

11. LOSS OF CAPITAL BY AGRICULTURISTS AND INTEREST BY MONEYLENDERS AND OTHERS :—

... about one-third of the land-holding classes are deeply and inextricably in debt, and at least an equal proportion in debt though not beyond the power of recovering themselves.<sup>1</sup> The census of 1881<sup>2</sup> gives 6½ millions of agriculturists in Madras: say two millions<sup>3</sup> of these indebted at least Rs.50 each = Rs.10,00,00,000; of these assume 20 per cent. lost through the famine,—Rs.2,00,00,000 at Rs.10 to the £

£  
2,000,000

12. LOSS OF PROFIT BY MERCHANTS, TRADERS, ETC., BY DIMINUTION OF BUSINESS :—

This can be no more than a guess, and, unsupported by any authority, my guess must be taken for what it is worth. Considering, however, the great contraction of business throughout the whole Presidency, Rs.10,000,000 to Rs.15,000,000 might be fairly reckoned, say the smaller sum at Rs.10 to the £

... .. 1,000,000

Total ascertained and estimated cost of the Madras Famine ... .. **£82,736,500**  
Say, in money ... .. **£83,000,000**

and THE LIVES OF FIVE MILLIONS OF HUMAN BEINGS.

Who can estimate in pounds, shillings, and pence what this terrible loss in lives means to the unhappy community amongst whom it occurred!

<sup>1</sup> P. 131, Famine Commission Report, 1880, Part II.

<sup>2</sup> P. 351, Census Report, vol. i.

<sup>3</sup> In all India there were 29,207,150 'tenant cultivators'; as a ryotwarry (or peasant-cultivating) province, Madras would have a large proportion of these.

**ABSENTEE  
LANDLORDISM:  
WHERE INDIA'S  
LAND-TAX GOES.**

£6,303,107

£5,602,176

15

15

10

10

India Office Expenditure

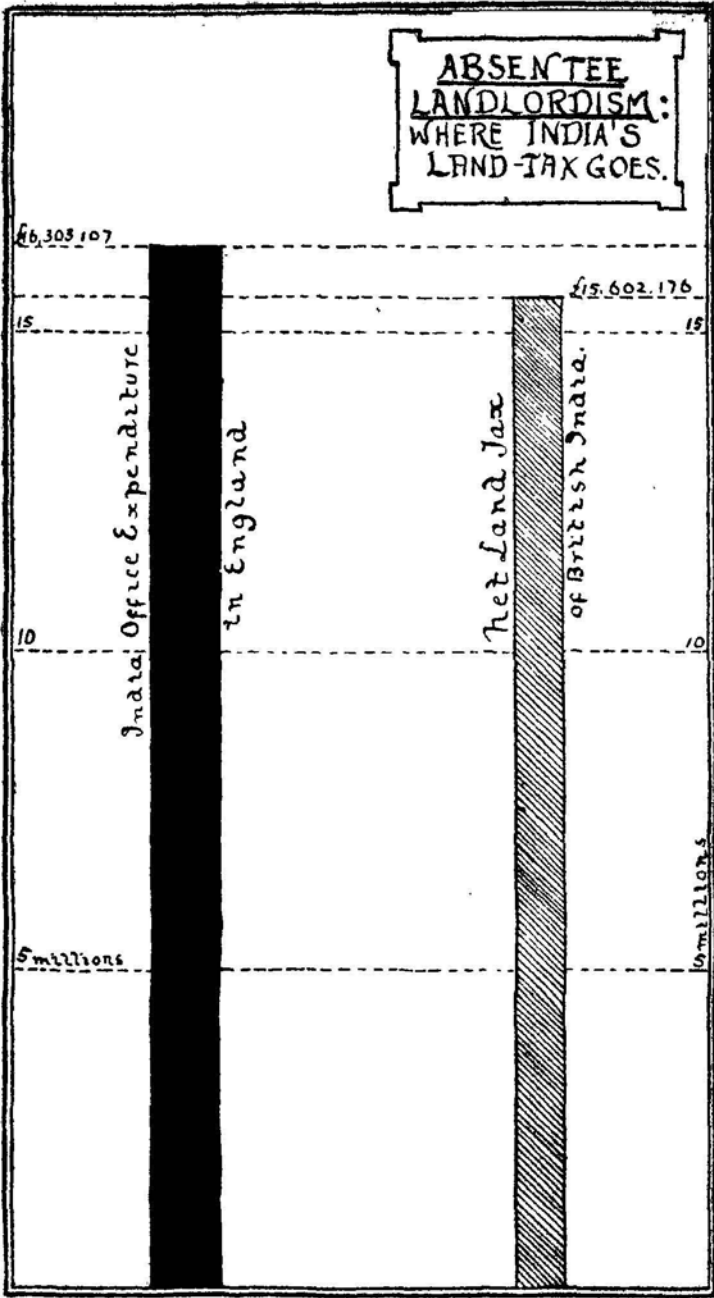
in England

Net Land Tax

of British India.

5 millions

10 millions



## CHAPTER V

### ' THE EXTRAORDINARY AMOUNT OF PRECIOUS METALS THAT IS ABSORBED BY THE PEOPLE '

The *Pons Asinorum* concerning the Absorption of Gold and Silver in India.

Imports of Treasure Not Evidence of Accumulating Wealth  
Statistics concerning Imports of Gold and Silver from 1835 to 1900.

Coinage of Rupees at British Indian and Feudatory State Mints.

Average 'Absorption' 3½d. per head per annum!

Mr. Dadabhai Naoroji's Illustration for Puzzled 'Economists.'

\* The Alleged Buried or Hoarded Wealth of India.

\* 'The Total Absence of Anything Like Accumulated Wealth in India.'—*Sir Richard Strachey*.

Indian Wealth compared with British Wealth.

Stop the Drain and There May Be a Chance of Wealth Accumulating in India.

THE title of this chapter is the climax in a series of sentences which, like a stately march, records our progress in India. 'A prudent Government,' said Lord Curzon to his Legislative Council in Calcutta, on March 28, 1901, 'endeavours to increase its non-agricultural sources of income. It is for this reason that I welcome, as I have said to-day, the investment of capital and the employment of labour upon railways, canals, in factories, workshops, mills, coal mines, metalliferous mines, and on tea, sugar, and indigo, plantations. All these are fresh outlets for industry. They diminish *pro tanto* the strain upon the agricultural population and they are bringing money into the country and circulating it to and fro.

This is evident from the immense increase in railway traffic, both goods and passenger, in postal, telegraph, and money order, business, in imports from abroad, and in the extraordinary amount of precious metals that is absorbed by the people. These are not symptoms of decaying or impoverished populations.'

In other chapters of this work it is made abundantly clear that, apart from a small section of the population of India, and that, mainly, the foreign section, there has been no increase of prosperity among the native people of the country. Only two passages out of the Viceroy's 'baker's dozen' of disputable assertions, need be singled out for comment here. One is the remark: ' . . . they are bringing money into the country and circulating it.' If it be a good thing to bring money into a country it must be a bad thing, on the balance of commercial transactions, to send money out of a country. Therefore, when Lord Curzon's eyes are opened to the 'drain' which Lord Salisbury saw (and deplored) in 1875, he cannot, consistently with his own dithyrambic speculations, fail to consider and support such means as will stop the 'drain.'

The second passage is that which records the impression that has been made upon the viceregal mind by 'the extraordinary amount of precious metals that is absorbed by the people.' This absorption of the precious metals in India is a *pons asinorum* which many people, besides a too-busy Viceroy, unable to think out the proposition he wishes to demonstrate, have failed to cross. In 1891, in reply to some strictures of my own, similar to those to which Lord Curzon was replying when he made the remark I have quoted, one of the leading journals in England used language similar to that which the Viceroy has just used. And, at the very time when Lord Curzon was being hypnotised by contemplation of 'the extraordinary amount of the precious metals that is absorbed by the people' of India, one of the chief officials of an important Chamber of Commerce in England wrote to

me to ask how I could assert that India was growing poorer when it could absorb such 'an extraordinary amount of the precious metals' as the Indian people absorbed. Apparently, the issue involved in this 'absorption of precious metals' is imperfectly apprehended even by those whose business it is to know, and, in some degree, to control, the currents which, in their ebb and flow, render international traffic possible and profitable. I, therefore, ask that what follows may receive careful consideration seeing I assert that the phenomenon so vigorously described by the Viceroy of India, and so insistently brought to my attention in England by journalist and commercial expert, may exist in 'decaying or impoverished populations,' and, even, actually, become one of the signs of decay and of impoverishment.

The form in which the difficulty is generally stated is this (I quote remarks really made):—

'These imports of treasure are surely evidence of accumulating wealth. Will Mr. Digby say why this accumulation of gold and silver is going on, as it has done for centuries past, in spite of all difficulties, and why it is not good evidence of increasing wealth?'

1. I demur to the statement that India has, unremittingly, been importing treasure for centuries past. Prior to British rule, when India on her own account was carrying on a great trade with neighbouring nations in Asia, she required and received a certain quantity of gold and silver, not then producing either, needing both for commercial purposes and for ornamental and luxurious uses, and being then wealthy enough to indulge in luxuries. But, in the early years of British rule, India was depleted of its precious metals to such an extent as to 'greatly diminish in quantity . . . the current specie of the country.' (Minute of 1787, by Sir John Shore, afterwards Lord Teignmouth, Governor-General of India.) It will be admitted that some gold and silver was required to restore the equilibrium which our exploitations of those days disturbed.

2. There has been some accumulation of the precious metals in India, but, with the condition of things which exists in that country, such accumulation is not 'evidence of increasing wealth.' At the same time the amount of the treasure in question is infinitesimally small when regarded in the light of the enormous population that receives it.

3. Mr. Dadabhai Naoroji, in his 'Poverty of India' (pp. 230-272, collected works, Swan Sonnenschein and Co., Ltd.), has considered and commented upon the question very thoroughly up to 1869. In his *Contemporary Review* articles, 1887, he carried the particulars to 1884. I will now take them to a later date. Mr. Naoroji has pointed out that India does not receive its imports of the precious metals as so much profit on its exports, or to make up a deficiency of imports against exports. As Lord Salisbury so excellently put it, in the same Minute as that in which he cynically declared 'India must be bled,' 'much of the revenue of India is exported without a direct equivalent.' Even after the gold and silver has been received in India there is still a huge annual balance against that country on every year's trade; in 1889-90 the amount was Rs. 23,492,000 (£15,661,334). Again, it must not be forgotten that the British introduced into India the system of the payment of revenue in cash. Our predecessors were content to take their toll in kind. It will at once be seen that this innovation alone would call for a large supply of silver with which to meet the newly-created demand.

Before specifically answering the question as to why the import of gold and silver into India is not evidence of increasing wealth, let us see what this import actually amounts to. The India Office obligingly furnishes me with statistical information, from which I find that from 1835-36 to 1899-00, both years inclusive, the imports of gold and silver have been respectively as follow:—

Imports of Precious Metals into India, 1835-36 to 1899-1900:—

**GOLD :—**

Net imports in decennial periods :—

	Rx.
1835-36 to 1844-45 ... ..	3,296,799
1845-46 to 1854-55 ... ..	10,282,598
1855-56 to 1864-65 ... ..	51,094,689
1865-66 to 1874-75 ... ..	36,578,089
1875-76 to 1884-85 ... ..	26,639,438
1885-86 to 1894-95 ... ..	16,266,152 <sup>1</sup>
1895-96 to 1899-1900 ... ..	25,669,487
	<u>Rx. 169,827,147</u>

or—£113,218,085.

**SILVER :—**

	Rx.
1835-36 to 1844-45 ... ..	20,535,269
1845-46 to 1854-55 ... ..	15,327,009
1855-56 to 1864-65 ... ..	100,202,614
1865-66 to 1874-75 ... ..	62,460,314
1875-76 to 1884-85 ... ..	65,673,631
1885-86 to 1894-95 ... ..	104,285,608
1895-96 to 1899-1900 ... ..	25,469,213
	<u>Rx. 393,953,658</u>

or—£264,635,772.

In sixty-five years the combined totals amount to—

Gold	...	...	...	£113,218,085
Silver	...	...	...	261,635,772
				<u>£374,853,857</u>

Average per annum, £5,766,967.

The total amount imported was £374,853,857. During the period under consideration the Indian mints have coined—

Gold	...	...	...	£2,445,383
Silver	...	...	...	257,731,715
				<u>£260,177,098</u>

The details are interesting. The silver received into the mints for coinage during this period was from two

<sup>1</sup> In 1892-93 £2,812,688, and in 1894-95 £4,974,094, the exports exceeded the imports by these amounts.

parties, whose respective amounts are thus described and set out—

<i>From Individuals.</i>	<i>From Government.</i>
£219,807,917	£34,570,665

Since 1894–95 the mints have been closed to the public for coinage purposes, but silver is still minted (for Mexican dollars for circulation in the Far East), as the following particulars from (and including) the year of closing show :—

				£
1894–95	...	...	...	—
1895–96	...	...	...	487,968
1896–97	...	...	...	972,983
1897–98	...	...	...	3,631,640
1898–99	...	...	...	3,413,023
1899–1900	...	...	...	5,586,137

To the amount coined by the Indian Government must be added the coinage of the Feudatory States, whose export trade is at least—probably it is more than—one-fifth of the whole trade of India. Say one-twentieth only of the amount coined in British India has been coined by the Feudatory States, viz., about £13,000,000. This leaves out of the total of £377,853,857 imported, after Government and private coinage has been provided for, the sum of £104,676,768. This looks a formidable amount, but when closely examined its great proportions vanish.

The British Indian mints have coined	£
in sixty-five years ... ..	260,177,098
The Feudatory States have minted, say	13,000,000
	<hr/> 273,177,098

From this must be deducted, to replace wear and tear, estimated before a Committee of the House of Commons at £666,666 a year ... ..	43,333,290
Leaving ... ..	<hr/> <hr/> £229,843,808



In his calculations from 1801 to 1869, Mr. Naoroji suggested, but did not allow for, a loss of £1,000,000 a year, thus: 'Is it too much to assume in the very widespread and minute distribution, over a vast surface and vast population, of small trinkets or ornaments of silver, and their rough use, another million may be required to supply waste and loss? If only a pennyworth per head per annum be so wasted, it would make a million sterling.'

The gross total and the disposal of the treasure remaining in the country during the sixty-five years under review may be thus summarised:—

	£
Net imports ... ..	377,853,857
Less Government coinage...	34,570,665
,, Feudatory           ,, ...	13,000,000
,, Wastage at one penny per head per annum, £1,000,000 per year 65 years ... ..	65,000,000
,, Wear and tear of coin- age     Rx. 1,000,000 (£666,666)per annum	43,333,290
	155,903,955
Leaving ... ..	£221,949,902

being coined rupees and bar silver worked into ornaments or 'hoarded' uncoined.

I assume (as I am well justified in doing by the figures of the thirty-fourth number of the 'Statistical Abstract for British India'; indeed, I might take a larger number) that the population in British India has averaged during the sixty-five years under consideration 180,000,000. The treasure over and above Government coinage received in India during these years, if divided amongst this population would amount to £1 4s. 1½d. per head. Divide this sum by the sixty-five years during which this treasure has

been imported, and it comes to the insignificant sum of 4½d. per head per annum! But stay, it is not so much as that. The Feudatory States are greedy absorbers of the precious metals. The people in them are more prosperous than are the people in the British provinces; their share in the export trade of the Empire, as has been stated, is one-fifth of the whole at least. It is putting the matter at a low estimate to suppose they receive only one-fifth of the gold and silver imported; grant them, however, that fifth, and then in British India there remains, if all this sum could be divided, about 3½d. per head per annum! That there is much treasure in the Feudatory States is clear from the hoards of the late Maharajah Scindia, forty million rupees after his death being invested in Government of India securities. Then, of another State it is declared, with what truth I know not, that in certain forts there were twenty years ago treasure vaults containing from 300 to 400 million rupees in gold and silver. I do not believe there is so much, but the statement, for what it is worth, may stand. British India gets no benefit from these hoards. It is certain there are not any large hoards in the British provinces. Further, Mr. Naoroji, in his reply to Sir M. E. Grant-Duff, in 1887 (the position has not materially altered since then), says:

‘Next, how much goes to the native States and the frontier territories? Here are a few significant official figures as an indication. “The report of the External Land Trade and Railway-borne Trade of the Bombay Presidency for 1884–85,” (page 2) says of Rajputana and Central India: “The imports from the external blocks being greater than the exports to them, the balance of trade due by the Presidency to the other Provinces amounts to Rs.12,01,05,912, as appears from the above table and the following.” I take the native States from the table referred to—

EXCESS OF IMPORTS IN BOMBAY PRESIDENCY.

