Mr. Rahimtoola Currimbhoy that if any sterling loan be raised, it should not be at a higher rate than in India. And Mr. Hailey nothing abashed, went even to the defence of the 7 per cent. loan. But it was the same Mr. Hailey who spoke in a different strain when the Government was asked by Mr. Neogy M. L. A., to give an undertaking that the 150 crores loan for Railways should be raised as much as possible within India itself. He said,

> "Are we such children that he should actually prescribe where we shall find the cheapest market for money? If rates of interest are lower in England, would this House really desire that we should pay 1 per cent. more in India? Obviously we must raise the money, whether it is in India or whether it is in England or whether it is elsewhere exactly where we can get it cheapest."

Just the same sort of reasoning we hear now in the purchase of stores (i.e.), that of now saying that the Indian taxpayers' interests should not be sacrificed in giving preference to costlier Indian manufactures, though they bought in 1920 to 1922 and are still buying stores at a dear rate in England.

Before examining further into the sorry

plight in which India's money power has been left, we shall just revert to consider an important issue that should have arisen in 1920. The point is whether that was the time when capital should have been driven out of India and whether it was not the primary duty of Government to retain this capital within the country in view of the large outlay and programme of expenditure as outlined even in the Budget speeches. In 1918 Budget speech, Sir W. Meyer said,

> "Lastly when peace conditions permit the resumption of the Railway capital programme on a scale necessary to provide adequately for requirements, we shall probably find some difficulty in raising on reasonable terms, the amount of capital which would be required."

And in view of the success of the 1919 loan, he said,

> "It also justifies the hope that greater dependence may hereafter be placed on the Indian money market for the raising of the funds necessary for the development of our railway and irrigation works and it will likewise pave the way for the solution of the somewhat kindred question of the greater development of Banking throughout the country."

And in *1919*, Sir James Meston, the then Finance Member, unfortunately for too short a period, stated in his Budget speech,

> "It is clearly of the highest importance that we should do all we can to retain and if possible increase, our new *clientele* and so foster the seed which we hope we have sown. In the first place, India, if she is to exploit to the full her vast natural resources, will require a large outlay of capital both by the Government and by private enterprise and for this purpose a steady stream of investment within India is essential. * * * We have many liabilities hanging over us in several directions; debt of an unproductive character which we ought to dispose of in order to facilitate a remunerative borrowing programme in the near future."

These liabilities were the Short-term Bonds, Cash Certificates and Treasury Bills, which he called as the nightmare hanging over the Government of India, amounting in all to about 150 crores. And he continued,

> "These figures show that apart from Treasury Bills, we shall have War Bonds to the extent of £13 millions falling due in 1920 and arrangements will then have to be made to meet

these in addition to finding further capital funds in that year. * * . Simultaneously, however, with finding the necessary sums for this operation, we shall, during the years over which it is spread, have irresistible claims upon us to raise capital for internal development, railways, industries, forests and the like."

Even Mr. Hailey made the following admissions in his Budget speech in 1920 :—

"The most important item is our capital outlay on railways, irrigation and Delhi. We hope to continue the progressive railway policy initiated last year and are budgeting for a railway capital expenditure of £18 millions in England and 4½ crores in India as compared with £18 millions in England and nil in India. * * Another very important item is the entry of £ 13 millions for the discharge of debt? From 1920 onwards our various series of War Bonds issued in 1917 and 1918, will mature, and for some years, their repayment will make a severe call on our resources; on August 15th next, we have to find over 19 crores for this purpose. * * * For 1920, altogether liabilities of £38½ millions."

"This is a heavy liability and our power to incur the capital outlay proposed will depend to a large extent on the measure to which we can count on obtaining money through our rupee loan. We assume, for the present, that the Indian public will be prepared to take up our loan with something of the freedom shown in the current year * * * Should we be disappointed in this, we shall be obliged, however reluctantly, to curtail our capital programme."

"Our pre-occupations lie rather in the provision of ways and means to meet our capital liabilities. Our outstanding liabilities are not light, we are still carrying nearly 50 crores of Treasury Bills, and between 1921 and 1928 we have to meet 72 crores of short-term securities. Meanwhile our railways will not cease to demand fresh provision of capital money and we have heavy irrigation projects in view. The solution of the problems of the future depends therefore on the growing accumulation of capital wealth in India and the interest which the Indian money market evinces in our loan issues."

In addition to these official admissions, there were other more urgent problems waiting for "the growing accumulation of capital wealth in India". Take the fact that the Industrial Commission had then only submitted its report and that an officer was placed on special duty in January 1920, to study and work out on definite lines the recommendations of the Commission. The Railway Committee was appointed in 1920, and it was a reasonable expectation that it would propose a large outlay on railways. The Imperial Bank Act was thought of early in 1920 and it was passed in September 1920, the primary object being, by the amalgamation of the three Presidency Banks, to develop the financial resources of the country. The Fiscal Commission which would certainly put forth definite suggestions for the development of industries in India had its basis on the money power of the country. During the course of the Budget debate in 1920 March itself, Sir Claude Hill admitted that Irrigation Projects costing 60 crores capital outlay were "sanctioned, under sanction or under consideration." Again, I find from the recent Budget speech of the Bombay Finance Member that all their Development schemes and Irrigation projects like Sukkur Barrage were under consideration in 1919 and some of them were under correspondence with the Government of India and the Secretary of State. Add on to all these, the fact that the Afghan war cost India about 24 crores and was responsible for the deficit of 1919–20 and for most of the outstanding Treasury Bills of that year.

Now, making an estimate of the total capital expenditure, we find that, at least, 500 crores would have to be found from 1920 onwards. Besides, there were the innumerable Companies that were started in 1918–19 and 1919-20 with only a fraction of their capital called in and the rest left for future calls and that could only flourish on cheap capital.

With all these 'preoccupations' to use Mr. Hailey's word, should they have aided in the flight of capital or conserved it? Or, was Mr. Hailey speaking through his hat or with the tongue in his cheek when he pretended to recognise the urgent capital needs of the country? Was that the time, was it in consonance with all those needs thus outlined, to drive away a much-needed capital? In England, the Cunliffe Committee was appointed,

> "With a view to preserving capital during the reconstruction period for essential undertakings in U.K. and to preventing any avoidable drain upon foreign exchange by the export of capital."

Here, as in all things, quite the opposite was taking place. The Reverse Councils were set in operation, and capital was exported. In the picturesque phrase of Mr. Lloyd George—and more appropriately here than anywhere else—"the Western sky was black with the flight of capital." Not content with that, deflation was suddenly put into execution to the extent of 40 crores first and then 40 crores slowly later on, as if India had 500 crores of notes in circulation with a metallic reserve of only 100 crores, as if the Indian exchange was at 1sh. or 9d. and to remedy this depreciated exchange, this inflated currency needed to be reduced to a healthy limit.

What was then the object of all this queer transaction, suicidal from the point of view of the Government and leading to economic infanticide or economic Thuggism from the point of view of the people? Was it their object to so denude India of the capital accumulated in the war years as to drive her again into the arms of English capitalists and bondholders? Their object is as plain as a pikestaff. They were alarmed at the growing monetary strength of India and were getting nervous that India would become independent of foreign capital for all time to come. As Sir W. Meyer observed with pride (*vide.* quotation page 63) not only was previous sterling debt repaid, but India was able to raise her own loans to the 'gigantic figure of £65 millions' or about 100 crores in one year. In addition to these Government loans and Treasury Bills and repayments to the extent of £ 80 millions of the contribution, the country was able to provide the capital for all the companies floated and industries started before 1920, and especially for the mammoth concerns of the Tatas.

All this was too much for them. The Reverse Councils came in as a handy weapon to deliver a knock-out blow on the ambition and the capacity of India to be independent of foreign capital henceforth. In this, they succeeded beyond their most sanguine expectations. Within 6 months of Reverse Councils came the 7 % sterling loan and in its wake about £ 100 millions of loans and debentures fell on the London Market,

> Thick as autumnal leaves that strow the brooks
> In Vallombrosa.

