



**Mahatma**

**GANDHI**

**AND**

**BRITISH  
TRADE .**

**BY**

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## FOREWORD.

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The development of a sympathetic understanding between the British and Indian peoples is an urgent necessity. Economic and political problems of the first magnitude call for solution, and satisfactory progress will be made only on the basis of knowledge of the facts and of the psychology of the two peoples. Widely differing interests, both within India and between India and Britain, must be reconciled if chaos and economic loss are to be avoided. The roads to reasonable solutions will be traced by frank discussion and expression of opinion. It is for this reason that, while not accepting some of his views and conclusions, especially about the alleged slackness of British employers and workers, I am happy to write this note of introduction to the useful essay which Mr. Khan, a young Indian student of economics in this University, has written. One thing is certain—the future relations between the two countries will be solved mainly by Young India and Young England.

J. H. RICHARDSON.

THE UNIVERSITY,  
LEEDS,

*8th June, 1931.*



## PREFACE.

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In the following pages an attempt has been made to show why Britain is losing her trade with India and how the Indian market can be restored.

What is Britain's fault in the contraction of her trade with India and how far India is to be blamed for the Boycott of British Goods policy. The facts have been analysed.

The spirit in which the Irwin-Gandhi pact was concluded is made clear and Mr. Gandhi's attitude towards British trade with India has been explained to the author's best ability.

What will be the attitude of Young India (the rulers of to-morrow) towards British capital and trade? An answer to this question is given. Technical terms are, however, avoided.

I have to express my thanks to Mr. H. D. Dickinson for reading through the whole manuscript with a critical eye and for seeing the book through the press. I am indebted to Professor Richardson and Mr. J. N. Reedman for valuable suggestions and to Miss N. Emmerson for reading the proof. I accept entire responsibility for the views put forward.

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# CONTENTS.

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## I.

### INTRODUCTION.

## II.

### THE INDIAN BOYCOTT AND THE IRWIN-GANDHI PACT.

## III.

### BRITAIN'S RESPONSIBILITY IN LOSS OF EXPORTS :—

(a). MONETARY FACTORS.

(b). PSYCHOLOGICAL FACTORS.

(c). SPORTS FACTOR.

## IV.

### REMOVAL OF MISUNDERSTANDINGS.

## V.

### GANDHI'S ECONOMIC DOCTRINES AND HIS ATTITUDE TOWARDS BRITISH TRADE AND CAPITAL.

## VI.

### YOUNG INDIA'S ECONOMIC POLICY.

(*Conclusion*).

## I.

### INTRODUCTION.

The falling off of the British exports to India, as shown in the table on the following page, from £90,000,000 in 1924 to £84,000,000 in 1928, to £78,000,000 in 1929 and to £53,000,000 in 1930, *i.e.*, by 7, 13 and 41 per cent. respectively, has been a cause of great alarm in Great Britain. It is no doubt true that the year 1930 was an entirely abnormal year not only as regards India but also as regards the world at the same time. It was a year when commercial depression was felt all over the world, and owing to the over-production of agricultural products and the fall in agricultural prices beyond expectation, an agricultural country like India was most hardly hit. This resulted in a diminution of the purchasing power of the Indian peasant, which was reflected in British exports to India.

The diminution of British exports was proportionately much more than the fall in purchasing power would suggest. The situation was aggravated by the Indian boycott of British goods, the effect of which was widely felt in Great Britain, but with distressing severity by the Lancashire mill-owners and mill-workers, as the boycott of foreign cloth was one of the main items of the boycott programme and India was the best buyer of British cotton textiles.



Years.	Total Exports of U.K. to British India.	Total Exports of U.K. to British* Countries	Total Exports of U.K. to all Countries.	Index Numbers of Average Value of Domestic Exports (U.K.).	Index of Wholesale Prices of U.K.
	In Million £'s.	In Million £'s.	In Million £'s.		
1913	70·2	195·3	525·2	—	—
1924	90·6	337·4	800·9	100	100
1925	86·0	335·1	773·3	97·3	95·8
1926	81·8	316·8	653·0	91·8	89·1
1927	85·0	326·6	709·0	86·5	85·2
1928	83·9	327·7	723·6	86·3	84·4
1929	78·2	324·4	729·3	84·0	82·1
1930	52·9	248·1	570·5	80·8	73·7

\*Including Protectorates and Mandated Territories.

Figures are taken from the *Statistical Abstract for the United Kingdom*, 74th number, and accounts of *Trade and Navigation, United Kingdom*.

A mere glance at the figures indicates that the United Kingdom has not maintained her Indian exports during the post-war period. Although the two years last mentioned were comparatively prosperous years in both countries, even then the figures are not very satisfactory for the United Kingdom. Great Britain's exports to British countries declined comparatively slightly from £337,000,000 in 1924 to £327,000,000 in 1928, to £324,000,000 in 1929 and to £248,000,000 in 1930, showing a percentage decline of 3, 3 and 23. But the percentage decline of her exports for the same period

in the case of India is 7, 13 and 41, *i.e.*, an increased decline over the general Empire percentage by 5, 10 and 18, which is very discouraging.

The index-number of the average value of domestic exports of the United Kingdom shows a decline from 100 in 1924 to 86.2 in 1928, to 84 in 1929 and to about 81 in 1930, thus showing a loss of 14, 16 and 19 per cent. respectively. But the loss of percentage in the case of exports to India, being part of the British Empire, by a corresponding figure of 7, 13 and 41, must be a cause of anxiety. It means that India is not encouraging British trade as the mother country expects her to do, while other parts of the British Empire are maintaining, or even increasing, the part they play in Britain's trade.

As the export returns show, India is treating Britain worse than most foreign countries.

Even if we make allowance for the fall in wholesale prices, which have no doubt reduced the value of a given physical quantity of exports, the results are not encouraging. The index numbers of wholesale prices show a decline of prices from 100 in 1924 to 84 in 1928, to 82 in 1929 and to 74 in 1930, *i.e.*, 16, 18 and 26 per cent. respectively. A corresponding percentage decline in the value of British exports to India is 7, 13 and 41. The results for 1930 are especially serious. Even if we examine British export figures for India by reducing values to the price level of 1913, the figures do not show any sign of consolation. All tests tell the same tale over and over again.