From Rajputana and Central India	...	Rs.5,55,46,753
From Berar...	... ..	1,48,91,855
From Hyderabad	... ..	8,67,688
Total	... ..	<u>Rs.7,18,05,796</u>

or £7,180,579. This means that these native States have exported so much more merchandise than they have imported. Thereupon, the report remarks thus: "The greatest balance is in favour of Rajputana and Central India, caused by the import of opium from that block. Next to it is that of the Central Provinces. It is presumed that these balances are paid back *mainly in cash.*" (The italics are mine.) This, then, is the way the treasure goes; and poor British India gets all the abuse—insult added to injury. Its candle burns not only at both ends, but at all parts. The excessive foreign agency eats up in India, and drains from India, a portion of its wretched income, thereby weakening and exhausting it every year drop by drop, though not very perceptibly, and lessening its productive power or capability. It has poor capital and cannot increase it much. Foreign capital does nearly all the work and carries away all the profit. Foreign capitalists from Europe and from native States make profits from the resources of British India, and take away these profits to their own countries. The share that the mass of the natives of British India have is to drudge and slave on scanty subsistence for these foreign capitalists; not as slaves in America did, on the resources of the country and land belonging to the masters themselves, but on the resources of their own country for the benefit of foreign capitalists. I may illustrate this a little. Bombay is considered a wealthy place, and has a large capital circulating in it, to carry on all its wants as a great port. Whose capital is this? Mostly that of foreigners. The capital of the European exchange banks and European merchants is mostly foreign, and most of the native capital is foreign also, *i.e.*, that of the native bankers and merchants from the native States. Nearly £6,000,000 of the capital working in Bombay belongs to native bankers from the native States. Besides a large portion of the wealthy merchants, though more or less settled in Bombay, are from native States.'

If other things were equal, if the imported treasure represented a real surplus over the balance of imports and exports, and the reasonable profits arising therefrom, British India, in course of time, would lay by something. But, it must be remembered, in addition to all that has been urged, a much larger amount of coin is required in proportion to the volume of trade in India than is the case in England. This is owing to the defective system of credit which prevails in India and to remedy which very little has been done by the Government.

In 1898-99 the Indian import and export trade (including treasure imported and exported) of £140,138,858

and the internal traffic required, on the part of the Government in India and in England was—

Cash balances at the Treasuries and Agencies	£
in India ... ..	11,177,670
Do. do. in Home Treasury ... ..	3,145,768
Coinage was added to by ... ..	3,757,642
Notes were in circulation to the value of ...	18,801,750

The foregoing particulars explain what becomes of the precious metals which are imported into India. A large portion is wanted, and is used, for the ordinary purposes of trade. Much disappears annually through inevitable wastage. But, as to the portion left in the hands of the British Indian people, and regarded as proof positive of their prosperity, it is significant that the year of greatest import of gold and silver (greater even than, except in one year, during the American war, when Indian cotton was so greatly 'boomed') was 1877-78, the years of the terrible famines in Madras, Bombay, and the North-Western Provinces. Nobody will assert that the gold and silver imported then were a proof of the prosperity of the people. Mr. Naoroji, in his 'Poverty of India,' has aptly indicated this point in an illustration which I will borrow. He says:—

'The notion that the import of silver has made India rich is a strange delusion. There is one important circumstance which is not borne in mind. The silver imported is not for making up the balance of exports and profits over imports, or for what is called balance of trade. Far from it, as I have already explained. It is imported as a simple necessity, but it, therefore, does not make India richer because so much silver is imported. If I give out £20 worth of goods to any one, and in return get £5 in other goods and £5 in silver, and yet if by so doing, though I have received only £10 worth in all for the £20 I have parted with, I am richer by £5, because I have received £5 in silver, then my richness will be very unenviable indeed. The phenomenon, in fact, has a delusive effect. Besides not giving due consideration to the above circumstances, the bewilderment of many people at what are called enormous imports of silver in India is like

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that of a child who, because it can itself be satisfied with a small piece of bread, wonders at a man eating a whole loaf, though the loaf may be but a very "scanty subsistence" for the big man.'

It is frequently forgotten that in dealing with British India one has to do with a huge population, with a continent as great as Europe, leaving out Russia, and with nations as varied in habits and customs as are the European nations. No doubt a few Indians have become rich, and are the better for the imported treasure—that is, have hoarded it or turned it into ornaments. They are, however, comparatively few. I doubt if they number as many as do the wealthy merchants and manufacturers of the city of Manchester. As in England the millionaire and the pauper co-exist, so in India a small number of well-to-do folk are to be found side by side with two hundred and thirty millions of struggling people, a number every year becoming more and more poor, half of whom do not receive a bare sustenance in food, to say nothing of sufficient and decent clothing, and leaving out of account everything which would give zest to life.<sup>1</sup> Whatever the import of treasure into India may mean, it most certainly does not fulfil the condition of 'good evidence of increasing wealth,' nor should it appear to be a gratifying phenomenon to an interested Viceroy and lull him to slumber as an evidence of increasing wealth and growing prosperity. In England the suffering and struggling poor are few; in India they are the vast majority, the well-to-do being a very small minority. The greater part of the Indian people live with hardly more pleasure than the lean and hungry cattle in their fields.

<sup>1</sup> 'The Economic Situation in India,' a series of articles in the *Poona Sarvajanic Sabha Journal* (the Sabha now, unhappily, quiescent, was a public body which did notable service in Western India for a time). These articles did not attract in England the attention their great merit called for, partly, perhaps, because the author thought only of an Indian audience and dealt with crores, lakhs, and percentages, with all ciphers omitted, in a way which, while easily realised by the mathematical and arithmetical mind of a trained Indian, is hard to be grasped by an English reader unfamiliar with the terminology as well as the currency involved.

Unimpeachable evidence from official records demonstrate this. I publish that evidence in great fulness later in this volume. Such an existence as they endure is incompatible with viceregal dreams of 'increasing wealth and growing prosperity.'

That there is much buried wealth in India is a favourite subject with many people who generalise not from facts, but from fancies. A few years ago, the *Pioneer* newspaper made some remarks which were freely quoted in the British Press, the following paragraph particularly proving itself a favourite with sub-editors everywhere:—

'Mr. Clarmont Daniell, if we remember rightly, gives as the result of his researches into the buried wealth of India, the sum of 270 millions sterling as a probable estimate of the amount of the treasure lying idle in the country either in the shape of hoards or ornaments. We do not know that any one has ever seriously audited the figures by which he arrives at this conclusion: and they may be indisputable. At any rate every one knows that the hoards of native families are astonishingly large in proportion to their outward circumstances; and Mr. E. S. Maclagan, who has been investigating the trade in gold and silver work for the Panjab Government, is convinced that they are much more generally undervalued than over-estimated. A competent authority, he says, guesses that "in Amritsar city alone there are jewels to the value of two million pounds sterling." As regards some other districts the figures that have been furnished are not less astonishing. The miserable waste of Montgomery is estimated to possess about fifty lakhs in ornaments. The hill-sides and valleys of Kulu are put at three lakhs and a half. In Jhelum two-fifths of the wealth of the district are said to be vested in property of this nature; and in Kohat, "probably one of the poorest districts of the province in this respect, the estimate is taken at Rs.800 for each Hindoo family, and Rs.10 for each Mussulman family, and a lakh in the aggregate for the Nawab and other Raises—making a total for the district of 75 lakhs." This estimate, Mr. Maclagan admits, is probably an exaggeration; but, he adds, "even a more exact calculation would probably surprise us in its results." Given another quarter of a century of quiet British rule and the spoil of the Panjab will be once more worth the attention of some covetous invader from the North-West. In the meantime it acts as a powerful incentive to the predatory instincts of lesser rogues—the housebreaker and the dacoit. And, in fact, such a store of wealth kept in such a manner would have been enough to

bring these professions into existence in the golden age. Stock notes have failed; Mr. Daniell's currency reforms have not had a trial; and we still seem to be as far as ever from having hit on any scheme that will induce the native population to see the disadvantages of keeping valuables in hand and the advantages that may be secured by parting with them.'

At first sight the amounts mentioned in the above paragraph may seem enormous. But when those amounts—even Mr. Daniell's guess of thirty years ago—are, as already remarked, regarded in the light of the great population of India, and it is borne in mind, as it always should be, that the greater part of such jewelry as there still is in India is inherited, that the *articles de luxe* have been heirlooms in Indian families through many generations, one marvels not at the wealth of India, but at the terrible poverty which exists, notwithstanding the two hundred and seventy millions sterling of 'hoards and ornaments.' Divided among the whole people there is

NOT FOURTEEN RUPEES (18s. 8d.) PER HEAD OF  
WEALTH,

including all that has been inherited! Buried 'wealth,' indeed! Miserable, naked, poverty, rather. Even the optimist General Richard Strachey, when before the House of Commons Committee on Indian Finance thirty years ago, said: 'Consider the general poverty of India. . . . Consider—'

THE TOTAL ABSENCE OF ANYTHING LIKE ACCUMULATED  
WEALTH  
in India.'

Probably if all the indebtedness of all the people be reckoned, and if all the debts were liquidated, more than Mr. Clarmont Daniell's estimate would be required to meet the legitimate demands of the moneylenders. Consequently, a return to solvency on the part of the average Indian would mean eighty per cent. of the inhabitants left without one penny's worth of inherited and acquired

wealth, and the moneylenders the sole owners of that wealth. Even then those moneylenders would not be rich people. Allow one moneylender for each of India's three-quarters of a million of villages, and the wonderful amount of £270,000,000 sterling, divided equally among them, amounts to only £360 each! As to the inherited wealth amongst the population of India, its proportionate value may be judged from the following comparison:—

INDIAN WEALTH, as above estimated. 18s. 8d. per head.	BRITISH WEALTH, estimated by Mulhall. £300 per head.
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Possibly, reckoning in everything, the Indian wealth *might* be brought to £5 per head, though that is exceedingly doubtful. Even then how would it stand in comparison with the Briton's wealth?

Matters in this respect have not improved since 1872, when the *Pioneer's* inquiries were made: rather have they become very much worse. In the inquiry which, fourteen years ago, was made in the North-Western Provinces and Oudh, it was found that many households, even the households of small farmers—farmers of from five to fifteen acres—had not ten shillings' worth of 'jewels,' furniture, and utensils of every sort and kind. Again and again it was stated either there were 'no jewels' or that the 'jewels' were made of pewter. In many thousands of huts, taking the records of 1888 as the test, there is not more than one rupee's worth of 'belongings' in each. Analysed, the Daniell figures do not show much wealth per head. In Montgomery the average works out to little more than Rs.10 (13s. 4d.) per inhabitant. As for the statement, 'Given another quarter of a century of quiet British rule and the spoil of the Panjab will be once more worth the attention of some covetous invader from the North-West,' it is amusingly preposterous. It has not been shown, nor can it possibly be shown, that there has been any material addition to the wealth of the



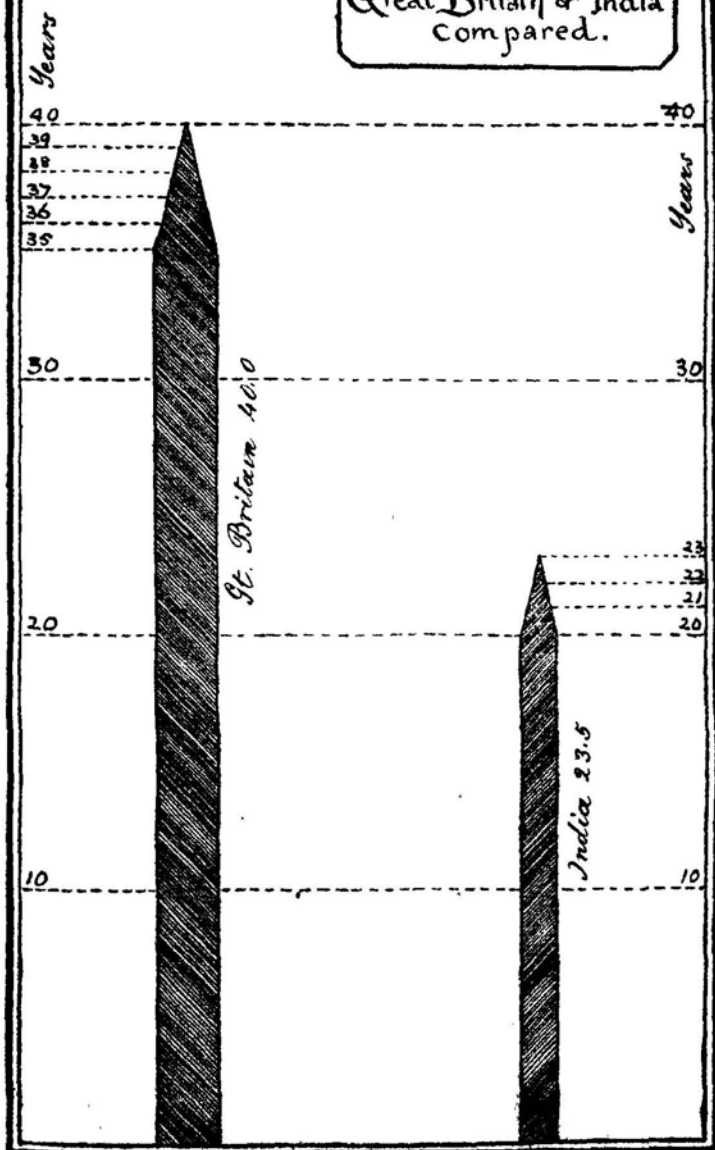
Panjab during the fifty and more years that that province has been under British rule. No doubt in a few of the wealthier Indian and Muhammadan families all over India there are still jewels and property of considerable value. But it is mainly inherited wealth. No one would contend that all India's stored-up resources have already been drained from the country; of inherited wealth there must still be some. It is, however, lessening year by year, whilst its place is not being taken by newer creations of reserves or purchase of valuables. If students of Indian affairs would take the trouble to examine into such matters analytically and historically, first of all casting aside all preconceived notions and preserving a candid mind, even the newspaper quoted, judging by its leader of December 30, 1890, would not merely be among the prophets, but would be head and shoulders over its compeers in its exhibition of India's only too hideous poverty. That journal would then, habitually, as it did incidentally, on the date mentioned, attack the Indian authorities with vehemence and with imputations unknown to the present writer, who always assumes that every Anglo-Indian official is the personification of ability, high-mindedness, and good intentions—an Admirable Crichton among the administrators of civilised countries. Indeed, it is because such good men are the (unconscious, one hopes) producers of such ill-consequences that most occasion is found to denounce the system under which the ill grows. The evil thus becomes perpetuated. 'Indian civilians are such honourable men; some often are such good Christians—there cannot be any evil resulting from their administration.' Thus quieted, responsible British people turn over on their side and contentedly slumber.

As to some of the reserves of the well-to-do people in India being retained in the shape of jewelry, that is inevitable. While human nature is human nature some adornment of the person will always be considered essential: 'Back and body will be adorned even if the belly goes empty' is an English, not an Indian, proverb.