If Reverse Councils had not been sold, not only would the rate of interest for rupee loans be lower but all sterling loans would have been avoided. Besides, there would not have been that tightness of money market so as to force companies into liquidation or to suspend all fresh activities and expansions. There would have been enough money to finance all railway requirements and the whole of the 150 crores recommended by the Acworth Committee could have been found within the country itself. It would have been possible to float companies in India with rupee capital to take over the E.I.Ry. and the G.I.P.Ry. Personally, I would have no objection to Company management of railways if all the capital could be found within India itself. As things are at present, even if an Indian Company with rupee capital be started to take over these railways, most of the capital will be foreign and will have flowed to India then. When Sir Charles Innes shows such over-enthusiastic predilection for company management of railways with a rupee capital, we might ask him whether he does not lament that Reverse Councils had, by draining the country of its capital, made it impossible for his pet schemes to fructify, or if he still persists with the scheme of company management of railways, whether he does so feeling sure that most of the rupee capital would still have a foreign origin. So early as 1921, a year after the exchange and deflation muddle, Sir Thomas Catto and Sir Narcot Warren, these two financiers, stated that there was not enough capital in India to finance all the railway schemes, not even to float the companies for taking over the E.I.Ry. and G.I.P.Ry. I would like to ask them in all humility whether they would have given out that opinion if there had not been that madness of deflation and that flight of capital.

More than anything else, it is when we consider the plight of the Tata concerns and when we recall the strange and sordid huckstering over the demand for the restriction on foreign capital in India, that we are tempted to be in a cursing mood like Queen Margaret in 'King Richard III'. It will be in the pleasant recollection of all that when the Tatas floated one concern after another, all the capital was subscribed within the country itself; and later on, all the debentures and preference shares. But now, the Tata Industrial Bank, the Sugar Corporation and the Oil Mills have come to grief, thanks to European or, their cousins, American management. Was there any rejoicing as in the case of the People's Bank? The Tata Iron & Steel Co. and two of their hydro-electric concerns have been forced to go to England for fresh capital, at a high rate of interest. While the most pitiful thing of all is that the Koyna valley scheme, that grand hydro-electric project with its auxiliaries of numerous metallurgic and chemical industries has been shelved; and if it be floated at all, most of the capital will of course be snapped up by foreigners, including Americans.

While I was recently reading the book on 'Tata Iron & Steel Company' by Lovat Fraser, for the first time I learnt that the late Sir Ernest Cassel, the multi-millionaire, was also on the hunt for the iron mines of Central India and that he was almost on the track of the Tatas. There arose a lump in my throat and I don't think I ever galloped through a book so fast as through this, until I heaved a sigh of relief on finding that Sir E. Cassel was thrown off the scent and was digging away in the Central Provinces. It was of course a piece of good fortune to India, but of what use, thought I. This Samson amongst Indian Companies has been delivered over bound hand and foot and there is great rejoicing in the land of Gaza.

The foreign capitalists might now declare that the Tatas have not escaped their clutches and that at least £4 million debentures which would be the first to annex the net profits have been forced on the Company. And the Company would not be in such financial difficulties if there had not been these debentures at a high interest and if its working capital had been found within India at 5 or 6 per cent.

Here, one remark must be made. It was rather ungracious on the part of Sir Dorab Tata to have been rather curt with the shareholders when they asked why £2 million 7 % debentures were raised in England. He should have remembered that the very same English capitalists proposed impossible conditions of control when the Tatas first applied to them for financing the Iron & Steel Co. He should also have remembered that in spite of the boasted European management, the Tata Industrial Bank was treated as a Pariah concern in the discount market of London by the other Exchange Banks. What a pity then, that our national concerns should again fall into the hands of these murky dwellers of the financial underworld in London; part of the blame attaching to the Tatas themselves for their indifference or slack management.

The Tatas themselves have alienated much of the country's sympathies. They have proved somewhat ungrateful to the splendid loyalty and support accorded to them by the whole country and thus thrown away a good legacy. They have ignored the demand for Indianisation of their concerns and less costly management. Poor Mr. M. J. Antia, he was laughed to scorn when he wrote on the above. He must now be feeling like Cassandra. But they have proved too gullible and have fallen a prey to any European, American or Jewish adventurer and that too, of a very covetous type. In 'John Bull's Other Island' Bernard Shaw says, the Englishman would prove an expert liquidator. I do not know whether some of them are not itching to become liquidators; for, look at the market value of the ordinary shares of the Tata Iron & Steel Co., the Tata Power Co., etc.

Under more honest conditions such concerns as the Cement combine working in Bihar and Orissa with a capital of about 2 crores, the Swedish Match combine with a capital of £2 millions, the United Steel Corporation of Asia, the supposed rival of the Tata Iron & Steel Co. with 20 crores of authorised capital, would have found it cheaper to raise capital in India. Ceylon, Straits Settlements, and Siam etc. would have also raised their loans in India itself. All that was not to be. While capital in India has been placed in such bad plight, more or less deliberately, a crank is reported to have said in the Legislative Assembly that Indian Labour does not care whether it is Indian capital or foreign capital that is employed in India. To the danger of irrepressible Moulvies and Swamis dictating our politics, as mentioned by the *Times of India*, we must add that of cranks —omniscient and self-opinionated—posing as experts on every question. This man forgets the record of foreign capital in Bihar, Assam, Fiji, etc. To the impedimenta which this unfortunate country is carrying, will have to be added the tyranny of the Moulvies and Swamis and cranks, and in the last case, the mischief is the more to be deplored as the Government may, more often than not, listen to their views though inimical to our national interests.

If it be said that let bygones be bygones and that there is no use crying over spilt milk as Sir Charles Innes would say when anything goes wrong, the future outlook too on the conservation of the capital resources of the country is not promising. Sir B. Blackett does not seem to have realised the need for the growth of Indian capital, and as if he were an instrument of the vested interests of the modern Babylon, still harps on the need for foreign capital. Both in his speech in Bombay and in his truculent reply to poor Pandit Malaviya, he maintains that India has not sufficient capital and that foreign capital cannot be barred or denied entry. Supplementing the forceful and cogent pleadings of Pandit Malaviya, I shall in all humbleness present Sir Basil with three or four considerations. The first is, India has been deprived of her capital and this has been so ruthlessly destroyed that any one who compares the position before and after 1920, can very well exclaim with the poet,

> Into what pit thou seest
> From what height fallen.

Hence, they can unbend and relent hereafter at least. And it is not India's fault if she has very little surplus. The fault is others and her situation is not of her own seeking. They now shed crocodile tears and say India has not enough to finance all her requirements.

The second is that which is ever present in the minds of English statesmen and financiers.

To give two or three examples, Mr. Winston Churchill stated in 1919,

> "Debts we owed to ourselves being within the boundaries of our own country could be adjusted without causing any impairing of its economic energy."

Sir Robert Horne, the Chancellor of the Exchequer in 1921, said in the House of Commons,

> "As Mr. Chamberlain said in making the Budget speech of last year, the transformation of external debt into internal debt is a definite gain to the national wealth. (Cheers.) We are paying our interest not to people outside the country but to ourselves; and, in this connection, it is gratifying to be able to record that, in the three years since March 1919, we have reduced external debt by no less than £ 274,666,000."

Sir William Joynson-Hicks declared a year or two ago, that "we have wiped off all foreign debt except the American" which was to be funded and that the internal debt and the interest thereon have also been reduced, thus bringing about much saving to the taxpayer.

Not merely in these Governmental loans, but in private loans and investments, a strict and beneficent national policy is pursued in England.

Thrift is encouraged, capital is allowed to accumulate and with that view, the income-tax has been reduced from 6sh to 4sh. 6d. in the £ and Excess Profits Duties and Corporation Taxes have been abolished. And deflation has been dropped once for all; on the other hand there is talk of inflation. England is overflowing with surplus capital and this is seeking investment in all corners of the globe. Indeed, there is a rivalry between New York and London as to whose loan issues and foreign investments are the larger; and England is boasting that her loan and capital issues excluding Government loans have been at the rate of £300 to £400 millions per annum after 1920.

We shall then make a present of all the above to Mr. Hailey of 1920—22, who seemed to have welcomed and even considered the raising of sterling loans as inevitable, and to Sir Basil Blackett who, as the lineal inheritor of Haileyian policy, does not seem to have cut himself away from it. The quotations from Sir R. Horne and Mr. Churchill might also be presented to our irrepressible and all-knowing crank.

And we must ask Sir Blackett whether he has not noticed the utter absence of any big company or industry started after he came here. Not only have trade and industries been shorn of capital but all new industries and expansions have come to a dead stop after 1920. Even the existing ones are struggling to live; while, the response for Government loans is getting feebler every year. What would they not have done in England under such circumstances, the Board of Trade or the Treasury? If he cannot take a comprehensive view of all this, all we can say is, he is not a 'labourer worthy of his hire.' Or, has our expert become petrified in the refrigerating chamber at Simla?