It is not surprising that the falling-off of British exports to India by such a considerable amount, and the boycott by India of Lancashire cloth, have

raised such a great alarm here\* ; but the matter which concerns people in this country is to devise means by which the boycott movement may come to an end and by which better relations based on mutual confidence and goodwill may be established once again between the two great nations—and which may give a fresh stimulus to British trade with India.

It is unfortunate that many of the people in this country are not aware of the realities of the Indian situation to-day. They still live in the nineteenth century and they are unacquainted with modern India—better known as young India. Many still believe in the dominance of the white race ; they think that Whitehall can still dictate fiscal policy to the Government of India, which, though not yet constitutionally responsible to the people of India, is nevertheless morally bound by Indian public opinion. Since the inauguration of the Montagu-Chelmsford Reforms in India, a convention or an understanding as regards fiscal autonomy has been established, and from that time the faithful observance of this convention has always been jealously watched by the representatives of the Indian people in the Legislative Assembly.

There are too many “ die-hards ” who are quite out of touch with the politics of India to-day. If they want to know the realities of current Indian politics they ought to visit India of to-day and not of yesterday, free themselves from previous prejudices and, if they have not so much time to spare, they might go to Lord Irwin, who is conversant with the present position.

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\* The Lancashire cotton industry normally employs about 600,000 workers, many of whom are of course directly affected by the trade with India.

All the saner people in this country and elsewhere do honestly admit that India of the present time is quite different from the India of the past, and that the measures that were suitable 40 or 50 years ago are quite unsuitable to-day. As an example of this we may quote the following words from the editorial column of the conservative paper *The Sunday Times* (dated May 10th, 1931), which voices the feelings of some of the better-informed people in Great Britain :

“ The time has passed — British fingers have deliberately moved the clock forward — when disaffection in India can be overcome by the rough and ready methods of Mutiny days. We can no longer govern in India by the bayonet. As a result of the spread of Western ideas India has become politically conscious; she has acquired the Western jargon of nationalism, democracy and self-determination, and . . . . . she has been adjusting herself to them. *We can only ignore this at our peril* (italics are mine). Those who exhort the British in India, therefore, to ‘ Govern or get out,’ are being concise at the expense of imagination, subtlety, foresight and all the qualities that constitute statesmanship.”

When such are the facts, why does the deputation of the Lancashire mill-owners\* and mill-workers wait upon the Secretary of State for India with a view to instructing him in his public duties, which, according to the standpoint of the Deputation are nothing short of a fiscal dictatorship over the Government of India, and not only over the Government of India, but over the Indian people as well? I do not say that the representations of

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\* This is the common attitude of many other British manufacturers who export their goods to India.

the Deputation were totally unjustifiable, but the expectation of a repressive policy from the Secretary of State for India was not only out of place but out of date.

It should be well understood by every Britisher who wants to trade with India, or has already established commercial relations with India and the people of India, that trade is a question of pure business—politics has no part to play with commerce now. It is no longer possible for you to bring political pressure to sell your goods in India.

The exploitation of colonies by the white races for their personal gains, which has been possible in the past, is no longer possible at the present time when national consciousness has been awakened in every country and when the people are keenly alive to the necessity of safeguarding their national interests, either economic or political.

Under the present circumstances, if you want to trade with India, or any other colony, you should become a business man first and last. Forget national prestige and privileges if you want to see your trade prosper with any country, be it a dominion, a colony, India, or any other part of the world.

Improve your goods and your services. Make them cheaper and more efficient than the goods and services of other nations and you will have plenty of markets, if not in India then elsewhere. Why not in India? India would naturally prefer British goods of equal quality and durability to the goods of foreign countries owing to the friendly ties which have long existed between the two countries. But when the question of national survival comes, India, like any other country, cannot commit suicide in the interests of Great Britain. She must safeguard her own interests, whether political or economic, against any other country or nation.

## II.

THE INDIAN BOYCOTT AND THE  
IRWIN-GANDHI PACT.

The recent Indian boycott movement was started in April, 1930, and has been going on until now, though since the conclusion of Irwin-Gandhi Pact, just about two months ago, it has lost much of its former strength. The boycott when started was more a political movement than an economic measure. The aim of the boycott was to obtain freedom for India by bringing economic pressure to bear upon Great Britain—to injure her industrial position—which was the ultimate foundation of her political supremacy.

It is needless to say that a trial of this movement had already been made before, in 1921-22. Though it had achieved very little success before, nevertheless it had been able to educate people for another campaign.

The greatest wisdom that Mahatma Gandhi has shown this time in organising the movement was that he made an appeal to the women of India for the active support of the boycott. Women volunteers were not only the best contributors to the funds of the movement, but at the same time they were very sincere workers of great patience, as was proved later on. Moreover, they were the main cause of involving many other people in the movement.

When the women, in the course of violating the law, were roughly handled or discourteously treated by the police, as was so often the case, they brought not only their own relations to their defence, but they enlisted the sympathy of all other people who had a chivalrous spirit. (Fortunately, many Indians do possess such a spirit).

The boycott of Lancashire cloth was one of the main items of the boycott programme. The export

returns of cotton goods and the percentage of unemployment in the cotton industry tell by themselves how far the movement has been successful.

A cursory glance at the figures would show that the total Indian import of cotton piece-goods from all countries has increased from 1,823,000,000 yards in 1924 to 1,936,000,000 yards in 1929, and 1,919,000,000 yards in 1930, but Great Britain's export of piece-goods has fallen from 1,250,000,000 yards to 1,076,000,000 yards in 1929, before the boycott was started, and to 720,000,000 yards in 1930, when the boycott had been making its ravages for about

YEARS.	U.K.'s Exports of Cotton Piece Goods to British India.	U.K.'s Exports of Cotton Piece Goods to British India.	Total Total Indian Import of Cotton Piece Goods from all countries.	U.K.'s total Exports of Cotton Piece Goods to all countries.	U.K.'s total Exports of Cotton Piece Goods to all countries.	Percentage of Unemployed in Cotton Industry in U.K.
	(Quantities). Sq. Yds. Millions.	(Value). £ Millions.	(Quantities). Sq. Yds. Millions.	(Quantities). Sq. Yds. Millions.	(Value). £	(Percentage of Insured Workers).
1924*	1250·6	30·84	1823·0	3,341	114·89	12·8†
1925*	1117·3	28·05	1540·0	3,359	—	8·2†
1928*	1190·0	23·57	1973·0	2,910	—	11·9†
1929*	1076·1	20·58	1936·0	2,848	77·15	13·0†
1930*	720·4	12·84	1919·0	1,995	50·98	38·8†
4th quarter, 1930.	57·6	0·89	—	—	—	43·0
4 months ended Apr. 30, 1931	139·4	1·98	—	—	—	40·6
Oct., 1930	18·36	0·30	—	—	—	41·3
Nov., 1930	18·93	0·28	—	—	—	40·3
Dec., 1930	20·34	0·30	—	—	—	47·4

\* Nine months ended 30th September.

