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INDIAN

INDUSTRIAL AND ECONOMIC PROBLEMS

BY

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PREFACE.

The papers in this book have not been arranged on any particular plan, nor do they all lay claim to an exhaustive treatment of the subjects dealt with in them. They are, for the most part, reprints of essays and articles contributed to Indian journals and submitted to the Indian Industrial Conference during the last four years.

India's industrial and economic problems are many and varied, and though no definite system has been followed in their selection and treatment in the following pages, the more urgent and important among them find a place in the book, which, as a whole, has thus a sort of unity of its own. In one of the chapters the author has attempted a realistic picture of the present economic situation in India and the lineaments have been drawn with a careful and impartial hand. There is usually much loose thinking upon the subject and the critics veer between two extremes. Here the author has tried to strike a correct balance. In another chapter, the slow but steady progress made by the indigenous industries during the last generation, has been traced, and in another place, the right attitude which people ought to take up in the matter of the Industrial revival, has been clearly indicated. The [illegible]t rise in the level of prices has caused an amount [illegible]ly and speculation as to its probable causes. [illegible]n high prices sets forth the various theories

propounded with regard to that economic phenomenon and states the several factors that are held to be involved. The author feels that the currency policy of Government has probably to do something with the almost sudden jump which prices took about seven years ago and he has explained this connection in a note, which has been submitted to the Prices Inquiry Committee. The attitude with the State takes up with regard to the nation's industries, determines in many cases, the rate of the progress which those industries make. This truth requires special emphasis in a country like India and in the chapter entitled "National Economics and India," the development of economic thought on the subject has been traced and the moral pointed out. No question in economic science has given rise to a greater divergence of opinion and a more bitter controversy than that relating to the doctrines of free-trade and protection. England is, to-day, the main battle ground of the two theories and the conflict has been raised even in this country. The author is a moderate though a staunch protectionist, and has taken a calm and dispassionate view of the whole question. While he condemns unmitigated free-trade as an unsuitable economic policy for India, and puts in a vigorous plea for the protection of indigenous industries by the State, he is careful in pointing out the real scope and limitations of Indian protectionism. The status of India in the British Empire has much economic significance which has been brought out in not a few of the chapters. The plausible schemes of Imperial Preference adumbrated by British tariff reformers have been dissected and their illusive and chimerical character has been exposed. This problem as

State's duty by its people, are particularly important at the present moment and have therefore been dealt with at some length The author's conclusions are throughout based upon a close study of facts and figures and upon careful deliberation. No effort has been spared to procure and make use of all available information.

This *resume* will convey to the reader an idea of the wide ground the book covers and of the many pressing problems that have been tackled. It is hoped that the book will assist the student of Indian Economics in the formation of a correct estimate of India's economic situation and of the various complicated questions involved therein. A fair and faithful representation of India's case has become necessary also in view of the interest which has been roused in her problems in England and the peculiar views that are often entertained there with respect to them. The book is calculated to meet this want, and the author will feel amply rewarded if his expectations are even partially fulfilled.

FERGUSSON COLLEGE, POONA,
23rd June, 1912. } V. G. KALE.

NOTE TO SECOND EDITION.

Advantage has been taken of the issue of the second edition of this book for including contributions on the following subjects :—Prospects for Technically Trained Indians ; How may the Industrial Conference be Organised ; Popular Control in Indian Finance ; The War and Indian Trade and Indian Trade After the War.

PUBLISHERS' NOTE.

In this, the Third Edition, the Hon. Prof. Kale's Speech in the Council of State on the Exchange situation has also been included.

INDIAN INDUSTRIAL AND ECONOMIC PROBLEMS.

I

IMPERIALISM AND IMPERIAL FEDERATION.

"The idea, then, which I would venture to suggest as governing all other ideas regarding our management of India is this fundamental idea of treating the relationship between us and the people of India as one of hearty comradeship."—COLONEL SIR FRANCIS YOUNGHUSBAND.

The British Empire is, indeed, a marvel of modern times, the like of which the world has never seen before. In its extent and population, development and constitution, and in its wealth and resources, it stands in marked contrast with and surpasses similar other aggregations known to ancient, mediæval and contemporary history. The small sea-girt isle, lying in a corner of Europe, at one time a part of one of the mightiest of empires, organised itself, by a steady process of assimilation and consolidation, into a strong and vigorous state and its people began very soon to stretch out their hands to grasp external dominion on land and sea, in Europe and outside it. In the struggle which ensued for mastery among the European nations, England obtained a decisive victory and the fall of Napoleon left her in undisturbed possession of the field. The United Kingdom could thus freely carve out its eventful imperial destiny, and though the Declaration of Independence by the American colonies lopped off a large and rich part of the Empire, the loss has, since then, been more than counter-balanced by

the valuable acquisitions made later in India, Africa and Australia. And to-day the Empire stands without a serious rival in its enormous commerce and wealth, the myriads of its varied citizens and its splendid fleet and army.

After the fall of the Roman Empire, Europe relapsed into barbarism and chaos. The traditions of the Empire were, however, sought to be maintained in new environments in Western Europe at Constantinople. On the conquest of Byzantium by the Turks, the memories of the Empire continued to be cherished and its shadows venerated in Germany till in 1806, the last Holy Roman Emperor abjured his sonorous but empty title. By the end of the mediæval period, the European peoples had begun to fall apart into distinct nationalities and were, for two centuries, engaged in the work of consolidation and enfranchisement, political and religious. The process of nationalisation was completed in the last century and the unification of Germany and of Italy represents the last phase of that evolution. This internal movement synchronised with an external movement of expansion and conquest. The European scramble for dominion was transferred to Asia and Africa and to-day every state in the West has its colonies, dependencies and spheres of influence outside Europe. The recent wars waged by France and Italy in North Africa are typical of the European hunger for empire.

These nations have their own peculiar imperial problems to solve and it does not appear that lapse of time will render their solution easier. But as has been remarked above, the British Empire stands out in sharp contrast with the other contemporary empires. The latter are more or less autocratic in their dealings with

their colonies and dependencies. The United States, France and Portugal have smaller dependencies to control and though the colour difficulty confronts all the imperial states, whether monarchical or republican, the British Empire has to face certain developments which do not trouble the others. In the case of the British aggregation of states the title of Empire is a misnomer. If the Crown colonies and dependencies are left out of account, that Empire is a federation of independent units very much like the United States of America, where, however, the nationalism and cohesion are more complete. The presence of India among the constitutent parts of the Empire is its main title to be called an Empire and this country is by itself an empire within the so-called larger Empire. The Imperial Government has only a nominal hold over the self-governing colonies of Canada, Australia, New Zealand and South Africa, which are practically independent. The bonds which bind them to one another and to the mother country are ties of common blood and common interest. The old colonial policy which lost England her American children has been replaced by an attitude of friendliness and sisterly attachment. Great Britain has supplied the colonies with capital necessary to finance their railways and industries and with the men and women required to exploit the untapped resources of their virgin lands. The burden of defending them falls upon the mother country which receives no contributions from the colonial treasuries. In return for these services the United Kingdom gets new and expanding markets for British manufactures and outlets for its surplus population as well as the supplies of food and raw materials.

Imperialism has latterly been commonly associated with land-grabbing and lust of wealth, with reckless ambition and pride and with militarism and brutality. Hence the word has now got a rather sinister odour about it. The way in which European states have been fighting over the partition of Africa, in defiance of international morality, the indecent scramble that is going on among those nations for the acquisition of dominion and wealth, and the manner in which the helpless inferior races are being driven to the wall and even trampled upon—all this lends strong colour to the contention of those who maintain that modern imperialism is degrading, selfish and immoral. These people assert that modern imperialism has created an aristocracy of speculators, capitalists and bond holders in whose hands wealth has rapidly accumulated and who embroil their states in quarrels in undeveloped countries where they wish to invest their superfluous cash. It is said that the advent of these men in Asia and Africa has brought no civilisation, liberty and happiness into those continents and that imperialism is a mere cloak to conceal selfishness, greed and pride. Mr. J. A. Hobson* thus sums up his views with regard to modern imperialism :-

"Imperialism is a depraved choice of national life, imposed by self-seeking interests which appeal to the lusts of quantitative acquisitiveness and of forceful domination surviving in a nation from early centuries of animal struggle for existence. Its adoption as a policy implies a deliberate renunciation of that cultivation of the higher inner qualities which, for a nation as for an individual, constitute the ascendency of reason over brute impulse. It is the besetting sin of all successful states, and its penalty is unalterable in the order of Nature."

* "Imperialism"—A Study by J. A. Hobson.

This is rather hard language, but it will be conceded, not sufficiently hard to condemn the atrocities committed by certain Western states upon the helpless negroes.

This dark picture does not, however, represent every species of contemporary imperialism though some of the ugly spots pointed out above are present there also. Opinions may differ as to whether imperialism is the last word in the progress of human societies or nationalism is the final stage in the healthy growth of peoples. But there can be no doubt that there is a higher and nobler species of imperialism which is calculated to make a notable contribution to the progress of world's civilization. The idea of a universal monarchy and a universal religion has haunted the minds of scholars and philosophers from the times of the Roman Empire. The ideal has, however, been seldom realized and the distinctions of race and nationality have triumphed. Sober-minded British* imperialists assert that their creed is not the glorification of conquest. It has created a system of states which is no longer merely European but cosmopolitan and the field of diplomacy has become world-wide. This, of itself, is not a great advance over the old state of things. Yet an imperialism which honestly seeks to take the torch of knowledge and civilization to the dark corners of the earth and tries to raise the backward races to a higher level of life is a policy that may be commended to the attention of imperial statesmen. Unfortunately the action of imperial statesmanship falls far short of the theory and thus the advantages of an empire become doubtful. The autocratic and irresponsible domination over vast masses of

* The "Imperial Ideal" by Mr. W. F. Monypenny.

economically inferior races breeds in the rulers a haughty contempt for the noble principles of liberty and justice on which the democracy at home is based, while the subject populations get no scope to rise from the depressed condition in which they find themselves sunk. By a combination of superior genius for organization and material advancement and good fortune, the British race has built up a vast empire and the question that confronts the British people is, shall they allow it drift where it may or shall they make efforts to promote its unity, strength and prosperity ? A sense of imperial responsibility has been created in the mother country and the colonies and they are laying their heads together to concert measures for the purpose of common defence and mutual assistance. Apart from what are called little Englanders, who look upon colonies as encumbrances and ripe fruits falling from the tree, and others who believe that imperialism is an undesirable ideal for a nation to place before itself, there are many who take the Empire seriously and wish well to it, but at the same time, disapprove of the coercive and selfish measures which are associated with imperialism. They agree that the British Empire has a noble and a notable part to play in the history of civilization by maintaining the cause of peace, justice and humanity in the world but they do not believe in imperial unity secured by artificial ties. They would leave the integral parts of the Empire free agents to evolve their own destiny along their own lines and would control even a dependency like India only so far as her interests require such external restraint. They do not speak of accretions of territory and financial gain as assets of the Empire but emphasise its potential beneficial influence that may

be exerted all round. The two political parties in Canada recently fought over the issue of the reciprocity agreement with the U. S. A., with the result that the proposed treaty is now shelved for an indefinite period. Mr. Borden's victory is regarded as a triumph of imperialism and Canadian nationalism at one and the same time. It was really the bogey of eventual absorption of Canada by the United States, partly justified by the past neglect of Canadian interests by the Imperial Government, which brought about the fall of Sir Wilfrid Laurier. That liberal statesman and those who think with him in Canada and the United Kingdom, feel that a more convenient fiscal arrangement between the two conterminous nations need not affect the relations between Canada and the mother country. While the British Liberals are sorry that the proposed Reciprocity Agreement which would have led to freer and more profitable trade between Canada and the United States should have been rejected by the electors in the dominions, they congratulate the Canadians, who are a mixture of English and French settlers, upon their national solidarity and deep attachment to the British Empire. The Conservatives charge their opponents with a lack of patriotism and foresight and with a cosmopolitanism that would sweep off all national distinctions. The readiness of Liberals to give self-government to Ireland and even to Scotland and Wales enforces still further the divergence of views held by British politicians on the Imperial among other questions.

Despite this divergence of opinion on the Imperial problem the brains of British thinkers have long been engaged in evolving schemes for the proper organization of the scattered members of the Empire into a

united whole. Leaving the colonies to take care of themselves and contract alliances with foreign powers, is not a policy that could meet with general approval ? The Federation League began its agitation twenty-five years ago and preached the doctrine that the resources of the Empire ought to be combined for common defence and all the parts which have their share of imperial burdens, must have a voice in the control of imperial expenditure and imperial policy. Since then positive proposals have been made and discussed* and the agitation in favour of an imperial federation has become more active after the experiences of the Boer War. It is contended, in the first place, that the burden of the business which the British Parliament has got to rush through has become so heavy that it is almost impossible for it to discharge its legislative duties efficiently. The Parliament has to look to the purely local affairs and then to those of Ireland, of the colonies though they enjoy self-government, and of the dependencies, and thus its control of the Empire is naturally slack and ineffective. Secondly, the existence of the British Empire depends upon the maintenance of the sea-power. The mother country has to defend its colonies and dependencies and to keep up a large and costly fleet. The colonies make no contributions towards the expense of the Navy which the British tax-payer has to bear. It is but justice which requires that in return for the protection they receive, the oversea dominions of the Crown should contribute their own share. But this taxation, though it may be cheerfully borne by the colonies at the outset, may in

* "Problems of Empire" by the Hon'ble T. A. Brassey.

course of time, be regarded as an exaction. Then again, the colonies may not agree with the mother country with regard to the propriety and need of certain items of expenditure undertaken by the Imperial Government. They will demand an adequate representation in the counsels of the Empire. On these grounds an imperial council or federal assembly, in which the various parts of the Empire will be represented, has been proposed. The question was discussed by the last Imperial Conference also. There are obvious difficulties in the way of inaugurating such a federal assembly. The long distances which separate England from the outlying parts of the Empire, the difficulty of apportioning the contributions to be made by each, and the questions that must be submitted to the council without embarrassing the position of the Foreign and Colonial offices, are some of the difficulties. However desirable a federal union may be, the obstacles in the way are too serious to be brushed aside. Mr. J.A. Hobson asks:

"But how can the White democracies of Australia and North America desire to enter such a hodge-podge of contradictory system as would be presented by an imperial federation, which might, according to a recent authority, be compiled in the following fashion: first a union of Great Britain, Ireland, Canada, West Indies, Australia, Tasmania, New Zealand, Newfoundland, Mauritius South Africa, and Malta, to be followed later on by the admission of Cyprus, Ceylon, India, Hongkong, Malayasia, with an accompaniment of semi-independent states such as Egypt, etc.?"*

The federation is likely to be too unwieldy for efficient action and may probably give rise to serious complications which can be easily foreseen.

Thus the problem of imperial federation or a closer

*"Imperialism"—A Study by J. A. Hobson.

imperial union on certain definite principles bristles with enormous difficulties. Yet it is generally felt in the United Kingdom and the self-governing colonies that something must be done to obviate the inevitable disruption which will overtake the Empire if matters are allowed to drift. Since the Boer War, which evoked a spontaneous outburst of imperial loyalty throughout the colonies and dependencies and which demonstrated the urgency of a closer union of hearts, heads and hands, the imperial sentiment is growing stronger every day. Imperial conference after conference, in which the Prime Ministers of the colonies have conferred with the representatives of the mother country on subjects of common interest such as those of defence, communication and treaties with foreign powers, have served to keep the question fresh before people's eyes. Not only sentiment, but self-interest also, has made a United Empire an urgent necessity. The Australian Commonwealth with no means of self-defence and the yellow peril always haunting its mind, stands badly in need of naval assistance. The other colonies are similarly exposed and must needs look up to the mother country for means of defence. Conscious of this condition of helpless dependence they have offered to make contributions to the Imperial Navy and the question of maintaining a standing armament in the Eastern waters has been mooted. The mother country too wants the co-operation of the oversea dominions to share the growing burden and responsibilities of the Empire. For the past decade Mr. J. Chamberlain has been a strenuous advocate of the cause of imperial unity which, he believes, may be brought about by means of preferential tariffs within the Empire.

Mr. Chamberlain maintains that the opening years of the present century saw the end of one chapter in the history of the British Empire, that with the Peace of Vereeniging the era of expansion was definitely closed and that it is high time to think seriously of consolidation. He observes:—"The future of the Empire lies henceforward, not in its power to annex new territories, but in its capacity to unite existing dominions and devolop existing resources. This is a more humdrum, but not a less difficult task To it all our efforts should be directed whilst the nations that compose the Empire are still plastic, and before the growth of distinct national characteristics and divergent national interests has proceeded to such a point that what is now possible has for ever become impossible, and opportunities which are still within our grasp have finally passed away."* He points out what is now a common place of political study, that the territorial expansion of the British Empire was, in the main, a haphazard affair Luck favoured the genius of his race in the extension of the Empire, but luck is too fickle to be relied upon and he calls upon his countrymen to face the issue squarely. He sums up the problem in these words :—

"We have been, on the whole, wonderfully fortunate, but we cannot trust for ever to good luck. Success breeds envy; jealous eyes watch our progress, measure our strength or weakness, and seek out the joints of our armour. We are great in territory, strong in numbers, and rich in vast but undeveloped resources. But our union is of the slightest, and our devolopment has scarcely begun. Are they also to be left to chance? Are they also to be the blind sport of forces which we but dimly

* Preface to "The Case against Free Trade" by Dr. W. Cunningham.

understand and do not seek to control? Or is an effort to be made to find and having found to pursue, a common policy by which the development of each may be made to serve the interests of the whole, and the strength of the whole to safeguard and promote the development of each?"*

This, in a nutshell, is the imperial problem, presented by the "Missionary of the Empire," who preaches that the Empire cannot be held together by mere sentiment, which must be supported by something more solid, *i.e.*, preferential tariffs, binding together the various members with commercial ties to the exclusion of foreign rivals. Now, it may be said, this imperial federation or union is all very fine; but what is the position which will be assigned in it, to this country? India is only a dependency, albeit the largest and the most populous of all the portions of the Empire. It may be regarded as a Crown colony with no responsible self-government such as is enjoyed by Canada, Australia or South Africa. India's present and prospective status is viewed differently by people of different principles. The maxim most popular with one set of politicians is that India has been conquered by the sword and with the sword it must be maintained. They make no secret of the doctrine that the resources of this country must be at the disposal of its rulers and even the thought of educating and training its people to take their proper share in the administration of its affairs is intolerable. This line of thought represents the crudest form of imperialism found in vogue in the dependencies of some foreign European nations like Java of the Dutch. There is another school of imperialists who think too much of

* Preface to "The Case against Free Trade," by Dr. W Cunningham.

their own civilisation and greatness to have any sympathy for the people of the dependency. Loaded with the "white man's burden" they would ever maintain their paternal domination over the subject races alleged to be constitutionally incapable of self-government, for the latter's benefit. The imperialism is the glorification of conquest and the means of benefiting the predominant power in a variety of ways. Under it no political privileges can be conferred on the ruled, as the country is to be governed for them from outside. A more liberal view is taken by a few broad-minded and sympathetic statesmen who regard the Indian heritage as a trust and have a high sense of their responsibility towards this dependency. They believe that it is the sacred duty of the British nation to govern India solely in its interest and gradually to prepare its people for self-government. These high-minded and altruistic statesmen are charged with being silly sentimentalists and impractical day dreamers—a charge which a closer examination of their position does not sustain. They know it would be a blunder, a crime for England to leave the Indian people to shift for themselves, a prey to internecine quarrels and to external foes. But they would educate the people and gradually train them for self-government and are prepared ultimately to stand aside or retire. This would be the noblest achievement of the British race, thoroughly in harmony with its best traditions.

To the selfish, narrow-minded imperialist, the idea of India standing on the same level as the self-governing colonies in any scheme of federation must, of course, be inconceivable though she may perhaps be represented therein by its government. Others think that her position as a dependency makes her representation in

the Imperial Council superfluous or impossible. She therefore stands where she is, federation or no federation. Some of those, however, who know the Indian people, their intelligence, loyalty and the progress they are making, are of opinion that though the immediate granting of self-government and representative institutions would be premature, India ought to take a conspicuous place in any imperial assembly that may be formed. Thus Sir Charles Crosthwaite, K. C. I. E., observes :—

"If Mr. Chamberlain's scheme for tariff reform or for preferences to our Colonies and Dependencies ever comes to anything, India will have to be dealt with on the same terms as the colonies. That is to say, she must enjoy equal fiscal freedom with them and be allowed to work out her own salvation. Moreover, should a Council or Conference of the Empire be called hereafter, she cannot be excluded from it..... .....There are men in India of high birth and sober, reflecting statesmanship who would adorn a seat in such an assemblage and whose advice would be of real value."

And further :—

"In conclusion. I would observe that in any scheme of imperial federation India is bound to take a conspicuous place. Dependency though she is, she is a great country—a country whose greatness is growing ..... . The greater her independence, the more she will be able and willing to do for the Empire at large. It is for us to see that the rightful position of India is recognized and accorded to her."*

This is the proper and statesmanlike view for Great Britain and the Colonies to take with respect to this country. Its ancient civilisation, its strategical, military and commercial value to the Empire and the loyalty of the three hundred millions of its people to the British Throne entitle it to a position of equality among the

* India : Present and Future in "Empire and the Century."

component parts of an imperial federation. Unfortunately the self-governing colonies, proud of their independence and haughty in their isolation, are not inclined to admit India to a place by their side in an imperial union. At one time their attachment to the mother country was an object of doubt and uncertainty and they might have allied themselves with or been merged into their foreign neighbours. This attitude has been definitely changed and their loyalty to the Empire is now an undoubted fact. The treatment which the colonies, in defiance of the mother country, accord to Indian British subjects shows that they are not prepared to regard the latter as members of an imperial union. The humiliating restrictions which are placed upon Indians in South Africa, Canada and Australia, the helplessness of the Imperial Government to put a wholesome pressure upon colonial legislatures in the matter and the fact that the Government of India has been compelled to resort to measures of retaliation against South Africa are not hopeful features of the proposed imperial federation. If one member of the Empire finds it necessary for its interest and in defence of its rights, to retaliate against another, the prospect of a union is indeed far from cheerful. If the federation or union is to be a reality and not a mockery, this attitude of the self-governing colonies towards non-white subjects of the Empire must undergo a material change. In view of this illiberal and selfish imperialism of the colonies one is inclined to despair of a genuine unify and believe in the prophecy that :

" The notion that the absence of any real strong identity of interest between the self-governing colonies and the more remote and more hazardous fringes of the Empire can be compensated

by some general spirit of loyalty towards and pride in "the Empire," is a delusion which will speedily be dispelled."*

This may be true of "the more remote and more hazardous fringes of the Empire," but certainly not of India, the heart and the most invaluable asset of the Empire. But the colonial feeling is there and is the greatest impediment to an imperial union.

The attitude of India itself is simple and clear. Her attachment to the British Throne and the Empire is unquestioned and her aspiration to take its legitimate share of the rights and responsibilities of the Empire is being made a grievance against her educated people. They are conscious of the blessings conferred upon India by British rule and the opportunities presented to them of self-advancement. The spread of Western education has aroused in a large section of the Indian population high aspirations about its future. There are impatient idealists everywhere and India has its share of them. But India's ideal of becoming a self-governing element of the British Empire has now been definitely recognized and avowed by its responsible representatives, who hope one day, however distant the time may be, under British guidance, to reach that cherished goal. No one who knows the conditions of India would suggest that self-government should be immediately introduced here. But at the same time Indian public opinion does not subscribe to the view that India is constitutionally unfit for self government and would never be in a position to rule herself. It desires that steady progress should be made by safe instalments towards the colonial ideal. While characterising the idea of transplating British institutions

* "Imperialism,"—A Study by J. A. Hobson.

wholesale into India 'as a fantastic and ludicrous dream,' and giving universal suffrage in India and insisting "that India should be on the same footing as our self-governing colonies like Canada"* as preposterous Lord Morley did yet give us his famous reforms, which form an important instalment of constitutional rights. We cannot do better than quote here what the Hon'ble Mr. Gokhale said in this connection while addressing a British audience. He observed :—

"The goal which the educated classes of India have in view is a position for their country in the Empire worthy of the self-respect of civilized people. They want their country to be a prosperous, self-governing, integral part of the Empire like the colonies, and not a mere poverty-stricken bureaucratically held possession of that Empire"†

This statement admirably sums up the feelings of Indian people in the matter of the position they would desire to occupy in an imperial federation. Mr. Gokhale added :

"Of course, we recognize that the new self-government has to be on Western lines and therefore the steps by which the goal is reached, must necessarily be slow ; as for the advance to be real, it must be from experiment to experiment only."

In any project of an imperial union this sentiment will have to be taken into account and the consent of the Government of India and of the people of this country cannot be assumed as a matter of course or of no moment. We have shown above that the feeling in the colonies and in many quarters in the mother country also is antagonistic to this view and until it undergoes the desired change no genuine imperial union or

* Morley's Indian Budget speech.

† The Hon'ble Mr. Gokhale's paper on Self-Government read before the East India Association.

federation is conceivable. After all, such an organization must be based upon sentiment and enlightened self-interest in the component elements and an arrangement which appeals to neither, in India, is unthinkable.

II

AN IMPERIAL CUSTOMS UNION AND TARIFF REFORM.

"If the British Empire is to be maintained, it can only be upon the most absolute freedom, political and commercial; to deviate from the principle of freedom will be to weaken the ties and bonds which now hold it together."—SIR WILFRED LAURIER.

"It may be assumed that the true and loyal members of the Empire earnestly desire that the various sections of the Empire should be knit together in bonds of affection for mutual advantage and mutual defence, that ties should be strengthened and sentiments of brotherhood should grow and that every measure that can be devised which indubitably makes for the common good of all sections of the Empire should be adopted. But it would be fatal to all such hopes if the course adopted led to economic loss, to conflict of interests, to jealousies and animosities, to tariff wars only little less destructive to industry and well-being than actual warfare.'—G. ARMITAGE-SMITH.

In his famous speech on conciliation with America, Burke, the greatest political Philosopher of England, observed :–

"My hold of the colonies is in the close affection which grows from common names, from kindred blood, from similar privileges, and equal protection. These are ties, which, though light as air, are as strong as links of iron."

More than hundred and thirty-five years have elapsed since the fervid exhortation was addressed to a Parliament bent upon following an illiberal colonial policy and the world has moved faster than Burke could have imagined and yet the grand truth which shines out in the above words is as true to-day as when they were delivered. No doubt, the colonial question now wears

quite a different aspect but it has, by no means, become less complex or less serious. The difficulties in which it is involved may be guaged from the variety of views which British thinkers are seen to hold about it. In 1888, Mr. Bright remarked that "Imperial federation was in the air—but it was a dream and an absurdity." So late as 1896, Mr. Gladstone revealed his want of faith in the colonies by saying :—

"I have always maintained that we are bound by ties of honour and conscience to our colonies But the idea that the colonies add to the strength of the mother country, appears to me to be as dark a superstition as any that existed in the Middle Ages."

This feeling is shared even to-day by some Englishmen and they are averse to any union with the colonies except that based upon common blood and common traditions. The idea of imperialism which is so rampant at the present moment in the West and which has caught hold even of the American imagination, which long professed to repudiate it, is obnoxious to these men. Lord Cromer* has pointed out the contrast between ancient and modern Empires and there is very little in common between Roman and British colonies. Yet it is perhaps certain points in the imperial policy common to the two which makes one class of thinkers set their faces against imperialism. They may tolerate the despotic government of dependencies, which cannot be left to take care of themselves, but so far as the colonies are concerned, they would have nothing to do with them. Their ideal probably is that of the colonies of ancient Greece, which were politically independent of the mother country, and the only ties which bound them were

* 'Ancient and Modern Imperialism' by the Earl of Cromer.

those of kindred and religion. This is the spirit which animates an influential section of the British public. The British colonies to-day are self-governing and practically independent. They have free institutions modelled upon those of the mother country and the fears entertained by anti-imperialists have apparently little justification. But the events of the last few years have invested the question of an imperial union with fresh importance, and we may take it, that barring few exceptions, people of all shades of opinion, are agreed that some steps must be taken to unite the colonies to the mother country in one way or another. The urgent need of unity being accepted, the question immediately arises, how is this object to be attained ? And here we have serious differences of opinion. Various modes of operation have been proposed and some of them have embroiled the imperial problem in party politics.

One of the most prominent among these is the idea of an imperial federation to which we referred in the last chapter. However fascinating the idea may be, it seems to be impracticable. We have notable examples of modern federations in the United States of America and in the German Empire. But the physical, political and national features of these two differ so widely from those of the British Empire that there is no parallelism between them The first characteristic difference is that of compactness. The component parts of the British aggregation of states are widely scattered through the world while the states in the two federations stand close. Owing to the fact that the British colonies are situated in different places, their foreign relations have taken quite different turns. They cannot be reduced to a common denominator as would

be necessary were they to become members of a federal constitution. In Germany and America the question of defence is common to all the integral states of the Empire. It is, again, a question if the scattered character of the British Empire is not a point in its favour. If it is attacked in one place by an enemy, the attack may be met by a counter attack elsewhere. A compact territory is at once endangered by a foe while dominions like those of the British Empire cannot, if the colonies remain independent. Secondly, the American and the German federations are animated by one common nationalism; while the British colonies, though they are of the same kith and kin as the British people at home, have developed distinct types of nationalism. Especially is it so in Canada where the French element is yet very strong. The colonies have admitted European emigrants from all quarters and their racial community with Great Britain may be declared to be only nominal. This is why Mr. Chamberlain is anxious to bind the colonies to the mother country "before the growth of distinct national characteristics and divergent national interests has proceeded to such a point that what is now possible has for ever become impossible, and opportunities which are still within our grasp have finally passed away." The colonies have also developed their commerce and industries which they may not like to subject to a common federal control. These commercial interests in a federation are so strong and jealous that even in Germany certain states were reluctant to join the federation expressly on account of the injury which federal fiscal legislation was likely to do to them. In America too, the divergent interests of the individual states are

found to conflict and the work of framing tariffs which will protect all interests concerned is not an easy one. The question of defence presents similar obstacles to a scheme of British federation. The case of Ireland closely knit to the United Kingdom and governed by the same Parliament for over a century is a warning against any such experiment. The fact is, and it is attested by numerous witnesses whose authority cannot be questioned, that the component parts of the Empire are tenacious of their separate nationalities and lives and they will little brook being swept into a union where they will be at the mercy of a common legislature in which their individualities are not likely to be respected. Having closely studied the colonial feeling in Canada and Australia on this subject, Mr. Richard Jebb* concludes :—

"In general it is clear that the union, if any, must resemble an alliance of independent nations rather than a federation of scattered states, inspired by the idea of a common nationality."

Under the circumstances, it may be said, Mr. Bright was right when he declared that imperial federation was a dream and an absurdity and the last twenty-five years have made no change in the light of which that remark may be modified.

A political federation being thus impracticable, the next method of attaining imperial unity that is much talked of is a commercial union. So far back as in 1896, Mr. Joseph Chamberlain observed :—

"The establishment of commercial union throughout the Empire, would only be the first step, but it would be the main step and the decisive step towards the realization of the most inspiring idea that has ever entered into the mind of British statesmen."

* "Studies in Colonial Nationalism" by Richard Jebb.

Such a customs union however, means a fundamental change in Great Britain's long cherished fiscal faith. Free trade has become a notorious fetish with the majority of British people and to ask them to recant their most revered doctrine is rather a large order. Hence the tariff reform question has raised a bitter controversy and has become the dominant issue in British party politics. A customs union may be devised in three ways. It may be based upon the existing British system of taxation. Under a free-trade tariff imports are free and when they are subjected to a duty such as tea, sugar and tobacco, it is done for the express purpose of raising revenue. If these duties are found to have a protective tendency the corresponding articles of home production have countervailing duties levied upon them. Were this system of free imports extended to the colonies, they would have to renounce their protectionist policy, which they would on no account be willing to do. The colonies, especially Australia, are irreclaimably protectionist. They are slowly building up indigenous industries which cannot stand external competition which is sure to kill them. The conversion of the colonies to free trade is an impossibility and a customs union based upon free imports is consequently impracticable. Failing this we may have a zollverein of the German type which means free trade within the Empire and a common protective tariff against other nations. Here the protection which the colonies wish to have, at least so far as non-British states are concerned, is available and they may consent to allow British imports free into their territories. But this system entails upon the United Kingdom the obligation to levy import duties upon foreign articles and

thus to revert to a policy of restricted trade and protection. There is a third course that may be followed and it stands midway between the two above suggested. The various members of the Empire are to levy differential duties on foreign goods and make concessions to one another. This course rests upon the adoption by Great Britain of a protectionist policy in a modified form. All the three courses involve a change of fiscal policy and the last, though to a smaller extent than the first two, raises many important issues. Imperialists among free traders maintain that a system of imperial preference far from making for unity and prosperity, will only lead to economic loss, to conflict of interests, to jealousies and animosities and to destructive tariff wars and that.

"The proposition that any form of Zollverein (offensive and defensive as regards other countries) will advance this feeling and promote the industrial prosperity of all parts of the Empire is purely hypothetical and is unsupported by anything of the nature of scientific proof."*

Many of those who do not see eye to eye with the advocates of imperial preference and yet ardently wish for a United Empire, argue that the desired unity can be attained without quarrelling about tariffs. Thus Mr. Geo. R. Parkin† puts defence in the forefront of the objects to be aimed at in any arrangements that may be devised for imperial solidarity. He is of opinion that without trade advantage between its parts there are decisive reasons why the nation should present a united front to the world. Unity

*'The Free Trade Movement and its Results,' by G. Armitage-Smith.

† Imperial Federation by Geo. R. Parkin in "Empire and the Century."

is essential to safety and at any moment the outbreak of a great war may make safe trade of more vital importance than either free trade or trade depending on tariffs. While therefore a common system of defence seems of itself a sufficient justification for close political union, Mr. Parkin is constrained to admit that in any attempt at federal organization, it would probably at first be necessary to leave to each community the choice of the method by which its revenues are raised. The free trader fights the advocate of preferential tariffs within the limits of the Empire with the weapon of freedom of action. He appeals to history and points to the wrecks of states which tried to maintain over-sea Empires based on exclusive trading and perished largely owing to exclusiveness which arouses suspicion and jealousy. The success of the British nation in keeping together an extensive and prosperous Empire is explained by the British policy of allowing the colonies to manage their own fiscal affairs without restriction and giving them just as good treatment in the home market when they tax British products as when they do not. Had it not been for the system of free trade the Empire could not have been built up and maintained. "There is not only no antagonism but an essential connection between a sound and reasonable imperial policy and the policy of free trade."* The free trader's imperial creed is put thus :

"We will neither tax our colonies for our benefit nor tax ourselves in the vain hope of benefiting them thereby. What we will do is to insist that the tie which united us in one mighty state shall be the tie of freedom—freedom political and commercial." *

We thus come back to the imperial colonial policy of

* "Free Trade and the Empire" by J. St. Loe Strachey.

absolute freedom endorsed by the Canadian Liberal statesman, Sir Wilfrid Laurier, quoted at the top of this chapter. Two classes of politicians and economists wishing to reach the same destination, *viz.*, a united and strong Empire, are here seen to pursue two diametrically opposite paths. The two patriotic physicians differ so widely that what one prescribes as a tonic, the other condemns as poison.

Well, says the supporter of preferential tariffs, fiscal liberty and non-interference with colonial politics are all right and coercion and restriction are deservedly condemned The latter were, in fact, exploded long ago. We are not asking you to inflict a particular tariff policy upon the colonies. Far from it. Our oversea kinsmen are knocking at our doors. They offer you trade concessions. Will you not reciprocate them? You invite the colonial premiers to your counsels and refuse to listen to their patriotic proposals. By giving them the cold shoulder you are sure to drive them into the arms of foreign nations and thereby materially to weaken the Empire whose interests you profess to have at heart. This sally apparently exposes the most vulnerable point in the imperialist free trader's armour but he smiles a philosophical smile withering in its grim stoicism, under the cannonade and by way of reply points to his political and economic doctrines which do not permit the least interference with freedom, colonial and commercial. Under all circumstances free trade conduces to the good of nations and Empires and the slightest deviation therefrom brings on loss. Like water trade finds its level and to obstruct its natural flow is economically harmful. But coming to close quarters the free trader does not rest his case only on

the ground of theory. He is ready to meet his opponent on the field of practical considerations. Supposing, for the sake of argument, says he, that the mother country admits colonial produce duty free and imposes high duties on foreign corn, articles of food and manufactures. Are the colonies in a position to supply all the requirements of Great Britain so that that country may run the risk of foreign retaliation? The British Possessions provide only a small fraction of the total imports of corn and raw materials as will be seen from the following figures :—

Imports into the United Kingdom of Food, Drink and Tobacco for 1908 .—

I.