The third point is, are you not satisfied with the havoc caused after 1920, with the large inflow of foreign capital and loan to the extent of £150 million or 225 crores, for aught I know, since then. Or, do you want to perpetuate this system and make India a permanent economic slave, with her people drudging for bare maintenance while all their surplus savings and produce are being drained away in the shape of profits and interest, leaving them with a miserably low national income? On the other hand, English capital has had its fill in India and it is time its representatives here adopt a cleaner and more honest method. Hence, to stop this present impasse, it is necessary to change the Currency Act, and thus increase the monetary resources of the country. At least, for the sake of providing the country with cheap capital, this legislation must be passed; else we must hold, the authorities are still in league with powers of Evil.

Besides, the capital requirements of the country are as acute as ever, and of the 500 crores of the then expected capital outlay, not even 150 crores have been spread over the various projects or have been utilised. Still, Viscount Peel seemed to have thought, though rightly under the then prevailing circumstances, even 150 crores as too much and in his despatch on Provincial Finance, he stated,

> "It is clear that an attempt to carry these through in full will place an unduly heavy strain upon the borrowing resources of the country as a whole and the Provincial representatives were warned that all-India interests might necessitate the postponement of many of the schemes for expenditure debitable to loan funds which Provincial Governments desire to take in hand."

He was naturally alarmed at "the very considerable capital expenditure to be financed from loan funds" which come to another 150 crores spread over 8 years or a capital expenditure for the Provinces of about "18 crores per annum." Undeterred by his sound advice and perhaps even winked at by the Government of India officials whose strange views on indigenous versus foreign capital have already been referred to, the Provinces are going on with their programme.

The remedy is not that of curtailing their capital expenditure, but of expanding and cultivating the Indian money market, unless some ignorant or unprincipled men still think of increasing our sterling obligations and rushing to England for loans. I shall not speak of the unprincipled individuals; but of the ignorant folk. For example, the Law Member of Madras who is also in charge of Irrigation and Hydro-Electrics—one of those Indians to whom Sir Michael O'Dwyer's description as not being commercially-minded might apply—declared with great gusto, as if he made a new discovery, that their projects could be financed under the credit scheme of the Board of Trade in England. I do not know under which class to put those who have told some of the District Boards of Madras, 'hands off those Railway projects as they will be constructed as main line out of the general loan funds'. The District Boards have enough funds to construct these Railways. One does not therefore understand this new policy. Does it mean that it is but a method to encourage foreign or sterling capital? Besides, when there is so great a demand on capital, one fails to follow the logic of not welcoming and utilising this additional capital of District Boards to relieve such a strain. This is really disgusting.

Next only to the settlement of currency and exchange, in importance is the question of finding money for the 300 or 400 crores of capital expenditure. The Government of India have got their own urgent needs which are the repayment of 30 or 50 crores in 1925 and 1926, and other like repayments in later years, and capital expenditure on Railways. The Provinces are clamouring for funds; Sukkur Barrage (22 crores), Sarda (two projects 12 crores), Sutlej (18 crores), Cauvery, Tungabhadra, Krishna, etc. The Municipalities, Port Trusts and Improvement Trusts have got large schemes—not to speak of that white elephant, Bombay Development—and unless they begin another rage for sterling loans, they must be provided with rupee funds; Bombay Municipality wanting

5 crores and Calcutta Port Trust 5 crores to give these instances. Besides, there is the demand of companies and industries, and of such schemes as Howrah Bridge (6 or 9 crores) and Tube Railways (3 crores).

Hence, if our Finance Member were a conscientious man, he would pass sleepless nights till he initiates some wholesome change in the financial policy of the Government unless he is intent on allowing a second sweep into the maw of English capitalists and Bankers by keeping up a tight money market. The solution is near at hand, but what myopic vision deters them, we do not know. Anyway, there should be no more occasion for that pessimism which Sir Narcot Warren and Sir Thomas Catto felt, nor should it be possible for such a melancholy remark to be made as that, by the Committee on Howrah Bridge. It writes,

> "But if the money is to be raised in India they doubt if a rate of interest below 5 per cent. will be feasible in the near future."

Of course, in the wake of cheap capital, such swindles as the Anglo-Oriental Navigation Co. should not be allowed to crop up and there should be legislation to prevent such poisonous outgrowths.

Let me hasten to say that I am no hater of foreign capital. I welcome the foreign capital invested in tea, jute, coal, Railways, etc. Only, it should not be of the type of Assam Plantations where labour grievances are a recurrent feature. The Assam Tea Companies have been paying dividends of 50 to 100 per cent, and still they drove their labourers to virtual penury and distress in 1921. The Assam corner is a plague spot so far as labour's position is concerned. Add to the above, their incessant desire and struggle to escape the income-tax or tea duty, an inglorious effort to avoid paying their just quota to the public purse.

Next come our friends, the Railways, with most of the capital in it being foreign. They do so little for the comforts of 3rd class passengers but they are paying such high dividends as 8 to 16 per cent—a thing unheard of in the railway systems of any other country. Here is a case in which a restriction should be put on the amount of profit or dividend, and this foreign capital should not be allowed to fleece India—here too with the connivance of the Government.

I wonder whether the public are aware of a big foreign company trying to swallow an

Indian company just as a big fish gulps down a small fish. The scandalous nature of it has been revealed by Mr. W. S. J. Willson in the most forcible speech ever made in the Assembly—perhaps with the exception of Captain Sassoon's. Mr. Willson has attacked the contract made between the Burma Oil Co. on the one hand and the Tin Plate and Tata Companies on the other, and has definitely charged the former as having made a one-sided bargain to the utter ruin of the latter. One's blood will really be up after reading that speech, if it is true to fact, the exposure of all the cunning and greed behind this transaction. The evil of unrestricted foreign capital will never be more fully realised than by a study of that debate. Will it not lead one to think that Bolshevism is not after all a terrific thing, not a parent of monstrous brood of evils? Repudiation and Bolshevism are the natural offsprings of such capitalism. The one begets the other. If Bolshevism or repudiation is violent and unmoral, certain types of capitalism are grovellingly, excruciatingly mean. Whether 'our friend' the Burma Oil Co. is so or not, it is left for impartial people to judge. But still, it will be for the legislature to examine whether the Burma Oil Co. should be allowed to take over £4 millions profits each year, whether some restriction should not be placed on its profits and whether the taxes and royalties cannot be increased. If any foreign capitalist harrasses Indian concerns or Indian labour, it is up to the Legislature to find out means of harrassing such alien capital, if not by repudiation. I am quite sure that in this case cited by Mr. Willson, the League of Nations itself will declare repudiation as the only remedy. What ever it be, ill-gotten wealth as in the other cases mentioned in this book, will come home to roost.

I shall conclude this section by quoting what I wrote formerly :—

> "The Indian financial plant, after a long drought, got some little moisture during the war and there began to sprout out tender buds and branches when the blast of jealousy came and laid low the plant. Since then, the sap is mournfully withdrawing towards the roots waiting for better time to come."

The plant is not altogether dried up. There is still life in the roots, which can be stirred into activity by God-like watering and manuring.

II

To write on the Budget and Finance of India during the last few years would be a fit endeavour for a separate volume and it is not intended here to cover the whole field except to point out as to how far there has been departure from strict canons of finance and the effect the currency policy has had on the Budget statements in general. To some extent, this has been dealt with already.

As in other respects, there has not been much or even anything at all to complain in the Financial policy during war years except for the feeling that Social Services have been neglected. To criticise that period would be an act of wanton querulousness. It may even be granted that the Afghan war was inevitable and that the expenditure incurred in it was unavoidable—subject of course to the objection raised by Sir Dinshaw Wacha as to the extraordinary extravagance and wastefulness with which that campaign was conducted. The great war was over in November 1918 and till 1920, there was not much that one could describe as mismanagement.

Our troubles began after that date. It is a piece of hyperbole when Sir Basil Blackett says in 1924 India has had her taxes increased by 53 crores *only* since 1914 and England, by about £500 or 600 millions. When he makes such a comparison, he foregets some important issues. Firstly, there is the fact that England is so enormously wealthy—and since 1914, in spite of this huge sacrifice, effort and taxation, she has increased her wealth by 50 per cent.—that this taxation sits lightly on her; and India is so miserably poor that even an additional 50 crores of taxation is proving far beyond her capacity to bear. Would to God India had been able to meet a taxation of £200 and 300 millions, if not £500 or 600 millions! It will be a day of rejoicing when India is in a position to raise such huge sums out of her wealth and plenty.

The second and more noteworthy flaw in his plea is, the increase in taxation in England occurred during war years; and since 1920, there has been a gradual reduction in taxation. Whereas, in India, of the 53 crores, only 12 crores were of the war period and 41 crores were the increase in taxation after 1920. To render the contrast clearer, let me quote from the *Times*. After proudly labelling for three consecutive years the British Budgets as

" First-rate Finance", the *Times* wrote in May 1923,

> " There are sound reasons for the upward tendency of investment stocks. It is the inevitable outcome of a financial policy which has already lessened the burden of debt, abolished E. P. D., halved the corporation tax, lowered the income-tax from 6 sh. to 4 sh. 6d., reduced the taxes on beer, tea, coffee, and cocoa, cheapened postal and telephone charges and brought about a substantial reduction in the general level of prices, besides restoring the gold value of the paper pound."