Further, to expect, as some English publicists appear to expect, that Indian people will sell their jewels and melt their gold and silver nose and ankle and finger rings, to enable them to find capital for industrial enterprises in which they do not believe, or to improve their land according to a foreigner's notions of improvement, is to expect from them what is looked for from no other people on the face of the earth, and what no other people does. Whence comes the capital employed in joint stock and other enterprises in the United Kingdom? Does any appreciable amount of it come from the jewelry, the paintings, the Sevres vases, the hoarded wealth of the rich people of this land? It is only as there is capital over and above what makes for the adornment of the person and the enrichment of the home that general enterprise is nourished, even in our go-ahead industrial United Kingdom. If this fact were more often borne in mind there would be less injustice done to what is called the want of energy and effort on the part of Indian so-called capitalists, while many foolish gibes as to the alleged 'hoarding' propensities of our Indian fellow-subjects would be spared.<sup>1</sup> Stop the drain from India, and there may be a chance of wealth accumulating; India may then be able to pay for her own industrial enterprises. While the drain continues wealth cannot accumulate, and the public works which her foreign rulers declare to be necessary must be constructed with foreign capital, and, in the process, will be brought about the further degradation, and, finally, the ruin of India.

<sup>1</sup> 'Much is said about the hoarding by the natives, but how little is the share for each to hoard, and what hoardings—in the shape of investments, plate, jewelry, watches, personal ornaments—there are in England! I do not suppose that any Englishman would say that the natives of India ought to have no taste and no ornaments, and must only live like animals. But, after all, how little there is for each, if every one had his share to hoard or to use. The fact is that, far from hoarding, millions who are living on "scanty subsistence" do not know what it is to have a silver piece in their possession. It cannot be otherwise. To talk of Oriental wealth now, as far as British India is concerned, is a figure of speech, a dream!'—DADABHAI NAOROJI, 'Poverty of India.'

Average Length  
of Life:  
Great Britain & India  
Compared.



## CHAPTER VI

### THE 'TRIBUTE': WHAT IT IS, HOW IT WORKS

- . . . not a fact to be found in support of Allegations' that India is becoming Exhausted. (*Lord Geo. Hamilton.*)
- 'That Absurdity—about a Drain to England.'
- 'An Administration absolutely Unselfish.'
- Does India Really Pay a Tribute ?
- The Symposium at the India Office in 1875.
- Lord Salisbury on 'Produce Exported without a Direct Equivalent.'
- How the Mercantile Transaction Involving the Payment of Tribute is Carried Through.
- The Viceroy and Secretary of State, as Money Brokers, Negotiating the 'Investment.'
- The 'Tribute' Not All Gain to England; it does Serious Mischief to Agriculture and British Farmers Suffer.
- The 'Drain' and Its Effects Recognised at the India Office in 1875.
- 'The Tribute which is so balefully weighing down the Indian Exchange, . . . threatens to break the Indian camel's back.'

YOU speak,' said the Rt. Hon. Lord George Hamilton, Secretary of State for India, in a letter<sup>1</sup> to Mr. Dadabhai Naoroji, 'of the increasing impoverishment of India, and the annual drain upon her as steadily and continuously exhausting her resources. Again I assert you are under a delusion. Except that, during the last five years the rainfall has thrice failed, and created

Part of a correspondence between these gentlemen on the present condition of India and (as Mr. Naoroji put it) its rapidly-growing impoverishment.

drougths of immense dimensions, there is not a fact to be found in support of your allegations.'

'Does India pay tribute to England?'

'Certainly not,' the average Englishman would reply. 'We do not rule India in that way. Tribute? Oh! it is nonsense to suppose we take tribute from another country, especially a country like India. We rule India for nothing, except payment for the work we do there.'

The more than average man, the capable scholar, the high administrator, all reply with like expressions. One of the highest of ex-officials, whose service in India recently came to an end, said, in the presence of the present writer, during the present year (1901): 'Oh! that absurdity about a drain from India to England! There is no drain. If there be a drain it is all the other way.' He was highly indignant, as he thus spoke, with any one who thought otherwise.

The cynic may ask: 'Does England, indeed, then rule India for naught?' And he will get a reply in some such terms as these:—

'I have simply to repeat what I suppose is the most striking impression that India leaves on every traveller of the magnificent work that has been done, and is being done, by English Administration.' And, of course,

'All for love and nothing for reward.'

'The spectacle,' continues the same writer, 'of an administration absolutely unselfish, just, scrupulous, unweariedly energetic, provident, charitable, worked by men of untiring self-sacrifice and indomitable courage from the highest to the lowest, keeping order in what would quite obviously otherwise be illimitable chaos—a Government, local as well as central, exact, firm, yet responsive to a touch, and absolutely devoted to the good

of the people, is one which makes one proud and thankful for British rule.' <sup>1</sup>

This is how nearly every Englishman regards the British connection with India. Yet it is wholly a fancy picture. Our 'absolutely unselfish' and 'scrupulous' rule is compatible with the existence of a drain of India's resources which is enriching an already wealthy country at the cost of insufficient food, insufficient clothing, and no comforts of any kind for enjoyment by twice as many millions of British subjects as there are people residing in the United Kingdom. Compatible, too, with one returned civilian getting as much for pension each year as the average income of thirteen hundred people. The rule has to be good, the man has to have done wonders, to justify any foreigner for 'non-equivalent services' (in Lord Salisbury's phrase) taking so much from the means of an always hungry and ill-nourished people.

The word 'Tribute' is only once mentioned in the general accounts of the Government of India. It is then employed to designate certain payments made by the Feudatory States to the suzerain Power. The total amount is £909,701 per annum. Of anything in the shape of a 'tribute' in the transactions existing between India and England nothing is said. Why? 'Because,' the reply is given to any question of the kind which may be asked, 'there is nothing in the shape of tribute from the one country to the other. Are Englishmen South American Spaniards that they should exact a tribute from the people over whom they bear rule?'

One hundred and twenty years ago there was no insuperable objection to call things by their right names. Burke <sup>2</sup> declared it 'must have been always evident to considerate persons that the vast extraction of wealth from a country lessening in its resources in proportion to

<sup>1</sup> Rev. W. H. Hutton, B.D., Tutor and Fellow of St. John's College, Oxford: 'Impressions of India,' contributed to *The Guardian*, May, 1901.

<sup>2</sup> Ninth Report of Select Committee on the Affairs of India, p. 57, vol. viii. J. C. Nimmo, 1899.

the increase of its burdens' was neither good in itself, nor could it be of long duration. To-day we are not wholly blind, notwithstanding the general obscurantism, which, sometimes, seems wilful obscurantism. The injury—of increasing the burdens on the land and leaving cities and towns insufficiently taxed—'is exaggerated in India,' said Lord Salisbury (April 29, 1875), 'where so much of the revenue is exported without a direct equivalent.' The Secretary of State for India, as Lord Salisbury was then, proceeded to say:—'As India must be bled the lancet should be directed to the parts where the blood is congested, or at least is sufficient, not to those which are already feeble from the want of it.' This observation makes it clear that to one British statesman out of the many who have had direct charge of Indian affairs, the fact, that India was paying tribute to England, was perfectly clear. With his great ability and luminous powers of description Lord Salisbury put the matter beyond peradventure in two striking phrases:—

. . . India, where so much of the revenue is exported without a direct equivalent.'

As India must be bled, the lancet should be directed to the parts where the blood is congested, or at least sufficient, not to those which are already feeble for the want of it.'

There were others in the India Office at that time who shared these views and who did not hesitate to express them.<sup>1</sup> But for some reason not readily apparent, from

<sup>1</sup> 'More than twenty years ago the late Sir Louis Mallet (I presume with the knowledge and consent of Lord Cranbrook, then Secretary of State for India, and of my friend the late Edward Stanhope, then Under-Secretary), put at my disposal the confidential documents in the India Office, from Indian Finance Ministers and others, bearing on this question of the drain from India to England and its effects. The situation is, to my mind, so desperate that I consider I am entitled to call on Lord George Hamilton to submit the confidential memoranda on this subject, up to and after the year 1880, for the consideration of the House of Commons. I venture to assert that the public will be astonished to read the names of those who (privately) are at one with me on this matter. As to remedy, there is but one, and it is almost too late for that: the staunching of the drain and the steady substi-

that time forward no such word has been spoken, or, if spoken, has not been allowed to appear in any of the publications emanating from the Office.

The names of things concerning the fundamental facts of human nature and of administrative conditions may change: the essential conditions are unvaried. This is especially the case with India. A student of Anglo-Indian nomenclature in relation to the procedure of affairs during, say, the past thirty years, finds himself, on consulting the official records of the end of the eighteenth and the beginning of the nineteenth century, in a world of most refreshingly frank and wholly unaccustomed expressions. Yct, the burden of dispatches from the India House to 'loving friends' in India refer to much the same topics as do the dispatches which to-day pass backwards and forwards between Whitehall on the one hand and Calcutta and Simla on the other. Notably is this true of the correspondence of the finance departments. The problems to be faced now are the problems which were faced then. In the Company's days, urged by the need for dividends and by the payments to be made to His Majesty's Government for troops and in other respects, much turned upon 'the Investment.' The Investment meant so many millions of pounds sterling employed for the purchase of goods to be loaded into the Company's ships and sold in English markets to provide salaries, dividends, and interest on the fruits of 'the

tution of Native rule, under light English supervision, for our present ruinous system.'—H. M. HYNDMAN, *Morning Post*, July 2, 1901. In a preceding communication from the same writer names had been named to this extent: 'I may say, in conclusion, that my views on this matter have been and are shared by such men, dead and living, as Mr. Montgomery Martin, Sir George Wingate, Mr. James Geddes (Bengal Civil Service, hero of the Orissa famine of 1866), Sir Louis Mallet, Colonel Osborn, Major Evans Bell, Mr. Robert Knight, Sir William Wedderburn, Mr. Chester Macnaghten (late Principal of the Rajkumar College, Rajkote, Kattywar), Mr. William Digby, Mr. Dadabhai Naoroji, and many more; and I believe I should not be very far wrong if I added Lord Salisbury and another ex-Secretary of State for India to the list.' The name of the late Sir George Campbell, K.C.S.I., M.P., once Lieutenant-Governor of Bengal, must also be included. His remarks will be found in the succeeding chapter.



economical sin of international borrowing,' on which the directors discoursed, a sin which, notwithstanding its condemnation, was committed with impunity immediately wars with the object of conquest seemed inevitable and were taken in hand. The process was simple. If 'Commerce' had not profits for the 'Investment,' then 'Territory' provided what was needed—that is to say, the proceeds of taxation paid for the goods to fill the ships' holds and to find employment for the broker in Mincing Lane and its purlieus. The rulers of India, then, might be governing men, but, first and foremost, they were merchants. The fact was open and undisguised. Now they are rulers indeed, but no longer figure as merchants. The Viceroy does not buy wheat, and jute, and tea, and indigo, and oil seeds, and coffee, and cotton, endorse the Bills of Lading, as did Warren Hastings in his time, and consign the produce to the Secretary of the India Office in London. All the same month by month a mercantile transaction is carried through identical with that which was familiar and easily understood when done openly and above-board.

Lord George Hamilton is the head of a larger mercantile house than that over which Mr. Pierpont Morgan presides as Master of the United States Steel Trust. Mr. Clinton Dawkins, in exchanging his Finance Ministership of India for a partnership in an eminent banking firm doing business in London and New York, merely exchanged one commercial situation for another. Our whole connection with India rests upon the shop-keeping element in the relations between the two countries being strictly maintained. Let those visible signs of India's subordination to England which are manifest in the balance of exports over imports in the annual trade of the two countries be stopped by that great merchant the Secretary of State ceasing to offer Council Bills for purchase, and India would not greatly concern us as a nation, if only the inevitable liquidation provided us with twenty shillings in the £, and we received 'compensation

for disturbance,' which we should certainly exact. The merchant-statesman no longer buys goods in India himself, sells them in the open market and appropriates the proceeds to pay what is due to moneylenders in England, (called, for euphony's sake, shareholders—the other name is ugly and is to be reserved for sowkars and bunniah), annuitants, and pensioners, not to mention his own emoluments and those of his not small army of assistants. He *has* to have about sixteen millions sterling of hard cash every year to pay to the respective parties just mentioned. His Agent in Calcutta, the Head of the Civil Administration, the representative of British Majesty, has collected the money that is wanted and holds it ready for transmission. He cannot, however, very well send the rupees he has actually obtained from the taxed community. Neither would it be dignified on the part of Lord Curzon of Kedleston to buy produce and see it shipped from dock or ghat. Other people in England, merchants who have ascertained the wants of the Western people, have agents in India who buy produce and who are ready to undertake all the technicalities involved in shipping it to England. They do this, and their principals in London having received and sold the goods wish to transmit to India payment for what they have received. If Lord Curzon does not want to send over actual coin in bulk neither does the outside merchant wish to send more ingots of gold or silver or brass to India than the few well-to-do Indian people require as a metallic reserve or for conversion into ornaments—such ornaments being a kind of savings' bank whence (before the Mints were closed) the full silver value of the savings could, at any moment, be obtained (less a small commission) in current coin of the realm.

Thus, the Secretary of State wants the money which his Agent in Calcutta holds for him; the vendor merchant in London wants to pay his correspondent or Agent at an Indian port or in an inland city for the produce and goods he has received and has sold. What

better course can the English merchant adopt to secure his ends than that he should pay what he has to pay to the Secretary of State in London who will instruct his Agent—the Viceroy—to pay in Calcutta or elsewhere a corresponding sum to the Exchange Bank which has come into existence as the medium for such transactions?

Because Indian produce is the only means by which these transactions can be carried through, the British farmer has nearly ceased to grow wheat. Cheap labour in India and the utter helplessness of the cultivator has helped to bring the agriculturist in the United Kingdom to the deplorable pass described by Mr. Rider Haggard in his July-October visitation through the agricultural districts of England.<sup>1</sup> Economic causes, as inexorable as the law of gravitation or the transmission of light from the sun and stars, from lamp and candle, have made the wealth gained by iron-master and manufacturer who send steel rails and locomotives to India paid for out of money lent by England and not provided by India, to play a large part in producing the harder struggle for life which the British agriculturist has to endure. A study of these economics would lead English landowners and farmers to hold very different political views from those they at present possess. But there is no Party in the British State with knowledge or discernment to teach them what they should know.

'The glut of Indian commodities in the English market,' says Mr. Inwood Pollard,<sup>2</sup> 'is the result of India's growing Home charges. For, whereas English merchants only expended 304,000,000 of tolas<sup>3</sup> of silver

<sup>1</sup> See a series of articles contributed to the *Express* newspaper, London.

<sup>2</sup> 'The Indian Tribute and the Loss by Exchange; an Essay on the Depreciation of Indian Commodities in England,' by Thomas Inwood Pollard. Calcutta: Thacker, Spink and Co. 1884. I have exchanged the word 'our' into 'India' to increase the perspicacity of the passage for English readers.

<sup>3</sup> A tola is a measure of weight. The standard tola weighs 180 troy grains, or one rupee.

in the purchase of Indian goods in the five years ending with 1884-5, they expended no less than 976,000,000 worth of substitutes for tolas of silver, during the same period, in the shape of bills drawn on the Indian Government by the Secretary of State for India—paper-money representing the Indian tribute. Whereas the average annual imports of silver into India in the five years ending with 1884-5 had decreased from 75,000,000 to 61,000,000 of rupees as compared with the fifteen years ending with 1874-5, the bills drawn in London and paid by the Government in India had increased from 74,000,000 to 195,000,000 annually. (If we compare 1870-1 to 1873-4 with 1880-1 to 1883-4, the increase of the annual average of Indian Home charges is 82,000,000 of rupees.)