From Foreign countries	British Possessions and Protectorates.	Total.
£190,797,218	£53,336,871	£244,134,089

II.

Imports into the United Kingdom of raw materials and articles mainly unmanufactured for 1908 —

From Foreign countries.	From British Possession and Protectorates.	Total.
£145,548,339	£57,906,678	£203,455,017

III.

Exports from the United Kingdom of manufactured articles for 1908:—

To Foreign countries.	To British Possessions.	Toal.
£185,202,203	£111,753,112	£296,955,316

The cotton textile industry is the most valuable of the British industries. The raw material for this industry has to be imported from the United States. Vigorous efforts are being made by the British Cotton

Growing Association to cultivate cotton in Africa and elsewhere and thus to release England from the thraldom of the precarious foreign supply. Years and years must, however, elapse before the British Empire will be in a position to grow sufficient quantities of the staple of the required quality. If the United States were to retaliate, the consequences to the English textile industry will be disastrous. The position of the industry may be grasped from the following figures :—

Imports of Raw Cotton into the United Kingdom for 1908 :

From Foreign countries	From British Possessions.	Total.
Lbs. 1,982,032,528	Lbs 78,664,208	Lbs. 2,060,696,736

The average amount of the production of cotton yarns and goods for 1906, 1907 and 1908 exceeded £125 million and out of this £100 worth was exported. The imports of cotton productions into British dominions, colonies and dependencies, beyond the seas in 1907, were valued at £49 million. Of this total nearly £43 million worth were sent from the United Kingdom. The total exports for 1907, were valued at £110 millions. Out of this £67 millions worth was taken by foreign countries. It will be unwise to risk retaliation upon so much trade for the paltry gain of 6 millions that may possibly be made owing to an increase in the exports to British Possessions.

The enhanced colonial demand for British manufactures will not in any way compensate for the loss which imperial preference is sure to entail. Then again, it must not be forgotten that the colonies have their own manufactures to promote and they will, of course, insist upon their new indigenous industries being maintained

Thus, the adoption of a preferential tariff by Great Britain is calculated to give rise to jealousies and discontent and are no good either to the colonies or the mother country. "The proposal for commercial federation is an appeal to the business instincts, *i.e.*, self-interest and not to human sentiment ; it ignores the real bond of sympathy between Great Britain and the colonies and proposes to build on a foundation of economic interest."*

The movement for a customs union as a remedy for consolidating and strengthening the Empire has, running parallel to it, another, intended to arrest the alleged steady decay of the industries of England. Ever since the year 1846, when free trade became the avowed policy of Great Britain, a section of the people there has been worshipping in the shrine of protection. So long as British industries continued to flourish under free trade, and her imports and exports increased, the protectionists were neither strong in number nor loud in their declamations against the policy of free imports. The general belief was that free trade was the only sound fiscal system for every country to follow and that other nations would imitate the example of Britain. But almost simultaneously France, Germany, America and other countries resorted to protection and behind high tariff walls their industries steadily advanced. British colonies too became the staunchest adherents of Protection. English industrial and commercial prosperity was based upon strong foundations, England having had a long start over other nations. With new additions of territory and the opening of fresh markets British manufactures had extensive openings and the

* "The Free Trade Movement and its Results" by G. Armitage-Smith.

supply of food and raw material was cheap and ample. The foreign competitors, however, entrenched behind tariff walls, would not allow England to maintain her old monopoly and their industrial progress began to tell upon her, howsoever slightly. Her position is even now so strong that supposing she does not adapt herself to the altered circumstances and keeps in the old grooves, it will take years and years before her industrial supremacy is appreciably shaken. But the British protectionists took alarm at the encroachments of England's rivals upon her monopoly. They attributed every social evil to free trade and the protectionist propaganda commenced. Tariff reform became the watchword of a party and was the principal issue on which the General Election which sent the Liberals to power in 1906, was fought out. Mr. Joseph Chamberlain was the soul of this movement and before eagerly listening audiences he told harrowing tales of England's industrial ruin, and of the destitution and misery of the labouring classes, the result of England's persistence in the folly of free imports. He instituted a private commission to inquire into the economic condition of Great Britain compared with that of the protectionist countries and the results of the inquiry were published in tariff reform blue books. They are full of a wealth of statistical information though the conclusions drawn from the facts and figures are often wrong and misleading. In the opinion of tariff reformers the results of the inquiry more than justified their contention that free trade was wrong and protection urgently called for as the fiscal policy of Great Britain. In the press and on the platform, every blessing is anticipated in the train of protective

tariffs. Employment, high wages, growing revenue, increased national wealth, and prosperous industries are some of the advantages that, it is said, will flow from the fiscal conversion of Britain. The tariff reform position is thus summed up in a pamphlet :—

"Times have changed. Great Britain is no longer the workshop of the world. She is not even the workshop of Europe, for Germany has taken that place. It is untrue that free trade gave us our industrial supremacy. It would be more correct to say that during the free trade period Great Britain has lost her ancient industrial supremacy which she had acquired during two centuries of protection."

In his famous speech delivered at Glasgow in 1903, Mr. Chamberlain outlined his plan of tariff reform for the United Kingdom. He proposed to put a duty on foreign corn and flour and on meat and dairy produce. Foreign manufactured goods were to be penalised by a higher duty of 10 per cent. There were to be remissions of duty on British tea, sugar, coffee and cocoa. The following resolutions, passed by a majority of the London Chamber of Commerce in March 1907, state the two main objects of tariff reform:—

"This meeting of the London Chamber of Commerce is of opinion that the present fiscal system is no longer suited to the needs of the country, and that it should be altered in such a manner as will enable us, first, to promote the commercial union of the Empire on a preferential basis; and second to raise a proportion of our revenue from the imports of foreign manufactures, which will tend to safeguard our industries from the unfair competition of foreign countries"

The tariff reformer thus seeks to foster British industries and at the same time to draw the colonies closer to the mother country. With its variety of soil and climate and the vastness of its area and population, it is affirmed, the British Empire will supply all the food and raw

materials which the United Kingdom wants and the latter can find ample markets for its manufactures in the British possessions beyond the seas. The Empire being in this way, self-sufficing, no retaliation injurious to its interests need be apprehended from foreign countries. A customs union as outlined above to be successful must have a central power with authority to compel obedience of the members. Such a federation we have shown to be impracticable. To-day the colonies are willing to give preferences to the mother country, but a conflict of interests may bring about a change of mood. They will not like always to produce raw materials and will have their own manufactures. They may come to feel that the arrangement solely tends to the good of Great Britain and affects their interests injuriously. The advocates of imperial preference have two strings to their bow. On the one hand they appeal to the self-interest of the Britisher that he will be better off, his industries will prosper and his wages increase by the free markets he will secure in the colonies ; and on the other, they speak in a higher key about imperial patriotism, racial unity and ties of kindred. They forget that the self-governing colonies will, under their system, soon refuse to be reduced to the condition of producers of food-grains and raw materials and that the customs union will degenerate into the old, selfish, imperial domination which the American colonies threw off. While Liberal free-traders gratefully acknowledge the benefit which colonial preferences have done to British trade, they are not prepared to make a departure from their policy of free imports. Speaking at the Imperial Conference of 1907, Mr. Asquith said :—

"As regards the Canadian Tariff, I acknowledge that it has been beneficial to British trade, and particularly, I think, to our textile industries."

Preferential trade within the Empire is sought because it supplies a weapon for retaliation against foreign protectionist nations and for fighting with American trusts and German combinations besides enabling Great Britain to support its industries against foreign competition.* The different component parts of the Empire are however at different stages of economic development and one uniform fiscal and financial policy is not suitable to them all. An imperial customs union, therefore, appears to be no solution of the problem. Imperial unity so desirable from every point of view, must be achieved is some other way. Mr. Root remarks* :—

"But the lesson apparently has not yet been fully learned that the trade policy which best assures the prosperity of each component part of the British Empire will prove in the long run, best or it as a whole."

Such a policy of individual fisca freedom is not inconsistent with the consolidation of the Empire. In November last Mr. Asquith made an interesting pronouncement upon this subject. In his speech at the Guildhall banquet, he observed :—

"For the first time representatives of the great Dominions were admitted into full confidence regarding the aims and methods of our foreign policy and having surveyed together the strategic aspects of the Empire we were able to come to a complete agreement concerning the reciprocal parts we were to take in its naval and military defence. The proceedings of the Conference mark a significant advance *in the policy of co-operation without centralization* which is growingly recognized to be the best *safeguard* of our *Imperial unity and strength.*"

* "Problems of Empire," by Hon'ble T. A. Brassey.

India has no will for her own. Not even the Government of India has an independent mind. Its policy is dictated from without and above. The self-governing colonies have envolved their own fiscal systems best suited to their conditions. In this country we have things not because we think them best for us but because the Parliament, the party in power there, feels that they are the most suitable, our views notwithstanding. It is well-known that free trade has killed or assisted to kill our national industries and is a stumbling block in the path of our industrial progress. But the cotton excise duties were imposed upon us in our own interests which, we are told, we do not understand. If England gives up free trade and becomes protectionist, we shall follow suit. But the protection will be of a kind and degree which Parliament decrees, unmindful of Indian public opinion. We are not unqualified supporters of the extreme argument of "the man on the spot," and believe that efficient Parliamentary supervision and control are indispensable. But none would approve of the overriding of the opinion of the Indian Government and the public by the Secretary of State from a distance of six thousand miles, as Lord Morley recently did in the case of the department of industries and commerce in Madras. Even with the enlarged Councils, Indian public opinion cannot make any contribution to the moulding of India's financial and fiscal policy. Under the circumstances, it will be a mockery to speak of India's fiscal concessions which will not be voluntary but enforced. So long as the Government of India is not allowed, under reasonable restraints, to follow a course which belief is calculated best to further the interests of this country, it is useless

to make this dependency a member of an imperial customs union. There are classes of people in England who still look upon India as a mere plantation in the old sense of the word. "To give Great Britain, under such circumstances, the control over Indian foreign trade and internal industry that would be secured by a common tariff, would be an unpardonable iniquity."* Mr. Root pertinently asks :—

"Can it be conceived that were India's fiscal arrangements placed to any considerable extent under the control of British legislators, they would not be regulated with an eye to British interests ? Intense jealousy of India is constantly cropping up in everything affecting fiscal or industrial legislation and no Factory Act can be introduced there which does not induce sharp criticism and the demand that it shall be made as stringent as possible in the interests less of the native operative than of the British manufacturer."*

It may be said that the present policy of free trade has proved disastrous to Indian industries and requires to be changed. This may be true but at least it is a negative evil ; the proposed preferential tariffs will be a positive evil. Free trade does not allow the promotion of indigenous industries under the fostering care of the state ; a customs union will permanently consign the country to the status of a purely agricultural country. Without going into the details of the comparative advantage or disadvantage of the two systems it may be said that the inclusion of India in the Imperial customs union cannot be welcomed as a change in the right direction. What the leading supporters of preferential tariffs have said upon the Indian aspect of the question, only goes to confirm the apprehensions

* "The Trade Relations of the British Empire," by J. W. Root.

entertained in this country. And we must remark, in conclusion, that any scheme that brings India within the circle of a so-called imperial tariff must be to its detriment rather than its benefit.

III

THE PRESENT ECONOMIC CONDITION OF INDIA.*

In the paper, which I read last year before the Madras Session of the Industrial Conference, entitled "Twenty-five Years' Survey of Indian Industries," I attempted to form an estimate of the progress we have made during the last twenty-five years in the industrial field and tried to direct attention to certain industries, which await development. I propose, in this paper, to take a rapid survey of the general economic situation in India at the present day, to determine what stage we have reached in economic growth and indicate the directions in which further effort has to be made. Last year I quoted facts and figures to show that from being merely a rural country with its vast population subsisting mainly on agriculture and the production of raw materials, India is slowly but surely taking to manufactures on modern lines. Various causes have contributed to bring about this welcome result. The rapid rise of Japan from a backward country like India to a position of eminence in commerce and industry, the comparative helplessness and poverty to which this country seemed to be reduced, and a close study of the industrial history of England, and especially of America and Germany, gave rise to a conviction in the minds of people here, that the salvation

* Paper submitted to the Indian Industrial Conference, Lahore: 1909.

of this land lay entirely in its industrial regeneration and development. It was felt as an irony of fate that while other nations with a smaller population and with a scanty supply of raw materials, which they had to import from outside, were dumping their manufactured goods on the Indian market, and thus growing fat on the gains made by commerce and industry, India, which at one time supplied the people of Europe with its far-famed shawls, carpets and cotton fabrics and exported large quantities of other articles of manufacture to foreign lands, should be reduced to the condition of a helpless customer for other people's goods. Memories of past prosperity and despair of the future combined to nerve men to a resolution to do something to reoccupy the ground which was fast slipping from under their feet. But in these times of mechanical inventions and scientific progress, it is easier to talk about industrial regeneration and development than actually to move an inch in the desired direction, especially in a country like ours, full of ignorance, conservatism and poverty. The conviction had, however, gained ground that the history of industrially advanced countries of the West might repeat itself here and that a sympathetic Government and a people awakened to a sense of their duty to themselves, might co-operate to place India on the path of speedy advancement. Though Government have been doing much latterly to assist the growth of indigenous industries, it will not be ungenerous or unjust to say that they have not been able, owing to their peculiar situation, to do what other states have done for their people. The Free Trade policy of England, the old attitude of people there towards "plantations" and dependencies, still survives, and it is no wonder, if

India is by many looked upon as a rich field for the exploitation of European capitalists and manufacturers. In determining the place of India in the British Empire, it is usual to put the commercial and the monetary advantage derived therefrom in the forefront. Though people in India have been roused to a sense of the grave economic situation of the country and are straining every flabby nerve of theirs to flog the dead and dying industries into life, they cannot be unaware of the stupendous task that lies before them. The whole world around them armed with the most modern and scientific processes of manufacture, with enormous quantities of capital to finance industries, fortified with high protective tariffs and ever ready and able to take the least advantage that may offer itself, is a giant competitor, with which this pigmy people with little capital, no scientific and technical knowledge and no protection for industries, have to wrestle, and one may imagine what the issue of the contest is likely to be. The situation is indeed so gloomy that one is tempted, through sheer despair, to give up everything for lost. A mighty economic revolution has been slowly working in the land doing havoc with the time-honoured old order of things. The very foundations are being undermined and their tenacity is giving way to new forces. There is undermining going on here and there, and new foundations are being laid in places on which a new structure is to be reared. But, for the time, the old ruins distress the eye more glaringly than do the new works greet the sight. Like England and other countries, India has been a land of domestic industries, all of which have either crumbled to dust or are fast falling to pieces. The hand-loom weaving industry is almost gone—past

recall, and the attempts to prop it up by means of improved crutches are not likely to be much of a success. The same dismal fate has overtaken other industries, which at one time were so flourishing. Old industries, connected with sugar, paper, glass, silk, iron,—where are they? Almost all of them killed or in the process of being killed by foreign competition broad-based on modern appliances and up-to-date methods. Other nations, which have had a start over us, have occupied entrenched positions from which they look down complacently on us ineffectually toiling below. Latest methods and machinery, which modern science can devise, have long been in use there, and everyday improvements are made therein which leave us still further in the back-ground. Hardly do we think of adopting a new process in manufacture, when we hear that in the go-ahead nations of the West, it has been already replaced by another still more economical and remunerative. We started paper-mills on modern lines and for the first few years we competed successfully with the foreign article. But soon wood pulp began to be utilised in the manufacture of paper in Western countries and our indigenous industry carried on on the old elementary primer formula, the paper is made of rags and straw, began to decline. The imports of paper and paste-board into India were valued at some 44½ crores of rupees, the average of the three years, 1890-91 to 1892-93. They continuously declined during the next seven or eight years till in the triennium ending in 1898-99 the figure came to 36½ lacs. This decline in the imports of foreign paper is explained by the successful competition of the indigenous paper-mills. But from the years 1900 an

upward tendency became visible, and the imports increased, till at last in 1907-08 they were valued at about one crore. From the year 1901 the Indian mills could not hold their ground against the foreign competition which was assisted by wood-pulp. The history of the sugar industry has the same dismal tale to tell. We have got a few sugar factories and refineries and new ones on modern lines are also being started. But we are told that unless we adopt the central factory system, which has proved such a success in Mauritius and Formosa, our prospects must be anything but cheerful. The general impression that a study of the indigenous industries, old and new, leaves on one's mind is, to put it briefly, that it is an unequal fight in which we are engaged. But fight we must. The cessation of efforts would be suicidal. I am not a pessimist and hold that we are slowly but steadily progressing. But we have got to realise what is exactly the situation in which we are placed and what is the nature and extent of the obstacles we have to surmount. An easy-going optimism is not better than a despairing pessimism. The situation must be rightly understood before we essay to face the odds that are against us. And however gloomy the prospect, we must work with a singleness of purpose and a firm faith in our destiny.

The decay of old industries has thrown thousands of artisans and craftsmen out of work. Some new industries have been and are being started, but they cannot provide work to the unemployed. The period of an industrial revolution or transition is always a time of distress. People are swept off their old moorings and drift aimlessly along the hard times without support. No

doubt, labour is in great demand just at present, and whatever of it is available in the various industries, is well paid. Prices have risen and along with them wages. It is a remarkable feature of the present economic situation that manual labour of every kind fetches very high wages and a common cooly or cook is better paid than a clerk. But domestic industries having disappeared, and the centres of industry having shifted, the lack-works accustomed to their old environments and attached to their old localities, do not easily migrate to places where labour is in great request. It is well-known that man is of all baggages the most difficult to move, and it is not very easy for people to reconcile themselves to a change of environment and employment. When the period of transition is over, things will soon adjust themselves, but, for the time being, there will be distress and hardship which can only be relieved by a further expansion of trade and industries. I have said above that the development of indigenous industries and the attainment of wealth and prosperity by their means, has become the settled ambition of the people of this country. But it may be asked if the establishment of national industries is such a difficult job as already described, why waste efforts upon it? India is essentially an agricultural country, with three-fourths of its people living upon agriculture alone. Devote all your energies to its improvement; develop it to the highest degree attainable. Leave other countries which have already occupied an impregnable position in manufacturing activities, to that business. They will require food, they will want raw materials, and must look up to you for the supply of the same. For instance, England must have cotton for her mills and wheat for her belly and must

import them from outside. The very rumour that the supply of American wheat was inadequate and that it was being cornered by Mr. Patten made the heart of England flutter with anxiety and suspense. A similar rumour with regard to cotton sent a shiver into the manufacturing centres of that country, and short work was at once resolved upon in the cotton mills. India has thus a splendid opportunity of becoming an indispensable feeder of manufacturing countries and can occupy the same vantage ground in the production of food and raw materials, as they occupy in manufactures. Those who have an intimate knowledge of the social and economic condition of the West tell us that even there there is now a reaction against city life, full of hurry and bustle, smoke and squalour, wretchedness and poverty, which come in the train of the modern factory system, and that "Back to land" is the cry often heard at present in some of those countries. A warning is given to us and we are advised to think seriously before we plunge headlong into the life of manufacturing nations on modern lines. India has been, from time out of mind, a happy land of village communities and republics, leading the life of Arcadian simplicity, and its adoption of Western methods must bring upon it all the evils of industrialism, the over-crowded cities with their few millionaires and myriads of toiling workpeople, the struggles between the employers and the employees, with their problems of Unemployment, Old Age Pensions, Poor Laws, Factory Legislation and Socialism. Sir George Birdwood in one of his speeches asked the other day, "Is Europe going to make Asia an East End?" The gruesome picture often presented to us of European industrialism is such as to make us pause

and think. But we who know India, know that Arcadian simplicity and rural bliss are now things of the past among us, to be found henceforth only in Utopias or the day dreams of the poet. Japan, a country of the Orient, has shaken off its old garb and put on a Western raiment. Even the sleepy Celestial Empire has been awakened from its slumber of ages and is going in for European civilisation. The countries of what is called the Middle East are slowly preparing to follow. Can India be a solitary exception? Of course, not. Our lot has been thrown in with the greatest of the nations of the earth. Our contact with England, the peace she has given to this country and the other blessings she has brought us here have already changed the face of Indian Society. Our hopes, our aspirations, to take our proper rank among the nations of the world, have once for all fixed the lines of our march and there is no returning or lagging behind. We may indeed try, if possible, to avoid the evils that have been disgracing industrialism in the West. But we cannot remain where we were or what we are. We must advance, we must imitate, we must assimilate.

Many friends of India, taking a deep interest in the well-being of its people, hold that instead of frittering away their energies on the pursuit of manufactures, success in which is doubtful, and even if attained, would entail a heavy price, Indians should devote their energies to the development of agriculture, the premier industry of the land, which, on account of its supreme importance, needs all the attention that can be paid to it. H. E. Sir George Clarke, the popular Governor of Bombay, seems to share this view. In a speech that His Excellency made at the time of

opening the Agricultural Conference recently held in Poona,—a speech which furnishes much food for reflection to the Indian mind—he made a pointed reference to this subject. One of the points emphasised by His Excellency was that agriculture is and must remain by far the most important of all Indian industries and an essential basis of India's prosperity. The argument may be thus briefly summarised. India's increasing millions will have to be fed and a point may be reached when the growth of other staples will have to be checked unless the production of the necessaries of life can be increased. European countries are becoming more and more dependent for their food supply. India not only feeds herself but derives a large share of income from the produce of land. It is supremely important, therefore, that this position should be maintained. A sudden expansion of manufactures on a large scale would be disadvantageous There is already a shortage of labour in certain localities and a further demand upon it would deplete the numbers required for the vital interests of agriculture. A rapid transference of country-dwellers to town-life would be an evil. The foreign demand for the produce of land must not be lost. Some of the important points contained in the above have been already dealt with. It remains to determine exactly what should be our attitude towards agriculture and manufactures. Here we have to bear in mind three important facts. A majority of Indian population subsists on agriculture. Nearly three-fourths of our exports consist of land produce. And Indian agriculture is in a most backward condition. The more advanced nations have come to apply up-to-date methods and scientific processes to all agricultural

operations and the production of the fruits of the earth per acre is much larger in other countries than in India. The development of agriculture is therefore a very important direction in which we must make serious efforts, if not for the purpose of increased exports of food and raw materials, at least for the sake of meeting the growing demand for the same in the country itself. One of the causes that have been assigned for the high prices of food grains prevailing at present is that the production of these grains has not been keeping pace with the increasing demand for them. Again, agricultural improvement is essential for the growth of the manufacturing industry. Let us take the sugar industry as an illustration. In spite of the frantic efforts latterly made to check the imports and consumption of foreign sugar by all available means, the country's sugar bill is every day going up by leaps and bounds. Last year, our imports of foreign sugar were valued at nearly eleven crores of rupees, which means an increase of 100 per cent. in less than ten years. Now one of the causes that hamper the indigenous sugar industry is the poor outturn of raw sugar per acre, which is more than three times as small as that elsewhere. To come in a line with Mauritius, Java and other places in this respect means agricultural improvement, the use of scientific processes in the cultivation of sugarcane, better manures and up-to-date methods all round. The textile industry is making a commendable progress, but we want cotton of a finer quality to be produced in the country and this also points to improvements in agriculture. Our tobacco industry is also handicapped by the poor quality of the stuff we produce. The same remark applies to other

agricultural products and industries depending upon agriculture. Here then is a vast field for work. The greater the value we may coax mother earth into yielding to us, the better will it be for the poor cultivators and the country generally. The spread of primary education, the establishment of co-operative societies and agricultural banks, the diffusion of useful information regarding improved methods among the ignorant peasants, the supply of better manures and more extended irrigation works, are the directions in which effort has to be made, and we must congratulate Government on the particular attention that is being paid to this subject, and the special endeavours that are being made by the Agricultural Departments in the various provinces in this behalf. Educated people and Zamindars must co-operate with Government in this matter and not leave the poor and ignorant ryot to his own crude efforts.

Admitting then the supreme importance of the Agricultural industry and the infinite scope that there is for its development and the growth of the industries dependent thereon, one may ask, can we not attempt the pursuit of manufactures at the same time? Shall we follow agriculture to the exclusion of other industries? The idea of confining our attention exclusively or more prominently to agriculture militates against the present mood of the people and runs counter to their most cherished ambition. They aspire to make India a manufacturing country, not entirely so like England but it seems to be their determined attitude to attain a position of some importance in that line consistently with the maintenance of agriculture. There is no reason to suppose that this is an impracticable or

unprofitable ideal. To-day there may be a shortage of labour in certain localities, the centres of manufacturing activity. But the vast and increasing population of the country may be relied upon for an adequate supply of labour for new industries that may be started and we need not cripple agriculture by drawing off labourers working in it. The pressure of the population upon the soil is so great and the openings so few that with almost all the professions overcrowded and no scope in industry and commerce, agriculture and Government or private service are the only refuge of the unemployed. Far from agriculture requiring all the available labour, the Famine Commission has recorded its opinion that the poverty of the people and the risks to which they are exposed in seasons of scarcity are mainly accounted for by the fact that unfortunately agriculture forms almost the sole occupation of the mass of the population, and one of the remedies to meet this evil effectively must be the introduction of a diversity of occupation, through which the surplus population may be drawn from agricultural pursuits and led to find their means of subsistence in manufactures or some such employment. Inland and overland emigration have been proposed as measures of relief to this congestion of population in agriculture, and thousands of Indian coolies have found their way to Mauritius, South Africa and other places, to work there on plantations and in mines as ordinary labourers and in some cases as carpenters, masons, gardeners, and so forth. I need not here allude to the treatment that these Indian emigrants receive in their temporary foreign homes. My point in alluding to this subject is to show that there is an inexhaustible supply

of labour in the country and if it is properly recruited and trained, it will be available to satisfy the demand of all the industries we may start or expand. In fact, from inquiries made in the United Provinces and Bengal regarding the supply of industrial labour, it has been discovered that there is no real deficiency in the amount of labour potentially available, and it is reported that no difficulty need be anticipated on that score. We shall also be indirectly relieving the pressure of population and guarding against poverty and distress if new industries provide work for people now solely dependent upon agriculture. As manufactures steadily advance, people will take kindly to the new system that is slowly coming into vogue.

It has been remarked with some amount of truth that the commerce of India in pre-British times was mere bagatelle in comparison with what has been developed in our own times. A glance at the figures of annual exports and imports is sufficient to prove this. The establishment of peace, the spread of railways, the post and the telegraph, which have linked together not only the distant parts of the country but the various countries of the world to one another, have led to the development of an enormous international trade. Formerly the country was self-sufficient; it supplied almost all its wants and those of other countries also. Now it cannot remain isolated and self-satisfied. New tastes and habits have created a demand for many foreign articles and the decay of our old industries has forced us to look to other countries for the supply of articles which were at one time our own proud monopoly. Though we need not and cannot hope to be self-reliant in the matter of every article among our

imports, we may surely aspire to supply some of our main wants by indigenous manufactures by giving a new lease of life to old industries and starting new ones. Thus in the matter of cloth, sugar, paper, tobacco, oils, leather, matches, glass, silk, wool and other industries large and small, we have infinite scope. Instead of sending all our raw materials to foreign countries to be manufactured there, and returned to us as finished articles, we may be able to manufacture our own goods and pocket all the profit that goes at present to other people. The success of the cotton industry and its ever increasing prosperity are there to guide and cheer us, and though it may take us years and years to reach the goal, a beginning, however small, must be made in time. By manufacturing locally articles for which we enjoy special facilities, and exchanging them for such as we cannot make with advantage, we shall profit ourselves and contribute an economic gain to the world. We cannot any more allow ourselves to be charged with foolishly remaining idle while we have abundance of natural wealth under our feet and all around us.

But our difficulties? Well, they are many, and I have indicated some of them above. The first and the foremost is that about capital. In spite of the fabulous hoards, which are said to be lying idle and useless, it has to be admitted that there is no capital in this country, adequate to the financing of the large industries on the starting of which the heart of people is set. The word 'poverty' is writ large on the face of the country and it is superfluous to prove what is patent. The new spirit of self-help and self-improvement that is abroad, and the general desire to promote the economic growth of the country, that is visible on

all hands, are slowly inducing what little capital there may be to come out of strong boxes and run into more useful channels. We learn from the latest report on Joint Stock Companies registered in India, that during the year 1907-08, 269 of these concerns were started with a nominal capital amounting to some 16 crores and that in that year there was a net increase of 139 in the number of companies with an increase of 13 crores in the nominal and of 6 crores in the paid-up capital of the same. At the close of 1907-08 the working companies had paid up capital of the amount of 50 crores, an increase of 6½ crores over the year previous. During the last decade the increase in the paid-up capital has been 45·9 per cent. These figures make it evident that Indian capital is slowly leaving its shyness and is being induced to come out in driblets. The indigenous insurance companies, banking firms, glass works, sugar factories, cotton and oil mills, match, soap and cap factories and other manufacturing concerns that are being started in various parts of the country, point in the same direction. There is a steady improvement in the economic condition and the next generation will see an industrial progress which the last whole century could not bring about. But the figures of export and production values that are usually quoted to illustrate the industrial prosperity of India, do not reflect the true state of things. The growth of tea and coffee plantations, of coal and gold mines, of jute factories, of the kerosine oil industry and of industries concerned with minerals generally, which has been very remarkable during the last few years is no compliment to Indian capital, Indian talent or Indian enterprise. Excepting the cotton industry, which is mostly in the hands of

Indians and is worked with Indian capital, almost all the so-called indigenous industries, which are taken to estimate the industrial development of India, are not indigenous in the real sense of the word. Most of these are worked with European capital and by European agency. The only profit that India makes from them is the wages which the labourers engaged in them get for their manual labour. Take the tea industry for example. The total area under cultivation increased from 540,533 acres in 1907 to 548,127 acres in 1908 and the total number of plantations from 5,811 to 5,889. The total production of tea was some 217 million pounds, of which about 234 millions valued at 10·39 crores of rupees were exported ; which seems to be the highest figure on record. The industry employed more than five lakhs of labourers, being an increase of 30 thousand over the previous year. The capital of the Joint Stock Companies engaged in the production of tea amounts to nearly Rs. 24 crores, *viz.*, companies registered in India Rs. 3·36 crores, companies registered in London Rs. 20·22 crores. Now here is an important industry carried on in India, employing five lakhs of men and with a capital of 24 crores, an industry bigger than even the cotton industry. But the most remarkable thing about it is that it is almost wholly controlled by Europeans and nearly 83 per cent. of its capital comes from companies registered in London. There were in 1907–08 some 50 jute mills in India employing 188,000 persons. The paid-up capital of 49 of these was £8,664,000. In 1908–09 the exports of raw jute were estimated at about 20 crores of rupees while jute manufactures were exported to the value of 15¼ crores. The whole of this important industry is in the hands of

non-Indians. The same remark applies to the output of Indian minerals, the total value of which raised during 1908 was returned as £7,823,745 against £7,079,708 in 1907, an increase of 10·5 per cent. In his Presidential address at the Madras Conference, Rao Bahadur Mudholkar adverted to this feature of India's industrial development and showed how the precious resources of the country are being exploited by outsiders, while we are getting only the wages for Indian labour employed to raise the minerals. Not one of the gold mining companies is Indian, and the value of the gold produced last year was more than three crores. All the profit made in this industry goes clean out of the country. On account of their scientific knowledge, long experience and enormous capital, foreigners can easily take advantage of the many natural facilities, which India offers and the children of the soil have only to look at them with despair. The fault is partly ours inasmuch as we do not possess the necessary enterprise and knowledge, and cannot command the requisite capital. How can a backward people labouring under every disadvantage be expected all at once to be ready to compete with the fully equipped foreign exploiter? Of what earthly use is it to the Indians,—taking the word in its widest significance—if millions of pounds worth of minerals are annually extracted out of the soil and carried away without giving them any moral or material gain? We cannot certainly be expected to congratulate ourselves on the growth and prosperity of industries in which our only gain is wages of labour of the lowest kind. Such industries are Swadeshi by courtesy. The whole question is rather a ticklish one and Government is perhaps helpless in the

matter. But so are people too and more so than Government. Rao Bahadur Mudholkar was handled rather roughly by certain critics for his unpalatable but true remarks on the point. As he said, this is not a question of race or creed ; it is a question in which the most vital national interests are at stake, and as trustees of those interests, the Indian Government have a duty to perform by the people. The conservation of the natural resources of this country is the first duty of a paternal Government such as our British Rulers ought to show themselves. The Geological Department is making a survey of the whole country and publishing useful information as to the openings there are for capital and enterprise. But we are not in a position to profit by it. It is therefore necessary that larger numbers of Indian students must receive instruction in mining and metallurgy, licenses and mining leases must be altogether withheld from or more sparingly given to non-Indians, and Indian enterprise and capital ought to be encouraged. Our motive in seeking industrial development is the desire to promote the growth of national wealth and national income. But much of our present economic development is development by proxy. We have a very small share in it and the profits of our industries do not remain to fructify in the pockets of the people.

British capital investments in this country are estimated by some at about 700 crores of rupees, distributed among various industries and other concerns. I am not one of those who would taboo all foreign capital. I would rather welcome it provided it is handled by our own people. It is said that the burden of the interest charges that India has to bear is already very large, and

we cannot afford to increase this burden by borrowing European capital any further. But if we ourselves borrow foreign capital for the exploitation of our national resources, the burden of the interest charged thereon will be more than counter-balanced by the profits that will find their way into our pockets and the increase of national wealth that will ensue So long as no Indian capital is coming forth in the desired quantities, we must borrow cheap foreign capital. But the industries thus financed by foreign capital must be entirely in the hands of Indians. The enterprise and the management must be Indian, all the profits derived therefrom must also be Indian. Let us try by all means to get as much indigenous capital as possible. But large concerns—and concerns have to be on a large scale to be remunerative—require enormous capital, which we cannot hope to get locally for a long time to come. At present we put all European managed industries whether coal or gold mines, woollen or jute mills, tea or coffee plantations, in the Swadeshi category, and this is good so far as it goes. But our next step must be to make them genuinely Swadeshi. Irrespective of creed or colour, they are the sons of India who have made this country their home, who have a stake in it, and who share its poverty and prosperity. To the wealth of these ought our industrial growth to contribute. European talent, enterprise and capital have done and are doing the work of pioneers in many a difficult industrial and commercial line, and they are deservedly reaping the fruit of their exertions. We are much indebted to them for their having shown us the way and fired us with a zeal to follow their foot-steps. We owe it to ourselves to acknowledge the service they have rendered

to us, and our success depends upon how we profit by the lesson they have taught us.

There is an Indian proverb which says that the times are always what the sovereign makes them. This adage reflects the notorious dependence of Orientals upon the State. India has been ever foreign to the democratic and representative institutions like those now predominant in the countries of the West. But what people are there on the earth who have not been helped into their commercial and industrial prosperity by the State? In Germany, America, Japan and even in England, the State has completely identified itself with the people in the promotion of industries. In England there was a reaction against too much State interference and in favour of *laissez faire* and individualism. But there is now a swing of the pendulum in the opposite direction, and a tendency towards State protection and State Socialism is clearly discernible almost in all the countries of the West. By means of bounties and drawbacks, protective tariffs and technical education, and in a hundred other ways the Governments of other countries are promoting the growth of national industries and national wealth. We in India expect our State to do the same thing for us. Our educated people are often taunted with their too much dependence on Government and their extreme fondness for Government service. Whether the taunt is merited or not, we have the examples of other States before us and we know what they are doing for their people. I do not wish to exaggerate, and it would be doing injustice to Government if I were not to acknowledge freely what the Indian State is actually doing to promote nascent industries. Evidences are not wanting to show that

Government have become alive to their duties, and the economic development of the country is being assisted by them in various ways such as industrial conferences, exhibitions, experiments and demonstrations, surveys and scholarships, and the introduction of better types of implements and machines. What little has been done is nothing, however, in comparison with what has and ought to be done. The people, though they have not done all that is expected of them, have risen to the occasion, and mutual response and co-operation may be calculated to do the needful in the near future. Government in India has, however, to devise its measures for the good of its people with one eye upon London and the other on Calcutta. And the two eyes do not often see things in the same light. It is a delicate task, to reconcile two often-conflicting interests. But the firmness and liberality which have been just displayed in the matter of the Reforms may, with advantage, be extended to the sphere of industry. Public opinion in India has become uncompromisingly protectionist and expects Government too to accept that creed. India will be willing to join in the scheme of Tariff Reform which is to embrace the whole British Empire provided she receives her due share of advantages. The Government of India is sure to stand by the people in this respect. Circumstanced as we are, our purpose will not be served by mere palliatives and temporary measures. The State here must make it its serious business to see that Indian resources are developed in the interests of India and its people. It must give us all the facilities we want ; nay much more. It must stimulate interest, spread broad-cast primary, technical and scientific education, send young men in their hundreds and thousands

to foreign countries to learn various industries there, help capitalists and enthusiastic men to start new industries and protect them against outside competition. For Indian people this is presumably not too much to expect of their Government. It has been done in Japan, in America, in Germany, and in England. Why then not in India?