It added that the policy which " did all this " and " which reduced the cost of borrowing for all classes is worth sticking to". And, consistently with the above, the *Times* while reviewing Indian Finances in an unusually generous mood, wrote in January 1924.

> " That country has some cause to complain that the severe economy practised by successive finance members was forgotten from 1918 to 1923, for the Inchcape Retrenchment committee was able to recommend economies amounting to £13,000,000 a year. * * * One of the most urgent duties of the Government of India is to keep expenditure within the present scale of taxation."

But it is the very same *Times* that wrote in July 1924, under the heading, "The Indian Services" 'Parsimony of the Indian Nationalist' as follows :—

> "To those who enlarge on the addition of over a crore of rupees to the Indian Budget, the hard-pressed officials can retort that that sum is being annually spent on the palatial buildings of the New Delhi, which few of them are likely to inhabit and that a Frontier policy, the wisdom of which is disputed by many experienced soldiers and administrators, has added many crores to recent Indian deficits."

It is a wonder how the *Times* came to express such a self-contradictory or mutually destructive statement. It is not the parsimonious Indian Nationalist but the so-called "hard-pressed officials" that were responsible for the ignoring of "severe economy" "from 1918 to 1923" for the construction of the New Delhi, for the Frontier policy, and—I might also add—for the Currency and Exchange experiment with its attendant losses. Or, is the demand for the one crore of rupees, a reward for all the above? Here, it must be acknowledged that the *Times* led by its able correspondent, Mr. Arthur Moore, once in its career, struck the vein of rare statesmanship, and has set its face against the Waziristan and Frontier adventures from 1921. All the same, we might remind this mirror of English thought—which, unfortunately, more often distorts than otherwise—that between these two Services, Civil and Military, India has been mulcted heavily and hence, all the deficits and additional taxation. The chief gravamen against them is, as I have already observed, the moment they incurred or invited *these losses of 1920, the Government of India* should have drawn in its horns from other ventures. Instead, the whole affair has the appearance as if the Civil Services said in 1921, 'we have had our innings and we shall stand aside, while, you, Military Services, have your innings of extravagance and waste without any fear of interruption from us.'

This digression apart, we shall just consider and contrast the increase of taxation in India as against the decrease in England; in other words, growth of expenditure here as against a determined effort to cut down expenditure in England.

1921. The main increases of taxation were :—

(1) General ad valorem duty on imports from 7½ to 11 per cent. (including cotton goods).

(2) Ad valorem duty on certain articles of luxury from 7½ to 20 per cent.

(3) Sugar import duty from 10 to 15 per cent.
(4) Import duty Tobacco 50 per cent. and cigars and cigarettes from 50 to 75 per cent.
(5) Increase of duties on liquors and spirits.
(6) Duty of 12 As. per gross match boxes.
(7) Increased railway rates or surcharges on certain goods.
(8) Slight increase in postal rates.
(9) Increase in higher grades of income-tax and super-tax.

1922. Increases in taxation this year were :—

(1) General ad valorem duty on imports from 11 to 15 per cent. (excluding cotton goods).
(2) Ad valorem duty on imports of luxury articles from 20 to 30 per cent.
(3) Sugar duty from 15 to 25 per cent.
(4) Import duty on machinery, iron and steel, and railway material from $2\frac{1}{2}$ to 10 per cent.
(5) On matches from 12 As. to Rs. 1-8-0 per gross.
(6) Duty on cotton yarns 5 per cent.
(7) Kerosine, excise duty 1 As. per gallon and import duty from $1\frac{1}{2}$ As. to $2\frac{1}{2}$ As.
(8) Further increases on liquors, spirits, etc.
(9) A general all-round increase in all railway rates instead of surcharges on some items.
(10) Increase in passenger fares by 25 per cent.
(11) Half anna for post cards and 1 anna for letters.
(12) And further increases in income-tax and super-tax in the higher grades up to 18 Ps. and 6 As respectively.

1923 Doubling of the salt tax from Rs. 1-4-0 to Rs. 2-8-0.

1924. Proposal to continue the increased salt duty and for some reductions in some unimportant items; but all were withdrawn due to the throwing out of the Budget by the Swarajists.

At a glance one could see that no margin of taxation has been left and that everything—salt, kerosine, cloth, matches, railways, post—has been swept clean into the tax-gatherers' net. Of course, some small mercy has been shown in remitting the increased salt tax and for this relief, much thanks. While such has been the case here, in England, under the continued pressure of *public opinion, from 1921 onwards*, there have been a series of reductions in taxation and this has been effected mostly with a view to lift the burden of taxation from trade and industry. The response of the Government in England to the needs of business is something to be greatly envied. The extract from the *Times* has already given a glimpse of the satisfying nature of British Budgets. From 1921, the reductions in taxation were :—

1921. Excess Profits Duties abolished.

1922. Income-tax from 6 sh. to 5 sh., duty on tea, cocoa, coffee, etc., lowered by one third, postal charges and telephone charges reduced.

1923. Income-tax from 5sh. to 4sh. 6d., corporation tax from 1sh. to 6d., excise and customs on liquors and drinks reduced, further reductions in postal and telephone charges.

1924. Corporation tax abolished, further reduction by 50 per cent. in tea, sugar, coffee, raisins, etc., and McKenna duties on certain luxury articles repealed, further decrease in telephone tax.

In 1924, they were therefore able to record that "one by one, the new taxes imposed during the war are being repealed," that a cheap breakfast table has been provided, and that "the entertainment tax is the only new tax levied during the war still on the statute book". Side by side with all this to save enterprise from burden of taxation and rates, railway rates and fares were reduced in England by about 25 to 50 per cent. All this was mainly due to the efforts of industrialists like Sir Eric Geddes who first put forth the demand for severe retrenchment, who began the crusade against the blighting effect of oppressive taxes and rates on the industrial expansion of the country and who declared "taxation is killing industry." Not only was there great reduction in expenditure, but the expenditure on Army, Navy, etc., has been reduced by about 50 per cent. In spite of all these reductions in taxation they have been able to allocate £ 40 or £ 45 millions towards the Sinking Fund annually.

Search all our Budgets for any such recognition of the requirements of trade and industry or of the effect of these continued increases in taxation on them. They themselves precipitated conditions of acute trade depression by their ill-considered action and as if not satisfied with that havoc, they have followed it up with a series of taxes and duties culminating in the increased railway rates and fares. How inconsiderate our experts are is clear from the fact that when the country is groaning under the weight of taxation and of chaos and depression in trade and industry, they propose sacrifices of revenue or reduction of taxation under such items as the export duty on hides and skins or the petrol excise and import duty or the import duty on piece-goods. To me, it appears that the separation of Railway Finance from General Finance holds out no prospect of reduction in railway rates and fares, and, on the other hand, it seeks and is designed to perpetuate the present schedule without any idea of affording relief to trade or to the people at large.

As if all these were not enough, the Provincial Governments and Local Bodies including Improvement and Port Trusts, have increased their expenditure and have put more burdens on the general taxpayer. The Provinces have increased their taxes and duties on Excise, Stamps, Registration, Court Fees, etc., and have levied Entertainments tax in addition. The Local Bodies and Port Trusts have increased their duties, cesses and rates. To this ever-growing list, must be added the annually increasing Land Revenue. The resettlement operations are always at work and ever on the move, and one district or another comes under the hammer every year, if we may say so. More even than trade and industry, agriculture bears the largest burden. It has not only to meet 50% of taxation in the shape of land revenue but it has to meet a multiplicity of rates and cesses—not to speak of the effect of increased railway rates and fares on the agriculturists as even admitted by the Bengal Chamber of Commerce. One correspondent in the *Hindu* writes as follows :—

"The number and amount of taxes which one has to pay to Government, * * is staggering. The land tax, the encroachment tax, the stone tax, the water tax, luckily no air tax, no poll tax as yet, the income tax, the house tax, the road tax, the drainage tax, professional tax and educational tax and what not, all this make one feel whether Government has not converted a mirasdar and a citizen as a mere tax-paying machine."