Mr. Pollard proceeds, in a luminous passage to which I beg the reader's most careful attention, to show how the drain from India is arranged in such a way as to disguise its real purpose from every one but an expert. He says: 'How few people can be brought to realise what this means'—that is, the statement in the preceding paragraph. 'Could I demonstrate that £12,000,000 worth of Indian merchandise had been added to the English annual supply in exchange for a certain number of tons of solid metal sold to our customers at a cheap rate by Germany or the United States, not one man in ten thousand would refuse to acknowledge *that* to be the cause of the low value of Indian goods in England. Yet, when I do something more—when I demonstrate that £12,000,000 worth of these same goods have been added to the annual supply in the same market in exchange for *bits of paper*, not one in ten thousand will understand what I mean.

'I mean that, of late years (1880-1 to 1884-5) as compared with former years (1860-1 to 1874-5) 121,000,000 of rupees' worth of Indian goods had been added to the already heavy annual consignments wherewith India pays its English liabilities (other than those due on the score of commerce); that English private importers of mer-

chandise have to compete with the ever-increasing and virtually gratuitous, consignments of the same merchandise imported by Her Majesty's Secretary of State for India; the Indian exporters send their goods to a market in which the demand for them is ever being saturated more and more by a greater and greater quantity of them having been already received by their customers as imports for which *nothing* has to be paid, for which no equivalent in merchandise or money has to be exported, which *cost* England not so much as a day's work.'

The Marquis of Salisbury, eleven years earlier, had condensed this teaching into a sentence when he drew attention to the fact that 'much of the revenue of India is exported without a direct equivalent.'<sup>1</sup> While such a statement remains on record it is perfectly clear that at the India Office, so long ago as 1875, 'the drain' and its effects were recognised in their true light. That not only nothing has been done during the intervening twenty-six years to staunch the open wound thus recognised while everything possible has been done to aggravate it until the wound has become an avenue to premature death and untold suffering to millions of British subjects yearly, is a condition of things for which the Secretary of State and his colleagues will have to answer at the bar of justice and of public opinion one day.

I venture to put it to Lord George Hamilton, to whom has been given the inestimable privilege of ruling India for six years continuously, of having made twelve Indian Budget speeches in the House of Commons and of having served at the India Office nearly fourteen years altogether, whether he has ever taken the trouble to realise what it is that he has done towards ruining the bodies and desolating the homes of many, many, millions of his Indian fellow-subjects, through his neglect to mark, learn, and

<sup>1</sup> This is one of a number of pivotal sentences which the reader will see again and again in these pages. I am less concerned with saying the same thing the second time or the third or fourth time than I am to impress the fact upon the reader's mind.

inwardly digest the facts relating to the most splendid position ever occupied by mortal man. He is responsible for the lives and happiness of three hundreds of millions of human beings, and he allows millions to starve to death every year. Why? Because to him the economic condition of India is a wholly sealed, unopened, un-studied, book. Here are passages which may give him occasion to pause, and should stimulate him to a line of reflection to which he is now a stranger. In the *Westminster Review* in 1880 Mr. W. T. Thornton penned this paragraph, which was probably the last he ever wrote on a subject on which he was an acknowledged authority. Mr. Thornton remarked:—

‘Thus, it is established there is a drain from India to England. What is its nature and extent?’

‘Experience, as usual, deferring until too late her captious counsels, at last teaches us clearly enough how serious an oversight there has been in an important branch of the domestic policy instituted by the Government of India some twenty-five years ago, and steadily pursued ever since. Every one could see that railways, which had so marvellously developed the resources of Europe, were equally desirable for India: but neither did it occur to any practical administrator to inquire, nor did any theoretical economist volunteer to point out,<sup>1</sup>

<sup>1</sup> This is an error. The effect of the Indian tribute was pointed out, in general terms, by John Stuart Mill. ✓ He demonstrates that ‘every country exports and imports the very same things and in the very same quantity’ under a money system as under a barter system. In the absence of international payments of the nature of a tribute, ‘under a barter system the trade gravitates to the point at which the sum of the imports exactly exchanges for the sum of the exports; in a money system it gravitates to the point at which the sum of the imports and the sum of the exports exchange for the same quantity of money. And since things which are equal to the same thing are equal to one another, the exports and imports, which are equal in money price, would, if money were not used, precisely exchange for one another.’ But he shows that this equality between exports and imports is disturbed by ‘the existence of international payments not originating in commerce, and for which no equivalent in either money or commodities is expected or received—such as a tribute,

how greatly the investment of English capital on Indian public works must, by necessitating the remittance to England of annual interest or profit on the investment, derange the Indian exchange, nor how grievous would be the effects of the derangement. Railways are good, irrigation is good, but neither one nor the other good enough to compensate for opening and continually widening a drain *which has tapped India's very heart-blood,*<sup>1</sup> and has dried up the mainsprings of her industrial energy. So grievous an error of the past having been at length, however tardily, detected, will scarcely be persevered in; and we may reasonably assume, therefore, that there will be no more guaranteeing of private British enterprise. . . . There is for India just now no other public work half so urgent as the restoration of equilibrium between income and expenditure, and all the rest should be imperatively required to wait until there shall be surplus revenue applicable to them, *unless, perchance, the requisite funds can be intermediately borrowed from local capitalists content to receive their interest on the spot.* . . . Here, then, I bring my story to a close by

or remittances of rent to absentee landlords or of interest to foreign creditors.

'To begin with the case of barter. The supposed annual remittances being made in commodities, and being exports for which there is to be no return, it is no longer requisite that the imports and exports should pay for one another; on the contrary, there must be an annual excess of exports over imports, equal to the value of the remittance. If, before the country became liable to the annual payment, foreign commerce was in its natural state of equilibrium, it will now be necessary, for the purpose of effecting the remittance, that foreign countries should be induced to take a greater quantity of exports than before, *which can only be done by offering those exports on cheaper terms, or, in other words, by paying dearer for foreign commodities.* The international values will so adjust themselves that either by greater exports or smaller imports, or both, the requisite excess will be brought about, and this excess will become the permanent state. The result is that a country which makes regular payments to foreign countries, *besides losing what it pays, loses also something more,* by the less advantageous terms on which it is forced to exchange its productions for foreign commodities.'

<sup>1</sup> The italics here and subsequently are not mine; they are the author's.—  
W. D.

drawing from it the pregnant moral that *it is India's tribute which is so balefully weighing down the Indian exchange, and that the same burden threatens, unless speedily and materially lightened, to break the Indian camel's back—miracle of endurance though the animal be.*<sup>1</sup>

<sup>1</sup> 'The Indian Tribute' (Thos. Inwood Pollard), pp. 77-78 and 92-93.

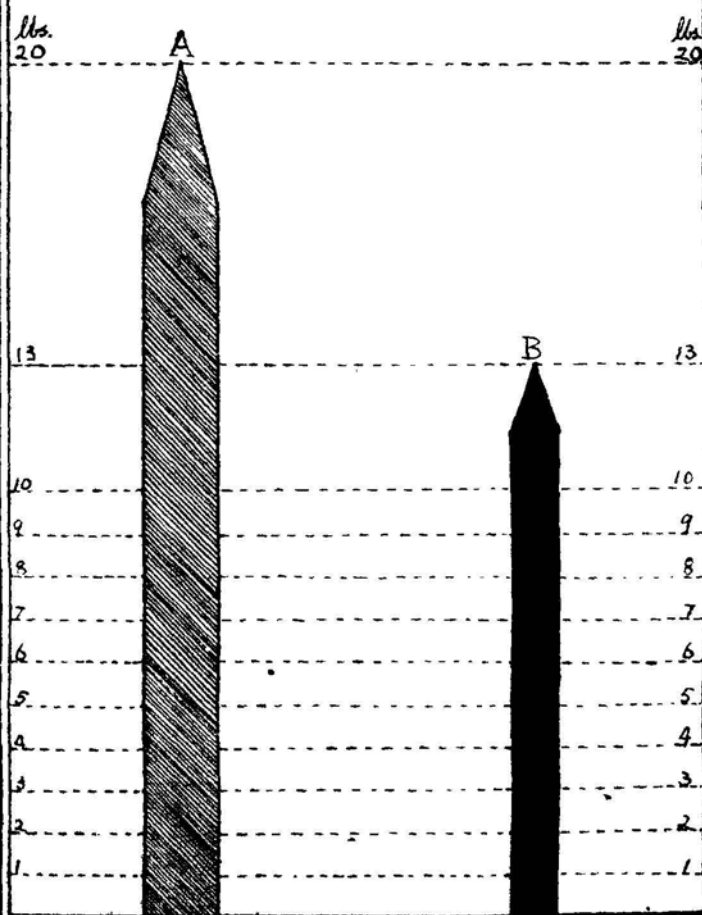


# THE CONSUMPTION OF SALT IN INDIA

(A) Quantity purchased when means permit

(B) Average quantity actually consumed

(including that used for cattle, manufactures etc)



## CHAPTER VII

### THE 'DRAIN': ITS EXTENT; ITS CONSEQUENCES

India's Position Unlike that of Any Other Country.

More Preventable Suffering, More Hunger, More Insufficiently Clothed Bodies, More Stunted Intellectuals, More Wasted Lives in India than in Any Other Country.

Mr. R. N. Cust on the 'Constant Draining Away of the Wealth of India to England.'

India Left Without Any Working Capital.

The 'Drain' Recognised and Denounced by Englishmen in the Eighteenth Century.

Excess of Exports.

Where the India Office Money Goes

Five Weeks' Food Taken Every Year from Each Indian to Pay India Office Charges.

A Revised Kipling Poem: 'Lord God we ha' paid in full.'

India's Average Annual Loss for Sixty-Five Years, year by year

*Two Significant Pages from an Indian Blue Book  
(photographic reproduction).*

India Denuded of Six Thousand Millions of Pounds Sterling  
Sir George Campbell on the 'Drain.'

Mr. J. A. Wadia on the Harm Done by Recent Currency Legislation.

Exhaustive Examination of Currency Legislation by Mr. Cecil B. Phipson.

'Robbery of Indian Depositors and Automatic Extortion from Indian Cultivators.'

This Legislation has 'Injured Every Class but the Money-lenders.'

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'Great Britain, in addition to the tribute she makes India pay her through the customs; derives benefit from the savings of the service at the three presidencies being spent in England instead of in India; and in addition to these

savings, which probably amount to near a million, she derives benefit from the fortunes realised by the European mercantile community, which are all remitted to England.'

—Parl. Paper, 1858 (445 = II.), p. 580.

INDIA occupies a position amongst the countries of the world to which there is no parallel. She is absolutely alone in her experience. Look the globe over, there is no other land with which to make a comparison, unless it be Java, and there the circumstances are not identical. None of the other great divisions of the earth are wholly under the rule of an alien race. Elsewhere, whatever the form of government may be, the national aims, desires, aspirations, ideals, receive consideration, with here and there an exception, as in Finland. Russia, throughout its agricultural districts, may be poor, but the economic considerations and conditions which contribute to that poverty are under Russian control and are carried out with the acquiescence of the Russian people.<sup>1</sup> The same is true in and of China, though the situation there is tempered by foreigners holding many posts and roaming where they will throughout the land. But they are in China more or less on sufferance. Though the burden they have placed on the Chinese people is heavy, yet the final word concerning that burden is with Chinamen. South American Republics are free to do what they will, even to the extent, if they consider the weight of foreign indebtedness too great to be borne, of acting upon that ugliest and most hateful of nineteenth-century words—Repudiation. Japan has taken a foremost place among the great nations of the world within less than fifty years of awakening to her backward position; Japanese statesmen rank with the noblest and most

<sup>1</sup> 'Whatever course events may take, our rule in India must apparently for generations become a problem of increasing difficulty and complexity. The problem is analogous to what seems to lie before a government like that of Russia, with this difference—that the Government in Russia is a native institution, whereas in India it is that of an alien nation governing a host of subject races.'—'Essays in Finance,' 2nd ed., 1886, by Sir B. Giffen, K.C.B.

capable of European and American administrators; Japanese soldiers in the field and Japanese discipline on the march and in camp, by reason of the individual self-restraint developed, leave every Christian nation's soldiery in the rear.

And India?

There are none so poor as to do India reverence.

To adorn a spectacle and to take part in a display with the 'sons of Empire,' and even to win the admiration of a German Field Marshal by reason of their prowess in China, Indian stalwartness of bearing and high physical courage and military capacity count for much. But in other respects, what part or lot has the Indian in those world-wide dominions of Britain, which contain four hundred millions of subjects, whereof three out of four are his country-people? The Indian territory is the most compact and most easily ruled among all the Commonwealths, Dominions, and Colonies which are sisters to the Empire of India. Indians, as individuals, compel our admiration. They equal us, they often beat us, in our most fancied pursuits, whether spiritual, scientific, intellectual, or physical. Indian after Indian (even from the most poverty-stricken parts of the Empire) take the highest intellectual prizes at our Universities. In the cricket field our greatest players troop behind Kumar Shri Ranjitsinghji, and do not know which most to admire—his supreme mastery of their national game, or the sportsmanlike spirit in which he captains his county eleven, and regards his position in the 'Averages' as naught in comparison with a 'win' for his team. In the scientific world, Professor J. K. Bose, a Bengali Babu, opens the eyes of Western pundits to the vision of an undreamt-of unseen world of electrical phenomena. In the religious sphere, a saintliness of life, a fervid eloquence that captivates the heart and takes prisoner the emotions—these are conspicuously recognised in Indian teacher after teacher. In statesmanship, unhappily permitted to exist only in the Feudatory States,

and not in the British Provinces, there are few in Europe, Asia, and America to surpass the achievements of Sir Salar Jung the First, Sir T. Madava Rau, Sir Dinkar Rau<sup>1</sup>—to refer only to the departed. In a right use of the wealth which a few Indians have acquired the noblest spirit of philanthropy has been exhibited.

And yet, in spite of all this, India and the nations of India count for nothing in the comity of nationalities— are, indeed, not a nation in any sense, but subjects of a 'righteous' raj; in the shaping of the policy most affecting themselves they are of no account. Again: in spite of all this, combined with a belief on the part of the conquering race that they are doing better for Indian kings, princes, and peoples than they could do for themselves, there is—

more preventable suffering,  
more hunger,  
more insufficiently clothed bodies,  
more stunted intellects,  
more wasted lives,  
more disappointed men,

by a score or two of millions, in the British Provinces of India than are to be found amongst any like number of people the round world over.

Why?

*Materially*, because of the 'drain.'

Said one of the great host of retired Indian civilians,<sup>2</sup> himself on pension, drawing from India annually the income of well-nigh seventeen hundred people: 'There is a constant drawing away of the wealth of India to England, as Englishmen grow fat on accumulations made in India, while the Indian remains as lean as ever. . . . Every post of dignity and high emolument, civil and military, is held by a stranger and a foreigner; Akbar made fuller

<sup>1</sup> Also, while the manuscript of this chapter is with the printer, Sir K. Seahadri Aiyar, the recently resigned Prime Minister of Mysore.

<sup>2</sup> B. N. Cust, 'Linguistic and Oriental Essays,' Part 2, ch. 7. Trubner and Co.

use of the subject races ; we make none : it is the jealousy of the middle-class Briton, the hungry Scot, that wants his salary, that shuts out all Native aspiration. . . . The consequences will be terrible.'

*Morally*, because of the literally besotted conceit which, in plain daylight view of innumerable facts to the contrary in recent past history and in present experience, under our own eyes, has determined that there is nothing good in Indian character, that there is nothing beneficial in present-day administration, which does not owe its being to us ; and, because of our insular national pride; we are not willing to share our rule and governance with a dark-skinned people. Dark face—black heart. Dark skin—necessarily mental inferiority ; dark skin—nobility of character and self-sacrifice, with other of the higher qualities of soul and mind, impossible ; dark skin—business energy, commercial forethought, wholly wanting, else, it is argued, the development of India would be ensured with Indian capital. The last is a particularly cruel and stupid thrust, since we have 'drained' the country of all its spare capital.

These are among the reasons why India is poor, and, being poor, is—by the standard of the age—necessarily and irredeemably inferior.