In short, the situation is this. An economic revolution is in progress in the land. The old national industries are dead or dying. New ones have not yet taken their place. The competition around us is keen and killing. We lack enterprise, capital, experience, scientific knowledge and sufficient State protection. Agriculture is in the most backward condition. There is congestion of labours in agriculture which must be relieved by employment in manufactures. Poverty and ignorance stalk over the land. Conscious of their helplessness, and yet awakened to a sense of their duty, people are doing what they can to relieve the gloom that surrounds them. A ray of hope cheers their way and the Government is showing its interest in their efforts to revive old and start new industries. Most of the credit of the little progress that official reports and statistics show, belongs to European capital and enterprise. Most of what are called flourishing Indian industries, with the growth of which India is usually credited, are in European hands, the fruit of their labour. The profits made from them naturally go out of the country and India is none the richer for them. People in India expect their Government to be national and do for them what other States have done and are doing for their own people. New India is Protectionist and wishes Government to adopt the same faith. The complete identification of the rulers

and the ruled is the keynote of success. Single-handed, the people can do nothing. Nor have they done, it must be confessed, all that they should have. The little work that has been done only emphasises the vastness and the extreme difficulty of the whole problem. Some efforts are being made both by Government and people ; but infinitely much more remains to be accomplished. The future depends upon how we help ourselves and induce Government to help us.

IV.

THE PROBLEMS OF HIGH PRICES.*

The one great problem which more than another dominates the public mind at the present moment is the problem of prices. The high prices that have recently become a feature of our economic condition, have come to claim a degree of attention few other questions have attracted during the past few years. This is because high prices more or less affect all people. The rich and the poor, the employers and the employed, the salaried and the wage-earners, the Government and the people, individuals and institutions —all these, in one way or another are interested in this question of prices. Though the subject is thus an all-absorbing one, its seriousness is equalled only by the obscurity in which it is involved, and the difficulty of reducing the high prices to a definite cause and suggesting remedies to bring them down. Public opinion, expressed in the press and on the platform, the Council Chamber and the Congress, has demanded an inquiry into the whole question and Government have been requested to appoint a commission of experts to investigate the subject. Assurance has been already given to us that the question is engaging the serious attention of the Government. Sir G. F. Wilson in the speech he made the other day in the course of the budget debate in the Imperial Legislative Council, adverted to the high level of prices and made a few

*A paper read before the Deccan Sabha, Poona, on 2nd May 1909.

general remarks on some aspects of the question. In passing he examined the theory of the exports of food grains as an important factor in raising prices and indicated that the adoption of a gold standard by India had something to do with the upward movement in prices in this country. He had no remedies to propose, and said that he approached the subject with great reserve, both on account of its complexity and because it is at present being discussed between the Government of India and the Secretary of State. The Hon'ble Mr. Gokhale, who opened this question in the Council last year, referred to it this year also. He pointed to the inflation of the currency as being responsible for the continued prevalence of high prices in all parts of the country, and with a diffidence, quite justified by the complicated circumstances of the case, suggested a change in the present currency policy of Government. Other people, publicists or otherwise, have put forward various theories widely differing from one another, and the complexity of the question has been made more complex for the ordinary man. When gentlemen of recognised authority in such matters differ widely and feel diffident about this perplexing problem, it would be sheer rashness for any other person to express any definite opinion. I am not however going to rush in where other people have feared to tread, and lay down any theory or make definite and dogmatic assertions. I merely propose to lay before you the various explanations of high prices that have been so far offered and see how far they can be said to contribute in raising prices. It is a question of practical economics and finance, surrounded by a variety of difficulties, and I have ventured to take it up because I feel that a

statement and discussion of the various theories is sure to be both interesting and instructive inasmuch as it may help us to arrive at the truth.

I do not think it is necessary for me to enter into a detailed history of the fluctuations in prices for the past half century and try to explain them. It is sufficient to remember that prices of food stuffs have been, as a rule, modified by the conditions of the monsoon, rising with the failure of the rains and falling with the return to normal rainfall. In spite of such fluctuations, however, there has been a pretty steady rise in prices, especially during the last few years, which cannot be satisfactorily accounted for by droughts. The following table will give us an idea of the variations in the average retail prices of four of the more important food grains at selected centres.

(PRICES OF 1873=100).

Year.	Rice.	Wheat.	Jwari.	Bajri.
1873 ...	100	100	100	100
1887 ...	125	123	127	122
1888 ...	135	124	131	134
1889 ..	147	118	122	128
1890 ...	143	116	123	118
1891 ...	149	135	138	137
1892 ...	178	151	138	142
1893 ...	164	125	122	123
1894 ...	152	104	112	118
1895	141	117	121	119
1896 ...	216	152	154	166
1897 ..	210	206	203	211
1898 ...	157	145	131	130
1899 ...	144	158	137	140
1900 ...	176	180	214	200
1901 ...	183	163	145	139
1902 ...	166	143	134	133
1903 ...	162	129	116	115
1904 ...	146	122	110	109
1905 ...	169	139	137	146
1906 ...	213	159	173	174
1907 ...	238	165	162	151

It will be seen from the above table that with slight variations here and there, there is a steady rise in the prices of the four chief articles of food in the country. If we compare the prices of 1873 with those of thirty years later, we have a rise of more than 100 per cent. for rice, more than 50 per cent. for wheat, and about the same percentage for the other grains. We have it on the authority of the Finance Member that the rise in the food grains during three years, 1904—07, which were years of normally good harvests, was 25 per cent. And the question now is, how is this abnormal rise to be accounted for ? But at the outset some critics are likely to break in and say, supposing there are high prices

ruling in the country, is it not a matter for congratulation rather than anxiety? High prices, according to these people, indicate the growing prosperity of the country, greater purchasing power, a higher standard of comfort, larger profits and better wages. In all progressive countries high prices are associated with growing prosperity. Accordingly in India too rising prices are a blessing in disguise, pointing to an improvement in the lot of the ryot, the agriculturist, the artisan and the labourer. Now if this view of the case be the right one, all anxiety at present felt on the score of high prices, both by Government and people, would surely be the result of a misapprehension. Mr. Dadabhai Naoroji has shown in his "Poverty of India" that causes of a healthy rise of prices do not exist in this country and that whatever rise there is to be found, it is as a general rule the effect of local and temporary causes such as droughts and famines, public works such as railways, and the influx of foreign capital to finance such works. Though our industrial position has slightly improved since this was written, that improvement is not so marked as to make us rich and raise the general level of prices. No Alladin's lamp has suddenly transported us from poverty to prosperity. If we look into the history of the rise of prices for the past few years we see that they have been generally regulated by the conditions of the harvest, though latterly they seem to have become permanent, drought or no drought. It is contended that inasmuch as the ryots get higher prices for their produce and as agriculturists in this country constitute more than 60 per cent. of the population, to them high prices are a godsend and that even artisans and common labourers have been able to

share this windfall. It will be well to remember here that very little of that alleged profit goes into the pockets of the cultivators who are as a rule ignorant. Our unintelligent peasantry and immobile labour are not, as in other countries, able to profit by high prices. It may also be said in answer to this contention that rates of wages have not risen in the same proportion as prices of food stuffs, which constitute four-fifths of the cost of living of the ordinary labourer in India and which therefore determine his standard of living. There may be a rise in wages in some commercial and industrial centres but the higher cost of living is not likely to leave much to the labourer. So long as there is no substantial addition to the wealth of the country, mere high prices are no index to growing prosperity. It is because the cost of living is increasing that wages have to be enhanced and there are demands in every department for a revision of the scale of salaries. There is no evidence to show that high prices are the effect of growing wealth. If the high prices which have been ruling in the country for the past many years are a benefit to the peasantry, why do we find our agriculturists hopelessly sunk in indebtedness and misery? The very fact that their lot has not improved by the high prices they are said to obtain for the produce of their fields, clearly proves that the prosperity of high prices is mere myth. Can we then congratulate ourselves on the advent of high prices brought about by droughts and distress, and by temporary and local causes? But has not the Swadeshi movement, since Mr. Dadabhai wrote, created a greater demand for labour and enhanced prices? This would be welcome if it were only true. But unfortunately

it is otherwise. It may at once be conceded that local causes such as the starting of mills and factories, railway and irrigation works may have raised wages in some places as they depend on the demand and supply of labour. But high prices do not always involve high wages and however flattering the progress we are making in the industrial movement may be, it is surely not so striking and wide-spread as to send up prices and wages throughout the country. If we bear in mind the very small proportion of people who are likely to have benefited by the slight progress of our industries, it will at once be clear that their influence on prices cannot have been very appreciable. When our nascent industries increase and expand to a markedly large extent and thus increase the annual production of wealth in the country, high prices may be a sign of prosperity. Till this happens, a mere rise of prices cannot be a sign of healthy growth. There is one more thing that must be taken into account and it is this. High prices make labour dear and dear labour increases the cost of production of articles. One great advantage India enjoys at present is cheap labour ; now if labour were made dearer by high prices of food stuffs, Indian industries which have only just begun to raise their heads, being seriously handicapped, would find it hard to compete with foreign ones, and our industrial progress would be hampered. High prices of our articles would check our exports and India would not be able to meet her foreign obligations which amount to some 25 crores of Rs. per year. Thus high prices would spell disaster to our industries and finances. All these considerations have to be borne in mind at the time of welcoming

high prices as the harbingers of prosperity and wealth.

There are a variety of causes, remote and immediate, direct and indirect, which have combined to force prices to their present high level. What is the exact degree of their influence cannot be definitely ascertained, but that they have had a share more or less cannot be doubted.

(1) The first place in order though not in importance among these causes, may be given to the occasional droughts of varying dimensions and intensity, devastating large tracts and killing considerable number of men and cattle, with which we have now become so familiar. If we begin with the year 1891-92 when there was a prolonged drought, we find that prices which were sufficiently high during the quinquennium of 1886-90 were still further raised during the next few years. A strong Indian demand for rice was coupled with large exports and there was an unprecedented export of wheat owing to failure of crops in Europe which pushed up prices here to the famine point. With better seasons prices cheapened but they did not go back to their old level. Prices of food grains again went up to the highest level then on record, during the famines of 1896-97 and 1899-1900. During this period the export trade in rice was kept up on a large scale and in 1898-99, the year preceding the second famine, export of food grains exceeded three million tons. In the next few years prices went down, but stocks exhausted by lean years take time to be replenished. In fact of late years the stocks of food grains which were so common formerly, have disappeared, and when there is a diminution of

production in a year of drought, there are high prices and consequent distress.

(2) The second cause seems to be that the outturn of the food grains has not been keeping pace with the increasing demand for them. In some places such as Bengal and parts of Bombay, the cultivation of Jute and Cotton, which are more paying, is being substituted for that of food grains. The area under food grains which was 182¾ million, acres in 1897-98 came to a little more than 195 millions, the highest figure during the last decade, in 1906-07, which means an increase of 7½ per cent. in ten years, while the area under Cotton and Jute increased by nearly 50 and 70 per cent. respectively during the same period. The yield of rice which was nearly 500 million cwts. in 1897-98, 505½ and 451½ million cwts. in the next two years, shows an average of about 444 million cwts. only during the last five years, the figure 500 never being attained for the past nine years. The yield of wheat which averaged 7½ million tons during the first half of the decade commencing from 1897-98, became no doubt 8½ on an average during the second half, the acreage under it increasing by nearly 25 per cent. in ten years But nowadays wheat appears to be grown more largely for export than for home consumption, and its supply for home consumption is therefore precarious. In spite of the havoc made by plague, malaria and droughts, the population of the country must be increasing to some extent, and this increase must press on the soil and the prices of food grains must go up. Another important factor is the increased demand for food grains created by facilities of communication and transport such as railways and steamers which carry these grains into

nooks and corners of the country. The phenomenon of a province with abundance of food bordering on a district with a population starving for want of the same, is becoming more and more rare. The large annual coast-wise exports of rice from Burma to Bombay and Madras are an illustration in point. These exports which were 195 thousand tons valued at more than 1½ crores in 1903-04, came to 460 thousand tons valued at 3½ crores in 1905-06 and to 979 thousand tons valued at 9½ crores in 1907-1908. This more extended distribution tends to equalise prices. It will be obvious, even to a superficial observer, that the standard of life of people living on the lines of railways is gradually becoming higher as things which were mere luxuries to them before are being brought to their doors by the easy means of communication. Thus the people in the Konkan who are proverbially known to be rice-feeders may now be seen to indulge in wheat and jwari to a slightly greater extent than before, as those living above the ghats with whom Jwari and Bajri are staple foods may be found to partake a little more freely of rice. Even poorer people may be seen trying to indulge in such luxuries, which are being made more easily accessible to them day by day. A more equal distribution of such articles has created a taste and demand for them, and their prices must naturally rise with the increased demand, not accompanied by an equally increased supply.

(8) I have said above that exports of food grains have often been maintained on a high scale even in times of scarcity. Exports of rice, which is one of the most important food stuffs in this country, have been on a pretty high scale during the past few years. Both

wheat and rice are grown more largely for export. Grain elevators about which so much is being said nowadays and dock facilities at Karachi and other ports, as also railway arrangements on a more convenient and cheaper system, point to the larger and larger exports of wheat and other food grains. The Hon'ble Sir G. F. Wilson tried to show in the Imperial Council the other day that inasmuch as the quantities of the food grains yearly exported to foreign countries bear a very small proportion to the production of the same, they cannot be said to affect prices in this country. This was meant as a reply to the suggestion of some people who hold that large quantities of food grains being exported every year, the quantities available for home consumption are not adequate to the demand, and hence their prices have risen and who have proposed that a sufficiently high duty on these exports may be levied to the advantage of the Indian consumer, as these duties would lower prices. Whether this remedy is likely to serve its end or not, it will be easily seen that exports must tell upon prices, if it is borne in mind that owing to increased internal demand caused by extended facilities of communication and the growing wants of the people and the failure of the outturn of the food grains to keep pace with that demand, exports, howsoever small proportionately to production, must diminish the quantities required for ordinary consumption at home and thus force up prices. Again, we see actually that the higher prices fetched by the food grains when exported to the rich foreign countries which can afford to pay highly for their food must naturally influence prices here, and must bring the latter to their own level. To take a simple and practical

illustration of the result of the export of a commodity on the local price of that commodity, Mangoes used to be extremely cheap at one time in the Konkan, so much so that a basketful could be got for a pice or it is no exaggeration to say that they could be had for the gathering. But latterly a very brisk trade in mangoes is being carried on with Bombay, and Bombay people can afford to pay high prices for them. The result is that mangoes have become very dear in the Konkan. You know that cocoanut kernel or copra as it is called, has nowadays become dear. Some 143 thousand cwts. of this article were exported in 1902-03 and fetched nearly 122 thousand pounds, while in 1906-07, a smaller quantity, *viz.*, 126 thousand cwts. brought an equal number of pounds. Last year only 119 thousand cwts. were exported and they were valued at 144 thousand pounds! Thus though the quantity declined by 4 per cent., the value rose by nearly 14 per cent. in one year. Similarly ghee was exported last year to the value of more than 26 lakhs of rupees and the declared values of ghee per cwt. have been steadily rising for the last five years, as will be seen from the following figures:—

	Rs. per cwt.
1903-04	47 6
1904-05	49
1905-06	50·7
1906-07	54·2
1907-08	60·6

Now ghee is an important item in the diet of the middle class people and retail prices up-country show a proportionately steady advance. Even in times of normal rainfall prices are as high as in times of scarcity, and consequently become almost prohibitive for the poorer classes. Copra and ghee are no doubt of

minor importance, if we look to the small quantities exported. They at any rate show how exports have some influence on the prices of articles exported. This view gets greater strength if we work up the figures of the quantities and values of the rice and wheat exported and compare the rise of prices in the exported grains with that of rice and wheat consumed in the country itself. The necessary figures are given in the following two tables :—

QUANTITY AND VALUE OF THE EXPORTS OF RICE.

Year.	Quantity Tons.	Value, Rs.	Approximate value per ton Rs.
1903-04	22,50,000	19,08,28,000	85
1904-05	24,74,000	19,61,90,000	79
1905-06	21,52,000	18,63,69,000	86½
1906-07	19,35,000	18,52,51,000	95
1907-08	19,13,000	20,33,63,000	105½

QUANTITY AND VALUE OF THE EXPORTS OF WHEAT.

Year.	Quantity, Tons.	Value, Rs.	Approximate value per ton Rs.
1903-04	12,95,565	11,08,89,546	85
1904-05	21,50,025	17,90,60,692	83½
1905-06	9,73,523	8,53,43,996	87½
1906-07	8,01,445	7,25,44,650	91
1907-08	8,80,459	8,58,50,350	98

Here the price per ton of rice exported rose in five years from 85 to 105½ Rs., which means a rise of about 24 per cent. ; while the rise in price in the country itself going up from index number 162 to 238 seems to be more than 45 per cent. during the same period. Similarly the rise for wheat is 15 and 27 per cent. respectively. Does this not go to show that the retail prices in the country are more affected for the worse than the wholesale export prices ? It is also seen that while the prices of the food grains are very high in the country, producers of these who sell them more cheaply do not derive any advantage from the exports. Instead of profiting by the high prices of food grains ruling in the country, they lose so much by having to export at comparatively cheap rates. How can high prices then benefit the poor cultivator ? It is perhaps the rich exporters who make profits and not the helpless peasants. Exports only diminish the quantities that would otherwise have remained in the country without throwing any profit into the pockets of the producers. "The dependence on foreign prices of crops grown for export is also apparent in the case of rice, for the rise at Rangoon in recent years is not nearly so great as at Calcutta, and the variations, which are often the result of speculation are quite unconnected. Thus while the index numbers at Calcutta during the three years 1901-03 were 184, 195 and 163, at Rangoon they were 122, 118, and 151." The prices of food grains have come more and more to depend on the foreign demand for them and a rise in the price of them can be explained by their exports. The railways are proving a doubtful blessing in this respect. They ransack the nooks and corners of the country and carry off to foreign countries food grains at

comparatively cheap prices, only making them dear to the people of the soil without compensation for the loss.

It cannot therefore be surplus grain which India exports, as is comfortably believed by many people, because no such surpluses are possible in the face of the ever-recurring droughts, comparatively diminished outturns and increased internal demand. Exports are sure to exhaust the otherwise insufficient quantities that would be available for consumption in the country, and the intensified demand for the diminished stock raises prices. That "the demand for export has undoubtedly influenced the price of rice and wheat directly and through them the prices of the commoner food grains" may be seen, for example, from the fact that "a remarkable fall in the price of food grains in the United Provinces in the year following the severe famine of 1896-97 was assigned by the local officials to the small export demand for wheat."

(4) Last but more important is the theory of the superfluity of currency in the country, which has been advanced by gentlemen whose opinion is entitled to great weight in matters of economics and finance. The Hon'ble Mr. Gokhale put forward this view of the cause of high prices in his budget speech last year, and emphasised it this year also. That the prices of commodities in a country are to a certain extent regulated by the system of currency obtaining in that country, seems to be generally admitted. It is a commonplace of economics that the quantity of coins in circulation in a place governs the prices ruling in that place. If the coins in circulation are not sufficient for the ordinary commercial transactions of a country there

will be a very large demand for them, which will raise their value like that of any other article, and the purchasing power of the coins will rise. As a smaller number of coins will be available for exchange, only a small number will be paid for articles. This means that prices of articles will fall. If, on the other hand, the coins in circulation are more than are required for the common transactions of the market, the copious supply will lower their value and with it their purchasing power. More coins will be needed to purchase an article ; in other words, there will be high prices. This is exactly what has happened with respect to the Indian currency. It has been observed that before the year 1893, when mints were closed to private coinage of rupees, whenever there was a general rise of prices it could be accounted for by heavy imports of silver and the active circulation was increased by a large addition to the coinage. It has been concluded, with certain reservations,

" that the contraction in the volume of the currency which must have resulted from the suspension of rupee coinage during the three years following the closure of the mints, and the very limited recoinage operations of the next three years, caused a sensible reduction in the general level of prices during the years 1898-99. The remarkable cheapening of both the retail and wholesale prices of food grains in the year immediately following the great famine of 1896-97 also gives support to this view."

Till June 1893 Indian mints were open to the unrestricted coinage of silver and large quantities of rupees were coined from time to time, the largest number ever coined being in 1877-78, *viz.*, 15,94,34,980. Government had been embarrassed by the falling rupee and heavy compensation and exchange charges they had to pay from year to year. The uncertainty in the prices of silver gave commerce the air of speculation

and at last Government resolved to rectify the mistake committed in the time of Lord Dalhousie in 1858 when gold was demonetised, and to stop the "acrobatic feats" of the rupee. India was now to embark on a gold monetary standard, and in 1893 mints were closed to free coinage of silver. In 1899, sovereigns were made legal tender at the rate of 1*s.* 4*d.* a rupee. The price of the rupee was artificially fixed by law at 16 pence, and steady efforts have been made to maintain the rupee in the neighbourhood of that value. Old worn-out rupees of 1835 and 1840 to the tune of many crores have been withdrawn from circulation. Only last year twelve crores of superfluous silver coins were also withdrawn. Yet in 1900-01, 13·27 crores and in 1903-04, 10·65 crores of rupees were added. Nearly 20 crores were coined in 1905-06, 25·37 in 1906-07, and 17·33 in 1907-08, so that it is estimated that there must be at present more than 200 crores of rupees in circulation. This enormous output of Indian mints has created a superfluity of rupees, which has, according to the law of supply and demand averted to above, raised the general level of prices. It is contended that the large output of rupees has been the result of the demand for them for the purposes of commercial transactions. It may be conceded that a large supply of rupees is necessary during the seasons of brisk trade. But once the rupees are coined, they remain in circulation. Nobody will melt them or hoard them as their intrinsic value is very much lower than the artificial value fixed by law. So long as mints were open to free coinage there was, we may say, an automatic machinery in work which would contract or expand the supply of rupees as the needs of the

market required. But this is no longer possible, and every fresh coinage of rupees adds to the already large volume in circulation and prices rise. If the rise in prices were steady as the result of the natural growth of the wealth of the country, it would have been welcome. But as I have indicated above, the rise is abnormal and almost sudden during the last few years of normal harvests, and this rise cannot be satisfactorily explained except on the theory of the inflation of the currency. The *Statesman* newspaper of Calcutta, which looks upon the present high prices as a blessing in disguise, endorses the view of Sir Edward Baker who has attempted to refute the currency theory advocated by Mr. Gokhale and the Hon'ble Mr. Webb. Sir Edward Baker's contention is that the advance in prices began long before Indian mints became active in coping with the requirements of trade. In support of this view he says that the average output of rupees was less during the past fifteen years than in the fifteen years previous, when high prices did not prevail. I think Mr. Gokhale has given a satisfactory reply to this argument in this year's budget speech when he says :

"I think the quantitative theory of money holds good much more in the case of a backward country like India than in those of more advanced countries. Variations in the prices of individual commodities may be due to variations in the demand for them or in their supply. But a more or less general rise in prices can only point to a disturbance of the currency."

That there has been a larger demand for the food grains unaccompanied by an adequate supply of them for the past few years has been shown above. If this factor of increased demand is taken into consideration, we can explain why there were no high prices though

there was copious coinage of rupees twenty years ago. Another argument of people who oppose the currency theory is that the rise in prices has affected food grains only ; and that a superfluity of coins would have caused a general rise. This view also has been properly met by Mr. Gokhale with these words :—

"Such a rise need not be uniform in the case of all commodities, for in the view which I am stating, prices are a function of three variables—currency, demand and supply, and any general rise resulting from a disturbance of the currency may be modified in particular cases by one or both of the other factors."

It will be abundantly clear from what has been said so far that the very large quantities of rupees already in circulation estimated at the prodigious figure of 200 crores and the enormous output of the mints during the last few years have indisputably caused almost a general high level of prices in the country. In the speech made the other day at the annual general meeting of the Karachi Chamber of Commerce by the Hon'ble Mr. Webb, he also attributed the present rise of prices to the large output of the mints in recent years. Mr. J. M. Keynes, who has contributed an article on "Recent Economic Events in India" to the March number of the *Economic Journal*, says that (1) a decrease in the production of food grains, (2) increased consuming power on the part of the people and (3) rise in gold prices, these three have to a small extent, combined to raise prices ; but these causes do not go far and he has turned to the circulation of actual rupees for a solution. He is of opinion that there has been, during the last seven years, a large and continual flow of foreign capital, partly in the shape of commodities but largely in the shape of money, and this is a potent cause in raising prices, the

upward tendency being helped by the enormous output of the Indian mints during the same period.

5. The currency policy on which Government embarked in the year 1898, howsoever necessary and beneficial in some respects, has in many ways disturbed the economic condition of this country, and having yoked India with the other gold using nations of the world has launched us into uncertain waters. Waves of disturbance in the monetary position of the rest of the world, do not fail to reach the Indian coast and to involve us in the price fluctuations to which others are subject. The average wholesale prices of both imports and exports have not indeed been much infected by the uppish tendency noticed in the retail prices in the interior of the country. They are almost marking time except during the last few years when small disturbances might be discerned. Rise in gold prices outside must, however, affect the prices of those articles which are exported to countries with a gold currency. The same thing happens with respect to the imports. But these are disturbances which, though affecting the general prices of articles in the country, are a factor of very minor importance when compared to the other causes that are at work in the country. Thus while the price of food grains rose 16 per cent. in the United Kingdom during the last four years, those in India have gone up about 48 per cent. How far the internal rise of prices induced by the rising gold prices abroad will benefit the people of this country is problematical, and even the Finance Member who suggests this close dependence of prices in India on those obtaining in other countries, is not very sanguine about the future. Sir G. F. Wilson observes :—

"India by its adoption of a gold standard has been switched on to the currency guage of the rest of the world; and is undoubtedly bearing its share in the price fluctuations to which the rest of the world has been subject. Indeed a careful study of the gold prices in Europe during recent years and of the general prices of commodities in India reveals a parallelism. This country is undergoing great economic changes and the change in money values is one of them. Whether the change will ultimately result for the good of India, it is difficult to say."

If the present high prices in India, so far as they are caused by gold prices elsewhere are only a passing phase, we may hope to return to normal conditions very soon. But such a hope does not seem to be justified in the face of the various factors that have combined to send prices up and that have been briefly discussed above.

I have, in this paper, tried to state the various theories which have been put forward as regards the causes of the rise in prices. The fallacy and delusion lurking in the complacent contemplation of rising prices as an indication of the growing prosperity of the people have, I hope, been sufficiently exposed. The gradually rising level of prices, pushed up by the increasing wealth of the country, a larger output of agricultural products and a more profuse outturn of manufactured articles may be a welcome sign of economic progress. But high prices caused by a more extensive demand, a rising population, heavier exports of the food grains and raw materials, by droughts and famines, by a more copious circulation of the currency, by a diminished outturn of agricultural products and such other things ought to make us pause and think. I have shown above, however, that it is these causes that are responsible for the abnormally high level of

prices now ruling in this country. None of these alone has brought about this result. All of them, more or less, are responsible, though the degree of the responsibility cannot be guaged with any precision. Rao Bahadur G. V. Joshi, who, on account of his deep study and research in the field of Indian economics extending over a generation, ought to take a high rank among the devoted and systematic students of economics and industries of this country, has, in a learned article he contributed to the *Indian Review* in 1907, emphasised the view of this problem as I have taken above, though he does not lay so much stress on the enormous circulation of the currency as a very important factor in the problem as I have done. This problem of high prices cannot apparently be solved satisfactorily unless there is more extensive and specially more intensive cultivation, so as to increase the yield per acre of agricultural products in a line with that in more advanced countries, in other words, unless the production of wealth in the country is increased. Manipulation of the currency would, according to this view, be a mere palliative. When the doctors themselves differ in their diagnosis of the disease and as regards the remedies to be applied, it is very difficult to suggest a cure. The Hon'ble Mr. Gokhale said the other day in the course of his budget speech :—

" It seems to me that the only way now out of our difficulties is to follow the example of France and the United States, and while admitting the rupee to unlimited tender, stop coinage of new rupees and coin gold pieces instead. Of course I express this opinion with great diffidence, for there are serious considerations on the other side and the whole subject is enveloped in great obscurity. But I fear that the present half-way house will not do and unless we place our currency on an automatic and

self-adjusting basis, the clouds that are already overhead will thicken and not roll away."

Similar remedies have been suggested by other people whose opinion is entitled to some weight. But in the uncertainty and perplexity in which the whole question is shrouded, it is best for me to say with Burke:—

"My aim is to bring this matter into more public discussion. Let the sagacity of others work upon it. It is not uncommon for medical writers to describe histories of diseases very accurately, on whose cure they can say but very little."

No one is in a better position to undertake such an inquiry than Government who are said to be considering this whole question. Let us hope this inquiry will soon be set on foot, the disease diagnosed by experts, proper remedies suggested and immediately applied.

V.

TWENTY-FIVE YEARS' SURVEY OF INDIAN INDUSTRIES.*

It was exactly fifteen years ago that a master hand drew a vivid and careful picture of the industrial condition of this country as seen at that time and exhibited it before a similar gathering in the capital of Maharashtra. Mr. Justice Ranade showed in a paper which he read in 1893 before the Industrial Conference in Poona and which has been embodied in his *Essays on Indian Economics*, that the process of "ruralisation and rustication," which had been going on in this country for a century and more, had at last received a check, and people had come to recognise the importance of adopting modern methods of manufacture and the necessity of seriously applying themselves to the revival and encouragement of indigenous industries which had already died out or were on the way of extinction. A robust optimist by temperament, and a keen observer by nature, he saw clearly signs of movement in the right direction and predicted that, if that industrial activity was persevered in, in spite of our manifold difficulties and drawbacks, we were sure, in a few years' time, to be on the high road to the realisation of our cherished object. From a comparison of the trade returns of the year 1892-93 with those of fourteen years previous, and from a general survey of the nascent

* Paper read at the Fourth Indian Industrial Conference, Madras, 1908.

industries, he came to the hopeful conclusion that the transition of India from a purely agricultural to a partly manufacturing and trading country had commenced, and that the outlook, on the whole, was decidedly cheerful and promising. Fifteen years have elapsed since this happy prophecy was made, and I feel that this is a fit occasion to take stock and see how far the hopes held out by Mr. Ranade have been realised, though it must be confessed that for more than a decade after his declaration no serious, sustained, and systematic attempts were made to further the cause of industrial development. It is during the last five or six years that we have once more roused ourselves from the lethargy, and this Conference itself is a sign of the healthy activity we have resumed. To ensure a correct judgment in my survey, I propose to set up the same tests and the same standards for comparison as Mr. Ranade used for the purpose. Such a survey has become necessary to guide our footsteps in the right direction and to encourage us in our uphill work of industrial regeneration. It will also serve the useful purpose of dissipating the false hopes that we are always likely to form of our future and to open our eyes to the realities of the present situation as distinct from the delusive dreams of day-dreamers.

Though the ever-advancing values of imports and exports of merchandise given in the official trade returns may not be a true test of the growing prosperity of the people, they are useful as indicating how, as a result of our increasing wants and the rapid spread of railways and other means of communication, we have been consuming more goods from foreign countries and sending out to them what they want also in larger quantities.

TABLE No. I

Showing the increase in imports and exports during the last 14 years.

Quinquennium.	Average of imports of merchandise.	Variation taking 1892-93 as 100.	Average of exports of merchandise.	Variation taking 1892-93 as 100.
	Rs.		Rs.	
1893 94 to 1897-98.	70,90,02,563	100	101,79,71,169	100
1898-99 to 1902-03.	75,13,53,955	106	113,25,58,571	111
1903-04 to 1907-08.	104.54,99,143	147	161,69,34,274	159

From the above table it will be seen that during the last fifteen years, while our imports have gone up by 47 per cent., our exports have exceeded by 59 per cent. I do not wish here to go into the details of this question of the balance of trade, and shall content myself with merely recording facts in connection therewith.

The classification adopted in official reports, by which articles are grouped in seven classes, certainly convenient in other ways, is not suitable for the inquiry which I have proposed to make in this paper. This distinction between purely raw materials and articles which have wholly or partly undergone human or mechanical manipulation is not clearly brought out in them. Following this mode of grouping, Mr. Ranade has considered as raw materials all those articles which are not classed as manufactured goods. Thus

sugar, oil, spirits, tea, engines and mill work Mr. Ranade takes as raw materials, while they should have been included under manufactured articles for correctly estimating our industrial progress. As I have said above, however, I shall, for the present, adopt the same tests for comparison as he has done, and see what progress our industries have made during the last fifteen years.

In the year 1892-93 out of a total of 164 crores worth of exports and imports, excluding treasure and Government transactions, we imported nearly 36 crores worth of manufactured produce while we exported 86 crores of raw produce against 16 crores worth of manufactured articles. Comparing these figures with those of 1878-79, Mr. Ranade has mentioned five features of the transition referred to at the outset. The first of these which marked the fourteen years he reviewed, was that the export of manufactured and partly manufactured goods had risen in the 14 years ending 1893 by 211 per cent. Applying this test to the next fifteen years, we find that the figure representing the exports of these goods was, in 1907-08, 39¼ crores as against 16½ crores in 1892-93, which means an increase of 139 per cent. in fifteen years, or a steady advance of nearly 9¼ per cent. per year as against the 15 per cent. yearly during the 14 years previous. This increase in the first quinquennium, 1891-93 to 1897-98 was 5 per cent. per year, in the second from 1898 to 1903 again 5 per cent. while in the last quinquennium ending in 1908 the increase was 56 per cent., that is, more than 11 per cent. annually. There could be no clearer proof of the rapid strides our industries have been making for the past few years. Secondly, while the increase in the exports of raw produce was 48 per cent. in 14 years ending in

1893, that in the next fifteen years was 59 per cent., which means nearly 4 per cent. per year as against the 5 per cent. increase in the exports of manufactured goods. This comparatively larger increase in the exports of raw materials shows that we have not gained ground in this line and that we have not been making satisfactory progress in manufacturing our raw materials. We content ourselves with only sending out to foreign countries many items in this group which we ought to turn into finished goods in our own country. Thus oil seeds, which represent a large portion of the entire exports of Indian produce, were sent out of this country to the value of $16\frac{1}{4}$ crores in 1907-08 as against 13 crores, the average value for the previous five years. This is an enormous loss to our country, and yet not much attention seems to have been paid to this important industry. Thirdly, while the increase of manufactured articles imported into India was 80 per cent. in the fourteen years ending in 1893, the same amounted to 93 per cent. in the next fifteen years, that is $6\frac{1}{7}$ per cent. per year. This shows that, as education is steadily spreading throughout the country, as the face of the land is being transformed by railways, telegraph, and the post office, and as new habits, customs and tastes are penetrating even the lower strata of our society, a larger number of new wants is being created among our people, to satisfy which imports of various kinds of manufactured articles have become necessary. The luxuries of the last generation have become the necessaries of the present. As an illustration of this tendency, it may be mentioned that during the last five years the imports of metals and manufactures of metals have nearly doubled in value

those of carriages, &c., went up from 96 lakhs in 1905-06 to one crore and more in three years and a similar increase has taken place in the case of many other articles of manufacture such as cotton, leather, paper, glass, sugar, umbrellas, &c. Finally, the imports of raw produce which stood at 26½ crores in 1892-93 reached in 1907-08 the large figure of 60 crores, an increase of 127 per cent. in fifteen years or nearly 8½ per cent. per year, as against the 6½ per cent. per year in the 14 years previous. This again is an indication of our growing industrial activity as it shows that we have been importing raw material in larger quantities to be manufactured in this country, thus giving greater employment to our labourers and larger profits to our manufacturers and merchants. All these results are summarised in the following two tables:—

TABLE NO. II.*

	1897.	1892.	Percentage of increase.	
			Total.	Annual.
	Rs.	Rs.		
Manufactured Imports ...	25,98,65,827	36,22,31,872	39	2·8
Raw Imports ...	13,75,55,837	26,38,18,431	91	6·5
Manufactured Exports ...	5,27,80,340	16,42,47,566	211	15
Raw Exports ...	59,67,27,991	85,52,09 499	43	3

* Taken from Ranade's *Essays on Indian Economics*, p. 104.