† Average of 12 months.

Figures of Column 3 are from *Indian Annual Abstract of Trade and Commerce*.

N.B.—The figures are taken from *Trade and Navigation of the United Kingdom* (monthly), *Ministry of Labour Gazette* and the *Cotton Year Books of the United Kingdom*.

six months, thus indicating a decline by 14 per cent. in a normal year 1929 and 42·4 per cent. in the mixed boycott and non-boycott year respectively (see table opposite).

The percentage decline of the British exports of piece-goods causes even more embarrassment when we take into consideration the period of the last seven months (from October, 1930, to April, 1931) when the boycott was at its zenith for several months. The percentage decline during this period is 84. Even if we make allowance for two more months, the percentage decline would not be much less than 80.

Britain's total exports of cotton piece-goods to all countries has fallen from 3,341,000,000 yards in 1924 to 1,995,000,000 yards in 1930, thus showing a percentage decline of 40, but a corresponding percentage decline in case of her Indian export is 42·4. The worst possible period for her Indian export is the period of the seven months ending in April, 1931, when, as already stated, the percentage decline reached a record of 84.

If British exports of cotton piece-goods to British India be expressed in value in place of quantities, the decline was from £30,000,000 in 1924 to £12,000,000 in 1930 and £2·87 millions in the last seven months, thus showing a decline of 60 per cent. and 90 per cent.\* respectively.

Quantities are more important than values, as the latter exaggerates the results.

The decline of British exports of cotton textiles is duly reflected upon unemployment in the cotton

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\* This is the percentage decline for seven months, instead of being nine months, a comparable period. Even if we make allowance for two more months, the percentage decline would not be much less than 85.



industry. In 1924 the percentage of unemployed was 12·8. The percentage was reduced to 8·2 in 1925, but since then it has been continuously increasing, reaching 11·9 per cent. in 1928, 13 per cent. in 1929, 38·8 per cent. in 1930, 43·0 per cent. in the last quarter of 1930, when the Indian boycott was at its height. December, 1930, was a month of record unemployment in the cotton industry, when the percentage of unemployment was as high as 47·4.

These facts lead to the conclusion that the Indian boycott of last year was a real thing and not a scarecrow to frighten the English people. Some might say that the Government of India of the last year was a weak government and did not take serious steps to subdue the boycotters or the boycott organisers. The long list of the political prisoners, which covers the names of several thousand people, both men and women, would prove the fact that the Government of India were not slow in their action, but that the very mentality of the people had changed ; the more people were sent to jail, the more came forward to occupy their places and no lathi\* charges, or other repressive measures were of any avail. Under the following circumstances, Lord Irwin, the statesman and the man on the spot could see no other way but to conclude a truce which might result in the future in a permanent peace. The spirit of the Irwin-Gandhi pact was that of "give and take," which is the proper way of a compromise. Lord Irwin, when he had accepted the pledge of Mr. Gandhi that the latter would pursue the boycott movement only for economic purposes and not for political purposes, promised, as the Viceroy and Governor-General of India, that he would grant Mahatma Gandhi and his followers

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\* Bamboo stick.

concessions, which were of minor importance and which I need not mention here.

Of course it was very difficult to draw a hard and fast line between economic and political purposes of the boycott, but the spirit in which Mahatma Gandhi has kept his pledge can be made clear from his latest writings in *Young India*, dated May 22nd, 1931.

“If there are those who think picketing under such restrictions will not avail, they may give it up and run the risk of foreign cloth being sold under their noses. It is better that foreign cloth should be sold than that, in order to prevent its sale, we should break the letter or the spirit of the settlement. The boycott of foreign cloth will ultimately succeed only when the Congress message has penetrated to the masses and the khaddar (home-spun) spirit permeates them. . . . We should remember, too, that the boycott of foreign cloth is pursued for its economic and social consequences.\* It is just as necessary to boycott Japanese or Italian cloth or yarn as British cloth or yarn. Indeed, it is more necessary to boycott Japanese cloth because it offers greater competition to khaddar and indigenous mill cloth. We have no ill-will against Japan: *we pursue the foreign cloth boycott because it is an economic necessity for the nation.*” (Italics are mine).

Why does Mr. Gandhi consider boycott of foreign cloth an economic necessity for the nation?

Some would suggest that, since India has abundance of virgin soil and since agriculture is still an occupation of about 74 per cent. of her people, it is therefore desirable for India to specialise in agricultural products

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\* And not for its political consequences.—I.M.K.

and exchange them for foreign cloth. Lower costs in agricultural products in India and corresponding lower costs in textile manufacture in foreign countries would suggest the desirability of allowing trade to develop on the basis of the relative advantages of all the countries in question. Theoretically such a policy sounds quite well, but there are practical limitations upon it. Suppose India even mechanizes her agriculture to-morrow (which is extremely difficult for India to do, being handicapped partly by illiteracy and conservative habits of the people and mainly by lack of capital and scientific knowledge so necessary for mechanization) and reduces her costs in comparison with those of other countries, would other countries give up their agriculture and exchange their manufactures for Indian cereals? Certainly not. Under these circumstances India should try to develop both her agriculture and manufacture at the same time. When most of the countries are pursuing the policy of becoming self-supporting, then why should not India adopt it for her own existence?

There is another economic reason why India wants to develop her industrial life. As we know, the operation of the law of diminishing returns is delayed for a longer time in the case of manufacture than in the case of agriculture. Therefore India would only have the full advantage of increasing returns by developing her industries as distinct from her agriculture. Also manufacture, commerce and trade greatly help in increasing the purchasing power of the people and consequently in raising their standard of living. This is a third reason why India should promote her industrial life.