Long prior to the time when five millions sterling represented the total amount of trade between England and India, the 'drain,' as its inevitable consequences were realised, was the subject of adverse comment. At that time 'India' meant the Lower Provinces of Bengal, several towns on the Coromandel coast, including Chinnapatnam (Madras), with much of the Hinterland, and the island of Bombay with surrounding territory and a few centres of trade such as Surat. The Bombay districts were acquired later—from the Marathas and others. When sovereignty was assumed in Eastern and Southern India the question was considered : 'In what Manner it

may be most expedient to exercise it for the permanent Benefit of the governing Power.' The 'Manner' would be to commit

'the internal Administration to one or more considerable Moormen; the Moormen chiefly should be employed in the Offices of Government; the cultivation of the soil should be left with the Gentoos, whose Property it is, and the Revenue fixed for ever'; '. . . the governing Power should stand paramount, and hold the Sword over the rest, watching the Administration of every subordinate Department, content with a gross but moderate Tribute proportioned to their necessary Expense, and guarding the Country from being ruined in Detail by Europeans. On these Terms the Natives should be left undisturbed in the full Enjoyment of their own Laws, Customs, Prejudices, and Religion. On these Terms they would as readily submit to our Dominion as to any other, nor could it ever be lost but by foreign Conquest.'

This was the highest wisdom of the eighteenth century concerning England's connection with India. It was very high wisdom indeed. Those dozen lines are the quintessence of a policy by which alone one country can successfully and prosperously hold rule over another, if, indeed, the achievement, at any time and in any circumstances, be even approximately possible. It is the policy which prevails in the Australian Commonwealth, the Dominion of Canada, the Colonies generally, with this exception--from none save from India is a Tribute exacted. Only as we go back to that ideal for India and realise it to the full will prosperity ever return to that country.

The easy conquest of Hindustan by the Muhammadans is accounted for by 'the Moderation of the Tribute imposed and the Simplicity of their Method of collecting it.' 'In general, they introduced no Change but in the Army and in the Name of the Sovereign. With Respect to the Collection of the Revenues, the System of the present

This extract (p. 915), and subsequent extracts, are from the 'Reports from Committees of the House of Commons,' vol. v., 1781-82. Printed 1804. The capital letters and the italics are those of the Parliamentary publication.

Government is upon Principle directly the reverse of what it ought to be, and I believe, such as never was adopted by any other Government.'<sup>1</sup>

Then, as now, 'the eye of prophecy looked backward. To properly forecast the future the writer glanced at what had happened before his time. 'It cannot be disputed,' he said, 'that *Bengal* was in a much more flourishing State during the last Century than it has ever been under the English Establishment.' The principle on which Akbar secured his conquest 'was to conciliate the Minds of the native Hindoos, and to unite them as much as possible to his Person and Government: some he employed in the highest Offices of the State; with others he connected himself *and his Family by Marriage.*'

When the East India Company took charge of Bengal as a governing power it was after

'a quick Succession of Wars and Revolutions, a Foreign Influence prevailing both in Matters of Government and Commerce, the drain of large Sums of Money carried away by Individuals, or by the Company.' In such a state of poverty and decay, 'instead of Imports of Treasure from Europe, a Tribute was actually required from hence. Large sums in specie were actually sent out.'

'The Wealth formerly enjoyed by the Natives, and diffused by an equal and constant Circulation through the Country, was engrossed by Foreigners, who either exported it directly, or, by supplying the other European Factories, made it necessary, even for them, to import Bullion, for providing their Investments.'<sup>2</sup> Other portions

<sup>1</sup> 'Instead of leaving the Management to the natural Proprietors of the Lands, and demanding from them a fixed Portion of the Produce, we take the Management upon ourselves, and pay them a Tribute: Government stands in the place of the Zemindar, and allows him a Pension.'

<sup>2</sup> Philip Francis, the author of this valuable State paper, exceeded in value by few—if any—State papers written concerning India, was not alone in the views he expressed. Many others wrote in a similar strain. Notably in a communication to the President of Council seven years before Francis wrote, it was remarked: 'It must give Pain to an Englishman to have Reason to think that, since the Accession of the Company to the Dewannee, the Condition of the People of this Country has been worse than



of this powerful *exposé* of the situation in Bengal indicate special clear-sightedness. But the policy was too wise for adoption. After consideration, with one exception, other counsels were followed. That exception was the establishment of a Permanent Settlement in Bengal. This brought some measure of prosperity to these regions. In all other respects that was done which has caused lasting injury to India and has brought discredit upon English fame.

The Investment was continued. Even if Bengal, before our Accession to the Dewannee, did suffer somewhat from the diversion of a portion of its revenues to the Mogul Emperor, it appeared 'that the Company have levied higher Rents from this Country whilst [it was] labouring under the greatest disadvantages, than it ever paid to the Emperors in its most flourishing Condition, when the Principal Part of the Revenues were spent within the Provinces, and the Remainder went no farther than Delhi.' It was equally apparent 'that, under our Administration, the Desire of Increase, invariably and inflexibly pursued, is the Ruin of the Country, and, ere long, will be found the worst Economy.'

Ten years later, the greatest panegyrist of British rule in India—and, at the same time, himself the worst disparager of the Indian people known in British-Indian literature—Charles Grant, of the India House, was constrained to admit: 'We apply a large portion of their annual produce to the use of Great Britain.'

it was before; and yet I am afraid the Fact is undoubted; and I believe has proceeded from the following Causes: the Mode of providing the Company's Investment; the Exportation of Specie, instead of importing large sums annually; the Strictness that has been observed in the Collections; the Endeavours of all Concerned to gain Credit by an Increase of Revenue during the Time of their being in Station, without sufficiently attending to what future Consequences might be expected from such a Measure; the Errors that subsist in the Manner of making the Collections, particularly by the employment of Aumils: These appear to me the principal Causes why this fine Country, which flourished under the most despotic and arbitrary Government, is verging towards its Ruin while the English have really so great a share in the Administration.'

That there is any 'drain' from India to England is, as I have shown in preceding chapters, frequently denied to-day. It was, honestly enough, recognised when, in its earlier stages, it was a comparatively small matter (to us, but to the men of that day great). There seemed then to be no special desire to hide unpleasant truths under a guise of fair-seeming.

The material 'drain' has robbed India of the capital which hitherto had been available for the promotion and strengthening of industry. Without capital no industry, on other than the most primitive of bases, can exist. Two passages from 'Mill's Political Economy,' vol. v., will suffice for the present argument:—

'While, on the one hand, industry is limited by capital, so, on the other, every increase of capital gives, or is capable of giving, additional employment to industry, and this without assignable limit.'

'What supports and employs productive labour is the capital expended in setting it to work and not the demand of purchasers for the produce of the labour when completed. Demand for commodities is not a demand for labour.'

Indian imports and exports are, elsewhere in this work,<sup>1</sup> set out in detail and subjected to a more or less searching analysis. They need not be repeated here in aught but total amounts:—

	£
Exports (including Treasure) in 1898-99 ...	80,086,447
Imports           "           "           " ...	57,531,303
Excess of Exports ...           ...           ...	<u>£22,555,144</u>

Or, Three Hundred Millions of Rupees—more than One Rupee per Head from All India.

That is the balance, in slightly varying amounts, of

which India is, in the matter of exports and imports, denuded year by year. But, as will be apparent to the reader on a moment's thought, it is not by any means a full representation of what India annually loses under the alien rulers who are her overlords. The amount which is shown is that which goes, chiefly to England, for expenditure in that country—no doubt 'for services rendered,' but the services could have been rendered by the Indian people themselves at a smaller cost, and maybe with equal efficiency. In 1898-99 the Secretary of State for India received £16,303,197 (Rs.244,477,650) of this vast sum. He disposed of it thus:—

	£
Interest on Debt and on other Obligations ... ..	2,805,097
Management of Debt (Payments to Bank of England and Bank of Ireland) ... ..	49,978
Charges on Account of Departments in India:—	
Post Office ... ..	57,409
Telegraphs ... ..	76,030
Political (Diplomatic Charges) ... ..	24,454
Other Charges ... ..	28,082
Railways:—	
State Railways (Interest and Annuities) ... ..	3,711,690
Guaranteed Lines (Interest) ... ..	2,162,525
Public Works (Furlough, Absentee Allowances, etc.) ...	62,089
Marine Charges ... ..	147,645
Military Charges:—	
Effective:—Payments to H.M.'s Exchequer for British Forces ... ..	764,400
Furlough Allowances ... ..	302,549
Troop Service and Passage Money ... ..	296,713
Other Charges ... ..	18,815
Non-Effective:—Payments to H.M. Exchequer for British Forces (Retired Pay, Pensions, etc.)...	527,523
Pensions to Indian Officers, etc. ... ..	1,781,693
Do. to Non-commissioned Officers and Soldiers	6,506
Do. to Widows and Families, etc. ... ..	105,957
Civil Charges:—	
Secretary of State's Establishment, including Auditor and excluding Store Department ... ..	107,984
Postages and Telegrams ... ..	6,091
Contingencies (Rent, Taxes, Coal, &c.) ... ..	12,287
Royal Indian Engineering Colleges (including Passages)	29,888
Miscellaneous Home Charges, ... ..	11,857

Furloughs :—	£
Covenanted Service ... ..	114,812
Military Officers in Civil Employ ... ..	78,410
Uncovenanted, Pilot, and Marine Services ... ..	66,287
Pensions and Allowances :—	
Political ... ..	11,577
East India Company's Establishments Abolished ...	17,221
Home Establishment Officers ... ..	42,886
Do. Widows and Families from Funds ... ..	17,026
Indian Officers for Distinguished Services, Judges, Uncovenanted Service, and others ... ..	350,901
Compassionate and other Allowances ... ..	14,624
Indian Service Funds (Annuities, Pensions, etc.) ... ..	1,498,474
Donations, Gratuities, and Charities... ..	1,835
Miscellaneous Charges ... ..	18,755
Stores :—	
Director-General's Department at Lambeth ... ..	49,823
Stationery and Printing for all Departments in India	43,658
Civil Departments ... ..	131,812
Marine Stores ... ..	57,142
Public Works (including Telegraph Stores) ... ..	95,195
Military (including Stores for Special Defence Works)	591,223
Miscellaneous Charges ... ..	4,519
Total ... ..	£16,303,197
Exchange ... ..	8,144,568
At Rs. 15 to £ ... ..	Rs. <u>244,477,650</u>

Before analysing these figures and showing what, in the way of dead-weight, borne by the Indian people, they indicate, it may be well to record the extent to which these Home Charges have increased since 1834-5 :—

*Home Charges in 1834-5.*

Dividends on East India Stock ... ..	£636,826
Permanent and Fixed Charges ... ..	833,226
„ „ Charges, but varying in amount... ..	1,205,414
Miscellaneous and Contingent Charges ... ..	95,458
Temporary Charges, etc. ... ..	210,198
Total ... ..	£2,981,122

At the end of sixteen years, namely, in 1850-51, the annual increase was only £436,693. A few years later the Mutiny piled up national debt, the money being borrowed from England; shortly after began the era of public works, in which railways have played the largest part; the railways have added much to the Home Charges, little to the real well-being of India. In other respects also additions have been made, especially in non-effective charges.

The payments made by the Secretary of State fall almost naturally into three classes:—

1. *Interest :*

Interest on debt incurred in the normal government of the country ... ..	2,805,097
Do. do. Railways (including Annuities) ... ..	5,874,215
Management of Debt ... ..	49,978
Total ... ..	<u>£8,729,290</u>

Or (Rs.15 = £1, Anna= 1d.) d.1,852,248,840 ;

*i.e.*, EIGHTPENCE is due and payable (and is paid) from every man, woman, and child in British India per annum for interest. This, with an average income of £1 2s. 4d. per head means one-thirty-third of the year's income, or eleven days' food :

if, however, as should be done, the income is reckoned of 231,000,000 of people, less one million who are well-to-do, the amount due from each person is one one-twentieth of the year's income, or, eighteen days' food.

2. *General Charges :*

All other sums (save No. 3 below) including <i>Pensions</i> , military (effective and non-effective) charges, etc., etc.	<u>£6,464,933</u>
--	-------------------

Or (Rs.15 = £1, Anna = 1d.) d.1,397,025,606 ;

*i.e.*, SIXPENCE per head per annum is due, or (at £1 2s. 4d., average income) eight days' food from every Indian: at 13s. per head, this charge represents fourteen days' food.

3. *Departments and Stores*: . . . . . £1,108,974  
Or (Rs. 15 = £1, Anna = 1d.) *d.* 236,581,120;

*i.e.*, ONE PENNY from every person in India, at £1 2s. 4d., one and a half days' food: at 13s. per head, over two days' food.

*Summary.*

	At £1 2s. 4d. Income.	At 13s. Income.
1. Interest on Debt . . .	11 days' food.	18 days' food.
2. General Charges . . .	8 ,,	14 ,,
3. Stores, etc. . . . .	1½ ,,	2½ ,,
Totals . . . . .	20½ ,,	34½ ,,

Or, about five weeks' average maintenance of each Indian outside the one million well-to-do folks is annually disbursed in this country, one of the wealthiest of lands, while the disbursing country is, omitting none, the poorest realm in all the world! Was ever such a crushing tribute exacted by any conqueror at any period of history? Is there any wonder that two millions of British-Indian subjects of the King-Emperor, Edward the Seventh, on the average, now die in each year from want of food, and that twenty times two millions are, in the Lancashire expression, continually 'clemmed'?

Rudyard Kipling, his words slightly varied, provides the Indian, of whom he has written much, but with whose actual condition seemingly he has taken few pains to acquaint himself, with a lament (altered a little from the original) which should touch even a statesman's heart or (harder still) a journalist's conscience as to whether, in his perfunctory acceptance of official statements concerning India, each is doing his duty. Sings the revised and amended Kipling:—

' We have supplied your needs for a hundred years  
And you call us, still unfed,  
Though there's never an hour of all our hours  
But marks our Indian dead :  
We have given our means to th' inex'nable call,  
To the sowkar, to the raj.  
If blood be the price of England's rule,  
Lord God, we ha' paid in full !

' There's never a sun goes down in the West  
But sees our wors'ning plight ;  
There's never a sun looks down on us  
But sees this sorrowful sight—  
But claims on the sands forlorn,  
From Comorin to Panjab.  
If blood be the price of England's rule,  
If blood be the price of England's rule,  
Lord God, we ha' paid in full !

' Must we feed your need for a thousand years,  
Is that our doom, your pride,  
As 'twas when first our shores ye sought  
And 's continued wi' woe beside?—  
Our bodies lie on the dreary waste  
While our homes are bare indeed.  
If blood be the price of England's rule,  
If blood be the price of England's rule,  
If blood be the price of England's rule,  
Lord God, we ha' paid in full !'

By how much has the balance of trade, as shown in the official records, gone against India?

This branch of a great subject may seem intricate and not easily grasped by the ordinary reader, but a little consideration will be well repaid. To render my statements as non-contentious as may be, I will deal, mainly, with the figures in the official statements, though thereby I fail to indicate the full extent of the evil by not less than one-third. To the official figures I add commercial profits at ten per cent.<sup>1</sup>

That I may not deal with details which are not accessible to every one who may wish to check my statements I will refer only to the state of things as revealed in the accounts published in the Seventh Issue of 'Financial and Commercial Statistics of British India,' printed in Calcutta in 1900, but to be obtained of any Parliamentary bookseller in England. Both sides of the account will include Treasure.