And Rao Bahadur C. S. Subrahmanyam, an Ex-M. L. A. and Mr. T. V. Seshagiri Iyer also gave a catalogue of the various burdens on the agriculturist while writing on the Tanjore resettlement, like the various land cesses with their automatic increase, the percolation tax, or tree tax, etc. [Especially, this percolation tax though small in its incidence is the last word in Governmental covetousness, is a masterpiece of cynicism. In America, the Government gives a bonus for tree planting and tree rearing. Here tree growing is not even like virtue being its own reward; but it has to meet a tax in addition. Perhaps, this tax finds a place in Kautilya's Artha Shastra according to its modern commentator, Sir Charles Todhunter who has hence blossomed into a taxation expert.] This apart, the grievance against heavy local taxation has, strangely enough, been borne out in an official *communique* itself. The Madras Government in an order to the Local Bodies, has stated as follows :—

"The Government consider that, in a year of financial stringency, Local Boards will not be justified in incurring heavy capital expenditure from general revenues. They have also decided that compassionate grants shall in future be confined to Local Boards which have made a serious effort to balance their budgets by restricting expenditure and by levying all the taxes at the maximum rates, and have failed to do so."

The Local Boards have been forced to levy the taxes at the maximum rates and to tighten the screw still more on the poor taxpayer. The *New India* rightly demanded that "it should be looked into that the maximum rates are not unfair." Incidentally it may be remarked that the greatest sinners "in incurring heavy capital expenditure in a year of financial stringency" have been the Government of India and the Provincial Governments like the Bombay Government with its Development mania.

No wonder that this aspect of all-round increase of taxation is now attracting attention more than ever. Mr. J. A. Wadia, the well-known Mill-owner and economist of Bombay, in a letter to the *Times of India* wrote asking,

"Why we are paying in taxes between central, Municipal and Provincial Governments including Railways, a hundred crores more per annum than we did five or six years ago, * * why railway charges have been reduced in England by fifty per cent. while our charges remain the same, etc."

So then, it is clear that the increase in taxation during the last few years is fifty crores, by the Central Government, and another fifty crores by Provincial Governments and Local Bodies. The result is economic ruin of the country and starvation of the poor. Apparently, the word has gone forth, "Leave nothing in the pockets of the people."

But more serious than all is the indirect taxation caused by deflation and dear money. With Bank rate at 8 and 9 per cent. and trade bills discounted at higher rates, one cannot estimate what additional indirect taxation trade and industry must be paying, whether 10% or 20%, and how much more it is than if the Bank rate were 4%. As Mr. J. A. Wadia put it, "it is a truism to say that dear money is a tax on trade and industry including agricultural industry." Here, I might mention that at the time of the controversy on Tanjore resettlement, I wrote suggesting that the effect of deflation and dear money on the capacity of agriculturists to pay should not be ignored; but the quidnuncs of our patriotic press would not publish it. I repeat that the conditions of money market should also be taken into account in any resettlement operations. The Inspector-General of Registration of Bombay—unlike the Inspector-General of Registration of Madras who is too busy carrying out the mandate of the hymn of hatred against the poor Brahmins to consider the effect of deflation on Non-Brahmin merchants and agriculturists—has, in two successive reports, discussed this question and has stated that deflation has hit hard the peasantry; that the price of land has fallen considerably; that their holdings have more or less become unmarketable; and that, in the purchase and sale of lands, the agriculturists have been put to considerable trouble. Since most of the agriculturists are in debt, the cumulative effect of all these—high taxation, direct and indirect, resettlement operations, perhaps even high exchange—can be better imagined than described. It would be therefore an act of mercy if railway rates and fares, and postal charges are reduced and if the Bank rate is not allowed to rise above 6 per cent. at the most.

Now, to revert to Budgets proper, it may be said that the deficits were inevitable and that there was no alternative but to increases of taxation. The following table shows the deficits :—

ACTUALS. [IN THOUSANDS OF RS.]

Years.	Revenue.	Expenditure.	Surplus + Deficit —
	Rs.	Rs.	Rs.
1913—14	81,32,71	77 85 85	+ 3,46 86
1917—18	1,18 70 58	1,06 57,52	+ 12 13 06
1918—19	1,30 40 66	1,36 13,72	— 5 73,06
1919—20	1,37,13 98	1,60,79 27	— 23 65 29
1920—21	1,35 63,32	1,61 64,17	— 26 00 85
1921—22	1,15 21,50	1,42 86,52	— 27,65 02
1922—23	1,21,41,29	1,36,43,05	— 15,01,76

Thus 100 crores of deficits have occurred in five years. We could easily reconcile ourselves to these deficits if they had been due to projects of social welfare or if they had contributed to the economic well-being of the people. No, as a deeper study of the Finance Accounts would show. In 1919, Sir James Meston said,

> "We shall have to launch into very heavy expenditure for the education and well-being of the people, without which our political progress would be largely nugatory."

That almost nothing has been done in this direction may be known to all and, if proof is wanted, we have only to quote from the statements of Lord Reading himself. In 1923, while certifying the Finance Bill with salt tax at Rs. 2-8-0, he observed,

> "Their (dangers of an unbalanced budget) immediate effect is to stifle the development in the provision of all those beneficent activities, education, public health, and industry, which should be the first fruits of the Reforms."

In 1924, Lord Reading, while accepting the Assembly's decision of having the salt tax at the old rate of Rs. 1-4-0, regretted that the higher rate of even Rs. 2, not to speak of Rs. 2-8-0, was not accepted and stated,

> "It (the rate of Rs. 2 salt tax) would enable a commencement to be made with the reduction of Provincial Contributions in four Provinces and would thereby secure increased provision for objects such as Education, Public Health and Industry, the furtherance of which is our anxious concern."

Will we be charged with undue facetiousness, if we say that the Englishman's piety is something delightfully apocryphal? It is to be hoped that it is only existent to the East of Suez and that it does not infect the Armistice

Day either here or there. The pious wish of Sir J. Meston was not carried out even in 1923 and the increase in salt tax made no change in the outlook; in 1924, Lord Reading promises to finance those projects of social welfare only if we consent to the increased salt tax. Meanwhile the increase of 1 crore under the Lee Commission report has become a reality. What became then of all the increased taxes since 1920 and was any portion of the receipts from these increased taxes diverted to these channels about which Lord Reading has grown so enthusiastic? Or, did any tithe of these 100 crores deficits occur as a result of expenditure on the amelioration of the condition of the masses? Most of this large sum has been poured into the bottomless pit of Waziristan and, not merely that, it is done to civilize these savage peoples! Lord Reading, taking the cue from that super road-mender, Lord Montagu of Beaulieu, said with regard to the vast expenditure on the construction of the roads in the Frontier,

> "They are beginning to exercise the civilizing and pacific influences which are the special and beneficent characteristics of a road policy."

I have always had a shrewd suspicion that our Viceroy, Lord Reading is not a man of wide culture or a widely read man. Else, he would not have adopted the above view. Norman Angell, in his classical book, blames England for having given that sort of peace by which this C3 or D4 nation of Indians has increased enormously during the last 100 years, from 200 millions to 300 millions. I do not know whether sometimes I do not agree with him. While such is the case, here is Lord Reading wasting away India's good money on providing civilizing influences to those border tribes, so that they may multiply and be a source of still greater trouble with increased numbers, and infest everywhere as the pest of Pathans, instead of allowing them to work out their own salvation or of adopting only defensive and punitive measures. This apart, look at the incongruity —or the monstrosity—of it, that while progress in Education, Health and Industries is suspended in the realms of future realisation, or, is still waiting in the ante-chamber of our Simla gods for their benignant favour to shed upon them, crores of rupees on roads, transports, etc., in Waziristan are being expended rather freely.

Now, let us examine why and how the deficits arose and whether they could have been avoided and also note some salient features.

1918-19. In this year, if there had not been the second war contribution of £12·7 millions there would have been a surplus of about 13 crores.

1919-20. This is the first post-war year; but still India had to wage the Afghan War which has served as an excuse for continuing the expenditure in the Frontier. And this war seems to have been conducted on an extravagant scale, for no less a man than Sir Dinshaw Wacha said,

> "It has astonished me that this little war of six months should have cost as much as £$14\frac{3}{4}$ millions. It is an appalling sum; I cannot understand; there must be some leakage somewhere, some great wastage of expenditure which cannot be accounted for. There is no mistake about this waste."

He also pointed out that the previous three Afghan Wars cost only £15 millions. But for this War, there would have been no deficit. The Military expenditure for 1918-19 and 1919-20 was 66·72 crores and 86·98 crores respectively including the war contribution and the cost of the Afghan War of these years. Such a large excess expenditure should have been debited to loan funds and not to revenue programme. Besides, it should be noticed that in these two years, the revenue of 130 and 137 crores included exchange gains and without these, the deficits would have been more.