TABLE No. III.

	1892.	1907.	Percentage of increase.	
			Total.	Annual.
	Rs.	Rs.		
Manufactured Imports ...	36,22,31,872	69,88,95,000	93	6
Raw Imports ...	26,38,18,431	59,96,68,374	127	8½
Manufactured Exports ...	16,42,47 566	39,29,81,000	139	9¼
Raw Exports ...	85,52,09,499	134,12,31,335	57	3⅝

Fifthly, the proportion of the imports of manufactured articles to total imports, which was 65 per cent. in 1879 and fell to 57 per cent. in 1892, fell still further to 53 per cent. in 1907-08. In the same way the proportion of manufactured exports to total exports which was only 8 per cent. in 1879 and increased to 16 per cent. in 1892 has gone up to more than 22 per cent. during the last fifteen years.

What has been said above has, I hope, made it clear that, though the improvement noticed by Mr. Ranade has not been continued within the last fifteen years in the same proportion as in the fourteen years previous to 1893, the tendency towards a transition of India from a purely agricultural land into a manufacturing and commercial country marked by him, has been steadily kept up, and signs are not wanting to show that the stimulus which in the last five years our industrial activities have received, will, in a generation or two of steady work, carry us on much further towards the

goal. I have already pointed out that the grouping of imported and exported goods usual in official reports and used by Mr. Ranade, is not suitable for a correct survey of Indian industries. Though perfect accuracy in distinguishing between purely raw materials and articles which have undergone improved human skill or mechanical and scientific operation is difficult to attain, I shall attempt to make this distinction as accurate as possible so as to gauge the degree of our progress in industrial development. Thus, for convenience' sake, I shall class sugar, liquors, metals, coal, tea, coffee, cigars, oil, &c., as manufactured goods because it is in connection with these articles that forward steps are being actually taken or are contemplated, and it is in the matter of these manufactures that the transitional stage of Indian industries is marked. Making the adjustments rendered necessary by this method of classification, we obtain the following results, corresponding to those given in Tables Nos. II—III.

TABLE No. IV.

	1892-93.	1907-08.	Percentage of increase.	
			Total.	Annual.
	Crores of Rs.	Crores of Rs.		
Manufactured Imports ...	54	116	115	7·7
Raw Imports ...	8	14	75	5
Manufactured Exports ...	26	54	107·5	7·1
Raw Exports ...	74	119	60·8	4

According to the new principle adopted in classifying goods in the above table, the imports of manufactured articles are higher here than those given in Table No. III. This is explained by the fact that, in Table No. IV, sugar, steel and iron, railway material and machinery, &c., have been understood as belonging to the manufactured goods class, while in Table No. III they were relegated to the group of raw materials. As a result of the expansion of the textile industry during the last few years, the imports of machinery and mill work alone have advanced from 4·9 crores in 1905–06 to 6·58 crores last year, an increase of 1½ crores in two years. The increase in the imports of raw materials as shown in Table No. IV is not as high as that in Table No III, as many articles which are really manufactured goods have been transferred from this to their proper group. In the case of manufactured exports the increase in the Table IV is only 7 per cent. per year as against the 9¼ per cent. in Table III as tea, coffee and other small industries now included in this group did not, during the period under review, show as great an expansion as cotton and jute manufactures. The last item in the Table, that of raw exports, calls for no special remark. The proportion of manufactured exports to total exports is seen to be 31 per cent. as against the 22 per cent. mentioned before.

Thus with some variations here and there occasioned by the different method of grouping articles, we arrive at substantially the same results. The six features of a healthy change in the industrial condition of India noticed by Mr. Ranade in 1893, are to be clearly seen in the next fifteen years also, and though our progress during this period is not as satisfactory as one would have wished, on the whole we have been

gaining ground rather than losing it. The work we have to do in the industrial field is not easy. There are so many difficulties in our path, which it will take a long time to overcome. We cannot expect all at once to be able to manufacture for ourselves all those articles which we import from foreign countries, nor can we hope in the immediate future to turn all our raw produce into finished goods in our own land. It is sufficient if we keep our eyes steadily on the goal we have to reach and do our best with the means at our disposal. It is necessary for this purpose that our attention should be drawn from time to time to the industrial possibilities of our country as also to our failures and achievements in the field of manufactures, so that we may shape our further course in the light of this experience. I therefore propose now to take a hurried view of the present condition of our industries and manufactures, indicating in each case the progress that may have been made during the last fifteen years.

(1) Let us take up cotton manufactures first, as the textile industry is at present the premier industry of India. There were only 58 cotton mills in the whole of this country in 1878. This number rose to 180 in 1892 and the same on the 31st March 1908 was 224 with 65,741 looms and 57,64,846 spindles. Looms have, in the last fifteen years, increased by 150 per cent. and spindles by nearly 72 per cent. Of the spindles nearly 72 per cent. were in Bombay, 7 per cent. in Bengal and about 5 per cent. in Madras. Of the looms as many as 80 per cent. were in Bombay. It is superfluous to say that Bombay takes the lead in this industry and is largely providing the sister presidencies with the country-made cloth they require. Cotton mills

employed in 1907-08 nearly 2¼ crores of hands besides one lakh of persons engaged in cotton ginning, cleaning and pressing mills, as against one crore and twenty-thousand employed in the textile industry in 1892-93. The capital invested in cotton spinning and weaving concerns was approximately 17¼ crores last year, an increase of 56 per cent. in fifteen years. Seventy-one per cent. of the cotton mills are in the Bombay Presidency, the number being nearly 150 as against the 88 in 1892. The spinning of the higher counts of cotton on an increased scale is a noticeable feature of the last few years, Bombay leading the way in this respect also. The quantity of woven cotton goods, including that turned out in Native States like Indore, Mysore, Baroda, &c., more than doubled within the last ten years. Here is then an industrial triumph of which we may with justice feel proud, and if that earnestness and that enterprise which have characterised the textile industry were extended to other planks in our programme, similar success is almost assured to us in the near future. In spite of our rapid progress in cotton manufactures, be it noted, we yet imported more than 44 crores' worth of cotton fabrics in 1907-08 from foreign countries. This shows that there is infinite scope for expansion in this department, and we shall have to strive hard for many a long year to come before we become self-reliant in this matter.

(2) Next in importance to cotton manufactures, we have the jute industry, and with respect to it, Bengal occupies the same place as Bombay does in the textile industry. The number of jute mills rose from 26 with a capital of 1·68 crores in 1892 to 44 mills with a capital of 5·41 crores in 1907. The number of hands employed in these mills rose, during the same

period, from 66 thousand to 166 thousand, the looms increasing from 9 to 25 thousand. The value of the exports of bags and cloth of jute nearly doubled in the last five years. This fact alone is sufficient to show how peculiarly prosperous this industry has been of late years. It is to be noted in this connection that the exports of raw jute have not gone up in this same proportion. The exports of jute manufactures were 46·6 per cent. of the total exports of Indian manufactured goods in 1907-08.

(3) As regards woollen mills, no satisfactory progress has to be recorded. There are at present only six woollen mills, the number of the same being 5 in 1892. The capital invested is not more than half a crore and the number of persons engaged in the industry has gone up during the last 15 years only by a paltry 400. The two large mills, one at Cawnpore and the other at Dhariwal, claim between them 70 per cent. of the total capital invested in the woollen mills. This industry, it will be seen, affords a large opening for capital and enterprise. There appears to be considerable demand for woollen goods in this country, and it has to be satisfied with imports from abroad. The output of our mills is very small compared to the quantities imported. The value of woollen imports is six times as great as that of the Indian produce. Looking to the fact that we imported last year woollen goods worth $2\frac{3}{4}$ crores of rupees and also to the stagnant character of the industry at present, it appears to be high time that serious attempts were made to tackle this line of manufactures more earnestly. Oriental designs are being successfully imitated in rugs and carpets in foreign countries and our goods are being

ousted from the market. Something must be done to maintain the reputation of this land as the home of beautiful carpets, and we must strive to hold our ground successfully against foreign competition.

(4) There has been during the last fifteen years a remarkable development of tea plantations. The total area under tea cultivation was 3,34,825 acres in 1892-93 but this figure rose to 5,36, 652 in 1907. The exports of tea were 120 million lbs. in weight worth 6 crores of rupees in 1892-93. Last year these figures were 227 million lbs. and 10·30 crores respectively. Though the internal demand for tea in India itself is continually on the increase, Indian tea is finding greater favour in Russia, Germany and other countries on the continent of Europe. China, the home of tea, is being gradually displaced from the English market, her contribution of tea to the same having been reduced from 50 per cent. to 5 per cent. in twenty years. The only serious competitor with India in the tea market is Ceylon. Coffee plantations have not shown any progress during the last fifteen years, and our export of coffee is only 2½ lakhs hundredweights valued at 1·10 crores.

(5) In another industry again, we have been marking time. The number of paper mills was 8 in 1906. The capital invested has not appreciably increased within the last many years. The paper manufactured by the comparatively older methods in India cannot be expected to compete with the cheap wood-pulp paper imported from Europe. While imports of paper were valued at nearly one crore last year, the value of the Indian output did not amount to three-fourths of this figure. Much has therefore to be done in the development of this industry. It is not merely a question of capital or

demand. It is a question of up-to-date methods and materials to be used in the manufacture. The problem of supplying country-made paper cannot be solved until it is approached from this standpoint.

(6) Next we come to breweries of which there were 26 in 1906 as against 21 fifteen years previous. The outturn is 56 lakhs of gallons, an increase of 8 lakhs in 15 years. More than half of this quantity is purchased by the Government Commissariat Department, the remaining quantity being consumed by the civil population. It is estimated that two-thirds of the total production is consumed by the troops, the remaining third being drunk mostly by the European population residing in or near hill stations. The quantity of beer imported into India nearly equals that produced in the country itself.

(7) The output of Indian coal mines has been steadily advancing these many years. The quantity produced in 1892 was 25½ lakhs of tons, while the figure for last year was 111 lakhs, an advance of 14 lakhs over 1906. To-day the total output of Indian coal is five times that of 1892. The export trade in coal has never been very active in India, and while the indigenous production is rapidly growing and the exports have never been great, the imports have been expanding year after year, which is a sure sign of industrial activity, as the imported, along with the indigenous coal, is absorbed by cotton and other mills. In 1907-08 as many as 97 lakhs of tons of coal were calculated to have been consumed in India. There are more than 300 coal mines and over a lakh of persons employed in the coal-mining industry, which is chiefly confined to Bengal which contributes more than three

fourths of the total yearly output. The iron-mining industry has also before it a hopeful prospect, and it is gratifying to note that considerable progress is being made in tapping this source of India's mineral wealth.

(8) Mysore enjoys almost a monopoly of gold-mining and the value of gold extracted last year was about 3¼ crores of rupees. The Nizam's Territory and Burma also contribute a small fraction of the total production, the share of Bombay and the Punjab being negligible. The gold imported into the country last year was 20¾ crores as against the 4 crores of 1892. This large quantity seems to have been hoarded or sunk in ornaments from year to year and is of no use to industrial development.

(9) In the working of iron and steel mines we are to-day where we were twenty years back. It is the enterprising firm of Tata & Sons that are the real pioneers in this industry, though the history of the attempts made so far can be traced to the early part of the last century. There are a number of very serious difficulties in the way of such attempts and it is owing to these difficulties that the ventures have failed. As hinted above, however, the new company of Tata and Sons are going on with their work in right earnest, and in a few years we may be able to give a good account of the industry, which requires in its organisers an amount of skill, scientific knowledge, enterprise, as also vast capital together with the active help and sympathy of Government. In the meantime our imports of the metals are going up by leaps and bounds in consequence of the rapid progress of the textile industry as also owing to the needs of railways.

(10) Kerosene oil has in recent times come to enjoy

greater and greater popularity among all classes of people. In fact the vegetable oils along with the old-fashioned lamps have been swamped away by mineral oils. This industry is essentially of a very recent growth, and yet within the last few years it has assumed very large proportions. As an illustration of this, it may be stated that the percentages of Indian oil and that of foreign oil consumed in this country which were 4·7 and 95·3, in 1898-99, became 52·3 and 47·7 respectively in 1906-07. The total quantity of petroleum produced in India was 19 million gallons in 1897 and the corresponding figure for 1906 was 140½ millions. This is a splendid record and ought to gladden the heart of every Indian patriot. Last year we imported from foreign countries 2⅓ crores' worth of kerosene oil while the imports coastwise from Burma amounted to 2¼ crores. Our chief foreign suppliers are the United States and Russia, and in India itself the oil-wells are situated for the most part in Burma and Assam.

(11) Besides the industries noticed above, there are others, smaller but not less important therefore, which await development. There is every year a growing demand for refined sugar which cannot be supplied by the Indian article. With a few exceptions sugar manufactories are not carried on on a large scale, and the indigenous article turned out in small quantities is not able to cope with the cheaper but finer product of Mauritius, Java, Germany and Austria-Hungary. In the case of the sugar industry we have actually lost ground. Our country, which at one time exported large quantities of cane-sugar to other countries, now imports both cane and beet-sugar of the value of about 8 or 9 crores per year. On account of our old world manures and antique

methods of growing and crushing cane we are to-day far behind all other cane-growing countries in average outturn. This shows the urgent necessity of reform in our methods of agriculture and so long as we neglect this reform, it is not possible for us to compete with the cheap product of other countries. Here only capital, scientific knowledge and enterprise will not do. The help of Government is essential, and that help will be cheerfully given if asked, say, by an agricultural association on behalf of the poor and ignorant agriculturists who must be taught the use of the new methods and manures.

(12) As regards glassware we have to import almost everything we want in this line from outside, our imports of the same last year being valued at 1½ crores. This item on the import side, therefore, opens a large field before us. Last year we imported Rs. 61·2 lakhs worth of tobacco, cigarettes, &c. We have a few cigarette factories here and there, and some new ones have been very recently opened, but we have not yet been able to turn out articles that will compete with those imported from the United Kingdom, America or Egypt. Then there are other concerns of minor importance and smaller dimensions which I shall not deal with in detail. Thus we have silk filatures and silk-mills which have shown no progress during the last many years. Attempts have of late been made,—and in places there have been successful attempts—to start soap factories and match factories, candle factories and button manufactories, metal factories and cutleries, but they are too small and of too recent growth to allow a correct estimate as regards the capital sunk in them and the product turned out by them.

I have here passed under brief review the chief industries of India and have remarked on their present condition. The general impression left on the mind after a study of all the facts and figures given above, is that, while, we have been making, during the past twenty years, very gratifying progress in the manufacture of cotton and jute, in the working of coal and gold mines, in tea plantation and in the kerosene industry, we have been marking time as regards sugar-refining, oil-pressing, iron-mining, paper-making, wool and silk manufacturing; and in the matter of glass, leather, umbrellas, metal manufactures, stationery, carriages, etc., we are almost nowhere It is in the direction of these that we have now to make our way. That India yet remains a large field for producing raw materials for foreign manufacturing countries is no doubt true. But the opposite tendency which commenced thirty years ago is gradually gaining strength, and during the last five years the industrial problem has become the predominant factor in the public activities of the day. The question of the development of indigenous industries is now taken up in right earnest by the educated classes, and the whole country is ringing with the cry of Swadeshi It is satisfactory to find that Government have also turned their serious attention to the subject and their sympathy and co-operation have been liberally vouchsafed to us. On the whole, though the goal is yet far off, we are to-day much nearer to it then we were fifteen years ago Whether we look at the number of mills and factories, or at the amount of capital sunk in the industries, or the number of hands employed in them or at the spread of scientific and technical knowledge, or at the demand for Indian goods, or the interest

taken by the people at large in matters industrial, from whatever point of view we look at it, we arrive at the same conclusion, *viz.*, that we are making fair progress in the path of industrial development, and that we need not be disheartened by a few failures which are inevitable in the beginning. In describing the present condition of the various industries, I have already pointed out where there is scope for expansion and enterprise and where there are openings for capital. I shall therefore content myself with quoting a very instructive paragraph from the small but useful book on *British India and its Trade* by Mr. H. J. Tozer, as it very tersely summarises our industrial position and points out what we must do in order to improve it.

"The cotton and jute manufactures, already conducted on a large scale, offer scope for still further development. Sugar and tobacco are produced in large quantities, but both require the application of the latest scientific processes of cultivation and manufacture Oil seeds might be crushed in India instead of being exported while cotton seeds, as yet imperfectly utilized, can be turned to good account. Hides and skins, now largely exported raw, might be more largely tanned and dressed in India. Again the woollen and silken fabrics manufactured in India are mostly coarse fabrics and there is scope for the production of finer goods. Although railways make their own rolling stock they have to import wheels and axles, tyres and other iron work At present steel is manufactured on a very small scale and the number of iron foundries and machine shops, although increasing, is capable of greater expansion. Machinery and machine tools have for the most part to be imported. Millions of agriculturists and artisans use rude tools which might be replaced by similar articles that are more durable and of better make. Improved oil presses and hand-looms should find a profitable market. Paper-mills and flour-mills might be established in greater numbers. There are openings also for the manufacture of sewing machines, fire-works, rope, boots and shoes, saddlery,

harness, clocks, watches, aniline and alizarine dyes, electrical appliances, glass and glassware, tea chests, gloves, rice, starch, matches, lamps, candles, soap, linen, hardware and cutlery."

VI

THE LABOUR PROBLEM IN INDIA.*

An outstanding feature of the contemporary history of Western nations has been a marked advance of democracy and with it the aggressive character of the labour movement. Modern economic developments summed up by the word 'indutrialism' or 'commercialism' have pushed into the forefront many serious social problems, which demand immediate attention. Whatever one may think of Socialism, it is a factor that has to be counted with. Present social and economic conditions, the tendency of wealth to concentrate in few hands, the reduction of large masses of people to the condition of human machines, the degrading nature of the drudgery which numbers of work-people have perforce to undergo, the problem of unemployment which is becoming more pressing every day, the prevailing high prices, and the general discontent of the working classes with their lot—these have even furnished a justification for some of the proposals Socialism has been pressing One of the unfortunate and disquieting tendencies of the times is the form the struggle between labour and capital has taken. The demand for a rise of wages, and for easier and more convenient conditions of work by organised bodies of workmen, begins instead of ending with a strike and threatens to throw society and the industrial world into immediate chaos. France, England and Germany have

* Paper submitted to the Industrial Conference, Allahabad, 1910.

recently had occasion to realise the power of concerted labour. Remedies, legislative and otherwise, coercive and conciliatory, have been devised to meet such unhappy occurrences and they have met with varied success. In spite of them, however, the prospect is not very reassuring. On the other hand, there is every fear that, from time to time, the labour difficulty will be seriously felt to the detriment of social peace and economic progress. Comfort lies in the hope that fresh cures may be discovered to remedy new ailments.

Fortunately for us, the day is yet too distant, if it is to come at all, when India may have to face a similar situation. We have scarcely yet emerged from our primitive conditions of industry. Custom yet rules supreme among the masses of our people. Old industries are still in the domestic stage. We are strangers to capitalism. Indian manufactures are in the embryo or sickly infants. Millions are wedded to their fields and have to emerge out of their agricultural state. Large cities and towns are exceptions, and hamlets and villages the rule. The masses are illiterate and immobile. Labour is unskilled and inefficient, unambitious and unenterprising. Capital is lacking, and shy where it exists. Organisation is unknown to both. Under these circumstances, for us the industrial struggle, on the Western lines, is a thing of the future, if it cannot be avoided. The conditions, which make for industrialism, are yet absent in this country. Not that there is no poverty and squalor, destitution and misery among us. We have enough of these. We have our economic and labour problems also, though of a different type. The country is undergoing a slow and almost imperceptible change in the economic condition. Among the

requisities of wealth-production, labour occupies no unimportant position. We have always been laying the unction to our souls that whatever our difficulties with regard to capital, enterprise and scientific knowledge may be, we are rich in raw materials and labour, and these need give us no trouble. But latterly conditions have intervened, which show that this comfort cannot last long. And we are required seriously to consider how we may best secure the requisite quantity and quality of all the essentials of wealth-creation. It is proposed, in this paper, to deal only with the labour question in relation to the present condition and prospects of the indigenous industries.

Agriculture has always occupied a conspicuous position among the industries of India. But her manufactures have been no less conspicuous. Trades and industries have been the occupations of certain castes, and among the Hindu as well as the non-Hindu population of this country, we have had trade guilds like those of Europe in the Middle Ages. The constitution of the guilds in India has proved more rigid, though it has served the same purpose as the European organisations. In spite of the revolutions wrought by time, the Indian guilds may be seen in their pristine condition even to-day, while their European prototypes were broken up long ago. Under the inelastic guilds, which prescribed the patterns and the standards of the articles manufactured, the industries of India reached a very high level of perfection. But the advent of the cheap machine made goods imported from outside, deprived them of much of their business and most of them have now become disorganised.

It may be generally asserted that we have not yet passed the domestic industry stage. Many industries on a large scale have, however, been started and there we are following in the footsteps of the nations of the West. Machinery is replacing manual labour and hundreds and thousands of hands are employed together in mills, mines and factories. Thus the cotton and jute mills, the tea gardens and coal mines provide work of a mechanical kind to masses of men and women, who only contribute their physical labour. Numbers of the working classes are attracted to industrial centres and are thus induced to leave their homes. They go to tenant the densely crowded chawls and dirty slums of cities like Bombay and Calcutta. Healthy village life and occupations are deserted in favour of the alluring prospects of towns. The State has had to interfere on behalf of the labouring classes by enacting factory laws and ensuring fair and healthy conditions of the recruitment and treatment of work-people. It has found it necessary to control migration and emigration of labourers. We are thus entering upon a new phase of industrial and economic evolution, in which, it appears, the break-up of the old system will be followed by the introduction of Western conditions. The foundations of the caste-system have been sapped and its rigidity has been relaxed. The decline of the old industries has driven thousands of craftsmen on to agriculture and many of them are finding work in the new mills and factories. Owing to over-production, dull markets or the dearness of raw materials, many of the large concerns have either to shut down for a time or lessen the hours of work. Sometimes differences between the employers and the employed create difficulties.

At such times there is distress among the mill-hands. India is not an utter stranger to strikes, many of them of varying dimensions and seriousness having occurred within recent times. Indian labour, most of it being illliterate, is unorganised; but with the spread of education, organisation is bound to come. Here and there we have labour associations, but their power is yet nothing compared to that of the labour organisations of the West. Indian employers of labour on a very large scale have their organised bodies and they can act in concert if they choose to do so. The Factories' Bill now before the Supreme Legislative Council will find many strenuous critics from among the employers; but the views of labour cannot be adequately and properly represented. Indian agriculture, being yet in a backward condition is not much affected by the change that is coming over the manufacturing industries. But even there signs of the ushering in of a new era are visible.

From every quarter comes the cry of the scarcity and dearness of common labour. Whether it is agricultural, factory or domestic labour, skilled or unskilled, the complaint is the same. The manufacturer and the trader are handicapped by the higher wages they have got to pay to the labour they must employ. On the one hand, we are told that the potential supply of labour is ample, nay, inexhaustible, that the agricultural industry has been congested and that an outlet for that superflous labour must be found by employment in manufacturing industries.

"From inquiries instituted regarding the supply of industrial labour in the United Provinces and in Bengal, it seems that, though there is a shortage in the supply of skilled artisans, there

is no real deficiency in the amount of labour potentially available, and that no difficulty in that direction need be anticipated, if the conditions of work in the mills be made more congenial to the labourer and if the manufacturers adopt more systematic method of recruitment." (Statement exhibiting the moral and material progress and condition of India, 1907-08.)

On the other hand, every industry is to-day clamouring for a sufficient supply of labour and the agricultural industry is no exception. The cry is the loudest in those Provinces where the commercial and industrial expansion of cities absorbs large quantities of skilled and unskilled labour. We find in the above statement the remark with regard to Bombay that "there is shortage in the supply of agricultural labourers, who are, therefore, able to command relatively high wages." In the Land Revenue Administration Report, Part II, of the Bombay Presidency, for 1908-09 we find the Commissioner, Northern Division, observing as follows :—

"From almost every district comes the report that agricultural labour has been exceedingly scarce—a serious matter this since the dearth of labour may to a large extent lose to the agriculturist the full advantage of the extraordinarily good monsoon which has just closed."

The officials in the other parts of the Province speak in the same strain about this labour-difficulty from which the sister Provinces are not free. It is not only the skilled labourers, who are in request everywhere. Even the common coolies are becoming scarce and demand high prices for their labour. In their welcome address to His Excellency Lord Hardinge, the Bombay Chamber of Commerce adverted to this point. His Lordship, while recognising the hardship which dear labour must place on industry and commerce, pointed to the high level of prices which at present prevails and explained

the dearth of labour by the increased cost of living of the coolies in large cities like Bombay. We are thus confronted with this phenomenon. There is undoubtedly an abundant supply of potential labour in the country and yet industry and commerce are feeling the pinch of scarcity. How are these two facts to be reconciled ?

A considerably high level of wages of all species of labour has now become a marked feature of the economic condition of the country. Various causes have been suggested as having contributed to bring about this result. (1) The first and foremost and the most obvious of these is the high prices of food-stuffs. For many years Indian labour has been very cheap, and that was regarded as an important asset of the indigenous industries. But high prices have raised the cost of living and wages are highest where the cost of living is the greatest. Government have had to reconsider the scale of the salaries of their servants and wherever possible, they have been enhanced. Customary wages no longer satisfy the labourer and they have considerably risen automatically. It is estimated that, in the majority of cases, this rise has been commensurate with the rise in prices and that the labourers are, on the whole, better off than they were a few years ago. (2) The second cause assigned is the depopulation owing to Plague. Though the havoc caused by this epidemic cannot, in any way, be compared to the destruction which resulted from the Black Death in England, the consequences have been similar in India, though on a smaller scale. Since Plague broke out in Bombay in August 1896 to the end of the year 1908, the epidemic took no less than 61,82,796 victims. Up to date the mortality owing to

Plague may be taken in round numbers, to have been three quarters of a crore in the whole of India. This comes to nearly two per cent.of the whole population in about 13 years. Though some Provinces appear to have been the special favourites of the Plague, it has claimed its toll from all, and Native States have not been exempted. Plague is naturally the poor man's disease, though it respects neither rank nor riches. It may be easily conceived how its hand must have come heavily upon the lower classes of people, the labourers. Their ranks have been evidently thinned and scarcity has been the consequence. It is on record that "in some parts of the Punjab the mortality in 1907 was so severe as to disorganise the labour market and to affect the level of wages." (3) Another important factor that must be noted is the extension of industrial enterprise. New avenues are being every day opened to labour and it is running into a number of profitable channels. The new mills, factories, and other industrial concerns which are fast rising on all sides are creating an increasing demand for labour. Skilled workmen are not easy to obtain and they everywhere command a high price. Even unskilled labourers are pressed into service for want of better material. These latter are needed in large numbers for railways, canals, public buildings, and such other works and the increasing commercial activity of our large towns is, to a great extent, also responsible for the enhanced demand. (4) On account of Plague, scarcity and the prospect of higher wages, the labouring population has begun to show greater mobility. The migratory movements of labourers have indeed become a noteworthy factor during recent years, and are reported in almost all

Provinces of India. With regard to the United Provinces, it has been stated that "the increased emigration from the Eastern Districts and from Oudh to Bengal, Assam and Burma, has rendered the population less dependent on agriculture, as the emigrants remit substantial sums to their relatives." This is besides the fact that "during 1907-08 in spite of famine conditions, labourers were able to find large amount of work at good wages, owing to the large demand in factories and elsewhere." In the Punjab, we read, "labour becomes more mobile every year and labourers move of their own accord to places, where remunerative employment exists." In the Central Provinces and Berar, "labour is being attracted from the villages to towns, where sufficient labourers cannot be obtained although the rates of wages have greatly advanced during recent years." In Bombay "the commercial and industrial expansion of cities like Bombay, Karachi and Ahmedabad, the growth of mining, and the construction of public works offer a wider field every year for skilled and unskilled labour." This tendency of labour to migrate to new fields has been emphasised in the reports of Commissioners and Collectors in the Bombay Presidency. To quote a few typical instances: The Commissioner, Southern Division, says:—

"The people of jungle villages in the Mallad Talukas of Belgaum and Dharwar are reported to be gradually leaving their villages in search of employment, which trade-centres like Hubli and the Railway can supply..... .....Bombay as usual furnished employment to very large numbers of labourers from Colaba and Ratnagiri."

We read in the report of the Assistant Collector, Nasik.—

"Many of the able-bodied cultivators, (from Sinnar Taluka)

especially Dhangars from the east, 'go to Bombay to ply their carts for hire or work as coolies.' This year (1908-09) a special attempt was made, by careful inquiries in each village, to estimate the number of emigrants. Out of a population of 73,564, it was ascertained that 10,091 went to Bombay, while 3,832 went to work on the Godavery Weir and canals. Thus, nearly twenty per cent. of the entire population left their homes for five months."

While these migratory habits are to be welcomed as giving remunerative employment to many who would have had little or no work in their villages, as helping the development of industry and commerce and as making the immobile village people more active and enterprising, to their own advantage, it cannot be forgotten that agriculture suffers owing to a scarcity of local supply of labour. The agricultural employer has to pay unusually high wages to procure the necessary quantity of field labour. It is reported that in Broach, where most of the field labour has to be imported from Kathiawar or Kaira, it is said to be not uncommon for a man to obtain eight annas a day for mere weeding. The migrations of labour, inevitable and useful in themselves have not, therefore, proved an unmixed blessing to many localities. The emigration of coolies to Assam, under the strict supervision of Government, causes a considerable movement of labour every year.

"The number of emigrants of all classes recruited in Bengal, Madras, Central Provinces, the United Provinces and the adjoining Native States embarked at Goalundo during the year ending 30th June 1910, was 33,744 as compared with 56,791 in the preceding year. The decrease is attributed chiefly to the greater prosperity of the labouring class on account of the good harvests generally obtained in the recruiting districts."

It is stated that the labourers recruited from the various provinces to work as coolies in the gardens get

good opportunities of improving their condition, which they would not have obtained if they had stayed at home and that many of them become happy peasant proprietors. Government is doing the proper thing in controlling the recruiting agencies employed by the tea planters and is vigilantly watching their operations in the interests of the coolies. There can be no doubt that this immigration to Assam from distant parts must exercise an energizing influence on the inert and unambitious mass of labour thus recruited, and make it more active and enterprising. But it must be noted that the emigration of best coolies from Madras is tending to make labour scarce in some districts and the same wages have to be paid for inferior labourers. It cannot but have a detrimental effect upon the industries of the Province. It is needless to say anything here as regards the emigration of coolies to British and foreign colonies. Large numbers of Indian labourers emigrate every year to develop the resources of Mauritius, Natal, British Guiana, Fiji and other places, and they must restrict the local supply of labour. It is curious to see that, while there is a pressing demand for all kinds of labour in their own country, thousands of Indian workmen choose to emigrate to other lands. Either Indian employers do not take sufficient trouble to secure all available labour in the country, or the Colonies afford better prospects to the labourers. The new restriction in the Colonies, it is said, are producing a deterring effect upon emigration. This may slightly relieve the pressure now being felt by the indigenous employers of labour.

The condition of the labourers, it is asserted, is improving under the *regime* of high wages. But there

are no indications of greater efficiency to be seen anywhere. The operative or the cooly gets better wages not because he works more or better ; but because the employer has no choice in the matter and has to pay what is demanded. However intelligent and clever the craftsman may be, the inefficiency of the common Indian operative has become notorious. He has become conscious of his own importance and value to his employer, and good, bad or indifferent, he wants to get the highest price for his labour. The demand being in excess of the supply, the labourer finds himself in a position to dictate his own terms. The inefficiency of the labour is a serious drawback in our industrial position, and coupled with high rates of wages, works as a handicap on the manufacturers. It is difficult to estimate accurately the comparative efficiency of the Indian and the foreign workman. But the impression of outside observers is not favourable to the Indian operative. A large proportion of the mill-hands of Bombay, for instance, are men of the agricultural class. Each one has a piece of land of his own or the property of a joint family, and it is found that they have to absent themselves from work in the mills for months together for the sowing and harvest season, even without leave. They are not thus entirely dependent for their maintenance on their employment in the mills. Their going away to their up-country homes from time to time must disorganise the work and the employers be greatly inconvenienced. A recent European visitor to India, with wide experience of European conditions of manufacture, after watching closely the working and management of the cotton mills in Bombay, has recorded his opinion about indigenous labour, which is far from

creditable to it. He says that Indian labour is irregular and inefficient. The workmen are lazy to come to the mills. He saw much loitering about the mills and little energy in the operatives. Their living is very cheap and few of them can read. Climatic conditions, which do not allow continued work, are a factor, which must not be lost sight of in setting up comparisons between the Indian and the foreign workman. Efficiency of labour and management has raised the English textile industry to the pink of perfection. In spite of the difficulty of having to import raw material from outside, Lancashire can outbid foreign manufacturers, both in the cost and the quality. This is easily explained by the calculation that the production of a mill in India is only 65 to 66 per cent. of that of an English mill, though many more operatives are engaged. It is stated that the operatives are careless and their moral tone leaves much to be desired. Many of them become the victims of moneylenders. It is further calculated that in India it takes five or six men to do the work done by one Lancashire operative. If this estimate of comparative efficiency be correct, it is obvious that Lanchasire must outbid Indian manufacturers, so long as there is no improvement in the indigenous labour. The position of the Indian mill industry is peculiarly difficult. With the rise in wages, there has been little rise in efficiency, both of labour and management. With the increased foreign demand for cotton, the price of the staple must go up. Outside demand for the product of the mills is not extending ; it may perhaps contract still further. The internal demand also is not satisfactory. Under these circumstances, the inefficiency of labour must prove very detrimental to the indigenous industry

in the face of foreign competition. The same remark holds good in the case of the other industries in the land.

The three points that have to be noted in connection with labour in India are (1) its scarcity, (2) the high wages demanded, and (3) its inefficiency. As regards the first, it may be said that the present scarcity is only a passing phase and like the new Colonies India need not have any fears on the score of a permanent shortage in the supply. As new industries are started, and the number must increase from year to year,- the demand for labour, both skilled and unskilled, is bound to go on increasing; but at the same time the sources of supply will prove sufficiently elastic. Already the tendency of labour towards mobility is becoming more marked. Facilities of communication and the general social progress of the country will tap fresh sources of labour. The large numbers of coolies who emigrate to other lands may be induced to remain in the country by favourable prospects. The movement of elevating the depressed classes will supply large numbers of workmen who are shut out to-day from most of the industries on account of the restrictions of caste and are therefore confined to degrading occupations. This source alone will bring into the field a large contingent of sturdy coolies and operatives. It will no doubt, take time to kill the prejudices against them; but they must die ultimately. Another source of supply, which may be confidently looked forward to in the future, lies among the large classes of sturdy beggars who lead an idle life and thrive upon the misplaced charity of a naturally generous people. The trade of beggary is plied by lakhs of lubbers and is consecrated by long custom and superstition. It has become a hereditary calling with certain

classes, who feed upon the charity of the well-meaning pious. As time goes on idle beggary must cease. The State may even be asked to interfere in the matter and check the evil. Public opinion will certainly tend to discontinue indiscriminate charity and the ranks of the drones and do-nothings will be thinned. The thousands of the so-called Sadhus, who neither spin nor weave, and do no service to society have no claims upon it for their maintenance. In the future, workmen will also be recruited from the ranks of people who at present do no useful work. Employers of labour will have to tap labour sources by means of organised recruiting agencies on the lines of the tea planters in Assam. From day to day the recruitment of coolies must prove a difficult operation. But there is no reason to fear that the supply will fail. The potential supply is large and must prove adequate if properly negotiated. A more extended use of labour-saving machinery will also relieve the present pressure of demand to a considerable extent.