PERIOD.	ANNUAL AVERAGE.		TOTALS.	
	Imports.	Exports.	Imports.	Exports.
	£	£	£	£
1834-35 to 1838-39	4,877,802	7,555,066	24,396,510	37,775,880
1839-40 „ 1843-44	6,969,068	9,501,708	34,845,340	47,508,540
1844-45 „ 1848-49	8,139,584	11,330,866	40,697,920	55,651,880
1849-50 „ 1853-54	10,567,560	13,344,750	52,837,800	66,723,750
1854-55 „ 1858-59	17,901,698	17,231,648	89,508,490	86,158,240
1859-60 „ 1863-64	27,375,812	28,781,524	136,876,540	143,907,620
1864-65 „ 1868-69	32,876,490	38,442,950	164,382,450	192,214,750
1869-70 „ 1873-74	27,534,067	38,561,997	137,670,335	192,809,985
1874-75 „ 1878-79	32,147,904	42,089,751	160,739,520	200,448,755
1879-80 „ 1883-84	41,209,162	53,606,711	206,045,810	268,033,555
1884-85 „ 1888-89	50,089,534	60,185,099	250,447,570	300,925,495
1889-90 „ 1893-94	59,130,622	72,444,732	295,653,110	362,223,660
1894-95 „ 1898-99	59,038,889	75,953,242	295,194,445	379,766,210
Totals * ...			1,889,295,840	2,334,147,730

<sup>1</sup> Mr. Dadabhai Naoroji, writing in 1874, said: 'On an average, commercial profits may be taken at twenty per cent. Indian merchants generally insure by sailing vessels twenty-five per cent. more, and by steamers fifteen per cent. for profit, as by steamers the same capital may be turned over oftener.'



## IN INDIA FOR THE GOOD OF INDIA 223

Exports in Sixty-Five years	...	£2,334,147,730
Imports	,, ,,	1,889,295,840
		444,851,690
Add 10 per cent. trade profit	...	44,485,169
		£489,336,859

The average annual loss to India on the above showing is £7,529,798. It will be remarked how enormously the totals have increased in the later years as compared with the earlier years. The percentage of increase of exports in 1898-99 over the exports of sixty-five years ago is 1,000 per cent. ! And such profit as has been made on this enormous business has been made mainly by the foreigner—that foreigner who is the ruler. That ruler's one boast, daily made in the Temple of the Press, on the Platform, and in the Dispatch, is that he is in India for the good of India and of the Indian people. He leaves it to be inferred that if his presence in India were harmful to the Indian people, nothing would keep him there. To the present time, save in a solitary instance occasionally seen, he has not realised the harmfulness of his course, has not seen the evil he has done and is doing. Will his eyes ever be opened ?

It is necessary to carry this matter somewhat farther. Is it possible to ascertain what this disastrous balance of trade has meant in money, which, had it been preserved to the country, and had due diligence been shown by its rulers, would have been available for that development ? What has been done in Japan might have been done in India. It will be seen that the sums borrowed from England to 'develop' India are a mere bagatelle compared with what India could herself have provided, had her English rulers been as wise, in India's interests as it was their bounden duty to be.

Mr. Montgomery Martin, in his survey of the condition of the people of Bengal and Behar, a survey extending

over nine years, namely, from 1807 to 1816, says, in words only too familiar to students of Indian affairs:—

‘The annual drain of £8,000,000 on British India has amounted, in thirty years, at twelve per cent. (the usual Indian rate) compound interest, to the enormous sum of £728,000,000 sterling. . . . So constant and accumulating a drain, even in England, would soon impoverish her. How severe, then, must be its effects on India, where the wage of a labourer is from twopence to threepence a day!’

At the end of the century, in the earlier part of which Mr. Martin wrote, we, whose fate it is to contemplate the work of our own hands, can tell how severe the effects of this continuous drain has been upon India. Those effects have been so severe that, outside one million wealthy and well-to-do people, the annual income of our wards in India has sunk to a halfpenny per day! Meanwhile the adverse balance of trade—dealing only with what appears in the Government records, regarding simply what the authorities themselves have put in as evidence, not understanding (not seeming to want to understand) what the story is which their records tell—has gone up to the enormous sum, in 1898–99, of Rs.302,140,050, and has been twelve per cent. higher.<sup>1</sup>

In estimating the loss to India in the nineteenth century the start must be made with Mr. Martin's figures:—

	£
Loss to India, prior to 1834–35, compound interest, at twelve per cent. . . .	728,000,000
The average annual loss, taking the trade tables alone, has been shown above to be about £7,500,000. If that sum for the whole period be taken, and a charge of five per cent. compound interest be made (though the money and produce were worth vastly more than five per cent. to the	

£

Indian banker, merchant, cultivator, artisan, and to all others in India who would have been in a position to employ capital to good account, were worth at least three times five, but I have taken only five) the result is 4,187,922,732

Total ... .. £4,910,922,732

Thus, the adverse balance of trade against India during the last century, even at the low rate of interest I have adopted, reached the enormous total of nearly £5,000,000,000. If one could follow the money in all the ramifications through which, in India, it might have passed, its fertilising effect in every one of the five hundred and forty thousand villages, its accumulating power ('money makes money') fructifying in a land where its expenditure would have led to an increase in substance, it would, even then, be impossible to put into words the grievous wrong which (unwittingly but, all the same, culpably) has been done to India.

Now that I have reached this point in my exposition, I turn to pages 372-373 of the latest issue of 'Financial and Commercial Statistics' for another purpose, and find that, in taking £7,500,000 as a fair estimate of India's annual payments to the India Office, I have greatly underestimated the facts. I ought to have reckoned those payments at £9,500,000 for each year. The 'Accounts received in England at the India Office on Account of India' during the period 1834-35 to 1898-99 were ... .. £610,389,135

To this must be added debt in England existing at the end of 1898-99 ... 124,268,605

Total ... .. £734,657,740

WAYS AND MEANS OF THE HOME GOVERNMENT

No. 1

DISBURSEMENTS IN ENGLAND, from 1884-85 to 1905-06.

		WAYS AND MEANS BY WHICH THE					
		REVENUE		EXPENDITURE			
Financial year	Disbursements (including advances granted) (except amounts of Railway Companies and other public corporations)	Realisation of contingent assets	In repayment of advances made in India and China in security of goods.	In repayment of advances made in India on account of the Local Government and other Public Departments.	Advances on India.	Other advances on India.	Borrowed from India in part.
1884-85	5,559,723	6,477,561	105,501	65,731	729,834	—	—
1885-86	3,307,563	1,962,714	1,031,194	105,359	2,047,254	—	—
1886-87	3,435,517	1,681,102	2,083,192	29,334	2,043,228	80,000	—
1887-88	3,053,625	271,234	1,946,901	78,694	1,708,184	—	—
1888-89	5,906,164	674,767	1,477,715	88,363	3,346,659	—	—
1889-90	3,315,150	105,742	789,482	108,798	1,429,676	—	—
1890-91	3,352,741	5,680	940,749	228,084	1,174,450	—	—
1891-92	3,767,767	6,616	1,145,797	494,463	2,669,283	—	—
1892-93	3,892,956	—	492,985	673,211	1,197,438	90,000	—
1893-94	4,025,227	—	608,364	952,824	2,471,731	10,000	—
1894-95	3,571,845	—	33,052	102,381	2,616,411	—	—
1895-96	4,210,910	—	897,080	172,227	3,085,596	—	—
1896-97	3,994,261	1,867	317,409	185,717	3,077,042	—	—
1897-98	4,018,537	100	1,122,452	222,066	1,541,904	—	—
1898-99	4,231,626	—	705,298	134,317	1,905,195	—	—
1899-00	4,197,704	2,204	1,114,143	115,941	2,046,118	—	—
1900-01	3,026,868	—	664,575	165,033	2,239,428	—	—
1901-02	3,410,229	—	—	295,456	2,777,328	—	—
1902-03	3,796,806	—	—	115,169	3,317,122	—	—
1903-04	4,350,000	—	—	—	3,850,675	—	—
1904-05	4,272,659	—	—	90,358	3,866,676	—	412,000
1905-06	6,026,708	—	—	207,352	1,464,060	—	7,300
1906-07	4,983,849	—	—	184,684	2,819,711	—	—
1907-08	3,384,728	—	—	1,765,022	629,469	—	—
1908-09	35,470,617	—	—	136,601	26,301	—	—
1909-10	18,283,378	—	—	644,428	4,694	—	—
1910-11	10,640,186	—	—	1,033,183	797	—	—
1911-12	11,942,665	—	—	1,011,866	1,103,726	180,000	—
1912-13	10,603,187	—	—	906,338	6,641,676	—	—
1913-14	18,818,582	—	—	80,232	8,979,691	—	—
1914-15	9,480,062	—	—	106,681	6,789,479	—	—
1915-16	11,419,741	—	—	106,565	6,909,699	—	150,858
1916-17 (11 months)	10,924,392	—	—	169,576	6,525,746	—	—
1917-18	12,451,806	—	—	1,263,781	4,137,285	—	—
1918-19	15,661,848	—	—	4,689,780	3,705,741	—	—
1919-20	14,609,837	—	—	1,470,681	4,880,125	—	—
1920-21	13,623,477	—	—	229,744	8,442,509	—	—
1921-22	12,466,815	—	—	85,102	10,310,359	—	—
1922-23	12,851,718	—	—	195,458	13,039,066	400,000	—
1923-24	15,532,845	—	—	167,348	13,296,676	—	—
1924-25	14,680,644	—	—	131,576	10,841,616	—	—
1925-26	14,368,699	—	—	94,350	12,359,613	—	—
1926-27	15,686,871	—	—	137,710	12,608,799	—	—
1927-28	15,904,625	—	—	106,750	10,134,458	—	—
1928-29	18,746,736	—	—	496,126	13,948,666	1,615,108	—
1929-30	27,563,324†	—	—	167,962	16,261,610	—	406,942
1930-31	17,568,619	—	—	274,107	16,229,676	—	—
1931-32	21,795,602	—	—	267,081	16,412,429	—	—
1932-33	22,063,280	—	—	530,960	14,119,126	—	—
1933-34	19,744,628	—	—	371,594	17,699,695	—	—
1934-35	21,112,124	—	—	354,006	18,748,900	—	—
1935-36	19,024,180	—	—	298,077	16,029,693	—	—
1936-37	23,081,226	—	—	189,297	12,136,278	—	—
1937-38	17,362,636	—	—	186,668	14,368,577	—	—
1938-39	20,675,794	—	—	129,935	14,262,389	—	—
1939-40	17,365,319	—	—	144,029	16,474,494	—	—
1940-41	32,427,324	—	—	161,892	16,066,036	—	—
1941-42	19,146,391	—	—	158,633	16,066,854	—	—
1942-43	20,456,143	—	—	187,790	16,832,316	—	—
1943-44	23,426,483	—	—	147,327	9,830,255	—	—
1944-45	24,328,026	—	—	148,471	16,808,702	—	—
1945-46	18,894,013	—	—	170,979	17,664,492	—	—
1946-47	21,513,891	—	—	262,659	16,536,647	—	—
1947-48	15,140,204	—	—	180,605	14,958,677	—	—
1948-49	27,546,616	—	—	201,819	15,629,377	—	—
Totals	687,108,529	6,745,600	14,766,436	24,416,265	512,801,653	1,666,243	1,046,028

\* For particulars of large or exceptional payments included in this column see supplementary table No. 1A.  
† Includes £2,000,000 being an advance from Her Majesty's Treasury under the Indian Advances Act, 1937.  
‡ Excludes of £1,003,397 received on account of the Commission for the Reduction of Debt.

and the WAYS and MEANS by which they were met (In pounds sterling.)

DEBITMENTS WERE MET			Borrowed in England.	Sale of stock in the public funds.	Total receipts, including interest on loans received.	Cash balance at end of the year.	
in amount of £,000.							
Exceeded from India in value.	Deposits by Railway Companies in amount of withdrawal.	Total remittances.					
96,118	..	224,449	..	..	5,412,210	2,926,428	1884-85
..	..	2,185,567	..	..	6,436,807	6,436,807	1885-86
..	..	4,174,758	..	..	8,806,680	7,737,440	1886-87
..	..	3,731,709	..	..	4,908,443	6,246,900	1887-88
..	..	3,012,969	..	..	4,637,188	5,926,123	1888-89
..	..	2,301,803	..	..	2,407,543	2,020,227	1889-90
..	..	3,989,233	..	..	3,374,813	1,086,399	1890-91
..	..	4,222,533	165,900	..	4,407,049	1,697,561	1891-92
..	..	2,683,684	100,000	..	2,868,684	985,109	1892-93
..	..	4,443,919	..	584,174	4,442,919	1,407,798	1893-94
..	..	3,712,364	..	167,773	3,464,241	1,290,787	1894-95
..	..	4,056,616	..	315,501	4,265,617	1,348,944	1895-96
..	..	3,651,168	..	132,221	3,705,269	1,069,499	1896-97
..	..	2,996,361	503,455	275,887	3,674,793	727,756	1897-98
916,234	90,000	3,734,021	1,114,180	..	4,846,211	1,344,431	1898-99
329,266	307,491	4,027,037	..	..	4,930,261	2,108,977	1899-00
..	..	4,612,041	..	..	4,512,041	2,753,420	1900-01
..	..	137,113	2,120,217	..	3,120,217	3,268,846	1901-02
..	..	308,029	3,641,311	..	3,641,311	3,210,367	1902-03
..	..	378,776	4,668,932	..	4,668,232	2,410,280	1903-04
..	..	2,427,540	6,029,361	..	6,029,361	4,737,582	1904-05
..	..	2,002,130	7,002,764	..	7,002,764	5,431,563	1905-06
..	..	1,589,845	4,554,340	..	4,594,340	3,041,944	1906-07
..	..	1,638,340	4,094,782	6,688,173	10,664,384	4,351,900	1907-08
..	..	4,898,890	5,051,201	6,687,114	11,938,416	2,916,898	1908-09
..	..	3,376,621	3,824,744	12,806,530	16,633,273	4,196,093	1909-10
..	..	3,434,593	4,458,550	4,664,605	9,103,165	2,653,003	1910-11
..	..	7,002,551	9,327,946	4,998,387	14,323,333	6,739,711	1911-12
..	..	3,426,822	10,378,326	..	10,378,326	5,946,910	1912-13
..	..	4,686,403	13,725,346	2,441,000	16,165,346	6,595,374	1913-14
..	..	1,902,325	8,796,679	882,800	8,796,679	5,282,025	1914-15
..	..	1,176,508	8,440,830	..	9,204,081	4,095,770	1915-16 (11 months)
862,802	2,807,427	9,423,054	2,731,901	..	12,945,982	3,914,831	1916-17
..	4,896,423	10,261,429	1,164,407	..	11,415,536	2,933,009	1917-18
..	4,067,914	12,390,385	1,344,140	..	13,854,825	3,022,981	1918-19
..	1,886,276	10,337,029	4,933,412	..	14,378,441	2,892,453	1919-20
671,193	2,328,600	11,513,110	2,423,866	..	13,936,966	3,306,978	1920-21
..	1,190,085	11,665,526	1,413,406	..	13,001,532	2,821,091	1921-22
..	-628,622*	14,009,071	..	..	14,008,071	2,988,444	1922-23
..	57,563	13,610,679	1,037,458	..	14,548,037	2,118,538	1923-24
..	-741,648*	10,192,537	6,070,839	..	16,263,376	2,795,370	1924-25
..	-1,210,174*	11,273,829	1,208,249	..	12,482,078	3,118,899	1925-26
..	-1,553,239*	11,274,271	6,216,169	..	17,490,439	2,713,067	1926-27
..	-312,859*	9,928,234	4,339,141	..	14,267,375	1,074,067	1927-28
..	-924,545*	16,044,139	9,748,840	..	18,791,004	1,117,925	1928-29
..	-457,550*	15,459,183	13,552,761	..	20,015,506	2,270,107	1929-30
..	-738,572*	14,775,211	6,037,244	..	19,818,161	4,127,349	1930-31
..	-852,529*	17,626,981	2,464,647	..	20,091,628	2,620,909	1931-32
..	1,887,694	16,187,783	6,730,333	..	22,872,216	3,429,574	1932-33
..	-408,770*	17,505,029	1,841,001	..	19,407,969	4,113,221	1933-34
..	80,388	14,182,806	5,049,956	..	19,248,309	3,246,378	1934-35
..	6,161,537	16,490,906	5,071,081	..	21,561,357	4,724,585	1935-36
..	1,127,235	13,463,510	10,121,902	..	23,675,508	6,280,829	1936-37
..	2,457,859	18,009,704	..	..	18,002,704	6,903,867	1937-38
..	-734,409*	13,688,204	..	..	20,035,030	3,265,683	1938-39
..	-374,379*	16,848,563	4,161,000	..	19,009,322	6,402,573	1939-40
..	-2,166,546*	13,804,671	6,695,000	..	20,869,571	3,338,000	1940-41
..	-1,408,500*	14,848,896	4,800,000	..	19,648,896	4,132,036	1941-42
..	668,008	17,341,104	1,300,000	..	18,641,104	2,268,368	1942-43
..	-564,009*	9,022,659	13,436,000	..	22,608,659	1,900,664	1943-44
..	-572,949*	16,650,635	9,000,000	..	26,650,635	2,603,124	1944-45
..	-50,784*	17,794,637	3,000,000	..	19,794,637	3,595,718	1945-46
..	1,230,041	17,052,447	3,900,000	..	20,952,447	2,332,264	1946-47
..	-344,689*	9,348,094	6,500,000	..	15,848,094	2,534,244	1947-48
..	-522,211*	13,860,385	9,797,664	..	23,658,039	3,144,728	1948-49
5,790,197	46,038,241	610,389,135	304,874,300	1,740,141	226,429,344	..	Total

\* The withdrawals exceeded the receipts in this extent.