1920-21. It is a wonder how the Government of India came to incur such losses on Reverse Councils when in 1919-20 there was a deficit of 24 crores and when the Afghan War not only cost the country a huge sum but left in its trail the very costly policy of subjugating the frontier tribes and when the monsoon was a failure. The result was the abnormally heavy expenditure of 162 crores. The deficit would have been more if in the Revenue of 136 crores, there had not been some little exchange gains, Mr. Hailey promised us 30 crores of gains and instead he left us the Reverse Councils losses as a settled fact. In addition, the Waziristan and Frontier adventures cost the country 21¼ crores or as much as the Afghan War itself. It is clear that the stinging rebuke of Sir Dinshaw Wacha is well deserved in this case and that there has been "considerable leakage" — perhaps Sir Dinshaw forgot that that was an epoch of leakages, munitions, Waziristan, Reverse Councils, stores like in Chaklala etc, etc. The country is not generally aware that this minor

Waziristan fray cost the country as much as a big war. This chapter is not yet closed. Instead of or in addition to regular warfare, expenditure has taken the shape of roads policy, transports, Khyber Railway (this costing Rs. 250 lakhs for a line of 24 miles, about 10 lakhs per mile and 10 times the usual cost), and all the surplus revenues and additional taxation have been mortgaged therefor.

The total military expenditure was 87 crores. Mr. Hailey budgetted for 57 crores on Army and stated that every feasible economy has been effected and that that was the least sum that could be placed in the Budget. But the actuals were more by 30 crores. Oh! for the shade of Gokhale! he was always protesting against such variations between Budget Estimates, Revised Estimates and Actuals even in normal times.

In this year, there have been two sleight-of-hands. In the Budget and Revised statements, £ 5·37 millions were entered under Receipts as being due to India by England as a contribution towards the Pensions of Indian troops engaged in the Great War. But in the Budget statement of 1921-22 we are told that the non-recovery of the sum was due to the fact that the matter was pending discussion. In the actuals, this sum has been quietly dropped out; and instead, we are asked to pay £ 40 millions, This is of course in consonance with the other freaks of the financial regime then.

The second is, in the later years, Mr. Hailey said that the increase in the Treasury Bills in the Paper Currency Reserve or mere I.O.U.'s by 31 crores was due to the deficit caused by the Afghan War. If so, these I.O.U.'s should have been issued before 1920. But, as a matter of fact, the Treasury Bills in the Reserve were 3·80 crores in January 1919, 7·40 crores in 31st December 1919 and came down to 5·89 crores in 22nd March 1920. Here is a piece of terminological inexactituae. For, Mr. Hailey himself said in March 1920,

> "Lord Meston entertained the hope of being able during the course of 1919-20, to reduce our treasury bill outstandings by about Rs. 22 crores. These hopes were defeated by the large outgoings due to the Afghan war and frontier operations which had to be financed mainly by fresh sales of bills."

The increase in the Treasury Bills of the Paper Currency Reserve from 5·89 crores in March 1920 to 61·26 crores in October 1920, was really issued to cover the losses arising from Reverse Councils and from the revaluation of sterling securities, and as stated before, instead of solid sterling assets, we had mere I. O. U's in the reserve. Here another contradiction may be mentioned. He said in 1920,

> "Anything approaching 50 crores of treasury bill outstandings, to say nothing of the 68 crores reached in October last, is a dangerous amount of floating debt for India to carry."

He showed such concern about the danger of floating debt, but he increased it from 50 crores to 100 crores in December 1920.

1921–22. From this year, is felt the full effect of the blast of 1920. As described formerly there were losses under interest receipts and exchange, less income and less revenue, but there was greater expenditure in the way of increased Home charges, increase in interest payments both in India and in England. Because there was the impending deficit of 26 crores in 1920–21, additional taxes were imposed. In spite of it, the total revenue was only 115 crores. In 1920–21, the revenue was 135½ crores due to exchange gains and to the great increase in customs, income-tax, as a result of the boom. That, in spite of all the additional taxation the revenue had shrunk to 115 crores, shows the deplorable state of the country's productive capacity and earning power. The deficit would have been less if they had not used the Paper Currency and Gold Standard Reserve interests to cancel the created securities. This is a case of pretended purism at the cost of India. The Military expenditure was 77·87 crores of which Waziristan cost about 12 crores. It means that by hook or by crook, the Military expenditure is sought to be maintained at a high level. In this year there was a loss of 9 crores on the Railways due to high working expenses and to the enormous purchase of high priced foreign coal—another form of subsidy or plunder. Leave alone this. All this has afforded an excuse for raising rates and fares to a very high level; and no effort has been made to reduce the working expenses, which are now sought to be maintained at the 1921–22 level.

1922–23. In spite of still further taxation, the revenue was only 121 crores and the deficit 15 crores. It means that the wealth of the country was decreasing, instead of increasing. The Military expenditure was 71 crores; and Waziristan's share was 10 crores. This year was memorable for the coming in of the Inchcape committee. The effect of its labours may be felt as regards Military expenditure, but the Railways are beginning to be a law unto themselves. Though the railway receipts increased by 12 crores, working expenses were kept up at the high level of 1921-22 just as Waziristan came in to keep up the high level of 1919-20, due to Afghan war.

1923-24. This year was noteworthy for the doubling of the salt tax by sheer executive order in defiance of public opinion and in spite of the labours of the Inchcape committee. No doubt, the interests of Paper Currency and Gold Standard Reserves were used for revenue purposes. Still without having recourse to salt tax, they could have shown a surplus if the recommendations of the Inchcape committee had been carried out in a spirit of true penitence and if more of the Army waste in transport, Waziristan, etc had been put an end to. But what they did in the revised estimate, they could have done in the beginning of the year. That is, the utilisation of the windfall of the sale of enemy ships. Here, all the credit must go to Mr. Narottam Morarjee and Mr. B. F. Madan. If the former had not referred to it in his speech as chairman of the Scindia Steam Navigation company in 1923, would they have utilised it for revenue purposes? Or, would it have met the fate of our sterling securities and of the £5·37 millions first proposed as being due to India? Sir Basil Blackett said the fruit was already in the tree. Perhaps, if on account of their composedly sound sleep, it had been stolen away, would they have tried to re-establish a claim to it and to recover it? The country must really be thankful to Mr. Narottam Morarji and to Mr. B. F. Madan for having saved this sum from the Dragons at London. If Sir Basil had been aware of it, why did he not seek to utilise it in the beginning of the year? After all, why was there such a delay in using it for revenue purposes, when England had used £800 millions of war disposals income, to revenue purposes from 1919. Even now, it is being dealt with in a graceless manner, only a moiety is used up; the rest is said to await the result of the Privy Council decision on the customs duty paid on Railway materials. After all, of the 2 crores reserved, will not almost the whole come back as the companies would be entitled to that fraction which the surplus profits bear to the gross earnings minus working expenses? This year the military expenditure was 64 crores. The Revised Estimate for Railways shows a net income of 6¼ crores as against that of 1·5 crores in 1922–23 and the loss of 9 crores in 1921–22.

One other action by the Government deserves to be strongly condemned. That is, the reduction of the export duty on hides and skins from 15 per cent to 5 per cent. Was this the time to forego an income of half a crore of Rupees? On the other hand, instead of salt tax, they should have not only kept on this duty and utilised the windfall of the enemy ships, but they could have raised their revenue by an increase in the export duty on tea, and jute and by levying, no doubt for the first time, an export duty on oil seeds, manure, etc. Sir Charles Innes showed great solicitude towards the export trade for hides and skins and said that the 15% duty was hampering the export trade. On the other hand, the Trade Review of 1922–23 states that as soon as the duty was decreased, the prices of hides and skins stiffened up correspondingly. What is lost by the public exchequer has been gained by the middlemen and the exporters—a considerable number of whom are foreigners like Americans. This foreign ring controlling the hides and skins in Upper India and Calcutta is being benefitted to this extent. So much for our officials' foresight and perspicacity.

1924–25. This year also is noteworthy for the reduction of salt tax to the old rate of Rs. 1-4-0, for the proposals on the separation of Railway Finance from General Finance and the redemption of debt, and for the long list of outstanding claims between England and India. The first decision must be unalterable and there should be no more occasion to modify it. To render this position more effective, in addition to retrenchment, the interest on Paper Currency and Gold Standard Reserves should be used for revenue purposes only. The obligation to use the interest for cancelling the I. O. U's in the reserve must be treated as a dead letter as it was stipulated for in a moment of ignorance and panic.

As for the separation of Railway Finance, and quoting from Mr. Hailey's Budget speech of 1921, the net profit to the state from Railways before the war was 7·29 crores, 11·22 crores in 1916–17, 14·87 crores in 1917–18, 15·85 crores in 1919–20, 5½ crores in 1920–21. In 1921–22, the working expenses suddenly increased by 11 crores from 54 to 65 crores.