The high wages of labour have apparently come to stay. The consciousness of his importance, which has dawned upon the workman, and to which reference has been made above, as also the high prices and the increasing demand, will not allow of any reduction in the present rate. If anything, wages will mount up still higher as years roll on. The Bombay Government observe :—

"Labour has become more mobile and the labourer more independent. The struggle between the Bhils and their masters in West Khandesh, referred to by the Commissioner, C.D., wherein the masters are endeavouring to maintain a time-honoured system of contracts and advances, is a phase which is typical of the changes that are occurring all over the Presidency. In the

Surat District, the Anavala Brahmin is losing the service of his halis or hereditary serfs, and everywhere customary tasks at customary wages are giving way to free contracts" (*Government Resolution on the Land Revenue Administration Report, Part II of the Bombay Presidency, including Sind, for* 1908-09.)

This tendency towards independence and enterprise is not equally marked throughout all parts of the country. In many places there is still a complaint about immobility and want of enterprise among the labouring classes. But the general impression is the other way. Higher wages mean greater cost to the employer and the general consumer in the country. The employers of labour and manufacturers will have to count with wages as an important factor, adjust themselves to the new conditions and effect economies, wherever possible.

The inefficiency of labour is a serious factor in the situation. Higher rates of wages will not matter much if they are accompanied by a higher degree of efficiency. How to make Indian labour more efficient is a problem for serious consideration. Efficiency implies physical capacity and stamina, regularity and punctuality in attendance, a sense of responsibility and honesty, skill and activity, carefulness and concentration and such other qualities. Ignorance is responsible for many of the habits, which mar the economic usefulness of the operative. Spread of primary education among the people of the country will help to remove at least some of the causes of complaint. Education has gone a long way in making the working classes of Western countries what they are. Organisation and co-operation for self-improvement among Indian operatives cannot be thought of until education creates in them a

consciousness of their situation and their needs We see, here and there, instances of employees on railways and tramways, in mills and factories, going on strike as a protest against the conditions of employment, and they evince a dawning sense of the usefulness of concerted action. But operatives in India must start organisations on the lines of the trades unions of the West, not only for presenting a solid front to their employers, but mutual relief and the common good of their fraternity. The efforts that are at present being made to encourage education among the backward classes must make workers more efficient than they are at present. Special manual training and technical education will also act favourably on the economic development of the country. Various forces are at work in the land, tending to improve the condition of the agriculturist, the artisan, the operative and the cooly The State, the employers and the public-spirited citizens must come forward to assist in the amelioration of their condition. Special responsibility lies upon the employers, who must see that their workmen find conditions of work congenial to them and that they are as efficient as they can be. The question of the extension of elementary education is the most urgent and it must be seriously taken up in the interests of the economic and industrial development of the country. Efficient labour plays an important part in the production of wealth. It is needless to say that the indigenous industries will be more prosperous and the people happier in proportion to the degree of the efficiency of labour.

An attempt has been made, in this paper, to indicate briefly what is the position of our industries, so far as labour is concerned, to show what are our drawbacks

and indicate the ways in which some improvement may be made. The days are gone by when labour as a factor in production was not a subject of anxiety. In these days of keen competition, and an economic upheaval all over the world, everything that is concerned in industrial progress, capital, enterprise, scientific knowledge, and efficient labour, requires close attention. The subject of labour does not appear to have received the important consideration it deserves. But the higher rates of wages, the scarcity in the supply of skilled and unskilled labour, and the new social and economic changes, that are coming over the country, are slowly revealing the importance of the problem. The labour troubles and the general labour movements in the Western countries also are calculated to make us think over the subject. This paper is no more than an humble attempt to state the case of Indian labour and invite attention to the question.

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VII.

THE BREAKDOWN OF BOYCOTT.

During the last two or three years no two words have been oftener used and misused in the Indian public press, on the political platform and even in the pulpit, than Swadeshi and Boycott, if, of course, we except Swaraj and National Education. The Annual Review of the Trade of India for 1907 08, which has been recently published, led us to look into and examine the figures given therein and to seek any signs of improvement or otherwise in our economic position that may be discovered therefrom.

We propose to find out what progress the Industrial Movement has made within the last three years and what influence, if any, has been exerted by the much-vaunted boycott on the situation.

What is its effect (as distinguished from Swadeshi) on the imports of foreign articles against which a regular crusade has been conducted with so much persistence for the last three years? We give below a table showing the values of some thirteen of the principal articles imported into this country during the last five years, commencing with 1903-04.

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* *The Indian Review* for December, 1908.

Statement showing the values of thirteen of the principal articles imported into this country during the last five years.

No.	Name of article.	Year 1903-04.	Year 1904-05.	Year 1905-06.	Year 1906-07.	Year 1907-08.
		Rs.	Rs.	Rs.	Rs.	Rs.
1	Sugar	5,93,58,000	6,90,27,319	7,77,45,199	8,73,81,164	9,22,70,000
2	Hardwere and cutlery ...	2,32,78,000	2,37,92,000	2,26,67,000	2,66,05,000	3,16,54,000
3	Tobacco	49,59,000	55 63 000	66 09,000	69,33,000	84,36,000
4	Apparel	1 99,57,571	2,23,99,627	2,21,76,885	2,11,22,755	2,58,80,000
5	Carriages and Carts	43,53.866	55 02,106	76,81,128	92,46,548	1,18,00,000
6	Glass and Glassware ...	99 20,759	1,12,57,101	1 12,47,108	1,21,14,108	1,44,52,000
7	Leather and Manufactures of Leather	26,19,633	25,21,909	30,60,820	32,58,681	38 33,889
8	Matches	50,61,057	48,95 283	58,83,257	68,12,731	73,77,000
9	Paper and Paste Board ...	52,18,396	61,37 288	70,48,478	80 11,105	99,24,000
10	Soap	26,56,673	27,23,705	31,90,890	3?,28,156	41,72,147
11	Stationery	37,08,048	36,77,860	37,77,433	40,40,347	44 38,000
12	Umbrallas	24,58,877	18,95,064	19,79,269	18,85,939	19,96,769
13	Umbrella Fittings	...	...	14,32,652	23,63,688	25,90,873

We admit that three years is not a sufficiently long period to appreciate the effects of any movement, political or industrial. But the figures of the imports and exports of merchandise for the last three years will serve to show how the wind is blowing, what are the general tendencies of manufactured imports from foreign countries, and what are the prospects of the Swadeshi and the Boycott Movements. Now take up the first article in the table given above. It must be remembered that sugar, next to cloth, has been the chief object of the attack of the boycotters, and there is no weapon, social, religious or political, that has not been made use of against foreign sugar. The sponsors of boycott were aware from the first that India has not, and is not likely to have, in the immediate future, the means of meeting the ever-increasing demand for sugar among our people and of competing, with any success, with Mauritius and Java. And yet, even the superstitions of the people were worked upon to discourage the use of the article, even when they knew that there was much smuggling practised in the sugar trade here. In spite of these frantic efforts, however, the imports of sugar expanded by nearly 96 and 61 lakhs of rupees during 1906-07 and 1907-08, respectively. The advance in 1907-08 is not in proportion to the average increase of previous years, but this is accounted for by a shortage of crops in Germany and Austria-Hungary, whose share declined from 21·7 to ·82 per cent. of the total.

It is remarkable that in a cane-growing country like India the price of imported beet should continue to dominate the market, even when the imports of cane-sugar continue to advance at its expense and represent in the year under review (1907-08) no less than 92·1 per cent. of the total. As a producer, it would seem that India is losing rather than gaining ground. She is far

behind all other cane-growing countries in acreage outturn, and unless this is improved, the creation of more factories for the scientific crushing of cane to supersede the wasteful and primitive methods of manufacture from *gur* will not be sufficient to prevent increased competition on the part of imported sugar, and particularly of cane-sugar, from the adjacent markets of Java and Mauritius.*

Though the total production of potential sugar in India is large, yet the outturn of raw sugar per acre under cane is 1·25 tons as compared with 2 tons in Cuba and 3·44 tons in Java and 4·02 tons in Hawaii. Here there is a vast field for the Indian patriot. If some time and energy were devoted to helping the poor and ignorant agriculturists in adopting the improved and scientific methods of sugar cultivation and manuring, it would be a real and solid service rendered to the cause of Swadeshi. Governments in the various parts of India are quite willing to give necessary assistance in this work ; but will the boycotter deign to apply to Government for aid in the matter ? Agricultural reform is a difficult work, but at the same time a work of the utmost necessity and importance to us. To neglect this agricultural improvement and industrial reform, and to create an artificial demand for a thing which does not exist, is only to place the cart before the horse, if nothing worse.

Going next to hardware and cutlery, we see that there is a continuous increase in the imports in the last three years. This head covers lampware, the value of which showed an increase of Rs. 3·3 lakhs or of 14 per cent. in 1907-08 over the year previous. There was in the beginning, a senseless crusade even against mineral

* Review of the Trade of India in 1907-08, by C. W. E Cotton, I. C. S.

illuminants, and the boycott in this instance has naturally collapsed, as it deserved to be. The values of imports of cutlery alone have increased by Rs. 3 thousand and 4·21 lakhs during 1906-07 and 1907-08, respectively. Here again a mere boycott, not accompanied by any appreciable attempt at larger production, has failed, as it was bound to do in the existing state of things. The imports of metals show a considerable advance and the steady increase in the values of the various classes of machinery imported into India in the last three years betokens the growing industrial activities of the country. Under textile machinery alone there is, in the last year, an increase of Rs. 36·3 lakhs. The demand for steam engines, for mill work, and for electrical and mining machinery is steadily increasing.

This is not a place to discuss whether smoking is on the increase in India, nor to say how it affects the health of smokers. One fact seems to be clear and it is this. The smoking of cigars and especially of cigarettes is becoming more and more fashionable among all grades of Indian society. We imported something like Rs. 23½ lakhs worth of cigarettes alone in the year 1902-03. This figure was almost doubled in 1907-08, the value of imports of cigarettes being Rs. 61·2 lakhs last year. Among the hundred and one articles proscribed in Bengal after the partition, cigarettes occupied a prominent place. As a result of the boycott then promulgated, we were told by the Bengali papers, that the *gharwallas* had given up the fine but foreign article and had taken to the indigenous 'bidi.' The *bidiwallahs* were represented to be making a roaring trade in the Swadeshi article. It may be that a few *bidiwallahs*, as a result of the boycott, got more customers

or that a few more got work in *bidi*-making. But that is not the way of developing industries. And what is the position now? The *belati* cigarette has once more rehabilitated itself. Apparently the cigarette has come among us to stay. It is no use asking people to go back to the primitive *bidi*. We must manufacture our own cigarettes. Cigarette factories have, no doubt, been recently opened at Monghyr, Karachi and other places also. But a greater and a more systematic attempt has to be made to compete with the pretty articles imported from the United Kingdom or the United States. The United Kingdom is the premier country in the production and supply of cigarettes and its share has gone up from about Rs. 28 lakhs in 1905-06 to Rs. 30 lakhs in 1906-07 and 43 lakhs in 1907-08. There is here a miserable failure of the boycott of foreign articles and particularly of British goods.

Under the heading of Apparel there was a small decrease for the two years, 1905 06 and 1906-07, but it was more than made up last year, the increase for 1907-08 being Rs. 47·06 lakhs. Under carriages and carts, which includes Motor Cars and Motor Cycles, there was a greater proportionate expansion of Rs. 25·53 lakhs or 27 6 per cent. That cycles are becoming more popular among our people is shown by the expanding values of imports, the value of cycles imported in 1907-08 exceeding that for the previous year by Rs. 2·04 lakhs. In the manufacture of glass and glassware we are nowhere, having imported these to the value of nearly Rs. 1½ crores as against about one crore in 1903-04, the increase for last year alone being almost a quarter of a crore. In spite of the much-advertised and much-be-praised boycott meetings and the boycott oaths of our women folk, glass

bangles showed a marked expansion of nearly Rs. 13 lakhs in 1907-08. A few glass factories are being talked of as in the process of formation and some small concerns have been actually started. But the demand that has to be met is very large and the boycotter will find an extensive field for his energies if he has an inclination to turn them in that direction. A number of match factories have been started in India and now-a-days the article is much in evidence in the market. Yet the competition of the foreign manufacturer appears to be very keen and the imports expanded in the last two years by about Rs. 4¼ and Rs 10½ lakhs. The indigenous manufacture does not seem to have produced any impression on the imports and there is a wide scope for expansion here also. In order to be effective, the attempt must be made on a more comprehensive scale. The import trade in paper and paste-board shows an equally marked advance, the increase last year in printing paper alone being Rs. 8 lakhs. A taste for reading books and especially newspapers is being cultivated in the country, and hence the larger demand for printing paper. Here also we are far behind in the race and no serious attempt appears to be made to meet the ever-increasing demand. It need hardly be said that in spite of all tall talk about using Swadeshi paper and the showy and aggressive "Nationalism" of not a few newspaper editors, we have yet to look to foreign countries for the supply of means to publish our ideas about boycott of foreign goods and that too in a greater and greater measure.

Looking to the simple art of soap manufacture and the advertisement of a number of soap manufactories, one would have expected to see a decline in import

figures in the case of that article. As a matter of fact, however, the value has gone up by Rs. 9½ lakhs in a single year. This increase is out of all proportion to the average increase of the last four years and is therefore inexplicable, having regard to the indigenous manufacture of large quantities of soap. The habit of using soap is fast spreading among all classes of people in this country and there is no reason why the demand should not be supplied by Indian manufacturers. There is an equally extensive field in the manufacture of umbrellas which are coming into the country in larger and larger quantities. Some well-meaning enthusiasts have been seen reverting to the old fashion of using cheap "Singapore" umbrellas or covering themselves with blankets. But the march of civilisation seems to be too much for them and Chinese and Japanese umbrellas are speedily going out of fashion and their imports are fast declining. Not much perceptible progress seems to have been made in umbrella-making in India and the field stands open to manufacturing skill, enterprise and capital.

We have thus dealt with nearly twelve or thirteen of the principal articles of import in this country and have been able, we believe, to show that boycott has failed as far as the figures for the last three years go. We have no desire to chuckle over the fiasco. We only regret that so much ink, paper and breath, not to speak of time and energy, have been wasted in preaching a crusade against articles of foreign manufacture when we were not in a position to supply even a fraction of the ever-increasing demand for those articles. Nobody condemns boycott because sugar refiners of Mauritius or Austria-Hungary are likely to suffer or

because mill hands in Manchester or Lancashire will have to work short hours. Whose heart would not rejoice if India were to supply her own increasing wants without help from outside ? India's industrial problem, however, does not lie in curtailing wants or confining them to a few necessaries. Our industrial and economic prostration is due not to a lack of demand but to a lack of supply. Indians are, after all, human beings and their patriotism has its limits. Demand is, no doubt, one of the essentials of production, but here in our country we have demand enough and to spare. We recognise that infant industries must have patronage and support. We also own that the beginnings of great things are small and should not therefore be objects of ridicule. Having conceded all this, we fail to see what purpose boycott is intended to serve as a factor in the economic development of India. You cut off the demand for foreign goods and there is a temporary fall in the import business. It is, however, only the lull before the storm. Larger quantities flow into the country in response to a demand for them which can never be put down as long as human nature is what it is. There are scarcely any instances of industries started in India and conducted on the modern methods and on the proper scale having languished or died for want of demand for the articles turned out by them. There is, indeed, no hope for the old-world industries, carried on under the old-world conditions and in the old-world ways. They are for ever doomed. It is no use sighing for them or mourning over their ruin. A welcome sentiment in favour of Swadeshi articles has no doubt been recently created ; and that sentiment is being carefully nourished by the Congress ; but sentiment is

not capital, sentiment is not technical skill, sentiment is not enterprise, sentiment is not commercial integrity. We have yet to acquire these things and boycott is not calculated to help us in the acquisition. The true Swadeshi spirit has long been abroad in the land and what little progress we see in our industrial development, is entirely its fruit. The strain that boycott puts on the nerves of the nation must last for a short time and must leave the people exhausted and enervated after the frenzy is dispelled by the cold logic of facts. That the boycott propaganda has done absolutely no service to the cause of India's industrial development is amply shown by the figures of the imports of the boycotted articles in larger quantities. What little impression was made in the beginning vanished immediately it was made, and to-day we are none the better for all the nerve-straining and passion-exciting which it entailed.

VIII

SWADESHI AND BOYCOTT.*

I find that my article on the "Breakdown of Boycott," which appeared in the December number of this Review, has attracted some attention and has evoked a good deal of criticism, both friendly and hostile. I am glad that none of the critics who have essayed to assail my position, has been able to point to a weak point or an unsound conclusion. Under the circumstances, I should not have deemed it necessary to write anything further on the subject, if it had not been for the fact that there has been much confusion and misunderstanding created about the nature, scope and effects of Boycott and Swadeshi. The views held about Boycott by writers on the subject are so different that they almost touch every extreme, and my article on Boycott has, therefore, been attacked from various sides One critic ignorantly questions the correctness of some of the figures I have quoted. Another, not having grasped my point, charges me, through a misunderstanding, with having suppressed a particular set of figures. A third declares that Swadeshi and Boycott are identical and should not have been distinguished from each other. A fourth says that the Indian Boycott is directed against English goods only, and figures connected with the imports of those goods alone, ought to have been taken into account. A fifth states that

* *The Indian Review* for June 1909.

that Indian Boycott is a universal Boycott, and as such, is levelled against goods coming from all foreign countries such as Germany, Austria, America and even Japan. A sixth class of writers make the Indian Boycott what they call an "Economic Boycott." In this chaotic condition of the common conceptions about Boycott, it has become necessary to clear the ground before we approach the question really at issue. Mr. R. K. Prabhu, who has attempted a reply in the current month's *Modern Review*, concedes the whole position when he says that "Boycott as it obtains in India, is no Boycott at all in the real sense of the term." One of the grounds of those who have, from the first, been opposed to Boycott in this country, has been that an Indian Boycott, in the peculiar circumstances of the country, besides being harmful, is impracticable. If we go into the genesies of the Boycott movement in Bengal, we shall find that it was based on the feeling of resentment and protest against the partition of that province. Even if we leave aside the Boycott of Bipin Babu and his disciples—a Boycott of every thing British, —as being chimerical and preached by only a handful of political visionaries, we still have many people advocating Boycott as a threat to British manufacturers and indirectly to the British people. There is the idea of touching the pocket of John Bull and thus rousing his self-interest into making him see with his own eyes what is doing in India. Boycott is no Boycott if it is not based on resentment, on a desire to retaliate, to punish. By all far-sighted people such a political Boycott in India was declared from the outset as futile in the peculiar condition of the country, political, social, religious and industrial. But in the impulse of the

moment, the Bengalees, inspired by the example of China and other countries, declared a boycott of English goods, and even now writers are not wanting who point to the Turkish Boycott of Austrian goods as an illustration and also a justification of the Indian Boycott. An "Economic Bycott," as some euphemistically call the Indian movement, is only an after thought. Such a political Boycott—and a Boycott cannot be anything but political—has very little in common with Swedeshi, which is a pious movement to start, encourage, and foster indigenous industries by all available means, with help from all quarters and calculated to improve the economic condition of the country. While Boycott is political, Swadeshi is economic; Boycott has its life in a desire to retaliate upon and punish others, Swadeshi only seeks self-improvement; Boycott bespeaks resentment at another, Swedeshi implies love of one's country; Boycott to be successful, must at once be complete and all-absorbing which is not practicable, Swadeshi succeeds by slow but sure steps; Boycott, from its very nature, is calculated to be temporary, Swadeshi continuous; Boycott is militant, Swadeshi peaceful; Boycott has been, from the beginning, considered as a political weapon to be used for political purposes, Swadeshi has been all along a pacific policy of self-improvement. Whether a Boycott of English, or for the matter of that, all foreign goods, is practicable or desirable, I did not and do not here care to consider. It may be beneficial in effects as some contend, or it may not. I do not wish to say anything on either side. What I am concerned with is the fact that Swadeshi is distinct from Boycott with which it is attempted to be identified. Let there be no

misunderstanding on the point. The critic in the *Modern Review* acknowledges that "the Indian Boycott though originally meant to be directed against British goods alone, is now directed against all foreign goods." It is thus only a later development that Boycott has come to be understood by some to be only an "emphasised form of Swadeshi." But very fact that we have been speaking of Swadeshi *and* Boycot as two distinct things not only in Bengal but in all parts of India, and that two distinct resolutions on these two movements have been insisted on in all meetings and conferences, goes to show that a clear distinction has always been made and recognised between the two. If it were not so, the fuss made over the famous "four resolutions" would have had no meaning and the row that has been kicked up because the Madras Congress gave the Boycott Resolution the go-bye would be inexplicable. The very wording of the Congress resolution about Boycott clearly shows that that body understood it to be a protest against the partition of Bengal and nothing more and that it was calculated to have no economic signficance.

The Swadeshi movement being thus distinct from the Boycott propaganda, on account of the nature, the scope and the motives with which the two are conducted, the success of one is quite compatible with the failure of the other, and one need not be horrified if it is said that while Swadeshi is making fair progress, Boycott has broken down. Some writers point to the larger production of Indian cloth as an argument to prove that Boycott has succeeded. They might as well assign the Indian Boycott as a cause of the acquisition of a Parliament by the Turks! When we boycott a nation or nations, we must have nothing to do with them and

their goods. And as-far-as-possible Boycott is no Boycott at all. It is mere self deception. It is after three years that Boycotters have come to realise this, and they are now trying to hide themselves behind Swadeshi saying that their Boycott is only Swadeshi emphasised. There are indeed many people who see in Boycott only another form of Swadeshi and who do not appreciate the difference between the two movements. Such people will, I hope, grasp the situation by the light of explanation I have given above. They will please note that the breakdown of Boycott does not involve any loss to the cause of Swadeshi, which is steadily making progress on its own lines. *Praja Bhandhu* of Ahmedabad would not have thought of criticising my article if it had realised that, though I spoke of the breakdown of Boycott, I had nothing but praise for its views about Swadeshi which I thorougly endorse. I wish to emphasise my view that Swadeshi contains everything that is essential for the healthy growth of nascent industries. Swadeshists are understood to have pledged themselves to give preference to Indian over foreign goods even at a sacrifice and to help in creating new and reviving the old industries of the land in all ways possible. A failure of Boycott, on this view of Swadeshi, does not reflect any discredit on the latter movement.

It was in 1905 that Bengal inaugurated the Boycott of English goods as also those coming from other countries. Enthusiasts from other parts taking their cue from Bengal, followed suit and made bonfires of *belati* articles. Foreign goods were anathematized and a regular crusade was carried on against them. How are we to estimate the effect of this Boycott ? Certainly not by increased production of Swadeshi articles

such as cloth. If the movement against the use of foreign articles has succeeded, the imports of those articles ought to decrease. If, on the contrary, these imports show a tendency towards an increase, the movement has, we may conclude, utterly collapsed. A boycott of foreign goods practically amounts to a high and prohibitive import duty on such goods coming into the country and the only way to judge how far such a preventive duty has been successful is to see whether or not the imports have fallen off. If the imports of the duty-prohibited or boycotted goods go on increasing for three successive years, it is a conclusive proof that the duty or the Boycott has been an utter failure. I have, in my last article, quoted the figures of thirteen articles of import against which the Indian Boycott was specially directed, and shown that no impression whatsoever has been made upon them. The imprecations of Boycott could repel the tide of foreign imports no better than did the commands of the flattered king drive back the waves of the sea from the foot of his throne. It is futile to point to the increase in the number of Indian Cotton Mills and the larger production of cloth in them as a proof of the potency of Boycott. It is the triumph of Swadeshi, in which prince and pauper, Government and people, individuals and institutions, have been working in co-operation. Swadeshi will go on making progress, though the Boycott has collapsed. Now that the futility of the Boycott propaganda has been brought home to its advocates, will it be too much to expect that they should give up merely talking about it, as they have been so long doing? They will do well to use their pens and lungs in the cause of Swadeshi. The luxuriant growth of industries that are fast

spreading in all parts of the country is the outcome of the seeds of Swadeshi that were sown in the soil many, many years ago, and had it not been for it, even the little plausibility that some see in the blatant boast of Boycott would have been impossible.

That the Governments of the various provinces have come forward to help the cause of indigenous industries is, we hope, not attributed to the Boycott agitation which has often sought to proscribe all connection with those very Governments ! The Government of the United Provinces has been trying to solve the problem of sugar manufacture, the Bengal Government is moving actively in the matter of encouraging industries in various ways, and they have recently addressed a letter to all officers asking them to encourage Swadeshi articles by giving contracts preferably for the same whenever possible. The latest step of the Madras Government is the appointment of a Committee of Experts to inquire into the possibility of establishing chemical industries in the various parts of the Presidency. The question of scientific and commercial education, it is now well known, is engaging the serious attention of the Bombay Government. All these are steps in the right direction and every Indian ought to feel proud of the progress indicated by them.

What genuine Swadeshi spirit can do is well illustrated by the textile industry of Bombay which was started long, long before the birth of Boycott in Bengal. The production of cotton manufacturss, both yarns and piece-goods, has nearly doubled within the last five years and exports of the same which stood at 14½ crores of Rs. in 1905-06 declined to 12 crores in the next year and to 10¾ crores in 1907-08. This means larger

quantities were absorbed in the country, the indigenous production of China also having contributed to this result. Bombay mills were able to clothe the sister Provinces with their produce and the lakhs of yards of cloth that have been sent to Bengal and Madras bespeak the triumph of Swadeshi in Bombay. The industrial movement has long taken root in that Presidency, thanks to the efforts of men like the late Mr. Justice Ranade and other patriots, and the enterprise, experience, skill and capital of Bombay Mill-owners are now bearing fruit. Other places are following in the wake of Bombay and the prospect before the cotton industry is most hopeful. The spindles in Bombay looms are ten times those of Bengal and thirteen times those of Madras. Of the looms 52,436 are in Bombay, 781 in Bengal, and 1,748 in Madras. In the past ten years the number of looms has increased by about 76 per cent. against 29 per cent. for spindles. In spite of this large output, the imports of cotton fabrics are going up from year to year. There was, no doubt, a fall in 1906-07 amounting to Rs. 1 crore and 32 lakhs from the figure of the previous year ; but this was more than made up in 1907-08 when the imports rose by Rs. 6½ lakhs. We may expect a fall in these imports this year also. Perhaps there has been over-production in Lancashire and owing to the recent famine in the United Provinces large stocks of the imported cloth are likely to be undisposed of in the godowns. Whatever the cause of this set-back, whether a larger demand for Swadeshi goods or otherwise, the figures at any rate show the vast field that lies before Indian manufacturers. The imports of cotton goods represent more than one-third of the total imports, and

there is immense work to be done in occupying this field. This means solid, silent, constructive work, a true Swadeshi effort. It means the production of larger quantities of cotton of the higher counts, which again means agricultural reform and development. We thus again come back to the real, pious Swadeshi, as opposed to the vapourings of Boycott.

The Jute Mills in Bengal are also doing yeoman's service, the exports of Jute goods having nearly doubled in the last five years, the figure for 1907-08 being Rs. 18,29,76,000 as against Rs. 9,46,92,000 for 1903-04. The production and exports of tea to foreign countries have also been increasing, the value of the latter having advanced from Rs. 8½ crores in 1903-04 to more than Rs. 9¾ crores in 1906-07 and 10¼ crores in 1907-08. It must be remarked here that many raw materials such as seeds, hides and skins, and cotton which we export to the value of many crores ought to be manufactured in India. The total value of the exports of these raw materials comes to about 76 crores of Rs. annually, a little less than one-half of the value of the total exports. Fortunately for us we enjoy the precious advantage of having raw materials in abundance, which manufacturing countries like England have to import from outside. We are therefore in a very happy position in the possession of these. If we apply up-to-date methods in manufacturing the raw materials in our country, we shall have so much wealth that is now going out of it. We must thus start tanning and oil industries, coal-mining, iron and steel industries as also silk, woollen, glass, paper and other manufactures. This is a stupendous task, one which will require years and years to accomplish. A beginning

has, however been made and the success which has been achieved in Bombay as regards the textile industry ought to inspire us with a hope that if we persevere whole-heartedly and with a singleness of purpose in the industrial regeneration of our country, our efforts are bound to be crowned with success in the distant future. Let us have patience and let us not be carried away by impulse of the moment into wild sentiments and hasty actions which will only retard our progress. To think of attaining the industrial goal without the sympathy and co-operation of Government, is simply preposterous. Swadeshi, as defined before, contains all the healthy and useful elements that will ensure our attainment of industrial and economic salvation and we must, therefore, stand resolutely by that Swadeshi.

This wholesome Swadeshi spirit is already becoming manifest in manifold ways. Everywhere new Banks and Insurance Companies are being started and they are said to have proved successful ventures. The principle of Co-operative Credit has come to be grasped and the Societies established in various parts of the country are declared to be making fair progress. A considerable amount of valuable economic work is said to have been achieved by the Imperial Institute at Dehra Dun and a variety of woods are being tried for purposes of lead pencils, match boxes, tea boxes, opium chests, tobacco pipes in Burma, the Punjab, and the United Provinces. It is not possible here to give a complete list of the mills, factories or other industrial works recently started in India. A few instances may be cited to show how the Swadeshi spirit is taking a tangible shape in the various departments of industrial activity. Thus the two new

Sugar Factories in the vicinity of Cawnpore have begun regular operations and we are told Indian capitalists in Allahabad propose to erect a large refinery in tha town. A Company has been formed to work the old Steward Tannery at Agra, and small chrome tanneries are likely to be established in other towns in the U. P. Three new Weaving Schools have also been established in those provinces, besides a new glass factory, the Kasi Glass Manufacturing Company, that has been already advertised. Sugar Factories are reported from Hospet and Sholapur, Cap Manufacturing Companies on a large scale from Bombay and the Punjab, and Steam Navigation Companies from Bengal and Bombay. An Oil Mill has been started in Bombay and an Umbrella Factory in Poona. Besides such concerns on a considerable scale, many smaller Factories and Works in connection with lead pencils and nibs, matches and soap, note-papers and envelopes, Chinaware and hemp sole-shoes, inks and polishes, bangles and perfumes, buttons and cutlery, and many other articles of every-day use, are reported to have been started in various parts of the country. An increased demand for Swadeshi *dhoties* and other kinds of cloth has given a new life to the dyeing and weaving industay in Bengal and Madras, and many families of weavers which had been out of work and fighting against destitution have once more a hopeful prospect opened out to them. The cry of Swadeshi is ringing from one end of the country to the other and there is no newspaper that does not announce from week to week a new Factory or Company or does not refer to new attempts in the direction of industrial progress. As the cause of Swadeshi will prosper, it will help a large production of indigenous articles and will

arrest the imports of those goods from foreign countries in the same proportion. As the cotton industry, both mill and handloom, is now considerably old, it is natural that the impression produced on the imports of foreign cloth should be marked. Thus Bengal has been taking smaller and smaller quantities of that imported article, and the other provinces are doing the same. And this explains the extraordinary phenomenon, incomprehensible to some, of the unexampled prosperity of Indian Cotton Mills in a year of distress, short hours and closed Mills in England. As the other nascent industries are yet only in an infant or embryonic state, it will take decades or even generations before we become self-reliant in connection with them. There are obvious limitations inherent in the physical and economic conditions of this country, and he is a bold man, indeed, who expects India to become self-sufficient in the matter of her manufactures in the near future. To be entirely independent of the supplies of other countries should not and cannot be the ideal of any people in these times, least of all of the people of India in the backward state of their agriculture, of their knowledge, scientific, technical and commercial, and of their social and educational systems. We must carefully study the industrial possibilities of the land and concentrate our attention on certain industries which it would be profitable to develop. It is no use frittering away our energies on a variety of industries simply with the ambition of dispensing with foreign imports and becoming self-reliant in every detail. It is also unprofitable merely to pronounce a ban upon foreign articles and an Economic Boycott is an absurdity. A protection for nascent industries is certainly needed in India as it has

been necessary elsewhere, "the muttering of priests at the shrine of free trade" notwithstanding, and such protection is amply vouchsafed by the Swadeshi movement which is gaining strength every day in this country. Let us cease to babble about Boycott, not to please the bureaucracy as some allege, but to save our energies for a better cause. This would not be difficult for those who suppose that Boycott is identical with Swadeshi. Even those who think that Boycott is only Swadeshi emphasised are sure to be satisfied with the Swadeshi as above explained. People who, however, see in the Indian Boycott a means of attaining political salvation, would, indeed, have nothing short of an all-pervading Boycott, and they must be let alone. But what will those men who feel in their heart of hearts but cannot openly say, that Boycott as distinguished from Swadeshi, is unmitigated cant, do under the circumstances? The growing sentiment in favour of Swadeshi is welcome, but the responsibility of giving it a right direction lies on the shoulders of the educated people and the leaders of the land.

IX.

NATIONAL ECONOMICS AND INDIA.

"Science must not deny the nature of special national circumstances, nor ignore and misrepresent it, in order to promote cosmopolitan objects. Those objects can only be attained by paying regard to nature, and by trying to lead the seperate nations in accordance with it to a higher aim."—*The National System of Political Economy*—List.

We invite the whole world to witness that we are in India for the benefit of the Indian people and not for our own. Are we sure that in all respects we are justifying the boast? We have recently enlarged the liberties of India. Are we sure that we are willing to listen to her voice now that it is more audible?":—*India Under Curzon and After*.—Lovat Fraser.

It is a commonplace of the history of econmics that in the development of that science there have been remarkable fluctuations of thought, setting up and upsetting of universal truths, avowals and recantation of dogmas and a succession of widely different and inconsistent theories, so that some thinkers have grudged it the status of a science and would call it a bundle of hypothetical generalisations. Even in what are called the exact sciences, we see old theories discarded in favour of new ones and changes in fundamental principles accepted. Continuous research and experiment are opening new avenues of scientific progress, and discoveries are so revolutionary that the scientists of the last generation would stand aghast at the cruel havoc that the present has done to their highly cherished beliefs and truths. What were once regarded

as elements have been analysed into constituents, and new elements have been added and the truth of theories like the atomic theory is being seriously questioned. If that is so with the exact sciences where the scientist has to deal with simple, tangible, material objects, can test the truth of his theories by means of accurate and highly practical experiments and may lay down universal laws, there is no wonder that economics should be hypothetical science, whose truths have a limited applicability, when it is remembered that the student has to deal with extremely complex phenomena, those of men in various stages of development and in various circumstances of family and state. Men are prone to judge of the whole world and the human race from the evidence that comes before them in their own country and in their own times. They start from certain assumptions about characteristics of human beings and societies and build the superstructure of their economic doctrines thereon. The early English economists exposed the errors of thinkers of the preceding generation and based their system on what appeared to them, the sure and sound foundations of unalterable truths. They thought they had carried their science of political economy to perfection and had attained a precision of statement and cogency of argument that were unexceptionable. A later generation of economists, however, while accepting the general truth contained in the theories of Adam Smith and his followers of the orthodox school, revolted against the rigid character of their doctrines and the *a priori* method of their reasoning. This reaction against the gratuitous assumptions and sweeping generalizations of the economists of their older generation had an unsettling

effect upon economic science and the feeling of exaltation at the triumph of the orthodox school systematising economic ideas gave place to one of doubt and disappointment.* Writers of the historical and national schools of political economy attempted a reconstruction of the science and a restatement of economic doctrines. From the policy of social, industrial and commercial restriction of the times when mercantilism was in the ascendant in Europe, there had been a violent change in favour of individual liberty and unrestricted competition in the economic sphere. There was once more a swing of the pendulum and on the Continent and in America especially, a return to a policy of State interference and national control of the means of wealth-production was preached and carried out in practice. This revolution did not, however, sweep away the old moorings and though some of the theories were discarded, others were only restated and the qualifications which limited them, were clearly demonstrated. Thus the method of economics has been, to a large extent, changed and scope of the science been widened. The inductive and the historical methods are, however, regarded as supplementary to the old deductive method and the science itself is rightly supposed to be a part of the larger science of sociology. The doctrinal vicissitudes through which economics has passed, have not been without their use. They have brought into relief the essential principles of the science and emphasised the conditional character of some of its theories. Present-day economists state and explain those principles and at the same time indicate

‡ Sidgwick.

their limitations when they are to be applied to a set of definite circumstances. Economic science thus does exist and a very useful science it is. In these times of highly organized and complicated forms of society and government, with extended communications and world-wide markets and with the growth of modern industrialism, a knowledge of the laws of economics has been indispensable in various departments of life.