† Against the total borrowings of £204,674,300 are to be placed £21,593,023 of debt discharged in the same period. The amount of the debt existing at the end of 1909-10 was £134,269,205.

In respect to the debt, largely for railway extension, note must be taken of the extravagant and short-sighted policy followed in connection with it. In the earlier years of railway construction, all oblivious to the signs of the times in regard to the cheapening of money and, apparently, wholly unconcerned as to the eventual liquidation of the debts incurred, a guarantee of 5 per cent. was given to shareholders, no sinking fund provided, while no means were adopted to give the borrower any portion of such appreciation in the foreign standard employed for borrowing as might take place. It surely was not beyond the art of an experienced financier to say how this might be done. But it was only India that was in those days concerned, and there was no search in the City for a Clinton Dawkins. At the time a considerable portion of the money was borrowed ten rupees represented £1 sterling. A thirty years' sinking fund, in many instances, would have procured the repayment of the capital sum at rates varying from ten to twelve rupees per £. Owing to no provision of the kind having been made, and the guarantee of the Government being regarded as absolute, £100 stock in the leading Railways rose to £150 and more in value in the London market. From that rise the nominal borrowers, the people of India, received no benefit whatsoever, nor did the lenders do aught to cause that rise. On the one part an additional burden, in the other an enormous unearned increment which the already-burdened party has to pay. Now, by means of annuities and debentures, the debt of two of the larger Companies is in course of liquidation. But £150 is being paid instead of £100 (the original sum borrowed), for the rupee has gone down considerably in value as compared with gold; therefore, instead of the debt being liquidated at an average of Rs.12 per £ sterling, or even less, it is being liquidated at Rs.22 8a., without any advantage accruing to the borrowers. On the contrary, they are being cruelly, needlessly, drained of the very means of daily existence

through the short-sightedness and heedless financing of their rulers. More and more produce has to be exported year by year than need have been to meet these wholly unnecessary charges. Not one Indian at any time has been permitted to exercise any control over the unnecessary and wasteful railway extension policy adopted for his country,—unnecessary because other and cheaper means of locomotion, of which the authorities were advised, would have better suited an agricultural country such as is India.

The borrowings in India are marked by a like heedlessness of aught save the convenience of the moment. It was found, upon the death of one of them, that certain Feudatory Princes had saved considerable sums of money, —nothing like so much, it is true, as half-a-dozen commoners in England every year are found to possess on the proving of their wills. To those States, whose Princes had 'hoards,' it was intimated that the best use to which they could put at least a part of their savings was to lend them to the Government of India for railway extension. So, in 1876-77, Rs.15,000,000 (£1,000,000) were borrowed from the Maharajah Holkar for 101 years certain at four and a half per cent. From the Maharajah Scindia, Rs.10,000,000 were obtained at four per cent. as a 'Perpetual' loan. From the Nawab of Rampur, likewise a loan was secured, also at four per cent., but it is to be repaid 'after one year's notice, to be given on or after 1st of December, 1917.' A further loan which, on the 1st of October, 1900, stood in the books of the India Office at Rs.29,000,000, had been obtained from the Maharajah Scindia; it is being repaid by annual instalments of Rs.120,000. An ex-Member of the Viceroy's Legislative Council, during 1901, put it on record in London that India has been served by the most remarkable and most able financiers known to any civilised country. 'Most remarkable,' yes, seeing that the Government of India can borrow at about three per cent., to negotiate loans fixed for 101 years or to be

'Perpetual' <sup>1</sup> at four and four and a half per cent. respectively!

The figures indicating the drain of capital from India to England, given on page 225, must be amended.

	£
Loss to India, as already shown ...	4,910,922,732
<i>Add</i> , for remittances to England on official account, not shown in the trade returns, nearly £2,000,000 per annum, since (and including) 1834-5, at five per cent. per annum compound interest ... ..	1,044,980,684
Borrowings in England (net remaining after conversions, repayments, etc.) ... ..	124,268,605
	<b>£6,080,172,021</b>

The foregoing figures, enormously large as they are, do not represent anything like the real state of things. Even as they are presented, they are too big to be grasped by the mind: to most of us they will be like astronomical distances—mere rows of figures to which only the highly-intellectual and deeply-sympathetic can attach any real

<sup>1</sup> In the debate in the House of Commons on the Indian Budget on the 14th of August, 1901, Mr. W. S. Caine, M.P., made certain comments on these transactions. He pointed out that the Government of India had borrowed from the Maharajah Holkar £1,000,000 at  $4\frac{1}{2}$  per cent. for 101 years. 'A more ridiculous transaction was never carried out. The money could to-day be borrowed easily at 3 per cent., but here was a needless payment of £15,000 a year for at least eighty years, and before this loan is repaid the Government will have disbursed in interest, apart from the principal, £3,500,000, of which £1,500,000 represents the difference between  $4\frac{1}{2}$  and 3 per cent., and would have been much better sunk in irrigation than in the pockets of the wealthy Maharajah. It was impossible to understand why when the loan was raised a sinking fund was not provided to extinguish it over a number of years. Then there was another loan from Scindhia of £1,500,000 at 4 per cent. Here the position was worse than in the case of Holkar, for there was no limit of time. This loan made a present of £15,000 a year to Scindhia for ever. He had no desire to depreciate the personal loyalty and general good administration of the State of which Scindhia was the chief, but this £15,000 a year would have been a good deal better sunk in enterprises for the prevention of famine.'



meaning; nay, even by such, the utmost to which they can attain is but an approximation to the actual state of things.

As I say, this statement is only a part, a very small part, of the story. The real meaning of the 'drain,' in so far as India is concerned, is barely half adequately allowed for, even though the net borrowings are included. After very carefully considering the whole circumstances, I have determined, in this work at least, not to go farther with my investigations as to the extent of the 'drain.' Once one has got to six thousand millions sterling, the doubling or trebling of that sum tells nothing to the average British citizen who is jealous for the good name of Britain as an overlord responsible for the welfare of subject nations. If this sum fails to move him nothing will move him. It will suffice as a concluding remark on this aspect of the relations between England and India if I submit the views of the late Sir George Campbell, K.C.S.I., sometime Lieutenant-Governor of the Lower Provinces of Bengal, and, subsequently, Member of Parliament for the Kirkaldy Burghs. In his work on 'The British Empire,'<sup>1</sup> that eminent Anglo-Indian civilian says:—

'It must be remembered that we give neither our services nor our capital for nothing. Much of this is paid for by remittances to Europe. The public remittances are now £16,000,000 per annum, and it is estimated that the private remittances would be almost as much more if the flow of British capital to India were stopped, and the transactions showed only sums received in England. As it is the continual addition of fresh capital invested in India about balances. The private remittances and the balance of trade show only about the same amount as the public drawings to be depleted from India—that is, about £16,900,000 per annum. This is what is sometimes called the "tribute" paid to England. Well, it is not tribute, but it is paid for civil and military services, loans, railways, industrial investments, and all the rest; and the result is that a large part of the increased production is not retained by the Indian peasant.'

The last-preceding sentence is the merest juggling with words, and is unworthy of so notable a public servant.

<sup>1</sup> Cassell and Co., Limited, 1887, p. 70.

Those 'civil and military services,' were India governed with strict justice, could, all but a bare modicum, have been performed, have been well performed, at any time within the past fifty years, by the natives of the country. For, every pound sterling which has been paid to a foreigner for services which a native could have rendered is in itself an unjust charge and, in addition, is a gross injury to the country in an economic sense. Such payments and pensions constitute a tribute of the worst kind with a grievance attached.

As the result the Twentieth Century at its dawn finds India impoverished financially and morally, her people emasculated and little more than a nation of serfs, and rapidly drifting into a condition, as regards mere food for sustenance, when the vast majority of the people,

TWO HUNDRED MILLIONS OUT OF TWO HUNDRED AND THIRTY-ONE MILLIONS,

will speedily sink into an even more parlous condition than at present.

Compare—no, contrast, there is no comparison—contrast England against India during the past fifty years in one respect, only: the public buildings, the hospitals, the cathedrals, churches, and chapels, the free libraries, the baths and wash-houses, and the like other evidences of increasing public convenience erected in England. There is hardly a village in the land without a restored or newly-built parish church or Nonconformist chapel, or both. There is not a town of ten thousand inhabitants and upwards which does not, in its civic buildings and provision for daily wants, indicate a prosperity shared by all. But, India? Leaving out the few Presidency cities and provincial capitals, where the public buildings have been erected from public funds, throughout the length and breadth of the Empire there is nothing to be found comparable with the activity and solid advance in England. Indeed, the rupees which might have erected a temple, or built a rest-house, or planted a grove, or excavated a tank, or dug a well, or established a centre of artistic or musical culture in India, have been employed to build wash-houses and churches in England, and not even an Indian rupee can be expended twice over and in two countries.

To the mishandling of Indian affairs already recorded must be added the gratuitously serious harm done by the new currency legislation. By the closing of the Mints and giving an artificial value to the rupee the Government of India have done harm to every section of the Indian population. The mischief herein caused, if the policy be persisted in, will, in the long run, probably, do even more harm than any other evil from which India has suffered. It will run the 'drain' very closely, and complete the ruin which that has begun.<sup>1</sup> In this instance a moral as

<sup>1</sup> In the shape of communications to the press of England and of India Mr. Jamsetjee Ardaseer Wadia, of Bombay, is doing good service by putting the ill done in a popular form. In a letter to the *Times of India* in May, 1901, the position is thus described:—

'The Government have loudly proclaimed that they have obtained a surplus without any increase of taxation. But if you take from the taxpayer 1s. 4d. instead of 11½d., how can it lie in the mouth of the Finance Minister to say that he is not taking more money out of the pockets of the taxpayers?

'I will assume the price of cotton to be 4d. per lb. to-day in Liverpool. Now, if a ryot has to pay one rupee to the Exchequer, with an open mint and the rupee at 11½d., he would have to give less than 3 lbs. of cotton. But with the rupee at 1s. 4d. he will require 4 lbs. of cotton; so it is evident that with the artificial rupee he has got to part with extra produce; and yet it is said that he is paying no more in taxes. No doubt the Currency Legislation has cheapened imports. But is there any civilised country in the world which favours imports at the expense of exports which are the products of the capital and labour of the country?

'For the year 1899-1900 the import trade is given at Rs.70 crores (£47,000,000), exclusive of treasure and Government stores. Our export trade is given at Rs.108 crores (£72,000,000) for the same year, on the basis of the artificial rupee, viz., 1s. 4d. The same figures on the basis of the true value of the coin, viz., 11½d., would, if worked out, amount to about Rs.97 crores (£65,000,000) for imports, and about Rs.150 crores (£100,000,000) for exports. What is the conclusion? We would have paid with an open mint about Rs.27 crores (£16,000,000) more for our imports, and it would have come out of the pockets of the well-to-do Europeans and natives, as they are the chief consumers of imports, whilst the producers would have got about Rs.42 crores (£26,000,000) more for their exports, which would have remained in their pockets. But the producer loses over and above Rs.42 crores (£26,000,000). I will endeavour to show what that figure is.

✓ On the authority of his Excellency Lord Curzon, the entire annual produce of the country is valued at Rs.450 crores (£300,000,000). Deduct Rs.108 crores (£72,000,000) of produce exported; the balance is Rs.342 crores (£228,000,000) worth of produce. Ninety per cent. of the population of India live by agriculture, and they consume about Rs.308 crores (£174,000,000) worth of produce, so the remaining 10 per cent. who are non-

well as a financial wrong has been committed. So far as the financial wrong goes in affecting existing 'hoards' of silver, the people had already, to a very large extent, lost those 'hoards,' but in their everyday transactions much mischief ensues. In respect to the moral wrong *that* is almost irremediable, and will be lasting. The object that the Government of India had in view in its legislation was, as a debtor to a gold-currency country, to reduce the number of depreciated rupees it had to annually provide to meet its obligations in the more valuable metal. This was its obvious duty—unless a greater duty intervened.

agriculturists consume the balance, viz., Rs.34 crores (£22,600,000). But on the same high authority, viz., that of his Excellency the Viceroy, the annual income of the ryot is given at Rs.20 (£1 6s. 8d.), whilst of the non-agriculturists is given at Rs.30 (£2) per annum, consequently the 10 per cent. of the population, instead of consuming Rs 34 crores (£22,600,000) worth of produce, consume 50 per cent. more as their purchasing power is greater to that extent. Therefore, I distribute the consumption of Rs.342 crores (£228,000,000) worth of produce as follows:—Produce consumed by the agriculturists, Rs.291 crores (£194,000,000). Produce consumed by the non-agriculturists, Rs.51 crores (£34,000,000). I maintain that the producers lose on the latter amount which they are obliged to sell on the basis of 1s. 4d. to the rupee, which loss comes to about Rs.14 crores (£11,300,000). The entire loss to the producer as far as I can make out comes to about Rs.56 crores (£37,300,000) a year. Against this loss to the country there is a saving to the Government on home charges, which saving may be computed at about Rs.10 crores (£6,600,000).

'Our attention has been drawn in the Budget statement to the development of mills and factories since 1895. The paragraph in the Budget statement runs as follows: "I may cite a few examples of industrial development. In the year 1895 there were 350 cotton factories, including spinning and weaving mills, and there were 586 such factories in 1899. The number of engineering workshops and foundries, including railway workshops, rose from 72 in 1895 to 82 in 1899, and jute mills and presses from 62 to 82. Rice mills numbered 63 in 1895 as against 84 in 1899, and sugar factories 9 in 1895 as against 14 in 1899." Our friends in England will be gratified at our progress as indicated by our Finance Minister. Let me, however, inform them that, since 1895, the market value of our capital sunk in most of the above concerns, shows to-day a shrinkage of above 50 per cent.

'The net loss to the producer as mentioned above comes to about Rs.56 crores (£39,300,000). Deduct about 10 crores (£6,600,000) saved in home charges. The balance of loss per year in my opinion comes to Rs.46 crores (£30,600,000). But this is not all. I cannot with any degree of accuracy fix the loss sustained by the country owing to the arrestation of development in the wealth-producing institutions of the country, consequent on the Currency Legislation.'

The Government forgot, or ignored—forgetfulness seems impossible—the fact that in other relations with its subjects it had duties which far transcended those of a debtor to a gold-using country. In this respect, I prefer another should tell what has been done, how it was done, and what the consequences have been and will continue to be.