Hence the loss and the increase in rates and fares. Both are sought to be maintained at a high level, the working expenses and the rates and fares. And the state is to be given the sum of about 6 crores. It is wonderful how one aspect has been ignored by our leaders. This sum includes the capital portion of the annuities and sinking funds which was till now treated as part of the Railway expenditure. The real contribution to the state will therefore be only 4 crores and if we deduct the loss on strategic railways, it will be 3 crores. Is that an adequate return for a railway capital expenditure of 600 crores, not to speak of the 350 crores which India is said to have lost from her revenues to meet the Railway deficits according to Pandit Chandrik Prasad? Besides, is this sum of 3 crores commensurate with the great increase in rates and fares? The real contribution should be 10 crores including the capital portion of the annuities. Otherwise, the result would be that 12 crores by way of increases in rates and fares and 2 crores in the annuities and sinking funds now transferred to general funds or 14 crores have been presented to the newly created Railway over-lords to do anything as they please. This will be an inducement for high working expenses and for an orgy of new posts and high salaries. Again, I repeat, is it honest to maintain the high rate of working expenses which was then due to high cost of fuel and heavy replacements and renewals.

In regard to the redemption of debt, it is unexceptionable in principle. Only, we must ask whether it is a reply to the repudiation of debts resolution. If the country is not to feel sore on this point of the huge accumulation of debt, especially the sterling debt of the last few years, the first step should be towards funding all the sterling debt at the low interest of 3%. What concessions England got from America, she must extend to India; especially, as every penny of the sterling debt from 1920 is thoroughly unjust. This portion of the sterling debt is like the fictitious debt with which a not over-scrupulous trustee would encumber the estates of his ward, he himself posing as the chief creditor. France expects not only a low interest but is bargaining for a reduction in the principal. England has proposed a scheme for the cancellation of debts. Would she show a fraction of this magnanimity towards India? Let us wait and see.

The funding of this debt, if not partial cancellation, is the least that England can do to us. We need not even go to the length of Prof. K. T. Shah who has suggested that England should take the responsibility for the £100 millions contribution, considering the losses inflicted on India by the unreasoning obstinacy of her representatives in regard to Reverse Councils. If our mild proposal is not accepted, repudiation will be one of the unsatisfied longings of our heart.

Before concluding this section, we shall refer to one point. What would be the nature of Financial statements after 1920 if there had been no Reverse Councils? It would be an interesting task for such an able Statistician as Mr. Findlay Shirras to reconstruct the Budgets of India on this basis. There would have been less Home charges, less interest payments, and perhaps no deficits. But this does not mean that the additional taxes need not have been levied. With abounding prosperity, they could have been imposed, even including the salt tax at Rs. 2-8-0 and India would not have grudged them, if they had been spent on vast schemes for the social and economic progress of the country. As I have said already, India could then have even a £200 millions Budget if it had been framed on the model of the great Georgian Budgets of 1908 to 1913. Up to now, England has spent about £500 millions on war pensions. Even the Conservative ministry of 1922-23 spent £81 millions on war pensions, £46 millions on Education, £22 millions on Old Age Pensions £10 millions on Public Health (this in addition to the vast expenditure by Local Bodies) and £9 millions on Housing. The Government themselves have stated that all the Afghan wars of the last 25 years cost them Rs. 35·27 crores. Now the present Frontier policy alone has cost about 50 crores! Let the Great Gods bear witness whether a good part of the suffering in India could not have been avoided with a moiety of this sum which is now wasted away on the barren souls and rocks in the Frontier.

Mr. W. H. Moreland, in his books, writes pityingly of the condition of India under the Mughals, especially of the way in which the revenues were spent. May we then ask him whether the Finances of India are now, in any way, better administered than in those medieval ages?

OTHER "ORGANISED PLUNDERS"

Their number is legion and they have their roots deep down into the very beginning of English history in India. And in those early periods they attained to such proportions that they became a matter for the greatest impeachment on record. But that the evil of "Organised plunders" has persisted all these centuries in various shapes and forms, is evident from the succession of speakers and writers on this subject. After Burke and Sheridan, this problem has become a fit theme for various writers, like Macaulay, Digby, Torrens, Hyndman etc. On the Indian side, such research and study have not been wanting. Some of our great men like R. C. Dutt, Ranade, Dadabhai Naoroji, Gokhale made it their life's mission to awaken England's conscience against continuing the economic codes of the XVII and XIII centuries. The latest to pursue this almost hopeless task are Dr. Besant by her book 'India, a Nation' and Mr. Lala Lajpat Rai who, in his monumental book 'Britain's Debt to India' has summarised all the questionable dealings of England with India up to the time of the Great War. To write on the recent like achievements would require the pen of a Macaulay. It is a matter of very great regret that the spirit which animated Clive and Warren Hastings and the East India Company servants who defied the efforts of Mir Kasim—one of the very few patriots Islam has produced—to stop their exactions, seems to be quite alive even to-day and to have been religiously transmitted as it were, through these centuries.

Examine any transaction between India and England, whether of Military Expenditure, Railways, Stores or Fiscal policy like Excise duty, etc; at bottom, the idea seems to have been, by how much each one will benefit England financially.

Let us take the most recent instance of the demand of £ 44 millions as pensions contribution by India to England. On the face of it, it is the most outrageous demand on India. It is as if India were an enemy of Britain. What they failed to secure from Germany, they are now trying to extort from helpless India—helpless in more ways than one, helpless that the world at large will not condemn this sinister transaction just as it did with the demand on Germany.

Even judging it on its own merits, when the second war contribution of £ 13·5 millions was paid in 1919 and 1920, it was understood that it was in full settlement of all claims. Mr. Hailey himself then said,

> "This contribution £4 millions (included in those £ 13·5 millions) would be in full settlement of any claims which His Majesty's Government may have against India in respect of troops who fought in the war and had previous Indian service but had ceased to belong to Indian establishment before the war."

On the other hand, it was England that owed India £ 5 millions towards pensionary charges. Mr. Hailey, while putting forth this claim, said,

> "We shall of course not be liable to any payment on account of the extraordinary pensions of Indian troops and their British officers arising from the war, although as the pensions fall due, they will be paid from Indian revenues; what we shall do therefore is to recover from His Majesty's Government a lump sum representing the capitalised value of these pensions, and for the purpose of the present estimates, I am assuming that the recovery will be made in the current year, the amount involved being roughly £ 5 millions."

As already shown, it was this £ 5 millions that England repudiated or evaded payment of, and as a counter-claim, we are asked to pay £ 44 millions, —thus a net loss of £ 50 millions. What has then become of the solemn assurance that no claim exists against India, but on the other hand, that England owed India £5 millions? It looks then as if it would have been better if the great war had extended longer. We would have had to pay only the second war contribution of £ 40 or 45 millions only. Now the demand comes to about £ 63·5 millions. Besides, we would have had no Reverse Councils gamble costing hundreds of of crores, no Waziristan adventures costing about 50 crores. Add all these losses to the latest demand, and what a staggering sum India has had to meet.

On the other hand, it is we who have to present a long bill of damages against England as a result of the meddlings of the War office and India Office. I have the support of Mr. Lalubhai Samaldas, one of the mildest of men and from whom never a harsh word escaped in his council speeches. Even he was driven to say almost like this, 'Take back the Reforms, give us the conditions which would exist if Reverse

Councils had not been sold.' His Majesty, the King Emperor, in his Instructions to the Ministers of the Provinces, made an injunction that there should be absolute "probity in Finance". Does not this "probity in Finance" apply to the transactions of the Government of India, India office and War office? Can anybody say whether there was absolute "probity in Finance" in some of the transactions we referred to? Man-made blight has done enough havoc; and if the India Office and War Office still insist on such unconscionable demands, all we can say to these two is, 'Beware of the Blight of God."

Of the other claims against India announced in January 30, 1924, each one bears the true Shylockian impress. Expenditure on East Persia, surplus officers, disbandment of troops exchange concessions on Mesopotamia, Aden, all are said to be matters under dispute and under consideration. They will all come to another round sum £20 millions. Their £ 40 millions claim—it is some coincidence—is equal to the Gold Standard Reserve, which might go the way of our sterling securities. For the rest £ 20 or 30 millions, in all of which the War Office will have its own way, the sterling debt will be increased to this extent. How the claims on surplus officers and gratuities and disbandment can arise is not clear when each Financial statement has got large allotments from 1919 onwards under these headings. When such post-war claims are discovered even to-day—pulled out as it were from the sockets of their sunken memory--and are heaped on India, may we ask what have been India's gains as a result of her participation in the great war? Some fellow of a Northcliffe—I use 'fellow' in the Pickwickian sense—called Indians as ungrateful. But who is really ungrateful is left for conscientious men to adjudge.