What is the condition of the Indian market for British goods to-day? An answer to this question has been given by an English weekly, the *Textile Recorder*, dated May 15th, 1931.

“However, a slow but definite improvement is visible. It is bound to be slow because of adverse economic factors, such as agricultural depression and the further raising of the protective duties....

“Buying in Calcutta is on cautious lines, but fresh orders are resulting.... Similar progress has been recorded in Bombay and Madras.”

*“The Congress has lifted the ban on the imports of British machinery and mill stores, as a result of the Gandhi and Irwin truce.”* (Italics are mine).

Some here might suspect the registration of a Limited Company, on May 25th, on Mr. Gandhi's plan, with a capital of 25 lakhs of rupees, with the object of exporting stocks of foreign cloth from India and encouraging home production. But the Company is not to discriminate against British cloth.

### III.

#### BRITAIN'S RESPONSIBILITY IN LOSS OF EXPORTS.

Even if India had not launched the boycott of foreign cloth, she would not have been able to buy goods from abroad to the same extent as in previous years on account of the low purchasing power of the masses during last year and the current year. India is mainly an agricultural country and the Indian peasant is the chief source of revenue and the foundation of most of her economic activities. Her economic prosperity has been adversely affected by the greater fall of the wholesale prices of agricultural products than of manufactured goods and her

purchasing capacity has been much reduced. Then how could she be expected to buy British goods, whether Lancashire textiles or Birmingham hardware.

(a).—MONETARY FACTORS.

Another reason for India's low purchasing power is that the value of silver has fallen greatly during the last year, and as the Indian unfortunately still hoards silver bullion, he has suffered heavy loss. A third reason is that when the Indian exchange was officially stabilised in 1926, it was stabilised at the new ratio of  $S. 1/6 = \text{Re } 1$ , and not the old ratio of  $S. 1/4 = \text{Re } 1$ , in spite of the protest of the Indian manufacturers and Indian people. The effect of that policy was over-valuation of the rupee by 2d., or about two annas. The disastrous consequences of such a situation were inevitable:—

- (1) It restricted the boundaries of the markets, not in this country or that, but more or less everywhere.
- (2) The world price level both of raw materials and of manufactured articles, instead of increasing as had been expected by some official bodies, fell enormously, and as the value of the rupee was artificially increased by about 12 per cent. and as wages had not time enough to come down in India, but were out of adjustment with the world conditions except in United Kingdom, India was handicapped by foreign competition. The infant industries of India like the cotton textile industries had to compete more severely with the Japanese cotton textiles, to India's great disadvantage.

The result of all this was, as indicated below, that Indian exports began to decline, not to the advantage of Great Britain, as was the idea of some of the

Indian politicians and business men at that time, but in favour of Germany, Japan, the United States and other foreign countries.

As we know, according to the orthodox theory of foreign trade, exports must equal imports in the long run ; therefore when India's exports began to fall owing to the over-valuation of the rupee, a shadow was cast on her imports as well.

Had England not pursued the policy of deflation within her own borders by returning to the gold standard in 1925, she would have derived benefit from the change of the Indian exchange to the new ratio ; her exports to India would have tended to increase even after making allowance for the low purchasing power of the Indian people last year, but because her national pride demanded the establishment of London as the centre of world finance and commerce once again, she had to pursue a policy of deflation, which no doubt helped in dressing the financial and commercial wounds for the time being but could not cure the deeper wounds which began to appear in the shape of continuous economic depression and falling exports. Britain's ever-increasing unemployment is not a cause, but one of the symptoms of these ills.

In plain and simple words, the policy of deflation pursued by Great Britain since 1925 improved her commercial and financial position for the time being, but the feeding tributaries of that stream, which were mainly industrial, began to dry. Hence, the cry that industrial undertakings no longer pay, in spite of the abundance of cheap credit available, and that there are few fresh enterprises and still fewer enterprisers.

What are the other effects of the policy of deflation pursued by Great Britain since her return to the gold standard in 1925 ?

England experienced all the evil consequences of over-valuation of the pound sterling which India did in the over-valuation of the rupee, when she stabilised her exchange at the new ratio. Though the nature of disaster was the same in both countries, 'yet the intensity was different. England was most hardly hit as she is the greatest exporting country in the world. As a matter of fact, her very existence depends upon her exports, which ultimately pay for imports.

In England, the pound sterling was over-valued by about 10 per cent., while in India, the rupee was over-valued by some 12 per cent., and this over-valuation by 10 and 12 per cent. respectively put a corresponding duty on their exports and gave a bounty to their imports. But as India is mainly an agricultural country and self-supporting to a very great extent, and as her exports are not relatively so important as those of England, India did not suffer so heavy a loss as her sister country had to suffer. India's trial is the trial of a juvenile offender for a trespass, while England's trial is one of an elderly person for a more serious offence. Consequently, the punishment in the latter case will be more severe. The deflation policy of 1925 complicated matters in Great Britain. It created a disparity between the internal and external price-level. It did not allow wages in both sheltered and unsheltered industries to come down to the same parity, which was so necessary for a healthy economic life. In short, by keeping wages and other costs high, costs of production in England remained above the world cost in general; and when the costs of home-produced commodities which have an international market were higher than the costs of the same things abroad, England could not successfully compete with her foreign rivals, which, after inflation,

had stabilised their currencies by a process of devaluation. By this process the foreign countries could not only reduce the burden of their national war debt, but also successfully adapt themselves to world economic conditions. They not only adapted themselves to the new surroundings, but they took a step forward consciously to hasten the process of evolution by developing new sources of power and equipping themselves with new plant, while many British manufacturers seem to be still waiting for the evolution to move them to take them forward without any effort on their part.

(b) —PSYCHOLOGICAL FACTORS.

Self-help has been one of the greatest virtues of the Anglo-Saxon race in the past. We find an Englishman even to-day believing in the principle of self-help: he does not beg others to help him, but relies on his own resources. However, his conception of self-help has undergone a radical change in the course of time. To-day an Englishman seems to understand by self-help an act of God towards his betterment, or, if he has got a scientific bent of mind, then a process of evolution towards improvement independent of his own conscious effort! In short, an Englishman to-day has lost much of the initiative and self-reliance which was the characteristic of his race in the past.