Mr. Cecil Balfour Phipson, in a work recently published by Messrs. Swan Sonnenschein and Co., 'The Science of Civilisation,'<sup>1</sup> comments upon the 'consequences to England and India of the partial adoption by the latter of the former's money unit,' makes the following powerful and pertinent observations:—

India's yearly payments in England have risen from about £11,000,000 a year in 1870-4, to about £17,500,000 in 1895-6, an increase of just upon sixty per cent.

Now, to meet the payment of £11,000,000 a year in 1870-4, when the rate of exchange was 1s. 11d. per rupee, the Indian Government had to deduct from its revenue, roughly, Rs.115,000,000. At the same rate of exchange, therefore, it would have to have deducted for the same purpose in 1895-6, roughly, Rs.183,000,000. But as a matter of fact, it had to pay during this latter term Rs.300,000,000 a year, in place of Rs.183,000,000—an increase, that is, of 160 per cent., instead of only sixty per cent., and this because the rate of exchange between India and England had fallen from 1s. 11d. per rupee to 1s. 2d. In other words, this fall in the rate of exchange entailed upon the Indian Government as debtor an additional annual payment of Rs.117,000,000, which either had to be raised as extra taxation from the people of India or deducted from sums hitherto allocated to public works. Necessarily and rightly, therefore, the Government regarded the fall in the rate of exchange as entailing the gravest injury upon India, and imposing an all but insupportable burden upon her finances. They conceived, therefore, that it was their duty to raise this rate by whatever means were open to them;

<sup>1</sup> 'The Science of Civilisation; or, the Principles of Agricultural, Industrial, and Commercial Prosperity.' By Cecil Balfour Phipson. Swan Sonnenschein and Co., Ltd., 1901. I am indebted to the courtesy of author and publishers for the long extracts I am able to present to the reader. I should like to say here that, in my opinion, Mr. Phipson's remarkable study affords one means whereby India's adversity may be remedied. Of that I will speak at length when I deal with the remedies which, in my judgment, should be adopted.

not, indeed, to the original level of 1s. 11d. per rupee, but to the lower one of 1s. 4d., and *fix it there*, convinced that every rupee saved through a rise in the rate of exchange was a rupee saved to the Indian Treasury, and *therefore of necessity to the Indian people*. Accordingly, the rate has been raised from 1s. 2d. to 1s. 4d. per rupee, so that only Rs. 282,500,000 are now required from India to discharge the annual debt of £175,000,000 to England, instead of Rs. 300,000,000 as before. By this a saving to the Indian Treasury of Rs. 37,500,000 a year has been effected, and through the means taken to raise the rate, this latter has also been permanently fixed at about 1s. 4d. The Indian Government, therefore, heartily congratulates itself on the success of its operations, and refuses to listen to any arguments, or to consider any facts which discredit them.

But sympathy is one thing and relief quite another, and this *cannot possibly be obtained through any acts of the debtor*, be he government or individual, other than those of repayment, repudiation, or bankruptcy. Relief *must come from the creditor*, either through rectification of the falsified standard, or the foregoing of such excess in his legal claim as is caused by its falsification. And that the position of defrauded debtor is that which the Indian Government occupies towards England readily appears by a reference to the only standard by which a rise or fall in the value of national money units can be measured, the quantities of each nation's chief food grain—which in India is rice, in England wheat—that must be given for them. The following Table permits of this comparison, the course of rupee values in India being expressed in wheat as well as rice to make the position clearer:—

TABLE XXXVIII.

SHOWING COURSE OF MONEY VALUES IN INDIA (BOMBAY) AND ENGLAND IN RICE AND WHEAT.

	1870-4.	1875-9.	1880-4.	1885-9.	1890-4.	1895-7.
India { Rice.....	100	89	112	100	93	89
India { Wheat.....	100	93	109	107	100	97
England—Wheat ...	100.	114	124	143	147	156

The above Table proves that while the value of the rupee in India, whether measured in rice or wheat, has remained practically stationary throughout the whole term of twenty-five years, 1870-94, that of the pound in England has risen over fifty per cent. during the same term.<sup>1</sup>

<sup>1</sup> Taken from the "Prices Current of Rice and Wheat" given in the "Statistical Abstracts for British India." Of course to whatever extent

What, then, are the measures by which the Indian Government conceives it has accomplished the impossible, lightening the liabilities of India to the same extent as it has reduced its own payments? And what are their real economic effects?

These measures are two: (1) It has raised the price of the rupee in pence, *i.e.*, the rate of exchange between India and England, from its lowest point 13 pence, to 16 pence per rupee. (2) It has fixed this price as a permanency, within but narrow limits of variation, and, as it conceives, has effected a yearly saving for India of Rs.37,000,000 in her payments to England, and has at the same time fixed the rate of exchange between the two countries at or about 16 pence per rupee. It remains now to ascertain the effect of these measures upon India herself, or rather upon the three great economic classes of Indian society—Depositors, Agriculturists, and Merchants.

#### DEPOSITORS.

Necessarily, when the Indian Government in 1893, in pursuance of its currency policy, closed its mints to the free coinage of silver, and thereby demonetised all silver in India not in the form of coins, the class affected first and most injuriously was the class of Depositors, or owners of hoards of silver money. For prior to the closing of the mints the legal money unit of India was *not the rupee*, but the 163 grains of silver in the rupee; just as at present the legal money unit of Great Britain is not the pound, but the 123.26 grains of gold in the pound. For any creditor in India before the above date was just as much entitled to refuse light rupees as is now any creditor in England to refuse light sovereigns. Consequently, a fixed weight of silver being the true money unit of India, and not the coined rupee, every Indian holder of rupees was as free to convert his silver rupees into bullion as the Bank of England now is to hold its gold reserves in bars. To deprive silver bullion, therefore, of its power to discharge debts in India was legally the same thing as to deprive good bullion of its similar power in England. But practically it was a much more serious thing. For while it still remains the practice of Indian depositors to themselves hoard their money deposits, this has long ceased to be the practice of British depositors, the Bank of England pretending to do for the whole of Great Britain what each Indian depositor actually does for himself. To suddenly penalise the Indian practice, therefore, by depriving silver bullion of its customary power to discharge debts and effect payments, entailed such a wanton and wholesale confiscation, or annihilation rather, of Indian monetary

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famines reduce the normal production of food, they also conceal the effect upon food prices of currency contractions. But they conceal only, and do not neutralise them.



boards as is scarcely to be conceived of as the act of a civilised Government, much less of a body of honourable English gentlemen.

Had imperious necessity instead of infatuated ignorance demanded such a change in the currency, the least that common honesty required is that prior to the change coming into force opportunity should have been offered during a reasonable time to all holders of bullion to convert their deposits into coined money, so that those failing to avail themselves of such offer would only have themselves to blame for subsequent loss. But such honest and open procedure would have postponed indefinitely the darling desire of the Indian Government to raise "the rate of exchange." Accordingly, it stole a march upon its confiding Depositors, and treated them as enemies to be plundered instead of as subjects to be protected. Can it be wondered at if this same class, as the nature of this trick is brought home to them, regard the Government in their turn as an enemy to be distrusted instead of a protector to be relied upon?

But members of the great class of Indian depositors are not the only or even the greatest sufferers from the currency policy of their Government. Those of two even more important classes must take precedence of them in this respect—the class of cultivators and the class of merchants.

#### INDIAN CULTIVATORS.

The currency policy of the Indian Government, which looks to nothing but raising the rate of exchange between India and England, cannot possibly obtain effect, so far as any action in India is concerned, *save by producing a general fall in Indian prices.* Necessarily, therefore, the pursuit of this economic folly is quite inseparable from consequences which not only cut off Indian cultivators as a class from the faintest hope of prosperity, but leave them naked and defenceless against the ever-impending calamity of a deficient rainfall. As has been just pointed out, such unjust spoliation of Indian cultivators must increasingly incapacitate them from supporting the burden of bad seasons, and so force them, much sooner than would otherwise be needed, to depend upon the Government for supplying them with the bare necessities of life. Obviously, therefore, the famine expenditure of the Government must be largely increased by their currency policy, while every such increase constitutes an additional set-off against their ostensible savings on remittances.

It will now be useful to tabulate the figures so far arrived at as a debit and credit account against and in favour of the Indian people.

TABLE XL.

## PROFITS AND LOSSES FROM CURRENCY POLICY.

<i>Dr.</i>	PEOPLE OF INDIA.	<i>Cr.</i>
To annual loss to depositors from demone- tisation of silver bullion..	Rs. 60,000,000	
To annual loss to cultivators through fall in prices of food..	Rs. 70,000,000	
To annual loss to Government through extra famine expen- diture... ..	Rs. 20,000,000	
	Rs. 150,000,000	
		By annual sav- ings on remit- tances to Eng- land through rise in rate of exchange from 13d. to 16d. ...
		Rs. 37,500,000
		By annual loss to India from currency policy of the Govern- ment ... ..
		Rs. 112,500,000
		Rs. 150,000,000

## INDIAN MERCHANTS.

But this robbery of Indian depositors and automatic extortion from Indian cultivators by no means exhausts the list of injuries inflicted upon the Indian people by the currency policy of their Government. For this class of Indian merchants, and through them all the economic interests of the country, is also made to suffer severely, as we shall now point out.

We know it to be an imperative economic duty of every civilised Government to ensure constant and increasing additions of money units to the circulation to enable their subjects to carry on freely the multiplying operations of civilised life. For money is to advanced civilisation what oil is to complex machinery, that which enables the multitudinous wheels of both to move with ease and safety. Curtail or cut off the supply of money in the one case, as of oil in the other, and immediately friction increases so rapidly as to enormously impede motion, and eventually ensure grave injury in every direction. But the Indian Government, in company with all other civilised governments, has never realised its duty in respect to the adequate supply of money units, having abandoned the regulation of such supply to external circumstances. Happily, these circumstances have been particularly favourable to India. For as its need of money units increased, there was set free for its use, through the action of Europe and the United States, vast quantities of silver, the annual importations of which proved just sufficient, so long as these were treated as money, to maintain remarkable stability in the

average level of Indian prices, by keeping Indian merchants supplied with those increasing supplies of money essential to the free conduct of their operations.

But this remarkable, and from a commercial point of view, most satisfactory, state of Indian monetary affairs, which was in no way due to any intelligent attempt by the Government to do what it ought to do, viz., *ensure adequate supplies of money*, was suddenly put an end to in 1898 by its unintelligent attempt to do what it ought not to do, viz., *ensure fixity in foreign exchanges*. For by depriving silver bullion in that year of its prerogative as money, and stopping its coinage of silver rupees, it prevented, as far as it could, those essential and increasing additions to the annual circulation of India which had hitherto been so sufficiently and satisfactorily provided in complete independence of it. The growth and magnitude of these annual additions are shown in the following Table:—

(1) Periods.	(2) Quinquennial imports of silver	(3) Equal to rupees added to circulation.	(4) Rupees coined at Government Mint.	(5) Ratio of Column (4) to (3).
	Oz.	Rs.	Rs.	
1870-4	83,834,000	250,002,000	172,350,000	69 per cent.
1875-9	136,290,000	408,810,000	371,100,000	91 ..
1880-4	120,517,000	361,551,000	268,650,000	72 ..
1885-9	166,766,000	500,298,000	387,650,000	77 ..
1890-4	229,900,000	689,700,000	447,700,000	95 ..
1895-7	82,517,000		9,605,000	
Imports for 1895-7 had Govern- ment not interfered	170,000,000	510,000,000	357,000,000	70 ..

From this Table the following important conclusions must be drawn:—

(1) How immediately, largely and progressively the imports of silver bullion into India increased after its demonetisation in Europe and the United States.

(2) That these silver imports fulfilled all the purposes of money in India, whether remaining as bullion or coined into rupees, as over 76 per cent. of all imports were.

(3) That subsequent to 1898-4 no silver imports fulfilled any of

the purposes of money, except in so far as they were surreptitiously or illicitly coined into rupees; while the issue of rupees from the Government mints practically ceased.

(4) That but for the Government interference, the imports of silver into India during the three years 1895-7 would have reached (at the same rate of increase as before) 170,000,000 ounces, equal to an addition of over 500,000,000 rupees to the circulation; so that the action of the Government has diminished the monetary supplies of Indian merchants by the enormous sum of over Rs.500,000,000 in three years, the paralysing effect of which upon Indian trade may be better realised by merchants in Great Britain if they consider the consequences to themselves of the loanable capacities of British bankers being suddenly reduced in the same term by £500,000,000. For at least £1 is employed in Great Britain for every rupee employed in India.

We can now perceive that the Indian Government, in trying to protect itself from the unpreventable consequences (so far as it is concerned) of the value of the British money unit being falsified against it, has deliberately set itself, by the course it is pursuing, to injure every class but moneylenders of the vast community committed to its charge, to rob depositors, to oppress cultivators, intensifying the burthen of their ever-imminent scarcities, to hamper merchants, and all this for the sake of a completely fallacious saving on remittances, which one year's increased famine expenditure goes far towards consuming. While the British Government, in being a consenting party to the further extension of the British money unit to another and still poorer 250,000,000 of people, is preparing final ruin for British farmers, who, starting from wheat and returning to it in the necessary rotation of crops, will henceforth have to compete in their home markets for home money units with Indian wheat growers, the most impoverished cultivators in the civilised world.

## CHAPTER VIII

### NO TRADE WITH NEARLY TWO HUNDRED MILLIONS OF THE INDIAN PEOPLE—EXCEPT IN ONE ARTICLE

A Pressing Question at Every Renewal of the Charter to the  
East India Company.

Sir Thomas Munro, Sir John Malcolm, and Mr. Rickards, on  
Indian Trade and What It Will Never Do.

What Becomes of the Imports into British India? Who  
Takes Them?

British and Europeanised-Indian Requirements: 171,000,000  
People Almost Wholly Outside Import Influences.

Analysis of the Imports, Item by Item.

Actual Trade (apart from Cotton Cloths) of un-Europeanised  
India, Under One Halfpenny per Head per Annum.

The 'Prosperity' in India Not *Indian* Prosperity.

Why India Did Not Take Advantage of the Spinning-Jenny  
and Steam Engine when First Invented.

England's Policy towards India Dominated by Commercial  
Considerations.

James Mill Locking the Door against Indian Advancement  
in India.

India's Exports: Whose Are They? Analysis of Every  
Article of Export.

A Twenty-Nine Years' Comparison Yields Woful Results.

In Spite of Many Borrowed Tens of Millions Sterling to be  
Spent on Public Works Production Falling Off.

Consequences: Severe and Continuous Individual Suffering  
and Much Loss of Life.

A Famine 'Success' which shows, in Three Divisions of the  
North-Western Provinces, a *Minus* Population of Two  
and a Half Millions.

#### *Appendix:*

Condition of the Silk-Weaving Industry in Madura, Southern India.

**I**N the days preceding each renewal of the Charter of  
the East India Company—notably the renewals of  
1793, 1813, and 1833—no questions were asked of the  
witnesses, by learned Counsel representing the East  
India Company, more persistently, than such as related to

Official Statement  
of the Net Revenue  
Derived from Salt  
at the  
Presidency of Bombay  
from 1814-15 to 1829-30.

1814-15	£1,250
1815-16	871
1816-17	887
1817-18	874
1818-19	1,826
1819-20	1,434
1820-21	2,596
1821-22	2,374
1822-23	1,506
1823-24	6,910
1824-25	12,816
1825-26	16,702
1826-27	18,584
1827-28	19,934
1828-29	20,905
1829-30	27,352

The Great Rise  
in the  
PRICE OF SALT  
1800-1900.

British India 1900

Price per  
Maund  
(82½ lbs)  
Rs 2.80

Burma

Rs

15  
14  
13  
12  
11  
10  
9  
8  
7  
6  
5  
4  
3  
2  
1

Madras & Bombay 1800

Price per  
Maund  
(82½ lbs)  
8½ annas



Annas

Rs

15  
14  
13  
12  
11  
10  
9  
8  
7  
6  
5  
4  
3  
2  
1