We have at the present day, in various countries, the representatives of the different schools of economic thought, distinguishing and justifying their own systems, not in the old orthodox way but on new grounds. From the advocacy of rigid *laissez faire* to socialism which seeks to nationalise land and the instruments of wealth-production, the whole gamut of economic theory has its own defenders. The majority of the present-day English economists, while they appreciate the value of the contribution made by the German or the historical school, to the development of economic science, warn us against exaggerations in the condemnation of the orthodox economists and the glorification of the evolutionists and sociologists.* Not being satisfied with the scope and methods of what is called Orthodox Political Economy, a profound thinker like Mr. John Beattie Crozier found it necessary to reconstruct the whole science so that its principles may

" Explain and interpret not merely the particular stage of modern capitalism, but every other stage in the development of industry as well, whether past or future ; that it would afford us a touchstone by which we could clearly separate in any complex piece of industrial policy those effects that are purely economic in

* ' The Scope and Method of Economic Science' by Henry Sidgwick.

character from those that are due to extraneous powers and forces, whether political, legal or social; and that instead of running counter to the methods and expedients of practical business men everywhere, it would be found to be everywhere in harmony with them." *

Labours of economists during the past generation have freed the science from its academical and doctrinaire one sidedness. All scientific doctrines tacitly or implicitly assume certain conditions and are in this sense hypothetical. But there is a special responsibility upon the economist that he should emphasise the implied conditions oftener than is necessary for the student of Astronomy or Chemistry.

"It would be better," remarks Professor Marshall, "to say that an economic law is often applicable only to a very narrow range of circumstances which may exist together at one particular place and time, but quickly pass away. When they are gone, the law, though still true as an abstract proposition, has no longer any practical bearing; because the particular set of causes with which it deals are nowhere to be found acting together without important disturbance from other causes. Though economic analysis and general reasoning are of wide application, we cannot insist too urgently that every age and every country has its own problems, and that every change in social conditions is likely to require a new development of economic doctrines." †

It is unnecessary to vindicate the claims of economics to the status of a science when the aid of its principles is being invoked every day to solve so many and varied questions of social and national importance.

It is indeed easy to exaggerate the importance of the contribution made by German thinkers to the development of Economics, yet its significance is unmistakable. The German school of economists resented the insular

* 'The Wheel of wealth' by J. B. Crozier.
† 'Principles of Economics' by Professor Marshall.

narrowness and self-confidence of the Ricardian school. It took strong objection to the abstract propositions which the English advocates of unrestricted trade laid down, on the strength of the conditions obtaining in their own country. Friedeich List, the leader of this revolt against Orthodox Political Economy, showed that the system of the old school suffered from three main defects: firstly, boundless *cosmopolitanism*, which neither recognises the principle of nationality, nor takes into account the satisfaction of its interests; secondly, from a dead *materialism*, which everywhere regards chiefly the mere exchangeable value of things without taking into consideration the mental and political, the present and the future interests, and the productive powers of the nation; thirdly, from a *disorganising particularism and individualism*, which, ignoring the nature and character of social labour and the operation of the union of powers in their higher consequences, considers private industry only as it would develop itself under a state of free interchange with society (*i.e.*, with the whole human race) were that race not divided into seperate national societies. Adam Smith and his followers as well as immediate physiocratic predecessors had laid particular stress upon an ideal universal republic and world-wide peace, and taking that for granted, had formulated the abstract theory that under a regime of perfect competition and free exchanges, the only duty of Governments was to keep peace and order in the country. The one-sidedness of this doctrine is admitted by the advocates of free-trade and *laissez faire* of the present day, and they have to urge different arguments in support of freedom of competition and exchange. Owing to the peculiar conditions and ideas of

his times, Adam Smith believed that agriculture was more valuable than manufactures and home trade than foreign trade and could foresee no danger to his nation's prosperity from free-trade as all industries of those days were in the domestic stage and difficulties of transport and communication were enormous It is curious to note that like an economist of the national school, he supported the Navigation Laws on the ground that the defence of a nation is more important than its opulence. Almost all his arguments would be contemptuously rejected by the present-day Cobdenites, his devoted disciples. The world has so vastly changed since his time and were he to come to life again, a writer feels assured, Adam Smith would be immediately converted to Protection. Such seems to have been the influence of the writings of the National School of Economics on the development of thought that those who defend and continue the traditions of the cosmopolitan thinkers have perforce to admit the force of national considerations and to support their doctrines by showing their beneficial effects upon their nations. Obviously, Cobden's dreams of universal peace have not been realized and in spite of all attempts at international arbitrations and the advance of civilization, we are as far from the millennium as ever. Even List thought that though in the 'forties of the last century, nations were exclusive and jealous, as time went on and with it material progress, the era of universal brotherhood would be hastened. But in the second decade of this twentieth century, seventy years after List wrote, international jealousies are keener than ever, the crushing burden of armaments is painfully oppressing the tax-payers and nations have drawn up cordons of protective tariffs round themselves. The

feeling of racial and national division is a powerful force and the economist has to take account of it. The theoretical conception of unrestricted exchange of commodities between nations and peoples, capable of producing the greatest amount of wealth and under best conditions, has its proper place in the science as a theory ; but it has to be limited in its application to the world as it is at present. Every State whether it is a continent like India or a world-wide aggregation like the British Empire, whether it is a large federation like Germany and the United States of America or a small empire like that of modern Japan, has its peculiar history, its traditions, its social manners and geographical characteristics, which cannot be reduced to a common denominator and have therefore to be treated differently. Nations cannot be governed by purely economic principles. Sense of racial and national pride, the desire of self-preservation and the attainment of a higher standard of life,—these currents and cross-currents play an important part in determining the actions of peoples and states. Hence List emphasises the need of a National Political Economy as distinguished from the cosmopolitical.*

National Economics is not a separate science. It is only a particular case of the general science, an aspect, a standpoint from which things have to be looked at. It lays stress upon the exception to the abstract generalization of the economic benificence of perfect competition between individuals and individuals, and nations and nations. It thus sanctions Protection, restrictions upon trade, and restraints, in certain recognized cases, upon individual liberty. As the state is the only

* " The National system of Political Economy."

authority which can enforce these limitations, we find the theory propounded as the next logical step, that Governments ought to interfere with liberty in the interests of the nation as a whole. The principle of State control represents a revolt against the old *laissez faire* theory and is the direct fruit of the nationalist and historical development of economic thought. On this subject there are sharp divisions of ideals and opinions. If we leave aside those who hold extreme views on the point, such as those whose aspiration it is to reduce the functions of Government to the narrowest possible limits and those, at the other pole, who discover the root of all economic evil in private poverty, there still remains a wide ground for dispute as to the degree of State interference. It is impossible to conceive how, even in a progressive State, complete competition and liberty of action can be allowed without ultimate detriment, not to this or that class in society, but to the nation taken as whole. And in fact, by common consent Governments have taken upon themselves the conduct and ownership of certain concerns for the sake of public good and liberty has been openly restrained to minimise the evil effects of competition even in countries which are the recognized strongholds of *laissez faire*. Similarly, however, one may sympathise with the objects of the "scientific socialists," we feel bound to subscribe to the view that "with human nature as it exists at present, and as it bids fair to continue for an incalculable future, Socialism, if ever realized in practice, would be the death-knell of economic advance and true social betterment."* Having laid down the general theory about

* "Principles of Economics" by Seligman.

the desirability of freedom of competition and non-interference of State in trade and industry, economists usually cite exceptions in which State intervention and regulation are justifiable. Thus Professor Sidgwick observes :—

"There will probably always be considerable disagreement in details among competent persons as to the propriety of Government interference in particular cases; but, apart from questions on which economic considerations must yield to political, moral, or social reasons of greater importance, it is an anachronism not to recognise fully and frankly the existence of cases in which the industrial intervention of Government is desirable, even with a view to the most economical production of wealth." *

He also dissociates the English economists of the orthodox type from any sweeping doctrine of *laissez faire*. Professor Nicholson † has also taken pains to show that Adam Smith did not set up the system of 'minimum interference' as an economic ideal, still less, as the most general political ideal, and after balancing the advantages and disadvantages of individualism and Governmental interference, concludes that on the whole, whether we like it or not, there is no gainsaying the fact that throughout the whole field of economic activities alike as regards consumption, production, exchange, &c., the system of natural liberty prevails over the system of regulation. But natural liberty has defects of its qualities and may require restraint or supplement on the part of the State. In spite of this consensus of opinion as to cases where considerable interference with economic freedom is necessary, there is yet a wide

* 'The Scope and Method of Economic Science' by Sidgwick.

† Principles of political Economy, Vol. III.

margin for divergence of view and what one economist regards as legitimate intervention on the part of the State, another condemns as unnecessary interference. The attitude of mind, however, which in England insisted at one time upon the principle that individual energy and enterprise could be trusted to provide the greatest amount of all that money could buy for a country seems to have been generally discarded. It is admitted for example, now a-days, that public health is not secured by the free play of individual interests and a large number of laws have been passed for the purpose of preserving national health. Education and industrial training have been admitted into the scope of the duties of Governments and attendance at school has been made compulsory. An attempt has been made to draw a line between moral and material aims and to say that in regard to the latter, it is unnecessary, if not dangerous, for the State to interfere with private enterprise. But in practice this line of demarcation has been too hazy to be always discerned and maintained. Though the theory of non-interference by the State continues to be avowed and preached, the exceptions allowed are so many that it is no longer possible to lay down the abstract rule as some writers have done that "individual best discovers what is profitable and what not; the individual best bears the losses incident to failure." * Vast amounts of expenditure are incurred for what are regarded as objects of national importance, such as defence, sanitation, education, old age pensions, state insurance, and agricultural improvement, which are approved as desirable for the future of the nation.

* 'State Aid and State Interference' by George Baden-Powell.

"In all these cases public opinion has approved of interference which is a drag on the running of the mechanism of society. No one could deny that the objects aimed at are of great importance; but from the point of view of the old-fashioned economists they are to be regarded with suspicion, because it is so difficult to gauge in terms of money the precise economic advantage that accrues from improved health or increased education; the money spent on them may be beneficially employed, but is it or is it not a remunerative investment? Public opinion, however, does not pause to balance the expenditure against the gain; there is a consensus of opinion that the interference with trade which arises directly or indirectly in connection with the pursuit of these national objects ought to be incurred, even if it cannot be justified in detail by a reference to any balance sheet." *

A certain state of things may be good for all practical purposes at the moment. But the true statesman has to look far into the future and devise means to ensure the possession of the means of production which may, without state initiation and regulation, pass out of a people's hand and thus the present advantage may be more than nullified by the prospective and permanent loss. Governments have erred in the past and abused their power and are likely to do so in the future. But they are the only organizations available for taking measures to promote public good by legislation and regulation wherever their interference is called for in the interests of national well-being. It cannot be too often emphasised that the power and the resources of the State must be judiciously used and with all their shortcomings Governments are likely to take better care of national interests than would be the case if things were left to individual enterprise and self-interest alone. This is the lesson which National Political

* 'The Case against Free Trade' by Cunningham.

Economy is calculated to teach and it has been taken to heart by almost all the civilized peoples of the earth.

To us in India, with our peculiar political, social and industrial conditions, an historical survey of the economic evolution of other countries and the conclusions of the national economists, have special value. Many of the assumptions of the ordinary writers on Economics do not hold good and have little application in the case of this country. The dominant note of the situation in India which has powerfully affected its destinies, is its connection with Great Britain. While British rule has established peace and orderly government in the country, it has pulled down the barriers which separated province from province and race from race and switch the whole on to the outside world, with its physical progress and modern industrialism. Not to speak of the effects which education and contact with Western civilization have wrought and are slowly working upon the religions, the social manners and the political ideals of the people, the influence upon the economic condition has been enormous. The helm of Indian affairs was long in the hands of a commercial company, which looked naturally more to its own dividends than to the interests of the country. Mr. Dutt observes :—

" It was hardly possible that foreign merchants and rival manufacturers, working for their own profit, should have this object in view (the introduction of superior methods) and the endeavour was never made. A policy the reverse of this was pursued with the object of replacing the manufactures of India, as far as possible, by British manufacturers."

Aided by her mechanical inventions, the new markets which conquest had thrown open and by the enterprise

of her citizens, England was forging ahead in her career of industrial supremacy in the early part of the nineteenth century while internecine wars, apathy and ignorance had made India stagnant. Indian industries, far-famed in ancient and modern history, began to languish and the artisans and craftsmen were thrown upon the soil. The new roads and railways, while they served to transport food grains and other articles and thus to save precious lives in times of famines, intensified the evil. Not that this state of things would not have supervened if the British nation had not become the paramount power in India. The late Mr. Justice Ranade remarked :—

"The industry and commerce of the country, such as it was, is passing out of our hands, and except in the large Presidency towns, the country is fed, clothed, warmed, washed, lighted, helped and comforted generally by a thousand arts and industries in the manipulation of which its sons have every day a decreasing share. Foreign competition, not because it is against man's labour—it is the competition of organized skill and science against ignorance and idleness—is transferring the monopoly not only of wealth, but what is more important, of skill, talent and activity to others." *

This period of stagnation, even of retrogression, synchronised with the *regime* of a rigidly protectionist policy in England which sought to promote English industry and commerce at the sacrifice of the interests of the colonies and the dependencies. The East India Company and British statesmen could not therefore have been expected to take measures for arresting the decay of India's old crafts or establish new industries on the model of English manufactories and thus to streng-

* 'Essays on Indian Economics' by Mr. Justice Ranade.

then an old rival or create a new competitor. When the United Kingdom committed itself to free-trade, that creed was held to prevent British statesman from taking a liberal view of the trusteeship so far as the economic condition of India was concerned. Protection and State regulation were heresies. Our British rulers have been under the thraldom of a theory and many of them honestly believed that what was good to England was equally good to India. The difference of soil, climate, traditions, social customs, &c., were ignored and the principles of the academic economists are applied to this country on the analogy of England. The most recent upholder of this system of indiscriminately following the doctrines of the orthodox school without regard to special conditions is Professor Lees Smith who in his defence of the cotton excise duties against the charge of their being maintained from selfish motives, writes :

" Great Britain has always maintained, as her honour demanded, that she would never subordinate the good of India to the selfish interests of British manufacturers She has been able to force free-trade upon India because she has argued, with complete consistency, that she believed that it was for India's good and that she applied the same principles to herself."*

We are not here concerned with the honesty or motive or consistency of action, which may all be conceded. What we take objection to is the indiscrimiate and abstract method which is followed in the discussion of Indian problems. This doctrinaire policy of " hands off " is a great stumbling block in the path of India's progress. The Governments in almost all foreign countries and even in British self-governing colonies, have adopted quite an opposite course and they have attained

* ' India and the tariff Problem ' by Professor Lees Smith.

a considerable measure of success. Whatever the fiscal and economic faith of Britain may be, it is essential that Indian problems should be looked at from the purely Indian point of view. The *laissez faire* policy has failed in India and is unsuited to it. The Government of India must become a national Government conserving the country's resources, initiating measures for its economic advancement and, in other ways, promoting it interests exactly in the way in which Governments of other nations are doing. Indian policy ought not to be swayed by political considerations or party exigencies. Whether England continues to worship in the shrine of free-trade or becomes a convert to Protection, her duty to India requires that her affairs should be regulated in the economic no less than in other spheres solely by Indian National considerations.

"If the narrow conception of the functions of the State be discarded, and an all-round development of the community be taken as the object of the State, the *laissez faire* policy of the Indian Government cannot be defended. Regarded from this standpoint, the Government has surely failed in its duty. But whatever may have been its shortcomings in the past, it is not too much to expect that the Government will in future recognize its responsibilities and turn its attention to this matter."

The later development of economic thought and of economic practice points to a more extended province of State's duties and the physical, and intellectual conditions in India are such as necessitate the assumption by the State in this country of all those functions which are held to fall within the province of Governments in other countries. In enlightened and go-ahead England the individual may be left to himself in the fierce fight of internal and external competition, though a larger body of opinion there is clamouring

against this policy ; but in conservative, ignorant, backward India a conscious attempt to regulate matters for the prospective good of the country as a whole is called for.

In his famous, almost classical, lecture delivered in 1892, on Indian Potitical Economy, the late Mr. Ranade took a masterly review of the past and contemporary history of the growth of economic science in various countries of the West and concluded that

" Modern European thought does not at all countenance the view of the English writers of the Ricardian school that the principles of the science, as they have enunciated them in their text books, are universally and necessarily true for all times and places and for all stages of advancement Modern thought is veering to the conclusion that the individual and his interests are not the centre round which the theory should revolve, that the true centre is the body politic of which that individual is a member and that collective defence and well-being, social education and discipline and the duties and not merely the interests of men must be taken into account if the theory is not to be merely utopian. '*

He then proceeded to point out the bearings of this enlarged view of the science in its Indian aspects. He questioned the economic correctness of the so-called system or the territorial division of labour by which the orthodox economists relegate the backward races of the East to the production of raw materials and claim for the advanced countries of the West the work of transport and manufacture. The error which lurks in this theory has been exposed by the remarkable advance made by Japan, an Eastern country, in trade and industry within recent times. With external as with internal trade there must be a proper co-ordination

* Essays on Indian Economics.

of industries. Otherwise, there is the danger of a country rusting into dependence and weakness as has been the case in India on account of the loss of its industries through foreign competition. The ruralisation and consequent rustication of India weighs heavily on the conscience of the British administrators in the country, but "they feel powerless to act under the influence of [the all-pervading doctrine that these matters lie outside the province of Government." During the last twenty years, since Mr. Ranade taught the lesson for the first time in a systematic manner, the attitude of Government in India has shown a marked advance in the desirable direction. In fact, that Government might well have been charged with heresy by the rigid economist of the academic school. As Professor Theodore Morrison* has observed, in many respects the State in India is more national and socialistic than many people may imagine. While the problem of unemployment and the question of checking the abuse of competition are engaging public attention in England, the Government of India has long taken upon itself the duty of relieving distress and saving lives in times of scarcity and famine. Railways and canals have always been practically State undertakings. Various tenancy acts and other measures have been passed to safeguard the poor tenants against the exactions of the landlords. An attempt has been made to relieve the ryots from the exacting clutches of the money-lender by teaching him to co-operate with his fellows. The co-operative credit societies, whose success has been so remarkable, were first initiated by State legislation. The agricultural departments have taken up seriously the problem

* Economic Transition in British India.

of all-sided improvement of agriculture. Experts have been employed to study the questions of improved seeds, manures, implements, insects and pests, irrigation, fruit culture, and the cultivation of better varieties of crops. The proceedings of the recent conference of the Board of Agriculture at Pusa show how practical questions in connection with agriculture and agricultural industries are receiving the serious attention of Government. Industrial surveys have been instituted in the various provinces and much useful information has been published for the use of the public. Experimental and demonstration farms, industrial and agricultural exhibitions and other forms of pioneering work are steps in the right direction and indicate the recent appreciation of its responsibilities by Government. Technical, commercial and agricultural education has not been neglected, though the progress is very slow. Scientific education in the higher branches and the establishment of modern industries have received direct and indirect assistance from Government and they have issued orders that the stores which their departments require may be preferably obtained locally. This is gratifying progress so far as it goes. But the State is capable of doing much more which it is precluded from doing by various political and other considerations.* Mr. Ranade indicates how ample scope there is for State action in the matter.

* "These measures sum up the activity of the State in the matter of the encouragement of industry. But, taken together, they do not amount to much. In this respect the Indian Government compares very unfavourably with the other civilized Governments."—'A Study of Indian Economics' by Professor P. Banerjea, M.A.

"If the State can legitimately undertake from borrowed funds the construction or subsidization of rail-roads and canals, if it can afford to sell the fee simple of waste-lands at nominal rates to European settlers on the hills, the road is certainly open for a further development of this same industrial effort on new lines."

In his inaugural address to the First Industrial Conference at Poona, delivered in 1890, he observed :—

"We cannot as with the Governments of these countries (the enlightened countries of Europe and America) rely upon differential tariffs to protect home industries during their experimental trial. We cannot expect the Government here, to do what France or Germany does for their shipping trade, and their sugar industry and ask Government bounties and subsidies to be paid out of general taxes. These are heresies according to English Political Economy, such as is taught to us, and whether they be really so or not, it is useless to divert our energies in fruitless discussion and seek to achieve victory over free-trade."

It must be gratefully admitted that the Government of India is alive to its duties in respect of the country's economic and industrial development and the efforts which are being made in that direction are certainly laudable. But there are difficulties in its way, the first of which is its constitutional dependence upon the Secretary of State and therefore upon the British Cabinet which cares more for the votes of electors in the United Kingdom than public opinion in India. Being a mere dependency, this country's natural resources cannot be conserved and utilized in the interests of and by the people of the land and have to be thrown open to be worked up by European capital and enterprise. Being backward in every particular, Indians cannot tap indigenous resources themselves and they are not being trained for the purpose as they should be. If the Government of India were, perhaps, left to itself, it may be able to do much more than it actually does. In

the famous despatch of 1903 relating to the Government of India's opinion concerning preferential tariffs, Lord Curzon observed:—

"All past experience indicates that, in the decision of any fiscal question concerning this country, powerful sections of the community at home will continue to demand that their interests, and not those of India alone, shall be allowed consideration."

Speaking in the House of Lords on May 21, 1908, His Lordship said :—

"What has been our experience in the past in India of the manner in which the influence and power of the Secretary of State, as the ultimate ruler of India, are exerted in the direction of the fiscal policy of India? It is that, in fiscal matters, the Government of India has to take the views of the Secretary of State whether it agrees with them or not, and those views are more likely to be guided and shaped by English than by purely Indian considerations."

It is not the Liberal party alone that is a sinner in this respect. If the tariff reformers and the protectionists are able to carry their point and come into power in Parliament, they will force upon the Government of India a policy which fits in with their interests and those of their supporters, whether it is suited or unsuited to the conditions of this country. In this way the political factor, the constitutional dependence of our Government upon the British Cabinet and the lack of popular control in the counsels of the State in India, dominate the economic situation and other factors are subordinate to it. Not until the Indian State becomes national in spirit and is in a position to take measures calculated to promote India's economic and industrial progress solely in the interests of the Indian people, can the hope be entertained that our advance will be on the lines of other progressive nations. Our Government has already

started on its journey towards that destination but its pace requires an amount of acceleration which can come only if the springs of action are sufficiently strong and elastic.

X

HIGH PRICES AND CURRENCY.

The prevalent high prices in India are at present engaging the attention of a special committee appointed by Government for the purpose of collecting information and throwing light upon the causes that have contributed to a rise in the price levels in the country. Obviously the phenomenon cannot be the result of a single cause. It is a complex problem and a number of factors are involved in it. Apart from temporary causes such as scarcity and famine, there have been other forces at work such as more extended communications, heavy exports of food grains, the cultivation of other than food-crops on a larger scale, the growth of industrial activity and a steady rise in the standard of living of the people. Many who have carefully studied the question, are, however, of opinion that the currency policy of Government is, in a large measure, responsible for the extraordinary rise in prices during the last few years. It would be better to suspend one's judgment till the report of the Prices Enquiry Committee is published and one has definite data to work upon. Yet it is permissible to discuss the subject on the basis of the material that is available so as to assist the committee itself in forming its conclusions. Some economists regard high prices as a matter for congratula-

tion.* Whether this is true or not so far as prices in India are concerned, taking into consideration the economic development which the country is slowly but surely undergoing, one must say that there is no prospect of the prices in India returning to the old level, say of twenty years ago. The index number for "all articles" stood at 104 in 1880, and for the next eight years it was a little below 100, between 90 and 100. Excepting only for four different years that number is seen to have run into three figures between 1889 and 1909. With variations here and there, the uppish tendency appears to have been continuous. If it reflects the gradual advance of public prosperity, little can be said against it though large classes may be temporarily hit hard by the enhanced prices. But if it is the result of certain abnormal conditions of the fiscal or currency system of the country and is preventable in the interests, not only of persons with fixed incomes but of other important classes of society, the question calls for serious consideration and remedial measures by the State. We propose, in this place, to inquire if there is any ground for fixing the responsibility for the high prices upon the shoulders of the currency system and the action taken under it by Government.

Those who contend that the rise in the level of Indian prices was materially stimulated by Government's currency policy, base their conclusion upon the extraordinarily heavy coinage of silver which synchronised in India with a markedly upward tendency of prices.

*"Let us therefore rejoice in the depreciation of the precious metals, so long as it lasts; it serves at least as a lubricant for the wheels of the economic mechanism."—Professor Charles Gide.

Taking the decade 1900-10, we find that owing to the terrible famine which covered a large portion of the country at its beginning, the index numbers rose, for "all articles" from 96 in 1899 to 116 in 1900 and to 110 in 1901. During the next two years it declined to 105 and 99. Then in 1904, the rise began again, till in 1908 the highest figure of 139 was reached. In 1909 there was a fall to 124 but there are no signs that prices will return to the normal level in the near future The following table represents the movement of prices during the last decade :—

Year.	Index numbers of the Commercial Intelligence Department.				Atkinson's silver price,	Sauerbeck—gold prices.
	Food-grains retail price,	Imported articles.	Articles exported and consumed	All articles		
1873	101	100	100	100	100	100
1900	192	97	124	116	143	68
1901	157	96	116	110	139	63
1902	141	86	113	105	128	62
1903	126	88	103	99	123	62
1904	117	93	104	101	121	63
1905	147	96	116	111	134	65
1906	179	105	139	129	158	69
1907	180	116	145	137	167	72
1908	231	107	151	139	180	66
1909	195	99	134	124	...	67
1910		...	...	...	...	70

We are indebted for these tabulated and other figures quoted in this note and much useful information on currency, exchange and trade problems, to the most instructive book recently written by Mr. H. F. Howard of the Calcutta Customs, entitled "India and

the Gold Standard." Though the views put forward in the book will not find general acceptance, his lucid treatment of the intricate questions he has handled is simply admirable and the book deserves to be widely read.

Now side by side with these figures representing the rise of prices we shall place figures showing the total amount of rupees coined and rupees absorbed in each year during the last ten years.

Year.	Coinage of rupees at the Indian Mints.	Net absorption of rupees (In crores).
1900-01	17·15	9·90
1901-02	4·95	1·53
1902-03	11 27	·26
1903-04	16·17	10·76
1904-05	10·88	7·75
1905-06	19·60	14·35
1906-07	25·37	14 76
1907-08	17·32	3 85
1908-09	2·51	15·96
1909-10	2·08	14·31
1910-11	2·20	3·87

The parallelism between the two movements, that of the ever-increasing volume of rupee currency on the one hand and of prices on the other, could not have been an accident ; the relation between the two appears to have been one of cause and effect. If the quantity of money in circulation goes on increasing, its purchasing power must be reduced and high prices will be the result. The recent increased output of gold has admittedly contributed to a rise of prices in the gold-using countries of the world. A large majority

of economists accept the quantity theory of money, of course, with the necessary modifications. "That an increase of the quantity of money raises prices and a diminution lowers them is the most elementary proposition in the theory of currency." But this increased supply of money may be counteracted by greater industrial and commercial activity and a larger demand for the medium of exchange. International trade and rapidity of circulation are other factors which have also to be taken into account in laying down a close connection between the volume of currency and prices. To a certain extent the Indian rupee prices and gold prices have acted and reacted upon each other. But this influence has not been such, as may be seen from the index numbers given above, as to adequately explain the rise in the level of prices in this country. Other things remaining the same, the question of prices is that of ordinary demand and supply of the instruments of exhange. That there has been an enormous addition to the rupee currency of India from 1901 onwards cannot be doubted. *Prima facie* the currency must have been depreciated and prices must advance. But are we sure that "other things" remained the same during all the time? Of course not. It is however urged that the supply of currency exceeded the demand, though the latter must have expanded to some extent in the meantime. The value of the rupees coined in the last decade doubled that of the previous two decades. There is no evidence to prove that this coinage of rupees was needed to meet the expansion of business. Mr. Howard has compiled the following table to show the excess of exports over imports, the Secretary of State's drawings, the coinage of rupees and

the net absorption of the same in each year from 1904-05 to 1910-11. (11 months).

	1904-05.	1905-06.	1906-07.	1907-08.	1908-09.	1909-10.	1910-11.	In crores of rupees.
Excess of exports over imports (including treasure)	36	44	47	20	15	40	43	
Secertary of State's drawings	36	48	50	24	8	41	35	
Net absorption of rupees	7 7	14·3	16·8	3·8	16 0	14·3	2·9	
Coinage of rupees	10 9	19 6	25 4	17 3	2 5	2·1	2·1	

As we have seen above, Indian prices began to jump up in 1904 and the next three years may be taken as normal years free from peculiar disturbances caused by scarcity or famine. The very fact that the excess of exports over imports during these years went up from 36 to 44 and 47 crores and declined in 1907-08 to 20 crores owing to scarcity is sufficient evidence to prove this. This continuous increase in the balance of trade for the three years was accompanied by a parallel increase in the Secretary of State's drawing which rose from 36 crores in 1904-05 to 48 and 50 crores during the two succeeding years. The increased sale of Council bills entailed a correspondingly heavy coinage of rupees, amounting to some 56 crores worth of rupees during the three years. The net absorption of rupees during that period came to about 39 crores. The currency being unautomatic and the rupee being a token coin, the additional rupees which were poured out by the mints could not have been even partially melted or hoarded. Even supposing that some of the rupees that found their way into the pockets of the ryots were hoarded, yet it

cannot be denied that a substantial portion must have remained in circulation and enhanced prices. We cannot conceive of any counteracting forces which may have, during the period 1903 to 1907 nullified the effects of the inflated currency. The Hon'ble Mr. Webb observes :—

"*.....And so, notwithstanding the brave words of Sir Clinton Dawkins in 1900, millions after millions sterling worth of new silver were purchased and coined, till a climax was reached in the years 1905-07 when no less than £42,000,000 worth of new rupees were launched upon the Indian public—far and away the heaviest coinage of silver ever known in the history of the world. And by a Government committed to the establishment of a gold currency, too. Nemesis, however, very quickly overtook the Government of India and its new financial guides. Not only was the rise in prices then in progress throughout the Western world, perceptibly stimulated in India, (to the immeasurable suffering of the lowest classes, Government itself being forced to make 'grain compensation allowances' on a gigantic scale to its poorest servants), but the check to trade arising out of the crop shortage in India and the financial crisis in the United States in 1907 all but wrecked India's laboriously constructed 1s. 4d. rupee—the redundancy in silver money being only relieved by a tardy transfer (through Government agency) of the equivalent of over £8,000,000 from the cash balances of the people in India back to the money markets of Europe."*

We are not here concerned with this general and scathing indictment of the Indian currency policy. Every step in the departure from the lines laid down for their guidance by the Fowler Committee has been defended on behalf of Government by one Finance Minister after another from his place in the Imperial Legislative Council. It is clear that, in currency matters as in other things, the Government of India has to carry out the

* "Gold for India" by the Hon'ble Mr. Webb.

policy imposed upon them from above, while the Secretary of State's action is guided by the counsels of London financiers. These latter see no good in allowing quantities of gold going away from London to India in payment for the goods imported from this country and being absorbed, hoarded or turned into ornaments by the conservative folk here. The Secretary of State therefore sells councils far above his demands in lieu of home charges and Indian mints have to be set working to pay off the bills. This is what is called the "requirements of trade." To satisfy them 75 crores of rupees were coined within a period of five years. Many of these coins do return from circulation but a large quantity remains fluid in the country. 7·7 crores were thus absorbed in 1904-05, 14·3 in 1905-06 and 16·8 in 1906-07. Can it be seriously maintained that so many crores were necessary for trade and ordinary transactions of life? The transactions did not surely suddenly multiply to require such large quantities of the circulating medium. No wonder the inflated currency, consisting entirely of token coin, became redundant and sent up prices. In no other way can the rise of price levels between the normal years 1904-1907 be accounted for. Other forces have long been at work but their operation was slow. The currency element stimulated the rise. The action of Government may perhaps be justifiable under the circumstances. But the effect of it is unmistakable, and there is no escape from this conclusion.

In his "India and the Gold Standard," Mr. Howard has devoted one separate chapter to the examination of the connection between the volume of the rupee currency and rupee prices in India. Therein he agrees that

"it is by no means impossible that an increase in subsidiary or token coinage (such as the Indian rupee now is, inasmuch as it is really on a gold basis) might, of itself, operate to raise prices in the same way that an addition to the circulating medium in the form of the standard money with its accompaniment of credit would do."

He, however, adds that such a contingency would occur only if the amount of the subsidiary coinage was in excess of the demand as such, which, he proceeds to prove, has not been the case in India. The chief argument of those who contend that the rupee currency has had nothing to do with high prices is that the coinage of rupees has only been undertaken to meet the demands of the trade. We have shown above what that expression means. Government has practically undertaken to supply everyone who tenders gold with unlimited quantities of rupees. There is no reason why, after provision has been made for the payment of the home charges in London annually, the balance of trade in India's favour should not be left to be adjusted in exactly the same way as in the case of every other country in the world. But this is a digression. To come to the point, the so-called demands of the trade are illusory. The total coinage of silver of all descriptions amounted, in the decade ending 1890-91, in value to Rs. 72¾ crores. During the next ten years rupees and the smaller silver coins were valued at about Rs. 45 crores. In the next decade the silver coinage came to nearly Rs. 130 crores. The total seaborne trade of India has shown a remarkable expansion within recent years but the last figure of rupee coinage is out of all proportion to that increase. And be it remembered, that such quantities have been coined while the mints remain

closed to the private coinage of silver and the value of the rupee has been artificially raised. Since the crisis of 1907-08 there has been no fresh coinage of rupees, though the Secretary of State's drawings amounted in 1909-10 and 1910-11 to Rs. 40 crores and 35 crores respectively. It has been calculated that in 1900 the active circulation of rupees was approximately Rs. 130 crores and that in 1908-09 the figure went up to Rs. 204 crores. These figures have been arrived at after making reasonable allowances. The increase amounts to one of 60 per cent. in 9 years. The increase of population at the last census over that of the previous one has been some 7 per cent. Against the growth of population and of trade has to be set the increased circulation of currency notes which has expanded the volume of the circulating medium. Between 1901-02 and 1909-10 this increase has been more than 75 per cent. The temptation to hoard rupees has disappeared and there is visible a marked tendency among the people to invest their savings in banks and other concerns. The steady development of credit and the popularity of its instruments are forces which must have met the demand made upon currency by increased population and trade transactions.

The Finance Member of the Viceroy's Council pointed out at the Budget debate of 1908 that :

"The net additions to the coinage, after making allowance for withdrawals, etc., amounted, in the 15 years following the closing of the mints, to a little less than Rs. 83¾ crores, or an average of 5½ crores per annum ; in the 15 years preceding the closing of the mints the net additions to the coinage amounted, after the same deductions are made, to over Rs. 105 crores, or slightly more than Rs. 7 crores a year."

Such a comparison proves nothing. Before the closing of the mints the rupee was not a token coin. It was

therefore hoarded and melted and had no appreciable influence upon prices After 1893 all this changed and every addition to the unautomatic currency tended to raise prices. For the six years, 1894 to 1900, there was no coinage at all. And the output for the next 8 years was 83 crores which gives an average of more than 10 crores a year against the 7 crores of the 15 years preceding the closing of mints. Thus the above comparison is doubly fallacious. Too much weight appears to have been given to the argument that "the Indian currency system provides an automatic method for withdrawing any temporary excess of rupees from circulation." The continued heavy absorption of rupees and the equally heavy coinage year after year between 1900 and 1908 prove this. It seems that, before the mints were closed, the circulation of the rupee was more or less steady but during the last decade large net additions have had to be made which cannot but have resulted in the inflation of the currency. The policy adopted in 1899 has forced the hands of Government in this matter and however the steps taken by them to underpin the currency superstructure from time to time may be defended, there is no gainsaying the fact that the recent extraordinary issues of rupee have stimulated the rise of prices which many other causes have been slowly helping to push up. In his " Indian Monetary Problems," Mr. S. K. Sarma comes to the same conclusion and remarks :—

"The adverse balance of trade in 1908-09 was the signal for the fall of exchange. We had therefore one cycle of rapid coinage of rupees, increased prices, steady reduction in the balance of trade in favour of India, culminating in the breakdown of the artifical rupee, prevented only by the suspension of the Secretary of State's drawings and sale of bills in Calcutta or London

between March and August 1908 to the value of eight millions sterling. This is the natural and inevitable result of the present monetary system which allows for an artificial inflation of the currency."