Talk to an Englishman to-day about the present economic depression, or the falling-off of his export trade, or the boycott of the British goods by the Indian people. He would agree with you on many points when you explain the matter over to him. But when you ask him to set things right, he would reply, as a rule: "Let us wait and see. Perhaps the tide might turn the other way." In short, an Englishman to-day believes in a policy of pure



passivity and not in an active policy of conscious effort.

This is not only my own personal impression about Englishmen to-day. I am supported in this observation by some acute foreign observers as well.

Monsieur André Siegfried, for instance, says that it has become a habit of an Englishman to-day to blame a foreign country for every fault of his own, which shows the passivity of character. If his exports are falling then it is the fault of his neighbours for following a policy of inflation (and not his own fault for pursuing a policy of deflation). If the wages are higher in the United Kingdom than wages in other countries, then it is the fault of the foreign countries that they have not become civilized enough to maintain a higher standard of living (and not his own fault that he makes the standard of living so high in his country, irrespective of world conditions). If the hours of work are longer elsewhere than in England, then it is the fault of the countries abroad that they have no sense of leisure (and not his own fault that he overindulges in idle pleasures). If the stock of his gold in central bank is diminishing, then it is the fault of the French and American banks for making their rates of discount more attractive to the foreign countries (and not his own fault for making the rate of discount unattractive). If his trade with India is falling, then it is the fault of the Indian people that they are boycotting British goods (and not his own fault that he is not treating the Indian well and denying him the fundamental rights of freedom and self-government.† If his industries

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\* This and subsequent examples are mine.

† By freedom and self-government I mean dominion status with full responsible government. That is, equal partnership within the British Commonwealth of Nations. This refers to the earlier and admittedly political boycott of 1921-22.

cannot compete with the industries of other countries, then it is either the fault of the United States of America that they have got an industrial philosophy of their own better known as the philosophy of mass-production, or the fault of the Continental countries, who are the worshippers of the god Kartel, or the fault of the Union of Socialist Soviet Republics, who have discovered the new demon of communistic production and distribution, and by dumping in world markets are trying to overthrow the capitalistic régime (and not his own fault that he still believes in the un-co-ordinated efforts of individuals and unrestricted competition between them), or, perhaps the fault of despots and untra-nationalists who are a menace to the world peace and a great hindrance to world disarmament. And if his relations with Egypt are still unsettled, then it is the fault of the Egyptian people that they do not hold general elections and establish a constitutional régime in order to ratify in due form the agreement between Great Britain and Egypt. I had better finish these "ifs," however interesting they may be.

What do the above facts reveal? All of them clearly illustrate the proverb that "A bad workman always blames his tools." In short, a thirsty Englishman desires to-day that the fountain of his favourite drink—beer or whisky, or if he is a teetotaler, then lemon squash or ginger-beer—may come to him and he need not go to the fountain. Would this be possible to-day? That I leave to the commonsense of the reader of this book. Personally I am of opinion that it would have been possible to a great extent in the nineteenth century, when England was the pioneer industrial country in the world and her offspring at that time were infants needing their mother's fostering care. Now most of the infants have come of age, and they want to

lead their old mother, instead of being led by her.

When that is the truth and such are the facts, then why does not England adapt herself to the changing world?

(c).—SPORTS FACTOR.

What England wants to-day is not a body of "plus-four" golfers, tennis stars, football champions and cricketers, but a race of scientific and industrial workers—a race of *workers* and not a race of professional talkers like most of the present politicians, who do not want to do anything real and constructive, but keep the public busy in endless discussions on "Safeguarding *versus* Free Trade," "Inflation *versus* Deflation" and similar subjects, without arriving at any definite conclusions. When discussion is over the parties remain where they were at the beginning, without the slightest change in their views. What is the use of such discussions? Perhaps they discuss for the sake of discussion. Then it means that the legislative body has been simply turned into the debating society of a school or college. The slow working of democratic government has been well emphasised by Mr. George Bernard Shaw in his *Apple Cart*. I need not discuss it here.

I hope I will not be misunderstood when I say that England wants a race of scientific and industrial workers and not a race of players. I do not mean by the above statement that every Englishman should turn into an automatic machine, with no other end in view than increasing his industrial efficiency, like the Americans, who have unfortunately sacrificed the ends to the means. I know well the significance of the proverb "All work and no play makes Jack a dull boy." I hold that a healthy mind is likely to be found in a healthy body, but what I do mean is

contained in the proverb "Work while you work and play while you play."

Let me put you a simple question. Tell me honestly how many of you have simply heard the name and not read the works of Sir Ronald Ross, the discoverer of the malaria-carrying mosquitoes, of Albert Einstein, the propounder of the great theory of relativity, of Robert Koch, Germany's greatest bacteriologist, of Sir J.C. Bose, the greatest living botanist, of Clerk Maxwell, one of the greatest scientists to investigate the properties of ether. But you know Tate and Gilligan well. Not only their names, but you remember most of their matches and the runs that they scored in some of the important matches. You have every right to know Tate and Gilligan, but what prevents you from knowing the poor men of science like Sir Ronald Ross and Professor Einstein.

#### IV.

#### REMOVAL OF MISUNDERSTANDINGS.

Although this chapter "Removal of Misunderstandings" has no direct bearing on the main thesis, nevertheless it has some indirect consequences in the diminution of Britain's trade with India. In the first place, owing to the misunderstandings between the two people, the British and the Indians, it serves in loosening the friendly commercial ties between them. Secondly, the Indian is very sensitive by temperament and the foreign trader does not understand it. Consequently, he is likely to suffer loss of trade. An Englishman, who was a contractor for bridges in India, told me that he went to see his landlord, an Indian, in that connection. He (the Englishman)

always used "tum" (you) while addressing the landlord, instead of using the more polite word "Ap" (Sir). Thereupon the Indian gentleman was much annoyed and the Englishman was refused the profitable contract. Thirdly, owing to previous prejudices, India does not appeal to an average Englishman, and he is therefore deprived of the benefits of trading with India.

I hope that a few lines by way of illustration will be of value to my English reader. No apology is therefore necessary.

Before I tell you something about Indian life, I would like to summarise an average Englishman's knowledge about India.