There is again the long-standing dispute on the capitation rate. The full details are given in the Inchcape Committee report. [I consider this report as nothing but an impeachment as great as Burke's. When I read this report, I thought some items as unavoidable, inevitable, or well-intentioned, and others seemed somewhat of a deliberate fleecing or plunder.] The capitation rate which was in 1908 £ 11-8-0 is now at £ 25. This matter is under consideration for the last 4 or 5 years, and they are apparently in no hurry to settle it. The tragical part of it is, when some allowances are to be given to British officers, or some concessions of melancholy meanness, telegrams fly across space and the Government of India officials shiver in their knees till they carry out the orders from Home. As for the capitation rates, it will take years before decision is reached; another Einsteinian conception of time. Meanwhile, India must pay through the nose. Here, it may be asked how much the armament makers and motor firms, benefitted by this policy in Waziristan.

The second important fleecing or bleeding instrument is Railways. The Currency Report of 1917-18 itself admitted that the surplus profits remitted by companies "exceeded the average of the past two years by 48 per cent" and that was due "to the increased traffic and general enhancement of rates." After 1918, there have been further increases in fares and rates and now their surplus profits are 100 per cent or 150 per cent of pre-war profits.

Surplus profits				[in lakhs of Rs.	
1913-14	66	1917-18	1,49	1921-22	1,06
1914-15	1,03	1918-19	1,89	1922-23	69
1915-16	90	1919-20	2,00	1923-24	1,11
1916-17	1,15	1920-21	1,72		

No wonder that companies like S. I. Ry.,

M. S. M. Ry. and others are paying dividends from 8 to 12 per cent. The rates and fares were increased for general revenue purposes and the companies have no right for these. More objectionable than this, is the permission given to private Railway companies to increase the rates and fares. The result is, Railways like Bengal and North Western, Southern Punjab, Barsi Light and others have increased their net earnings by 50 per cent and their dividends are ranging from 10 to 16 per cent. When we examine the contracts, we find the future loss still more frightening. These Railways are to be bought at 25 times their net earnings, which mean that we will have to pay 200 per cent to 400 per cent of their capital value. Our successive Secretaries of State have made such contracts profitable to India! Even with the main line companies, Mr. Pheroze Sethna pointed out one such contract; that is, with the G. I. P. Ry. where the capital is assumed to be 1½ times the really paid up capital. When it comes to Tanjore Board Railway, they want to buy it almost at cost price; this is perhaps, because the Tanjore Board has been cheated of its due share of net earnings. Of all the Railways, the S. I. Ry. has done the least for the comforts of 3rd class Passengers, charges the highest fare, and pays large dividends. Now when we hear of reduction of fares, it is only for 1st and 2nd class Passengers and reduction in rates perhaps for imports.

There are only two ways to meet this drain. One is to put into action the admission of Col. Waghorn, that the Indian Legislature can nullify all contracts and that no action can lie against anybody. The second is, Avoid using railways as much as possible. A sort of systematic abstention from using them except for urgent purposes; in other words, a modified boycott. Pandit Motilal Nehru humorously remarked when telegrams of protest rained on him when he started the Swarajist movement, "why add to the telegraph revenue." May I point out that the Congress people alone might have spent 75 lakhs out of their 1 crore, on Railways for their tours and committee meetings, not to speak of private expenses?

There is the allied subject of stores in which their greed shines in all resplendent glory. It is to be wondered whether the petty and huckstering spirit shown on this question in England has not created enough nausea in this country. They raise loans at a high interest in England, spend the money there itself on buying stores at a dear rate. From 1919, Railway and Military stores have been bought in England on a lavish scale. Of the 150 crores of Railway capital expenditure, at least 100 crores may be spent on England. East Winterton assured his questioners only 3% of the stores purchase go out; even for that there is a deep grunt all over England.

The Port Trusts and Development Trusts seem to exist only to patronise English stores. The following is a glaring example, which appeared in London papers:—

> "The Government of Bombay Presidency has decided to spend £400,000 annually for fifteen years among British manufacturers, in connection with the Back Bay Development scheme—a total of £6,000,000."

Canadian sleepers and Natal coal are encouraged by some treacherous officialdom. I am for Imperial Preference and I would have all our goods bought in England if in other respects they don't behave in a mean manner.

Take this eternal question of Increase of Salaries which one is so tired of hearing that it has become a vexation. Sir William Vincent assured us in 1921-22 that no further revision of salaries were under contemplation and also furnished a comparative table showing increases of salaries after 1914. I read in a paper that even for the present rates of pay of the I.C.S., the Services in the Colonies are looking on with hungering eyes. Even the proposed increases of pay according to the Lee Commission we would not grudge, if this so-called efficient service had not badly let us down these few years. Do they want a reward for producing a Hailey, a Cook, a Craddock and a Michael O'Dwyer. *Or, take other instances.* Sir Louis Kershaw whom Sir Frank Carter called a fellow, is said to be against the claim of Indians in Kenya. Mr. Chadwick, as Trade Commissioner, wrote a report which contained as exhaustive a list of his duties as that which H. G. Wells' Mr. Polly outlined for himself. Compare Mr. Chadwick's report with any of Mr. Ainscough's. One Mr. Leftwich—a name as bad as Peggotty—was sent to East Africa as Indian Trade Commissioner. It was reported he joined the anti-Indian agitation. Sir Charles Innes who helped to smother or kill District Board Railways is now the Railway chief. Mr. Denis Bray, when asked why Aden charges have increased from 20 lakhs to 70 lakhs, replies, "this increase is in the natural order of things." Such a Treasury

Bench mentality, will they allow in England? Besides, when the I.C.S. is called an expert and able body of officials, why is it then, they always depend on England for experts to serve on Committees and as special officers, or, are they not ashamed at some of their acts?

Just a passing reference might be made on the Proportionate Pensions scheme of retirement. Some cases are not genuine. I heard of a case where an English official—whether I.C.S., Police, or D.P.W. I don't remember—applied for retirement, only because he felt he was suppressed by his white superiors. When an Indian friend of his asked him why he retired, that official told the former, 'why man, these white niggers have black-balled and black-marked me and I have absolutely no chance of rising to the topmost grade. If I retire now, I get the pension of the higher grade.' This is stranger than fiction in this land of toiling martyrs.

While on Services, I might just say a word about Lord Reading whom such a Service as painted above, has forced, to lose all individuality. He is a man thoroughly bereft of ideas and there is nothing original about his speeches. His Liberalism has become choked up. His regime will be noted for interviews and and telegrams. I wonder whether the Old Father Jehovah is so busy interviewing his Angels and Archangels or sending missiles across space as our Viceroy, in granting interviews and sending telegrams. This thoroughly inefficient but haughty I.C.S. has managed to undo a Liberal politician.

One could write a whole volume on this subject and I might do so if I find any encouragement. There remain innumerable items to be explored. And Boycott of goods is the only remedy; but some our people are ready to swallow the camel of repudiation of debt, but strain at the gnat of Boycott.

Before concluding, let me compare England with India on an allied matter (i.e.,) gains and losses. England has increased her wealth of £17,000 millions in 1914 to £22,000 millions in 1919 and now is worth £26,000 millions. How much India was and is worth, we do not know and they refuse to find out. But what little wealth she gained during the war, has been filched away from her. Of the 17,000 millions in 1914, up to £4,000 millions was estimated to have been the contribution of India. Of the £4,000 millions increase from 1919 to 1924 of

English wealth, at least £1,000 millions is due to India. Still, that black-hearted, venemous Sydenham is foaming at the mouth.

In territorial gains, a paper wrote,

"The major share of the loot was secured by Britain and France. The British National and Imperial loot was in part, as follows,

National Share.		Imperial Share	
G. E Africa	1,028,190 Sq. M.	G. S. W. Africa	322,450 Sq M.
G. W. Africa	323,000	G. New Guinea	33,700
Mesopotamia	143,000	G. Samoa	1,000
Palestine	100,000	Other Islands	1,003

Their potential value runs into many thousands of millions sterling."

Poor Mr. Gokhale, he fondly hoped that G. E. Africa would come to India as an outlet for her teeming millions. Instead, ingratitude thy name is—,India is being bundled out of S. and E. Africa and of Canada. Poor Bhai Gurdit Singh, as great a hero as Sir Francis Drake, is meeting the fate which Sir Francis would have undergone if he had been caught by Philip, King of Spain—and how really glad we are even with Froude that this grand hero eluded all attempts at capture!

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