It is difficult to state precisely what share redundant rupee currency has had in pushing up price levels. But that it has had some share has been abundantly proved. As Mr. Howard rightly warns us, we have been careful not to treat as cause and effect fluctuations in price levels and fluctuations in the volume of the currency merely because such fluctuations synchronise. But for reasons given above, we cannot accept his dictum that

"a fluctuation in price levels should be regarded as an index of economic changes which are taking place and not as an effect of which a fluctuation in the volume of the circulating medium is a cause."

We are willing to make due allowance for economic changes but the rapid rise in the prices from 1904 to 1907 is inexplicable on this theory. Economic changes do not operate in such a sudden and startling manner as to force up the index number for "all articles" from 99 to 137 in four years. We are therefore irresistibly led to the conclusion that the inflation of currency was to a certain extent responsible for the high prices which commenced in 1904. There was a drop in the price levels in 1909 owing to the recovery after the scarcity of 1908-09 and the index number for 1909 is much below that for 1906, a year not marked by scarcity or other disturbances but a year in which 25 crores of rupees were coined. The partial failure of the rains may affect prices again but if the mints do not show much activity the rise is not likely to be very materially accentuated.

XI

FISCAL FREEDOM AND PROTECTION FOR INDIA.

"If we are to try to "govern India in accordance with Indian ideas"—a principle with which I humbly but fully agree,—how could we justify the refusal to India of the fiscal autonomy for which there is a far more widespread and genuine demand than for political autonomy ?"—Mr. Valentine Chirol in *Indian Unrest.*

"I do not pin my faith to Free Trade, and I do not pin my faith to Protection ; I hold that the policy most conducive to the prosperity and happiness of the people of India is the policy which should be adopted for India."— R. C. Dutt.

Advanced thought in Political Economy assigns to the State a very wide sphere of activities for the promotion of national well being—political, social, intellectual and economic and it is obvious that, unless this broader outlook is adopted by the State in this backward country, no rapid economic development can be assured in India. Apart from the question whether Free Trade or Protection is the policy best suited to the present conditions in India, it has been admitted that a larger measure of freedom must, in this respect, be accorded to the Government of India if it is to do its duty by the people entrusted to its charge. The advocates of this financial and fiscal freedom are not unconscious of the constitutional relations of that Government to the British Parliament and of the inevitable dependence which those relations entail. They do not, by any means, propose complete financial and fiscal

any more than political, freedom, for this country. That will be disastrous to the best interests of the country itself. There are many who, on the other hand, press for a more effective Parliamentary control of the Indian administration and policy, and the imperial constitution so far as this country is concerned, supports their view. In any case it would not be wise, for many years to come, to weaken Parliament's hold upon the direction of Indian affairs. The demand that the Government of India may be allowed more freedom is not, however, inconsistent with this hold. The claim has often been made on behalf of British statesmanship that its Indian policy is actuated by the full sense of its responsibility with regard to the well-being of the people of this dependency. Yet in practice, this claim has not been made good in several important cases. There is a natural tendency in members of Parliament to look at Indian problems through British glasses and their outlook is not often calculated to further the speedy advancement of India. In a lecture recently delivered on "Indian Economic Fallacies," the Hon'ble Mr A. Chatterton of Madras remarked :—

"The fact that the Government of India does not enjoy fiscal autonomy but in all matters relating thereto is subject to the control of Parliament exercised through the Secretary of State for the time being, is now considered by unreasonable people a political grievance of no small magnitude, but it may more justly be regarded as a part of the price that must be paid for the advantage derived from its connection with the British Empire."

What Mr. Chatterton complains of as a serious grievance is more economic than political and it is from that point of view that we have to look at it here. It is not so much the source from which authority and regulative

force proceed that is of importance as the manner in which the authority and the force are exerted. Mr. Lovat Fraser who shows great insight into and a close acquaintance with, Indian questions observes :—

"The next important question which will arise for settlement in India will undoubtedly be the request of the Indian people that the Indian tariff shall be settled and maintained in greater accordance with their wishes. No suggestion of disloyalty will be involved ; nor will the request imply any hostility to British rule, unless it is blindly refused in which event it may produce a graver form of hostility than any yet encountered It will be a perfectly constitutional demand preferred in a constitutional manner ; it will raise a moral issue transcending in magnitude any yet presented to Great Britain by India"

The demand for greater fiscal freedom, preferred, not from mere sentiment, but for more economic efficiency, is thus not unreasonable and in course of time as the experiment of the enlarged councils proves more successful, will gather greater force. It will gain support from all classes of people and from the Government of India itself. The non-official members of the enlarged Imperial Legislative Council have already given emphatic expression to what they feel in the matter and they have faithfully represented the views held by all those in India whose opinions are entitled to any weight. The Hon'ble Sir Vithaldas Thackersay, in criticising the new taxes levied some time ago, said :—

"We are prepared to bear our burdens, and all we ask is that the country should be allowed greater freedom in choosing the methods of raising revenue. I am unable to see how it will be injurious to the interests of Government if this Council is allowed a more real share as regards what articles shall be taxed and what duties shall be paid."

* "India under Curzon and After"

And further :—

"It is generally believed that, if the Government of India had had a freer hand, they would have preferred the raising of the general tariff or a duty on sugar, which would have been less objectionable than the levying of the proposed enhanced duties in the teeth of the practicably unanimous opposition of the non-official members of this Council and of the public generally."

What is to be particularly borne in mind is that though the political control exercised by Parliament may be the price which this dependency has to pay for the advantages it enjoys from its connection with the Empire, the fact remains that the manner in which that control is exercised, is often antagonistic to the economic development of India. The argument that because India is a Dependency, she must suffer all the economic loss which her position involves, is too crude to require serious consideration. One can understand the other position that Parliament imposes upon this country a policy which it believes is likely to promote its best interests. But here the Government of India, backed up by responsible and enlightened Indian public opinion, pleads for the concession of a little more freedom to order things in a way which it feels itself in a better position to judge of than people at a distance of six thousand miles and immersed in their own problems and interests. Financial and fiscal dependance is certain to preclude a State from following an economic policy which it deems the most suitable to the conditions of the people in its charge. The conservation of the mineral resources of India for which even such an authority as Sir Thomas Holland has been pleading, the stimulation of Indian enterprise and the greater employment of indigenous capital, the need of encouraging Indians to take a larger share in the exploitation of their

country's material resources, and the framing of the Indian tariff in such a way as to promote economic progress in India, are questions whose satisfactory solution involves a larger measure of the liberty of initiation and action on the part of the Government of India than is available at present. That such freedom the Government will ultimately obtain cannot be doubted and it is gratifying to note a steady tendency pointing in that direction. Conflict of interest and of theory are the two great obstacles which bar the way to the attainment of this object. With the more liberal and progressive ideas that are expected to predominate in Great Britain as to its political mission in India, the first difficulty must gradually diminish. As to the second impediment also, public opinion in India is bound, year after year, to carry more weight in the conduct of this country's affairs, and that opinion must become the final judge in matters of the State's economic policy. There is no need to fear that responsible Indian opinion will be hostile to British interests, though it will insist upon the interests this country being shown prime consideration.

It is well known that the educated classes in India are keenly desirous of seeing their Government adopt a policy of Protection and give direct assistance to the industrial progress of the country. With rare exceptions the bulk of the educated people have no faith in abstract free trade and they would like their State to revive and stimulate the indigenous industries just as the Governments of America, France, Germany and Japan have done. Valentine Chirol remarks :—

"It must be remembered that the desire for Protection is no new thing in India. Whether we like it or not, whether we be

Free Traders or Tariff Reformers, we have to reckon with the fact that almost every Indian is a Protectionist at heart whatever he may be in theory."*

For the past generation, students of economics and leaders of public opinion in India have been pleading for protection. Men like the late Mr. Justice Ranade and R. C. Dutt have shown in their works how under a *regime* of Free Trade, India's industries have decayed and how therefore they require the fostering care of the State. The Presidents of the Indian Industrial Conference have harped upon the same theme year after year and the Indian press and platform are clamouring for Protection. Indian Protectionism is no sudden outburst of popular caprice or of love for a new theory, nor a passing wave of an ignorant public agitation. It is the outcome of a long and careful study of the past and contemporary history of this and other countries and the result of the mature judgment of its thoughtful and far-seeing leaders. There can be no doubt that some of the exponents of Protection in India have shown a tendency towards hasty generalizations and have lacked the broad outlook and the grasp of the momentous issues which that problem involves. Some of the more intelligent and cool-headed among them entertain grave doubts as to the beneficent effects of a policy of wholesale Protection introduced in India. This is, however, a difference of degree, one of method and immediate policy. There is a consensus of opinion in the country that the existing system of Free Trade must go and must give place to one which is more suited to the needs and peculiar conditions of the Indian people. Even Lord Minto has given expression to his

* "Indian Unrest."

conviction that some amount of Protection such as the self-governing colonies like Canada have been giving to their industries, is needed in India if its indigenous industries are to revive.

The Free Trade-Protection controversy is a very old one and the arguments for and against either policy may be seen marshalled in any decent text book on Political Economy. It is, however, yet a burning question in England. Free Trade and Protection have become the watchwords of political parties there and the tariff reform agitation has given birth to copious literature on the subject. So far as theory goes, it is difficult to make any useful contribution to the discussion as the question has been looked at from every point of view and all conceivable arguments have been exhausted. The proposition that Free Trade must ever be good for all countries is no longer accepted as gospel truth, and the decision of the question in any particular case turns upon whether a policy of let alone and free competition or of Protection is best suited to the given conditions. It is not a purely economic problem to be discussed in the academic fashion. Political, social, and national considerations play an important part in the practical discussion. Advanced economic theory also justifies the adoption of a Protectionist policy by nations in certain stages and circumstances. Protection is not certainly a panacea for all industrial and social backwardness and may exercise deleterious influence upon nations going in for it. Free Trade may, again, be calculated to promote the best interests of a people. The balance of advantages is, however, likely to lean towards a Protectionist policy and it is on this ground that it is being followed by the United States of America,

the countries of the European continent and the British colonies. Indian advocates of Protection desire to profit by their own past experience and the example of other countries. They take exception to the doctrine that because Free Trade is good for England it must be equally good for India, which has swayed the policy of the Imperial Government in this country. They plead for liberty to their Government and to themselves to decide whether Free Trade or Protection is needed in India and what form either policy should take. It is a matter which must be considered on its own merits and dogmatic Protectionism would not be less injurious than theoretic Free Trade has been.

As commonly defined, Protection as a policy is an attempt to develop a manufacturing industry by a system of discriminating duties on manufactured goods imported from other countries. This definition is, however, too narrow and does not take account of other factors supplementary to this fundamental one and designed to emphasise its purpose. Protection should, therefore, be defined so as to include all means by which a country undertakes to secure, through positive efforts of Government, complete industrial and commercial development of all its resources. Protectionist policy embraces all those pecuniary or other sacrifices which a country may make in order to develop its industry and commerce and is justified on political, economic and social considerations. Looked at from this point of view, England, the stronghold of Free Trade, is itself to a certain extent, Protectionist.* The development of the Protective system is due to the growth of capitalism and national states. As a

* Encyclopædia Britannica, 11th Edition.

doctrine, protection is a modification of the old doctrines of mercantilism and the State is looked upon as a powerful means of developing industries. In modern times the doctrine dates from Alexander Hamilton who propounded that the highest development of a nation's industries was to be achieved by protective duties and his programme was adopted by the United States of America. For the ultimate good of the nation the consumer was to be made to bear the burden of taxation. Like the American Hamilton, the German List thought that Protection was to be adopted as a temporary measure for doveloping a nation's industries. Free Trade was accepted as generally true but was suited to a cosmopolitan stage to which the world is progressing. For the attainment of this end each nation must develop its own resources to the full. While Adam Smith's system of political economy was cosmopolitan, that of List was national. In the hands of other Protectionist economists like H. C. Carey and Patten, Protection changed from a temporary expedient to gain a specific end to a consistent endeavour to keep society dynamic and progressive. Economists of other schools, with the exception of rigid British Free Traders, have allowed a relative validity to the doctrines of List, and the historical school of economic thinkers generally looks at Protection from political and social considerations rather than the purely economic one. It is in this wider sense that the word Protection is used in India when the State is called upon to grant protection to the indigenous industries. A policy of protection does include the raising of import duties upon foreign goods coming into competition with the domestic products, but a high tariff is only one of the means of achieving national

progress. The later trend of economic thought is entirely in favour of an extension of the province of the functions of Governments which were restricted within the narrowest limits by the earlier economists, and it is considered as a legitimate duty of the State to undertake pioneering work in connection with new industries and in other ways directly to promote the growth of national wealth. In a backward country like India which suddenly found its industries confronted by improved European manufactures, this duty of the State becomes more imperative than elsewhere. The British Government in India has shaken off, in certain matters, the shackles of the rigid economic theory of Free Trade and of the legitimate functions of the State, and there is no reason why a further advance should not be made along the selfsame lines.

"If the State can legitimately undertake from borrowed funds the construction and subsidization of railroads and canals, if it can afford to sell the fee simple of waste lands at nominal rates to European settlers on the hills, the road is certainly open for a further development of this same industrial effort on new lines"*

Mr. A. Latiff, I.C.S., in his "Industrial Punjab" observes :—

"Most people now admit that it is an important function of Government to develop the strength and skill of the people, to induce them to economise their energy by the aid of science and art, and by the multiplication of industries to afford them a livelihood from the greatest possible varieties of sources..... The disputants have often argued with the conditions of different countries and different ages before their eyes, forgetting the homely saying that what is one man's food may be another's poison. Nobody denies, however, where private enterprise, is for any reason, unable to develop a given industry, even

* Ranade's "Essays on Indian Economics."

a free-trading State may lawfully create a condition of things that will set private enterprise in motion."*

As an illustration of what the initiative of the Government, supported by the hearty co-operation of the people can achieve within the lifetime of a single generation, Mr. Latiff mentions the State of Wurttemburg in the German Empire where within fifty years a purely agricultural country was transformed into a highly developed industrial State. This wonderful result was due to the feverish activity which ran in all directions, the introduction of schools for teaching trades, advancing money for the establishment of industries, the starting, by the State itself, of new industries to be ultimately absorbed by private enterprise in the form of companies or associations, sending skilled workmen abroad to acquire a knowledge of new methods in trade and agriculture and so on. The year 1868 marks, in Japanes history,

"the commencement of a new policy under which the commercial and industrial interests of the country have been aided by lavish expenditure on technical education, by the dissemination of useful intelligence, and by the subsidising of struggling industries ... ...It was the Government that pioneered the manufacture of cement, glass, soap, paper, paint, type and machinery.'†'

It is only within recent years that the cause of industrial development has beeu taken up by the State in India, and its attention has been mainly confined to improvements in agriculture But what can it show to compare with the astonishing zeal of the Japanese Government, which has worked miracles within the space of a single generation? We are going at a snail's pace where we are moving at all, and laying the unction

* "The Industrial Punjab" by Mr. A. Latiff, I.C.S.

† "The Industrial Punjab" by Mr. A. Latiff, I.C.S.

to our souls that we are doing our best and that nothing more is practicable. What a vast field is open for activity in agriculture and industries dependent thereon, let alone other industries and manufactures such as paper, glass, oils and so forth, may be seen from the discussions on the subject held by the Board of Agriculture at Pusa * Among other resolutions passed by the Board on the Sugar Industry which is now receiving its particular attention, was the following :—

"The Board recommends that Local Governments should be empowered to assist pioneer factories, by subsidy, by taking deferred shares, or by such other methods as may be appropriate; and urges the need for a reconsideration of the recent orders of the Secretary of State, in so far as they prevent the application of public funds to the development of those industries which are essential to the increase of the wealth of the agricultural community"

The Secretary of State, during the *regime* of Lord Morley, issued certain orders limiting the power of Local Governments which were thereby precluded from giving effect to the above resolution and the Board urged that those orders should be reconsidered in the interests of agriculture and such agricultural industries as oil-pressing. The attitude of the Secretary of State in this matter betrays the blind faith of a devoted adherent of the rigid doctrines of the old school of economists and it is the emancipation of the British Government in India from the thraldom of exploded economic theories that the advocates of protection in India are pleading for. The departure which the Board of Agriculture seeks in one industry must be extended all along the line if the economic and industrial situation in India is to undergo

* Proceedings of the Board of Agriculture in India held at Pusa, November 1911.

any appreciable change for the better. This demand is the essence of Indian protectionism which is broad-based upon advanced economic theory and appreciation of the practical needs of this country.

The question of protection received prominent attention in the discussion, in the supreme Legislative Council some time ago where the Hon'ble Pandit Madan Mohan Malaviya moved his resolution in favour of a higher import duty upon foreign sugar. The Pandit based his contention upon the principle that "a nation must sacrifice and give up a measure of material prosperity in order to gain or retain the power of united production; that it must sacrifice some present advantages in order to insure to itself future ones." In theory this position is unexceptionable, but the practical action must be determined by various considerations in each case. Any one who knows the present condition of the indigenous sugar industry is aware that an enhanced import duty upon foreign sugar, which may be defensible on other grounds, cannot be supported by the argument that it will result in any immediate and direct benefit to the industry. One great objection to protective duties is that they produce powerful combinations of manufacturers and merchants whose operations are not always beneficial to society at large; and it must be taken into serious consideration when we devise such duties. Speaking on the subject of the suggested sugar duty in the Viceroy's Council, the Hon'ble Mr. Gokhale observed :—

"The right kind of protection is that under which the growing industries of a country receive the necessary stimulus and encouragement and support that they require, but under which care is taken that no influential combinations, prejudicial to the

interests of the community, come into existence. And I believe that the right kind of protection, if available, will do good to India. But, Sir, situated as India is, I fear there is no likelihood of that kind of protection being available to us, and it is my deliberate conviction that, in our present circumstances, a policy of free trade, reasonably applied, is, after all, the safest policy for us."

And further :—

"If the Government of India or the Secretary of State had the power to grant protection in the present circumstances, I am not sure that it would be employed in the best interests of the people of this country I therefore personally do not ask for a high protective tariff but I urge that an inquiry be first made to find out in what way and to what extent the State can help this industry."

It is not difficult to discover what was at the back of Mr. Gokhale's mind when he expressed a doubt if protection would be employed in the best interests of the people of this country. Excepting the cotton mill industry, the other manufactures in this country which are in a flourishing condition, are almost all of them in the hands of non-Indians whose organization, power, wealth, up-to-dateness and influence with the Government here and in England, are well-known. A high tariff wall raised against foreign sugar will immediately be taken advantage of by European manufacturers and merchants, leaving Indians hardly better off than before. India may incidentally gain but it is a delusion to suppose that there will be any direct and substantial benefit to the people themselves. The tea plantations, jute cultivation and manufacture, the mining industry are illustrations which show conclusively how Indians have not been able to exploit the resources of their own country and how the work has been successfully done by European enterprise armed with various advantages.

Protective duties or no protective duties, the factor of European manufacturers and merchants must dominate the industrial situation and Indians have got to make the best of the same. It is inevitable in the peculiar circumstances of this country that purely Indian enterprise must step forward and rub shoulders with its European compatriot and rival. Whenever a new industry is started with Government co-operation such as the paper or match industry, for example, European enterprise is bound to be the first in the field and it will be the fault of the Indians themselves if they are slow to take their proper share in the industrial development. This aspect of the situation has been grasped by certain well-meaning opponents of Indian Protectionism and should be clearly understood by all who are interested in the question. There is an amount of truth in the shrewd remarks made by the Hon'ble Mr. A. Chatterton in this connection. He says :—

"What I would submit for your consideration is that even if protection were desirable, you are not ready for it. There is no fund of capital seeking remunerative investments. Industrial leaders with technical skill and business experience are non-existent and the operative labour could only be obtained with difficulty and would require training from the very beginning. *You might exclude British manufactures, but you cannot exclude the British manufacturer.*' *

Mr. Chatterton, it must be stated here, is far from right when he assumes that the object of the Indian Protectionist movement is chiefly to exclude British manufacturers and that "the recent cry for industrial development comes from a small minority of unemployed educated people who have

* The Journal of the South Indian Association, April, 1911.

not yet found a suitable niche for themselves." This misconception notwithstanding, his estimate of the industrial needs and prospects in India, is substantially correct and must be borne in mind by all those who are inclined to suppose that protective duties are a panacea for the economic distemper of the Indian nation. What Indian protectionists must press for is a relaxation of the rigidity of the present almost passive economic attitude of the Imperial Government with respect to the industrial development of the country. They must persist in the demand that the Indian should take vigorous steps to stimulate industries in every possible way and not leave the people to themselves in the matter. Every case of protective duties will have to be judged on its own merits ; but there can be no doubt about the general responsibility of the Government towards the people with regard to industrial development. To insure against and minimise the disadvantage to Indian enterprise of the powerful competition of European merchants and manufacturers in India, it has been suggested that Government should insist that a certain proportion of the capital invested in every new concern must be purely Indian. But it is difficult to conceive how the State can be brought to accept this suggestion in the face of the opposition that is sure to be raised against it. It, however, shows the manner in which the policy of the Government of India ought to be shaped in the interests of the people of the country. Indian Protectionism is thus emphatically a national policy designed to promote the industrial and economic progress of the people and as such ought to find favour with Government. The State in India has, however, its own difficulties and it is through them that we have to march

towards the goal. Mr. Chatterton, who takes the Indian Protectionist movement in its aspect of tariffs only, is nevertheless of the opinion that "a little paternal assistance of a direct character, the cost of which can be accurately determined and the operations which we carried on definitely limited, is a more logical and businesslike method of dealing with the industrial question than subjecting the whole country to a system of tariffs which will increase the cost of living and direct energy from its natural channels into artificial courses, most probably not leading to the best utilization of the resources at our disposal." This position is a reasonable compromise between the two Free Trade and Protectionist extremes and is deserving of serious consideration.

XII.

INDIAN PROTECTIONISM.

In his small book entitled "India and the Tariff Problem," Prof. Lees-Smith has devoted one chapter to the discussion of Indian Protectionism, and after briefly examining the question from the theoretical and the practical standpoint he has come to the conclusion that Protection is an evil in general and particularly in the case of India it would be a serious evil. He warns educated Indians against the grave dangers that are sure to come in the train of Protection. A survey of the Indian industries leaves him unconvinced of the benefits which people in India credulously believe will accrue to them. He is all the more anxious to wean away educated Indians from the undesirable tendency towards protection as he feels convinced that the symptoms of the disease are already clearly discernible in them. Germany, America and other countries are, by this time, in the firm grip of the fell disease and there is no curing them. At least Prof Lees-Smith and his brother economists are not the physicians who will be consulted in the matter. But India's malady is yet in its earlier stage and educated Indians may be recalled to a sense of the risk they are running in exposing themselves to the infection of the protectionist countries of the world. He, therefore, wants a strong free trade school to rise among Indian thinkers and administrators. Nobody indeed wishes that India should blindly

* Contributed to the *Wednesday Review*, 1910.

go in for Protection without carefully balancing the advantages and the disadvantages of a policy of Protection. It would be suicidal to do so. We have to take account of our possibilities and limitations and ought not to run after Protection simply because some other countries have done so. The protectionist tendencies which have recently developed themselves in England and this country are a reaction against Free Trade which, under the present circumstances of the two countries, has been weighed and found wanting. Protectionists here and in England appeal to experience and example. They do not propose to adopt a full-fledged scheme of Protection all along the line. It is to be resorted to only in those directions in which it is calculated to prove beneficial. But as a warning finger has been raised it becomes necessary to reconsider carefully the position of Indian Protectionism.

Prof. Lees-Smith's first argument against Protection is that the industry which enjoys that favour is enabled to levy a tribute upon the community. The consuming public has to pay a higher price for the protected commodity and is thus subjected to a kind of blackmail. He does not believe that the protective duty may be paid by the foreign producer and states that Protection can only be effective in so far as it raises prices. It is no doubt the main object of protective duties to raise the prices of foreign products and thereby minimise foreign competition. But certain cases may be conceived in which the foreign manufacturer has to pay the duty, if he wishes to maintain an effective competition. Let us suppose that a country has a monopoly in the manufacture of a certain article. It will be in a position to fix its own price of that article. If one of the consuming countries breaks

that monopoly by manufacturing the article locally and levies an import duty on the foreign product, the foreign manufacturer to keep up the competition, must lower the price and pay the duty. He may afford to do so if he has been making large profits, which will now be diminished to the extent of the duty he has to pay. Or he will have to curtail his exports. Prof. Lees-Smith says :—

"If the foreign manufacturer pays the duty and sends the goods at the same price as before, there is no advantage to the industry which is being protected."

Why, the advantage in this case lies in the handicap placed upon the foreign industry, which must be worked at a disadvantage. We often complain of cheap and inferior goods dumped into our markets. The manufacture of these may be discouraged and the competition may disappear to the benefit of the home industry. If the foreign industry is a subsidised one, the subsidy will have to be removed. It is the essence of countervailing duties to threaten retaliation and neutralize the effect of artificial stimulus in foreign countries. Prof. Lees-Smith indeed admits that there are certain cases in which protective tariffs fall, to a greater or less extent, upon the foreign producer, and that therefore the prices are not raised to the full extent of the duty. But he says that these instance are of importance only when duties for revenue are being considered. It is, however, unnecessary to labour the point. It may be admitted that the majority of import duties fall upon the home consumers as they raise prices. We may here ask, if protective duties are a self-inflicted evil which does not affect the foreign producer, why did Lancashire cotton manufacturers, for instance, raise such a hue and cry

against the import duties on their goods, even when they were avowedly levied for revenue purpose? Our cotton excise duties bring in a paltry forty lakhs at the most and cannot be represented seriously as being imposed for revenue purposes. Free Trade Lancashire should have pitied India and left her to suffer in her error. But manufacturers in Lancashire obviously felt that the import duty was in its tendency a protective duty. A protective duty, according to Mr. Lees-Smith's showing, raises prices and is not paid by the foreign producer. If that is so, why did Lancashire producers press for the countervailing excise duties on Indian mill products? Prices of imported cloth would have been raised in our markets and we should have paid the duty. Of course it was the fear that they would have to lower or forego their profits to pay at least a part of that duty. and indirectly assist the Indian mill industry that led Lancashire to complain. Free-traders cannot object to what are called revenue duties and many of these may turn out to be protective. A statesman may try to kill two birds with one stone. A revenue duty may be so devised as to give protection to a home industry, and the statesman cannot be charged with committing the sin of protection. When an import duty raises prices in the market to the full extent of the duty, it is the consumers who pay it. The problem of raising an increasing revenue necessitated by the advance in expenditure has become very difficult in this country and it was only recently that four fresh duties had to be levied for the purpose For carrying out certain improvements and for education, sanitation and other purposes funds are needed and they have got to come out of the pockets of the people or all progress and

reform must cease. People must pay for all-round progress and good administration. Taxes like the salt duty, &c., are out of the question. The Finance Member this year had to tax four of our imports—of course for purpose of revenue—and it was complained that they gave protection to the Indian tobacco industry and petroleum. While speaking of these new taxes Sir G. F. Wilson anticipated the certain protests against his policy by emphatically asserting that they were purely revenue duties and said that if they perhaps tended to give protection to an Indian industry he would not be sorry. The world is led by labels. Call a tax a revenue tax and the Free Trade conscience is satisfied. The popular representatives in the Imperial Legislative Council who pleaded the urgent necessity of introducing a scheme of free and compulsory education, were willing to tax some of their exports and imports. They would even welcome an all round increase in the import duties. If we must tax ourselves for the improvement of our country, why not devise the taxes in such a way as to be both productive and protectionist? Then the objection of protective duties levying a tribute upon the customers would be deprived of all its point.

Prof. Lees-Smith thinks that another argument in the armoury of popular protectionism, *viz.*, that it "gives employment," is always fallacious, and is peculiarly foolish in India. There is no need here to give employment as the local industries are already clamouring for labour which they find it difficult to obtain. This view betrays an entire misapprehension of the real situation. The fact that there is a scarcity of labour in certain industries does not mean that there is more work in India than there are men to do it. Far

from it. Modern industrial conditions have not yet superseded the older methods to any appreciable extent. Movement of labour to industrial centres is not easy. Conservatism has made Indian labour stiff, and deprived of its old associations, it has not learnt to take to new ones. But it is a patent fact that the decay of the old industries has driven the craftsmen and artisans to agriculture which is more than overcrowded. Prof. Lees-Smith himself has quoted in the first chapter of his book the oft-quoted opinion of the Famine Commission of 1810 that

"no remedy for present evils can be complete which does not include the introduction of a diversity of occupations through which the surplus population may be drawn from agricultural pursuits and had to find the means of subsistence in manufactures, or in some such employments"

This clearly shows that employment has to be provided to thousands of poor people who for want of work are driven in times of scarcity to famine works. They cannot be supplied with work unless new channels are opened out for them. And the starting of new industries in these times of hard competition means Protection. Our ignorance and misplaced charity are no doubt responsible for the large numbers of sturdy beggars and vagrants who stalk the streets. But even when they are reclaimed from a life of idleness and dependence, the problem of providing them with work remains—nay, becomes more difficult still. The "employment" argument is not, therefore, so foolish as it looks to superficial observers. We shall have to teach our masses how to adapt themselves to the new conditions but in the meanwhile we must make provision for the work they will demand.

Indian protectionists do not deny that protective duties will lay a burden on the consuming public. They know that a policy of protection will entail on them great sacrifices. But who will not make reasonable sacrifices when they are needed for the good of the country ? Free-trade critics cannot have failed to observe that the Government of India has been slowly drifting towards Protection. It has been patronising some of the Indian manufacturers and assisting Indian industries in various ways. It has issued orders to the effect that all stores required by the various departments should be locally purchased as far as practicable. The funds devoted by the Government to the improvement of agriculture and industries in various ways come from the pockets of the people. They are derived from taxes. What harm is there then if they are further taxed for a similar purpose—the encouragement of home industries by means of protective duties ? Looked at from this point of view the duties would not be a tribute or burden. Like other taxes they must be regarded as payments made for the beneficial and efficient administration and the development of the country. But it may here be asked, have the sacrifices it is proposed to make on the altar of Indian Peotectionism, any chance of compensating for the losses incurred ? The sacrifice may be no real sacrifice. The tribute paid may be regarded as merely an investment of capital. Will this capital, however, bring in any return ? Or will it be a dead loss to the country entailing untold difficulties and embarrassments out of which it will be difficult to come off safe ? This question leads to the consideration of the famous "infancy stage" argument in favour of Protection.

Even the most exacting free traders who first

unfurled the banner of the freedom of trade from the many harassing restrictions which had for centuries cramped the movements of commerce and industry had to concede that, in the case of rising industries, some fostering care at the hands of the State was necessary to insure their healthy growth. The infant has to be taken by the hand, led and made to walk, if necessary with the help of a go-cart, till it can do without this external and artificial stimulus. The latent possibilities of a people and the natural resources of a country cannot be developed unless during the early stages some protection is given to them against the competition of grown-up and thoroughly settled industries. It is not only in the interest of a particular people or country that such protection is called for ; the world at large is calculated to derive benefit from the increased output of commodities and the consequeut increased supply thereof. The attainment of the main object which free-traders have in view, *viz.*, the cheapening of goods by their being produced under the most favourable conditions and their unfettered distribution through all parts of the globe, is facilitated by the policy of protecting infant industries till they are strong enough to stand on their own legs and take care of themselves. The infancy stage argument acquires a peculiar force in a backward country like India surrounded on all sides by competitors thoroughly armed and equipped with scientific knowledge, capital, skilled labour and high tariffs. Everybody admits that this country is capable of producing a variety of manufactured articles which are at present imported in large quantities. We have a fertile soil that produces all kinds of raw materials, the food of manufacturing industries. We

have cotton and jute, sugar-cane and tobacco, oil-seeds and woods of different species, wheat and rice—all these we have in abundance and their output may be indefinitely expanded. But if the industries in connection with sugar, tobacco, paper, matches, leather, oil, etc., are to be established, besides other important requisites, some insurance against foreign competition is essential at least till a certain stage in their growth has been reached. The question has also to be looked at from the national point of view. The development and prosperity of nations and peoples calls for State interference with the liberty of exchange. National and racial preservation is a factor which cannot be ignored in these times of the growth of solid nationalities. The ideal of the brotherhood of man, very fine so far as ideals go, is and even has to be, forgotten in practice. The cry of tariff reform in England, of protection in India and of Imperial preference throughout the British Dominions is primarily inspired by this national and imperial instinct. Germany and America, Japan and Australia have been animated by their self-interest. The Mercantile System and the Navigation Laws, so full of erroneous economic conceptions, were still based on selfish motives inherent in human beings and did much to strengthen and enrich England before the policy of *laissez faire* came into vogue. That policy promoted the economic growth of England for some time and now a reversion to restriction is also being advocated on national grounds. It will thus be clear that a practical economist and statesman cannot afford to preach mere theories, and a protection to infant industries is sanctioned by economic principles as it is necessitated by national considerations.