"India is a land of elephants and tigers. Its climate is tropical and it is intensely hot for eight or nine months in the year. The people of India are dark in colour and uncivilized in manners. They are very slow to move, like every other oriental people. They are illiterate and dirty, and they do not know anything about hygiene and modern medicine. They are very religious and fanatical in a majority of cases. They are divided into castes and sub-castes, which plays a great part in their social and economic life." Some of them also hear now and then about the grandeur and glory of turbaned Maharajahs and opulent Nawabs and their fabulous wealth.

What an average Englishman has learnt from the Simon Report is something of the following nature :

"India is the home of 222 languages and 2,300 castes and sub-castes. There are 43·6 untouchables and people of depressed classes in India. The Moslem population is about 70,000,000 ; the Sikh population 3,000,000 ; other minorities just a few millions ; and the rest of the population is the Hindu population. The Hindus and the Moslems are always at daggers

drawn and ready to cut each other's throats. Sufficient number of India's women is secluded or lives behind the purdah (the veil or curtain). Illiteracy is widespread."

I am afraid that I may go astray from my main thesis, "Mahatma Gandhi and British Trade," I will make an endeavour here to give an indication of the position as I see it.

Had I been with Sir John Simon, I could have taken him all over India without any difficulty just with my poor knowledge of one or two Indian languages. Urdu is spoken by some 80,000,000\* people and understood all over India. If you know Urdu—just one Indian language—you can intelligently visit many Provinces of India which in area are the equivalent of countries of Europe. They include the North-West Frontier Province, Kashmir, the Punjab, Sindh, United Provinces, Bihar and Orissa, Assam, Central Provinces, Rajputana, Central Indian Agency, Bombay, Hyderabad, parts of Bengal, Madras and Mysore. What is left in India? Only very small portions.

A great majority of the travellers from the West do not know any Indian language and cannot penetrate, owing to the lack of time or means, into the Indian village; besides, their outlook upon life being so different from that of an oriental people, how can they form any opinion about India or the

\* See *Influence of English Literature on Urdu Literature*,  
by S. A. Latif.

N.B.—Bengali is spoken by about 50,000,000 people and Hindi by a similar number. (I.M.K.).

Indians? Even if they can, their picture\* is more liable to distortion.

Now as regards the climate of India and colour of the people, the climate varies in different parts of India, because India is a continent, or at least a sub-continent. We find a cold climate near the base of the Himilayas and on other mountains all the year round. Then comes the temperate climate of a considerable part of Northern India. It is sunny here for 12 months in the year. In the rainy season, which generally lasts for three months† in the year, there are occasional showers, with a heavy rainfall for a few days. The climate is mild here for about nine months in the year and very healthy. You need to go to the hills for about three months only. If you cannot bear the expense, spend just four hours every day, from 12 noon till 4 p.m., in an underground room, and you will be free from the ardours of the Indian summer. The Mogul emperors, who had come from Kabul, which is comparatively much cooler than the Northern plains in India, used to live in parts of Northern India in the way I have described. There were no electric fans three centuries ago in India, and they had constructed their architecture in such a way that cold winds from the riverside could make the rooms cool and refreshing. If you visit the Taj Mahal at Agra or the fort of Delhi at mid-day, even in the midsummer, you will find them tolerable. But it is unfortunate that no such means have been devised by modern architects in the buildings of New Delhi, so the Central Government, with most

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\* For instance, not only is Miss Mayo's picture *Mother India* distorted, but I think that she, being a novice in the art of photography, has not given any attention to the focus at all. She makes sweeping generalisations on the basis of rare and individual instances, which a man or woman of scientific bent of mind would shudder to do.

† July, August and September.

of their offices, have to migrate every Summer to Simla at a heavy expenditure and much inconvenience.

The people in the North are very white—white and more pink in faces than some of the white races even. The Kashmiri, Punjabi and Parsi women and some of those of the United Provinces, are very pretty and charming, and the men are muscular and strong. The climate in Bengal is hot and damp for the greater part of the year and the people are either darkish brown or moderately dark. In the South of India, below the Vindhya mountains, the climate is fairly hot, but not excessively hot, for four or five months in the year. The people are fairly dark in the Deccan, but never so dark as the negroes of Abyssinia. However, you will occasionally see the fair girls and well-set boys of the nobility of Hyderabad and some of the Marhatta districts. The reason for their fairness in complexion is that from time to time people from the North have migrated to the South, and these people generally belong to the Aryan races of the North. The dark-coloured people in the Deccan are mostly of the Dravidian stock. In short, you will find every sort of people and every variety of climate in India.

As regards Hindu-Moslem relations, just one word would suffice. The young Moslems and the young Hindus,\* who are the real hope of India, show increased tolerance towards each other. Many of them recognise unity in political matters of national importance and they hold that religion is a question of personal belief ; it has no part to play in politics. The Hindu-Moslem antagonism to-day is due to extremists on both sides, who are advanced in age and few in number. They have been afraid and

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\* Including the Sikhs and other minorities.



suspicious of each other for a long time. If the matter is left to the youth of India, it can be settled very quickly. However, I am not pessimistic as regards the future. I believe that the majority community would accommodate the minorities in the same spirit in which an elder brother would satisfy the reasonable demands of his younger brothers.

Those who accuse Indians of slow movement always think of India and the Indians of the middle ages or of the nineteenth century. I am afraid they do not know young India and the young Indian of to-day, who are dynamic forces.

The caste\* and sub-caste in India are the historical relics of the past, which appear in the blue books of the Government of India but have little more importance in the daily life of the people than the Egyptian mummies in the British Museum.

Even the Simon Report, which is very conservative in its views, has to acknowledge the truth in the following words :—†

“The operations of large-scale industry bring together in a common enterprise men of different castes, and in the mills and mines of India many of them are working side by side in the same occupation. Trains and trams cannot make provision for caste distinctions. In the villages, co-operative societies have an important influence in breaking down ancient social barriers, and political, educational and economic activities everywhere tend to bring into contact different grades.”

\* It should be remembered that caste and sub-caste only exist among the Hindus. According to the Moslems, all men are equal; hence, no caste or class among Moslems.

† See *Report of the Indian Statutory Commission*, Vol. I, May, 1930, page 36.

Under these circumstances, one can well imagine what importance has the following statement :—

“In the census of 30 *years ago* a list of no less than 2,300 different castes was drawn up.”\*  
(Italics are mine).

I think the reader will now agree with me that castes and sub-castes are the historical relics of the past and that they do not play any important part in India at the present time.

In support of my statement I can give a sufficient number of instances of Moslems marrying Hindu girls and *vice versa*. To show the changes that have taken place in India during the last 12 years—a comparatively short period, not a long period like 30 years—I would like to quote again from the Simon Report, which, I think, underestimates the progress made by India during this interval :—

“Except for a mention of the obstacles which social custom sets up in the way of female education, there is hardly any reference in the Montagu-Chelmsford Report to the women of India. *It is striking proof of the change which has come over the Indian scene in the last 12 years* that no document discussing India’s constitutional system and the directions in which it can be developed and improved could omit the women of India to-day.”†  
(Italics are mine).

This is more true also of India’s progress in other directions, as we know that rights to women have been granted at a very slow pace in every country.

\* See *Report of the Indian Statutory Commission*, Vol. I, May 1930, page 36.

† See *Report of the Indian Statutory Commission*, Vol. I, May, 1930, page 49.

The Simon Report most cautiously remarks about Purdah : " The feeling against purdah is fast gaining ground."\*

As regards modern medicine and hygiene, we have hospitals both of Western medicine and Eastern medicine. They are not sufficient in number according to the present requirements, but we will endeavour to see that our demand is adequately satisfied.

## V.

### GANDHI'S ECONOMIC DOCTRINES AND HIS ATTITUDE TOWARDS BRITISH TRADE AND CAPITAL.

Mahatma Gandhi is a saint rather than an economist. As such, he thinks always in terms of spiritual welfare and never in terms of wealth or increased efficiency of the working people. His ideal of life is a happy, simple and contented life, preferably a family life without any nerve-straining activity of the mechanical age. The latter, according to him, no doubt increases the standard of living and momentary pleasures measured in terms of luxurious commodities, but it has no permanence.

According to the learned Mahatma, such artificial pleasures excite the senses for the time being, but their after-effect is to weaken the heart, the centre

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\* See *Report of the Indian Statutory Commission*, Vol. I, May, 1930, page 51.

of all real pleasures. He is therefore of opinion that simple life and meditation are the only means for both earthly and eternal peace.

Mahatma Gandhi, I think, over-estimates human nature. It is impossible for an average person to lead the ideal life of a Gandhi in his daily life : only a very limited number of persons can become saints, free from the temptations of earthly riches and worldly pleasures.

The Mahatma seems to think, like Tolstoy, that the use of machinery without the inherent evils of the factory system is impossible. He therefore advises India to reject machinery and go back to the old system of handicrafts and indigenous industries. In his opinion, the old system means less material wealth for the nation, but more spiritual welfare. The old system provides better physical, moral and social conditions for the mass of the workers than the modern system. He thinks that the charkha (hand-loom) is not only the political weapon for the freedom of the people, but at the same time the economic instrument to liberate the people from the economic slavery of the capitalistic system. Mr. Gandhi expresses the same idea in his *Young India* in the following words :—

*“ Machinery is the chief symbol of modern civilisation; it represents a great sin. Machinery has begun to desolate Europe. The workers in the mills of Bombay have become slaves. The condition of the women working in the mills is shocking. . . . It may be considered a heresy, but I am bound to say that it were better for us to send money to Manchester and to use flimsy Manchester cloth than to multiply mills in India. By using Manchester cloth, we would only waste our money, but by reproducing Manchester in India, we shall keep our money at the price of our blood, because our very moral being will be sapped.”*

“As long as we cannot make pins without machinery, so long we will do without them. The tinsel splendour of glassware we will have nothing to do with, and we will make wicks, as of old, with home-grown cotton, and use hand-made earthen saucers for lamps. So doing we shall have our eyes and money, and will support Swadeshi,\* and so shall we attain Home Rule.”

Mahatma Gandhi's attitude towards British trade has been briefly explained in the previous pages. His economic policy is partly a nationalistic policy and partly a philosophy of life. Mr. Gandhi will be the first man to safeguard the interests of the Indian artisan and trader. When their interests have been safeguarded, he would see that his English friends get a better share of Indian trade than any other foreign nation, provided the English are not foolish enough to break off friendly relations at an earlier stage, and not to forfeit India's goodwill.

As regards the Indian debts incurred by the British Government on behalf of India up till now, Mahatma Gandhi has said that the matter would be duly inquired into by an independent tribunal and that India would abide by its decisions.

Although Mahatma Gandhi is not an economist in the sense of understanding the full bearing of an economic policy, yet he knows some of the outstanding facts of the Indian economic life. If I do not misunderstand him, I am inclined to think that he will lose no time in abolishing the salt tax, which, according to him, is a great burden on the poor Indian ryot.

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\* Home-made goods.

Mahatma Gandhi considers that Home Charges\* with the annual receipts of about £4,000,000 and a corresponding net expenditure of nearly £30,000,000 in England is one of the main causes of Indian poverty, and that about one-third of the total amount is spent in England owing to the political relations of that country with India, and the remaining two-thirds represent payments which are really transactions of an economic character. It is therefore quite probable that he (Mr. Gandhi) might make every effort not only to check the further growth of the Home Charges, but to reduce their size as much as possible at the present time. This would reduce Indian national expenditure and stimulate trade.

The Mahatma is aware of the urgent necessity of a Central Bank of India, whether it may be in the form of a State Reserve Bank, Stockholders' Bank or any other form. He will therefore try to establish a central bank in India as soon as possible, according to the demands of the nationalistic politicians and business men of India. This would stimulate trade.

It is an open secret that Mahatma Gandhi would wish to return to the old ratio of 16d. (or 1/4) to the rupee, giving thus an impetus to the trade once again, and relieving India from the economic depression so much emphasised by his wealthy followers—the financiers and mill-owners of Bombay.

As far as Imperial preference is concerned, I think Mahatma Gandhi's attitude will be that of a business man to draw a contract based on mutual benefit of the two countries in question.

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\* Expenditure incurred in England on account of India, *e.g.*, Railway Debt, Interest on Ordinary Debt, Stores for India, Military and Marine, Furlough and Pensions, etc.

## VI.

## \*YOUNG INDIA'S ECONOMIC POLICY.

The young Indians agree with Mr. Gandhi so far as he considers charkha (hand-loom) a political weapon to bring an economic pressure to bear upon Great Britain and to destroy her industrial supremacy, which is the main cause of her political supremacy, but when the learned Mahatma puts a step forward and attributes to his charkha† all the qualities to save the people from the evils of the factory system, which at the present time rests upon the foundation of capitalism, they cease to follow him one by one and choose another way for themselves.

Many young Indians think that there is nothing inherently bad about the factory system, its use and abuse—all depends upon the people themselves who work out the system. If they sacrifice welfare to wealth, *i.e.*, means to the end, then it is their own fault ; on the contrary, if they take care to safeguard both the end and the means, it is their own wisdom.

It is possible that by introducing the factory system, not only the earnings and wages of the working people might be increased, but their moral and social conditions might be improved at the same time.

In many industrial centres of the world not only are the factories clean and hygienic, but the workers'

\* Young India represents the young intelligentsia of modern India, which is a dynamic force with a big following of all classes and communities of India. They are noted for their enthusiasm, sincerity and sagacity all over India. Even Mahatma Gandhi admits their importance by calling himself " Back-number in politics of India " in comparison with his young comrades.

† Which includes other cottage industries.

homes are healthy and comfortable. The people are not only free from the smoke of factory chimneys, but they are not harmed by the obnoxious atmosphere of the factory system, which is so strongly emphasised by Mahatma Gandhi and his staunch followers. The facts are sometimes different in England, which was the pioneer industrial country of the world, and consequently she had to suffer a lot, due to the "trial and error" method.

The chances of dirt and ugliness accompanying the introduction of the factory system are greatly minimised in the case of India, which is the only country fortunate enough not to pass through the stage of using coal as the motive power for industry, but would at once adopt electric power for her industrialisation.

Electric power is the cleanest power for industrialisation. The development of hydro-electric power, which has already attained success in some parts of India, has not only the economic advantage of being a cheap power, reducing costs of production and placing India in a better position for industrial competition with the rest of the world, but it has many other advantages in increasing the amenities of a working man's life. We know that parts of India become intensely hot for some part of the year and the conditions of work in the factories become extremely disagreeable ; if we have abundance of electric power at our disposal, we can instal huge electric fans to cool the air inside the factory—thus making life tolerable. If the power is sufficiently cheap, not only can we instal electric fans in the factories, but at the same time we can easily furnish every working man's cottage with a table-fan at least, thus making his life more worth living. But the Mahatma and the people of his school of thought always look at every new invention of science with



suspicion, but after examining the pros and cons of the subject, they must not forget that whatever be the defects of the scientific invention, it has done more good than harm. No compromise being possible between Mahatma Gandhi's charkha philosophy and young India's economic policy, the adoption of factory system, if the option of choice between the two alternatives is left with India, I think she would for the sake of her very existence adopt industrialisation.

The young Indians are therefore in favour of introducing the factory system, with all the necessary precautions. They do not want to kill the cottage industries at the same time, but to encourage them, if they (the cottage industries) show signs of healthy life. They are quite justified in thinking that for the very existence of a nation it is necessary to march with the progress of the times, and they hold that India can never shut herself from the world influences in the twentieth century, when the means of communication and intercourse have become so rapid. In short, they want to increase both wealth and welfare of the people and are no longer satisfied with the contentment philosophy, which does not mean much to very many of the working people of India to-day, except the passive acceptance of the bare means of subsistence.

Now let me answer the last question—what would be the attitude of young India towards British capital and trade?

The young Indians are nationalists first and citizens of the British Empire afterwards. Naturally they will safeguard their national interests as far as they can. However, they will be friendly and try to buy to the full extent of their purchasing power, if not Lancashire cotton textiles, then other things most suitable for complementary trade between the two countries.

The amount of foreign capital (mostly English) invested in India amounts to millions of pounds sterling ; and this foreign capital is not invested in Indian agriculture or small-scale industries under Indian management. It is in fact invested either in plantations of tea and coffee, in mining of gold, coal, iron and oil, in large-scale manufacture of jute and woollen goods, or in banking, insurance, railways—all under European management. What do the young Indians think about it? The young Indians know the advantages and disadvantages of foreign capital. They understand that foreign capital so largely employed in Indian mines exhausts permanently the fixed stock of mineral wealth in the country, leaving nothing for future generations of Indians.

Naturally they will wish to safeguard the interests of the coming generations.

They realise that foreign capital employed in manufactures under foreign management takes away from India not only interest on capital, but huge profits for organization and enterprise. They will consequently see that they have to pay interest only on foreign capital (as most of the Dominions do at present) if it is necessary for them to borrow capital\* from outside, and that the profit goes into the pockets of the Indian people.

Though there is lack of entrepreneurs and captains of industry in India to-day, nevertheless if due attention

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\* I am personally of opinion that even after taking into consideration the great amount of money (from 500 to 600 crores of rupees, *i.e.*, 400,000,000 to 600,000,000 pounds sterling) lying idle with the wealthy classes in India, it would not be sufficient in amount for the great developments that are necessary for India to-day, or to-morrow, and that she will still have to borrow capital from foreign countries.

is paid to the problem, India is capable of turning out good industrial leaders.

If my reading of the psychology of the young people of India is not wrong, I think that India would adopt a policy of protection, better known as discriminating protection, according to which, protection is granted to the home-industries when the three following conditions are satisfied :—

- (1) The industry must possess natural advantages such as cheap power, a sufficient supply of labour, or a large home-market.
- (2) The industry must be one which without the help of protection either is not likely to develop at all or is not likely to develop so rapidly as is desirable in the interests of the nation.
- (3) The industry must be one which will eventually be able to face world competition without protection.

As regards your capital and trade, let me assure you once more that the young Indians intend no injustice. But by granting equal rights of trade to the English, the Indians would be bringing about their own ruin, as we know Indians are undeveloped at present in matters of trade and commerce, therefore they will not be able to establish themselves successfully against their rivals with the equal rights and privileges but superior skill and better knowledge.

Let me conclude with the advice of Sir Francis Younghusband :—

“ We must get rid of the idea that the Indians were the subject people and that we were the dominant race. We must have the idea that the Indians were really our comrades.”

I would like to add that if we want to revive our trade with India and restore Indian market, we must not only make our goods better and cheaper, and our services more efficient and reliable, but we must establish goodwill and mutual confidence first with the Indian people. Before capturing Indian markets, we must capture Indian hearts.