Prof. Lees-Smith agrees that the infancy stage argument which countenances a temporary tribute on consumers on the ground that it will be more than repaid by the profit which the nation is sure to derive from the adolescence of the infant industries does not contain any such logical impossibilities as are found in the case for popular protection. But the free-trader's objection to this argument is that the so-called infant industries have a curious knack of remaining infants for years and years together. Once an infant always an infant, is their motto. The sacrifice to consumers, regarded as temporary at the outset, becomes a permanent charge on the nation. If an attempt is made to remove the duties levied for the protection of new industries, an interested outcry is raised which the Government is not strong enough to resist. Vested interests are created behind the tariff walls and protected industries become permanent invalids and heavy burdens upon the nation. One industry after another is admitted to the charmed circle of the old nestlings and we have protection established among us in its worst and most obnoxious form. This free-trade view of the infant industries has, it must be frankly conceded, some basis of truth, and the evils of the growth of vested interests and the continuous fattening of inflated and dependent industries, may be seen in America and other protectionist countries. But something may be said in favour of industries enjoying this sort of State support. If the manufacturers remain idle, conservative, and dependent under the shadows of the tariff walls, doing nothing to improve themselves, they will have levied a blackmail on the nation, and to protect them would be to place a premium on idleness and

inactivity. In free countries like England where all classes are represented in the national legislature, it will be the people's business to decide how far protection is beneficial or otherwise under given conditions. And national considerations may outweigh the purely economic in arriving at the decision. If the people believe that the sacrifice to the nation due to protection is worth undergoing they will prefer to persist in their policy of protection. The free-trade-protection controversy, it must always be borne in mind, is not purely economic in character. There are a number of currents and cross-currents, political, social and racial, which have shaped and will shape the policies of nations. In spite of the advance made in the science of economics during the last century, the inexorable fact remains that national interests must continue to dominate in fiscal matters. Though the errors of the Navigation Laws and the Mercantile System have been corrected, their spirit yet remains and has taken new forms. Whatever the applicability of the infant industry argument and popular protection in Western countries may be, the case in India is quite clear and we are immediately concerned with it. We ask the free-trader, what would he advise us to do in the present economic conditions of this country? Almost all our industries are in the infancy stage. How are they to grow in the face of the formidable rivalry of foreign manufacturers? If we appeal to history we shall find that it does not furnish a single example of new industries having thriven under a pure policy of free-trade. Even England, the home of free-trade, is not an exception. Free-trade is also a policy which cannot be confined to and depend for its success on, one

country. To be successful, it must be adopted by the majority of the chief nations of the world. The hopes of English free-traders in this respect have been belied by the course of events during the last generation. The world has refused to be converted to the faith of free-trade so piously preached by English economists. On the contrary, the modern school, the national and historical school of economists, has successfully demonstrated the abstract and impracticable nature of the doctrines of the old school. Under these circumstances, what is the use of a solitary nation holding fast to its banner of free-trade when the rest of the world has already outstripped it by the strength given to it by a policy of protection? Without State help of every kind the case of our indigenous industries is simply hopeless. We indeed appreciate Prof. Lees-Smith's suggestions as to how the evils of protectionism in the case of infant industries may be minimised, when he says that the period of protection should be limited at the very outset and the limits once laid down should not be allowed to be overridden. It must not, however, be forgotten that the analogy between the human infant and the industrial infant is not so close as it is made to appear. The period of industrial infancy cannot in all cases be arbitrarily fixed at fifteen or twenty years as Prof. Lees-Smith suggests. That infancy is comparative. We may have old infants among industries. That depends on environments. The Indian paper industry outgrew its infancy in a few years and competed successfully with its rivals. It could do without any external assistance. But very soon the use of wood pulp by foreign paper manufacturers who could produce a better article and undersell us at the same time, converted our adult

industry into an infant and we are once more where we were at the beginning. Here the infancy period must be resumed and prolonged. An affectionate and dutiful mother cannot, besides, throw away or neglect her children if they turn out weaklings. She must, as it is her duty to do, try to bring them up properly, train them, educate them, support them, and her affection toward them cannot slacken though they outgrow their childhood. Something of this kind happens in the case of industries, and however wayward, idle and naughty they may be, a nation cannot turn its back upon them. National comfort, wealth, strength and prosperity depend upon industries and to protect them is to protect the people themselves against poverty and unemployment. We have, however, no objection to the experiment of limiting the infancy period being tried in India. It is very easy to point out the evils which a resort to Protection may entail on the country but the free-traders must come forward to show how Indian industries are likely to grow without it. Japan has demonstrated to the world what Protection can do for a backward country—an Asiatic country too, not to speak of Germany, the most formidable rival England has in Europe to-day. Japan is slowly laying the foundations of a powerful cotton textile industry and ousting India out of her own and the other Eastern markets. Here new tariff has evoked complaints even in England and threatens to affect the Indian industry. Outside competition is making the position of English free-traders shaky, and some of them are trying to derive all advantages of protection while nominally professing their old faith. There is no escape therefore from the conclusion that in Protection—of every kind and in

every shape—lies the economic salvation of this country. Our land revenue has now reached limits beyond which it is not possible to go, at least for many years to come. If more revenue is needed, as it is needed to meet the growing wants of the country, let the import duties on various manufactured articles, excepting some of course which need not be mentioned, be raised all round by a substantial percentage. The same may be done with regard to exports. Much discrimination must, no doubt, be exercised on devising such a tariff. But the beginning has been made and we now know that revenue duties can be protective in their tendency. If articles to be specially taxed are judiciously chosen, infant industries will get a stimulus and our financial position be improved.

The case for Indian Protectionism is so strong that it should not, really speaking, require such an elaborate statement and defence. And we would not have bestowed so much attention upon it in considering what position India ought to hold in a scheme of Imperial Preference, had it not been for the fact that India has very largely figured in the recent discussions on the free-trade-protection question and the wisdom of our desire to protect the indigenous industries has been seriously doubted. The latest and the most notable of our critics in this matter is Prof. Lees-Smith who very lately visited this country to study its conditions and has now given his verdict against Protection. We have already attempted to examine some of his arguments and proceed to consider his position further. Such a reconsideration of our views becomes necessary when their truth has been called in question. On a consideration of the special conditions of India, the dangers of

Protection appear to Prof. Lees-Smith even more serious than they can possibly be elsewhere. He argues that Protection tends to sap the vitality of industry and weakens the edge of competition whose pressure is the very essence of progress. It is no use pointing to the precedents of other countries such as the United States, Germany and the Self-Governing Colonies. Each of these is remarkable for the natural vigour of its people and their energy is too great to be damped by Protection. Mr. Justice Ranade is quoted to show how conservative and unenterprising Indians are and how their many weaknesses are stumbling blocks in the path of their economic progress.

Now nobody denies these weaknesses and it is the main object of Indian Protectionism to try to remove them. Protection is one of the means we want to adopt for overcoming the defects which are inherent in our character, institutions and manners. Nobody in India would seriously advocate a sole reliance on State aid but every one is convinced that attempts to develop the country's resources must fail if they are not properly backed up by the State. Protection may sap the vitality of industry after it has reached a certain stage. To support a person in health and vigour by crutches is to make him weak and dependent. Competition is a useful stimulant. A struggle strengthens the nerves of the combatants and the greatest good is obtained from a free competition among various parties contending for victory. But in order that there should be a free and wholesome competition there must be an equality between the combatants. To speak of a fair competition between a giant and a dwarf is an abuse of language. To try to shelter the sturdy oak against sun and wind

would be superfluous and to leave young plants to the tender mercies of the inclement weather is unwise. Indian industries which have yet scarcely shot up above the soil are sure to be swept away by the hurricane of foreign competition. They have to be nursed and protected till they can be suffered to take care of themselves Competition will become effective and beneficial where the competitors have equal chances given to them. Indian Protectionists do not claim protection for the primitive industries or for industries which are well established. They do not seek State interference in favour of the primitive method of extracting oil or of spinning cotton thread or of making paper. That would be to perpetuate old evils. Yet new sugar and match factories, and such other concerns do require assistance till they are able to stand on their legs. The question is about infusing life into industries in the embryonic or infant stage. There is no vitality in them which Protection may sap. That vitality is yet to be created in the industries of India. It would be useless to expect new industries on modern lines to rise and thrive unless in the initial stages they are propped up by Protection. As for the competition which is necessary to stimulate manufacturers into constant activity, we can have it in the country itself, where the various concerns will struggle to improve upon each other by endeavouring to reach foreign models. The protected and bounty-fed industries of Germany and Japan are making rapid strides instead of decaying, and are snatching the world's markets from England's grasp though the dispiriting and enervating influence of Protection is not there to damp her energy. But America, Germany and Japan are nations

remarkable for the natural vigour of their people while India is an inert mass with no enterprise, no self-reliance and no physical and intellectual vitality! It is, however, a patent fact that these nations have evinced their vigour in industries only within the last few years. Where was then the natural vigour of the Germans and the Japs before it was brought out recently by the strenuous policy of Protection adopted by them? It was latent in them which favourable circumstances have shown now to great advantage. India was long known for her arts and industries, for her skill and even enterprise. Indians will yield to no people in the world in their capacity for any work of skill, for deftness of fingers, for steadiness in labour, and inventiveness of intellect. They have lagged behind other peoples and nations in the race of industrial progress, and hence we see dense ignorance, conservatism, sloth and inertia. But there is here excellent material which requires proper direction and stimulus. Who could have credited the Japanese fifteen years ago with the manly vigour, the enterprise and the pushfulness which is the admiration of the whole world to-day? The Russians have learnt to know them better only after a disastrous war. The Japanese, like the Germans, have reared their national industries under the genial and fostering influence of Protection, and their new tariff recently published, has evoked a storm of complaint against them because it is aggressively Protectionist. Nobody can be bold enough to say that the Indian inertia is a permanent drawback implanted by nature which no efforts can possibly remove. Even admitting that we have not done all that is expected of us, to help ourselves, it is unfair to say that Indians

are too dependent. Every people has so depended on its State. To deny protection to Indian industries on the ground that the people here are idle, is to stamp them permanently with the stigma of national incapacity and want of aptitude. They are very ingenious critics indeed who would refuse State assistance to our economic progress because we have a number of weaknesses. That is the very ground on which Indian Protectionists take their stand. Weakness must be supported into strength more than strength bloated into unnatural shapes. We repeat that Free-trade and Protection as a fiscal policy is a national concern. No abstract reasoning and theorising on the progress of the world at large can help us in deciding the question so far as a particular people are concerned. A far-sighted statesman has to take things as they are and not quarrel with his tools. None is more conscious of their weaknesses than Indian Protectionsits themselves. Mr. Ranade, who pointed to our national defects, was the first eminent Indian who exposed the fallacy of free-trade as applied to this country and founded Indian Political Economy. He always laid stress on the need of our helping ourselves but at the same time advocated an overthrow of the abstract theories of the economists of the old school who would confine the duties of the State to the elementary function of affording security of life and property. His State help included differential duties. If he did not emphasise the point it was not owing to any disapproval on his part of a policy of Protection nor to a want of appreciation of the benefits that differential duties may confer upon our industries, but because he felt that the question was out of the pale of practical politics. It is no

longer, however, a subject of mere academical discussion and therefore requires a careful exposition and emphasis. In fact, the whole of Mr. Ranade's lecture on "Indian Political Economy" (published in his "Essays on Indian Economics") is a spirited plea for Protection. Professor Lees-Smith, however, throws out a crumb of consolation by telling Indian patriots that statements of India's "stagnation, dependence, poverty and depression" need not make them too despondent.

"The genius of the Indian people has not in the past been in the direction of Western scientific methods..... Providence has entrusted the British race with the task of guiding them in the unfamiliar paths of Western industry.....The extent to which the industries of India are controlled by her own sons will be the measure of the degress to which we have fulfilled our trust We have no right to expect, however, that on the unfamiliar road that they are now treading they should easily strike out into fresh directions The capacity of the Indian peoples to adapt themselves to Western methods can only be judged after they have had full time to assimilate them"

Following the lead of Mr Ranade, Indian patriots regard India's connection with Great Britain as a Providential arrangement and England's rule over this country as a trust. They loyally insist upon this trust being properly discharged to the advantage of those whose destinies are thus held as a kind of trust. Firm attachment to British rule on the one side and beneficent direction of India's destinies on the other, may be regarded as the conditions of this trust. Professor Lees-Smith would, however, be satisfied to let the Indian industries have their own course. The doctrine of *laissez faire* appears still to dominate his ideas of Government's duty to its people. But modern developments

of economic thought have enlarged the sphere of the functions of the State which are not to be confined merely to the maintenance of peace and order.

"Even if political considerations forbid independent action in the matter of differential duties, the pioneering of new enterprise is a duty which the Government might more systematically undertake with advantage." (Ranade's "Indian Political Economy")

The State in India has already done much to free itself from the thraldom of *laissez faire* and free-trade and what Indians wish their Government to do is the extension of the principle still further. It is not sufficient merely to leave Indian people to adapt themselves to Western methods and allow them full time to assimilate them. Something more than such a passive attitude of let-things-alone is needed to set indigenous industries on their feet. We agree with Professor Lees-Smith when he tells us that conservatism is the fundamental weakness of the trade of India and that it ought to be overcome. Social reform and the wider dissemination of primary, technical and scientific education, co-operation and industrial organization, well regulated charity and enterprise—these are the directions in which serious effort has to be made. And every one who has even a superficial acquaintance with the trend of current public opinion and public effort, will admit that the last few years have witnessed a remarkable progress made in India in these various directions. The new mills and factories, banks and insurance companies, which are fast springing up in all parts of the country bear witness to this public activity. The helping hand of the State has to be lent to the industries whenever and wherever they want them. The conditions by which

they are surrounded cannot be characterised as healthy. What form Protection should take, to what extent it should be accorded and in what cases it is desirable, are matters of detail The fundamental position, however, that free-trade in its undiluted form is unwholesome to the health of the Indian industries and that doses of Protection must be administered to them whenever needed, has to be clearly grasped. That what is good to England must also be good to other countries, is now an exploded theory, and when one country after another in the West as well as the East is becoming Protectionist, it behoves our people and Government to follow in their wake It is the worst form of conservatism to stick to orthodox economic doctrines when they have been shown by reasoning and the cold logic of facts to be hollow

An analysis of the reasoning of those who advocate a policy of free-trade for India leads us to throw them into two groups. (1) First, there are those free-traders who do not like to see the old orthodox faith losing its hold upon the minds of the people. They piously feel that unrestricted trade allowed to run freely over the world and industry allowed to thrive in congenial surroundings, will contribute to the welfare of humanity. Unrestricted competition, perfect freedom of exchange and the enlightened selfishness of man are the watchwords of this class. They wish to maintain Cobdenism as a living force. Though the Protectionist nations of the earth have emphatically rejected their doctrines, they would yet cling to the last hope. To them India presents a convenient field where there is scope for the application of their pet doctrines. Other nations cannot be reclaimed but India may be

saved before it is too late. (2) The second group consists of people who are practical and are not enamoured of theory. England has prospered on free-trade. It has supplied to her the food and the raw materials so necessary to her in her insular position and her exclusively manufacturing character. If free-trade is given up, many of the world's markets which provide an outlet to her manufactures to-day will be closed as foreign countries will retaliate on her. When once England has become a convert to Protectionism, she will have, in justice and fairness, to allow India also some measure of Protection. India is, however, one of her richest customers, and if she is permitted to remove the cotton excise duties and raise import duties on cotton cloth Lancashire must suffer heavily. It is, therefore, concluded that free-trade is the wisest policy that can be adopted in India. It is superfluous to add that the above arguments cannot appeal to the people and Government of this country to whom the interests of India must be paramount, and all other considerations subsidiary.

We have so far attempted to show that, both from the economic and the national point of view, the condition of India requires the adoption of a policy of Protection without which her industries can never hope to raise their heads. Having accepted this position it remains for us to see how such a policy can be worked in practice and how far it is compatible with Imperial Preference. Taking the first point first, we must indicate the nature of an Indian protective tariff. The framing of such a tariff presupposes a complete freedom to the Government of India in fiscal matters. To-day no import or export duty can be levied in this country, even for

purely revenue purposes, without evoking an outcry of interested manufactures and merchants in Great Britain. Whatever may be said in justification of the cotton excise duty, it has been admitted in high and well-informed quarters that it is a sacrifice India has to offer on the altar of Free-Trade and the interests of Lancashire. Mr. Montagu stated in Parliament the other day that the question of imposing an excise duty on certain kinds of tobacco as a counterpoise to the new import duty recently levied, is being seriously considered, though that duty has been avowedly a revenue duty. In the interests of Indian industries and finance the hands of our Government ought not thus to be tied down. They should be at liberty to devise their tariff in the way they may judge best, though it may have a distinctly protective effect. So long as Great Britain is in the firm grip of Free-Trade such liberty is, of course, impossible. But we are now thinking what would be an ideal policy for India to pursue in her interest and how her attitude should be modified if England gives up Free-Trade and become Protectionist. There is already a general tariff of 5 per cent. modified and moderated in the case of certain commodities essential to indigenous industries while some are admitted almost duty free. If the State is given the liberty to manipulate its tariff in consonance with its requirements, the five per cent. duty may be doubled all round for the sake of increased revenue, so much needed to meet its expanding expenditure, of course, with the exception of certain articles. The countervailing cotton excise duties will have to go, and no complaint from outside on the score of unhealthy competition and so forth can be tenable. It is superfluous to add that the tariff

will be framed after calculating all the effects on our imports and exports and the probable retaliation of foreign countries. Foreign countries have such heavy tariffs against the commodities of the British Empire, and we shall only be following their lead in stimulating our nascent industries. Our country holds a monopoly in the production of many commodities which other countries cannot afford to forego, being either raw materials or articles of food. We have thus the export duty on rice ; a similar duty may be laid on jute. In spite of the comparative inefficiency of labour and the excise duty, the Indian cotton textile industry has been making rapid strides. More capital is being invested every year and the outturn of mills is increasing on a large scale. As India imports every year more than thirty crores worth of cloth from great Britain, there is infinite scope for the expansion of this industry. If the import duty is once more raised to five per cent. and the excise duty removed, a great stimulus would be given to that industry. It cannot be said that the peculiar advantage our mills enjoy in having the raw material at their doors has made them lazy. They have been making progress not only in the quantity turned out but also in the quality of the cloth. On account of the shortage in the supply of cotton all the world over, the Indian cotton is in greater demand in Japan, on the Continent of Europe and even in America. This increased demand last year pushed up prices and placed the Indian mills in a very difficult predicament. If this becomes a permanent feature, the Government of India will have to levy an export duty on raw cotton going to Japan and the other countries to ensure an adequate supply of cheap cotton to home manufactures. As

regards the manufacture of leather, wool, paper and silk, it is alleged that their weakness lies in their backwardness and conservatism, which no protective duties can possibly remove. This is, no doubt, true, and it must be confessed that our lack of capital, enterprise and scientific knowledge are responsible for the decay and the stationary character of these industries. Efforts are being made to remove these defects but success is slow and difficult. The competition of cheap foreign goods is as much an obstacle as our ignorance and inertia. The aid of Government in promoting scientific and the technical education and in stimulating private effort to infuse a new life into these industries is urgently needed and the addition of an extra 5 per cent. to the present import duty on these articles may be a welcome stimulent. The case of sugar mauufacture is similar and the causes of its stagnation are the same. If the indigenous sugar sells at three seers a rupee, the foreign article, much finer than it, can be sold at four seers per rupee. An enhanced import duty will perhaps only raise the price of the foreign article without giving any impetus to the home-made sugar. Our primitive methods of manufacturing sugar will not allow us to compete with the foreign manufacturers equipped with up-to-date methods and machinery. Yet the principle of protection was admitted and put into operation with regard to foreign bounty-fed sugar during Lord Curzon's Viceroyalty when the countervailing duties were imposed. That principle will have to be further extended when the necessities of the case require it. The ten crores worth of the imports of foreign sugar, in fact, make it the most desirable object for revenue taxation and when the question of raising additional revenue

from customs was discussed in the Imperial Legislative Council at the time of the last budget debate, sugar was suggested as a capital object of further taxation. The difference in price between the foreign and the home-made article is so great that an enhanced import duty will not much assist the indigenous industry. But it will be considerably productive and will tend to lessen foreign competition. A duty on foreign sugar would have been more desirable than the one on petroleum, actually imposed, though, in the case of the latter, there are great possibilities of expansion at the expense of Russia and the United States. The production of Indian petroleum has risen from 19 million gallons in 1898 to 176 millions in 1908. The imports being yet very large, the new duty may stimulate the indigenous production still further With reference to the protection of Indian minerals, Prof. Lees-Smith quotes Sir V. Ball who says that—

"Were India wholly isolated from the rest of the world or were her mineral productions protected from competition, there cannot be the least doubt that she would be able, from within her own boundary, to supply very nearly all the requirements, in so far as mineral wealth is concerned, of a civilised community"

Protection is thus obviously needed for the conservation of the national resources of India and the end may be achieved, wherever possible, by tariffs. After a detailed examination of the Indian industries with a view to determining if any of them have a prospect of profiting by Protection, Professor Lees-Smith admits that, as a large part of the home market is still held by Chinese tea, a duty might lead to a further expansion of the Indian industry. He further says that—

"The tobacco growers also might receive considerable assistance from a tariff. Vast quantities of cheap cigars and cigarettes

are imported the place of which might be taken by the products of India herself.

Speaking of the sugar industry he states that it is one of the established industries already enjoying the full benefits of production on a large scale, and that any protection given to it will be only a tribute levied upon the public without the excuse of the infant stage. In this connection it may be pointed out that the sugar industry is not an established industry and carried on a large scale. It is yet to be regenerated. The old industry is dead and has to be replaced by a new one on modern and broader lines. In this situation it certainly requires protection. It is no small concession from the hands of a Free Trader like Mr. Smith when he concludes his examination of Indian industries with the remark that tobacco and perhaps iron and steel emerge as objects that may benefit by a protective tariff. And yet the new revenue duty on tobacco imported into India is to be counterbalanced by an excise! Zeal in the worship of an exploded theory can surely go no further. Or rather self-interest cannot be pursued in a narrower spirit. It is freedom from such restrictions that is needed to enable our Government to frame tariffs that may be found necessary for the benefit of Indian industries and revenue. When the Government of India were asked some seven years ago to state their views on the question of tariff reform, they addressed to Mr. Brodrick, the then Secretary of State for India, a despatch, dated 22nd October 1903, embodying their opinions on that problem. There was no definite scheme before them, but so far as they could form an opinion they thought that India had little to gain from being involved in any fiscal scheme. But at the same

time they wanted to possess the power of retaliation on foreign countries which would penalise Indian exports. This power of retaliation presupposes the power of adjusting the Indian tariff for the benefit of the industries and commerce of India. Indian Protectionism desires the further extension of this power in the hands of the Government. Our exports to foreign countries consist, for the most part, of raw materials which they have to admit duty free. But they do not hesitate to levy heavy import duties on articles manufactured or partly manufactured and on commodities they do not need as raw materials for their industries. In his introduction to the Hon'ble Mr. Webb's book entitled "India and the Empire," Sir Edward Law observes :—

"They (protectionist countries of the world) thus achieve their object of maintaining a cheap supply of raw materials for their own industries, whilst successfully obstructing industrial development in India. It is their natural desire to keep the peoples of India in the position of hewers of wood and drawers of water for their manufacturers. Ought such a situation to be tolerated when we hold the remedy in our own hands ? Can we expect the people of India to accept it with equanimity ?"

The cry all over the country is for protective duties against foreign goods dumped in our markets at cheap prices. It must be emphasised that Indian Protectionists do not indolently rely upon tariffs. While endeavouring to help themselves and seeking help from Government, wherever it can be given, they insist upon levying substantially heavy duties on foreign competitors. This kind of protection is being advocated not by educated Indians alone but also by Anglo-Indian and English publicists. The Tariff Reform movement in England has strengthened the hands of Indian protectionists. We have indicated above how a protectionist

tariff for India may be framed. There need be no wholesale and immediate change. The beginning has been already made by the budget arrangements of the current year though in the name of revenue. The protectionist tendencies of the new duties are, however, apparent and need not be denied as they have not been denied. Attempts are at present being made at retrenchment in the various departments, but no hopes can be built thereon. On the contrary, a larger revenue will be needed year after year, and it will not be possible to get it from land and the other sources, failing which, recourse must be had to import and export duties. Let the articles to be taxed be so chosen as to encourage indigenous industries. By and bye a tariff will be thus developed which will be thoroughly Protectionist. If in the meantime Great Britain becomes a convert to Protection, there will be no necessity for countervailing excise duties, and India will become a full fledged Protectionist country, perfectly free to regulate its own tariff according to its own requirements. This is, however, an ideal and a dream. The fiscal independence for the Government of India which the above discussion has assumed is beyond the pale of practical politics and we have not, besides, taken into account the most important factor in the situation, *viz.*, Great Britain. No tariff scheme which does not commend itself to the English people can ever be thought of by our Government. More than 60 per cent. of our imports are contributed by the United Kingdom, which is therefore sure to be affected by any policy that may be adopted in this country. In the opinion of some publicists it is possible to frame our tariff in a way that will be satisfactory to all parties concerned and that will, while

benefiting India, benefit England and the Colonies also. If our enhanced import and export duties levied against foreign countries, to which alone we have so far confined our attention, have this beneficial effect. nothing could be more welcome, and if our revenues and industries are likely to gain by a policy of Imperial preference, there is no reason also why we should not go in for it. This is therefore a matter which must be closely examined. Mr. J. Chamberlain, with whom the idea of Preference originated, made no reference to India. He was more anxious to bind the self-governing Colonies to the mother country and clean forgot this Dependency. Mr. Balfour, on whom his mantle has fallen, declared the other day that the Indian tariff will always be regulated by the inclinations of the British Parliament and the question of independent action on the part of the Indian Government and the Indian people in the interests of this country did not trouble him in the least. Some lesser lights among the advocates of Imperial Preference are however of opinion that, under their scheme, India has every chance of benefiting. On the other hand, prominent Liberals have no faith in the bonds of commerce which are to cement the Empire more closely together; in their eyes perfect freedom of exchange is the best condition of strength and solidarity for the Empire. The Government of India pronounced itself as opposed to any tariff wars with foreign countries into which it feels it will be landed if tariff reform is accepted and thinkers like Prof Lees-Smith are of opinion that England has more to lose than to gain by Preference while India will neither lose nor gain. Public opinion in this country seems to share this latter view. We, therefore propose next to

examine this question and try to arrive at some definite conclusion in the matter. To-day the discussion may appear as merely academic. But there is every likelihood that, at any time within the next few years, the question may come within the arena of practical politics. Tariff reform is even now making steady progress in England and the Government of India may, at any time, be called upon to state their views. Public opinion in this country must by that time be definitely formed, and it is our object here to assist the formation of clear and sound views on that subject.

XIII.

PREFERENTIAL DUTIES.

Many of those who have been weaving tariff reform webs in England, have not thought of India as a possible partner having any pretensions to reciprocity. The scheme of Mr. Chamberlain or Mr. Balfour and endorsed by the party of Protection in Great Britain, is to be an affair between the Mother country and the Colonies. The dependencies, under their scheme, will have to accommodate themselves to the arrangements that may be made for them by the Mother country. India (its people and Government) will evidently have nothing to do with this sort of reform which is hardly any improvement on the present conditions. The idea of Imperial Preference—of mutual sacrifices and concessions—intended to make the Empire stronger, more compact and more prosperous, is appreciated in this country, though its practical character is not yet clear. Some lesser lights among English tariff reformers have latterly been putting forward their schemes and assigning a place in them to this country. It is, therefore, necessary to consider whether any possible scheme of Imperial Preference is likely to benefit Indian industries and commerce and revenue. It must be made clear that India would not go in for any scheme unless under it she does not stand to lose. English tariff reformers

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want preference because they are afraid foreign countries are driving their manufactures out of the world's markets by means of protective tariffs. They want to utilise the demand within the Empire to the fullest extent. The abundant raw materials which the Empire supplies are to be placed preferably at England's disposal. In demanding these sacrifices from the Dominions beyond the seas, they are willing to offer concessions which will be denied to foreign countries. The question with us is, will the balance of advantage be on our side ?

To decide this we must first consider what sacrifices we shall be called on to make. A major portion of our imports consists of manufactured articles as a larger part of our exports is made up of raw materials. The United Kingdom's share of our imports has been about 66 per cent. of our total imports for the last five years. The shares of foreign countries are too small to be taken into account. Germany's share is 4 per cent., Belgium's 4 per cent., Austria-Hungary's 3 per cent.,the United State's 3 per cent., while the other countries contribute very little. Of the manufactured articles imported into this country, cotton goods represent a very large portion. On the average of the three years ending with 1908-1909, cotton goods represented 67·4 per cent. of the total value of manufactured articles imported. The United Kingdom holds almost a monopoly in the supply of cotton, yarn and piece goods to this country. And the textile industry is exactly the one Indian industry which requires protection. There can be no perferential duties in the case of cotton goods as Great Britain has no rival in that line. Indian finances cannot afford to forego any part of the customs revenue

proceeding from the imports of cotton manufactures. Our import duties are too small to be felt as a burden by Lancashire. We cannot, therefore, be called upon to lower our customs duties in its favour. They have nothing to gain thereby, we have everything to lose. Higher duties on the imports of cotton goods from foreign countries would be useless and thus here there is no scope for any preference. India has been long demanding the repeal of the cotton excise duties. Will England be willing to make us that concession? The duties levied by foreign countries on the cotton manufactures of Great Britain are very heavy and range from 30 to 250 per cent. A tariff reform pamphlet thus remarks :—

"They (Protectionist countries) shut out our cottons already and our best customers for cotton goods are not the great Protectionist countries, such as France, Germany and the United States, but the countries of the Far East, which have open markets or practically open markets."

And further :—

"Free trade in India, free and unrestrained competition in India, will presently mean for the workers of Lancashire free and unrestrained competition with American Negroes and with Japanese and Chinese cotton workers."

It will thus be seen that tariff reformers are anxious to exclude from the Indian markets cotton goods of American and Japanese production. India may levy comparatively higher import duties on the goods of these foreign countries and give a preference to Lancashire. But the latter will have the same thing to say about the Indian industry. Here we have cheap labour and a cheap and abundant supply of raw material. Lancashire will insist upon having these advantages counterbalanced by excise duties, which they have been actually

doing. Indian public opinion is clamouring against this injustice and it is very doubtful if Lancashire will be induced to make the required concession to this country. Supposing that the excise duties are removed, tariff reformers will not be satisfied with the present low scale of import duties. It has been suggested that "there can be no doubt, if only Indian interests be considered, a low import tariff of, say, 5 per cent. all round on all manufactures coming into India (and no excise duties) would prove distinctly beneficial to this country." According to this scheme, in order to distinguish in a rational manner between British manufactures and those from which Britain's rivals derive strength, an additional 10 per cent. is to be imposed on all imports coming from sources outside the British Empire. India may consent to this scheme, let us suppose. But will the other partner—the predominant partner—agree to it? That is problamatical. It is curious that while British manufacturers suffer foreign countries to impose prohibitive duties on their exports they feel that our Indian import tariff would injure their interests. The secret of this attitude of mind is that they know they can control the Indian tariff while they are helpless against the fiscal policy of foreign nations. The Government of India in their despatch on the question of tariff reform observe :—

"All past experience indicates that in the decision of any fiscal question concerning India, powerful sections of the community at home will continue to demand that their interests and not those of India alone shall be allowed consideration...We cannot imagine that merchants of Lancashire or Dundee, to mention only two interests, would be likely to acquiesce in such a course (i. e., Indian import duties against England) even though it were accompanied by still higher duties against the foreigner, or that it

would be accepted by the House Government. We therefore dismiss this alternative as beyond the range of the present discussion."

The problem thus becoms restricted to the 30 to 40 per cent. of our imports which come to us from foreign countries. This is the conclusion to which an ardent tariff reformer in India like the Hon'ble Mr. Webb comes and in common with the Government of India he disposes of this alternative as impracticable. (1) Great Britain already takes a lion's share in the imports of this conntry and enjoys a measure of preference denied to it by foreign nations. (2) If we increase our import duties all round with a further addition in the case of foreign countries, British manufacturers are not likly to acquiesce in the scheme. (3) The condition of Indian finances requires that our import duties must be enhanced to meet our growing expenditure. (4) Like the British industries, indigenous industries also need protection and this will clash against the interests of British manufacturers. The first alternative not thus being feasible, we must adopt the second. But this too is not to be thought of. If we maintain a low import duty all round, and give Great Britain a preference amounting to 25 per cent., India would decidedly lose. As has been shown above, more than 60 per cent. of our imports are British. They will go off with a low duty. The higner duties on foreign manufactures which constitute a very small portion of our imports, will be no adequate compensation. Our import duties are pre-eminently revenue duties and any reduction in them will entail a heavy loss. This argument gains a peculiar force in the present condition of our finances when we are every day thinking of imposing fresh duties. Then

again, what will Great Britian gain by these preferential duties? Practically nothing. Prof. Less-Smith take the statistics of Indian imports for 1906-07 and thus analyses them.

Total imports of private merchandise into British India	£72,205,000
Imports from the United Kingdom... ...	£48,199,000
Imports from British Colonies	£ 5,5[illegible]8,000
Imports from foreign countries	£18,448,000

The main object of Tariff reform must be to divert this trade with foreign countries into British channels. Is this, however, possible? Assuredly not. Many of the articles now imported from outside the Empire are such as, even with a preference, Great Britain cannot be expected to supersede. Kerosine oil and sugar have been suggested as the two important articles of imports in whose case preference may be shown to other parts of the Empire though not to the United Kingdom. The first of these has now been subjected to an additional impost though there is no idea of preference underlying it. This enhanced duty was properly objected to on the ground of a necessary of life being taxed. Our great foreign suppliers are the United States and Russia, and whatever the potentialities of the British Empire may be, to-day their contribution is almost *nil*. The oil industry of Burma is making rapid strides and the new duty is calculated to give it a still further stimulus. But a discrimination in favour of the oils from other parts of the Empire will only tax the pockets of the poor Indian ryot without doing any good to the Empire. Then again, the fear of retaliation at the hands of the foreign countries is great. The extra charge upon the Indian taxpayers will benefit no truly Indian

industry, nor will it stimulate any industry in other parts of the Empire. We shall only have the pleasure of retaliating upon some potectionist countries for their penalising British manufactures. The other article of import which may be made the object of a preferential duty is sugar. Our sugar bill is going up by leaps and bounds and a fresh import duty on sugar was suggested this year as a revenue duty. In a few years' time that duty is bound to come. It appears that about three-quarters of our imports of sugar come from foreign countries, and there is here some scope for a discriminating tariff in favour of the Colonies and Dependencies. Countervailing duties on bonnty-fed sugar have been already imposed and thus the principle has been accepted to some extent. But here too the field is restricted and we have rather to wait for possibilities in the future than to deal with any actual realities. Mr. Webb remarks :—

" As in the case of mineral oil, it is possible that the British Empire cannot at present produce sufficient sugarcane or beet for Indian needs, in which case we must of course, for the time being, satisfy some of our requirements abroad, preferably, however, from the friends who treat us generously rather than from those who squeeze the uttermost farthing from us by heavy duties on Indian and English manufactured products.'

We have repeatedly pointed out in the course of these articles that Indian public opinion would willingly go in for revenue and protective duties and would also be willing to do a good turn to the United Kingdom and the Colonies. It must, however, be clear from the above discussion that England herself has little to gain from the proposed reformed Indian tariff. The Colonies may perhaps gain to some extent. But the crucial question is, have these latter anything to offer to us in

return? Are they even inclined to make concessions to India? This is an imperial question of enormous importance. The conduct of the Colonies towards India is of a kind which does not encourage the view that they will treat this country with any favour. The treatment of the Transvaal Indians and the selfish policy of the Colonies in excluding Indians is an illustration of the Colonial spirit towards India. Even the Imperial Government, which fully appreciates the justice of the cause of Indians in the Colonies, is compelled to resort to measures of retaliation against South Africa. Under these circumstances, the Indian Goverument and the Indian public may well ask, why should we make sacrifices for the Colonies which they are not inclined to reciprocate? Binding the various parts of the Empire together is a fine ideal, but loyalty to the Empire cannot surely be one-sided?

One fundamental weakness in the position of those who advocate the acceptance by India of a scheme of Imperial preference is that while essaying to consider the question from the Indian point of view, they have to assign a comparatively subordinate place to the interests of this country as opposed to those of the United Kingdom. The principle of mutual assistance and sacrifice being agreed to, India must have the assurance of being dealt with in a spirit of justice and fairness. But it is amusing to find that while no such assurance can be given, the sacrifice of India is insisted upon in a more or less definite manner. India would not be unwilling to discriminate between British goods and those coming from foreign countries and to give preference to the former. It is not only the interest but it is also the duty of Indians to do everything possible that may

tend to the strength and prosperity of the BritishEmpire. A strong and sympathetic British rule in this country is the condition of its progress. The strength and the prosperity of the whole, however, presupposes the strength and the prosperity of the individual members of the Empire. But no Imperialism which does not recognize this can find acceptance with the Colonies and the Dependencies. It must have been clear, from what has been said above that Great Britian already contributes nearly three-fourths of our imports, and the remaining one-fourth consists of such articles as she cannot supply and that, therefore, no preference in her favour is calculated to benefit her. Preferential import duties would benefit neither the United Kingdom nor India. British manufacturers would not allow even a moderate import duty of 5 per cent. on their goods though accompanied by a higher one of 10 per cent. on those coming from foreign countries. Such a scheme would have the merit of being calculated to give some stimulus to Indian industries, to be productive of substantial revenue to Government and to show a rational preference for the manufactures of the United Kingdom. The Hon'ble Mr. Webb, however, tell us that "the complete adoption of such a policy is, at the moment, probably impracticable owing to the preponderating influence and importance of the manufacturing interests of Great Britain." In an article contributed to the August number of the *Indian Review*, he characterises the excise duties on Indian cotton manufactures as unjust and dictated by the pressure of Lancashire, yet their maintenance he accepts as inevitable. He says :-

"In view of the predominant position which the cotton manufacturing industry occupies in the economy of Great Britain

and therefore, of the British Empire, the Indian excise duties must for the moment remain."

Why? Is this the way in which the give and take principle which he so strongly emphasises is to be practically carried out? The fact is, in considering how British manufactures which are said to be fast losing their ground before foreign competition, may be restored to their old predominant position, the Indian aspect of the problem recedes into the background. This is exactly what a fair scheme of Imperial Preference ought to prevent.

From the imports let us now turn to exports. The advocates of Imperial Preference find themselves in a more hopeful position with regard to these latter. A very large proportion of our exports consists of raw materials and articles of food which are indispensable to foreign countries. It is contended that while foreign countries are growing fatter on the manufacture of the raw materials imported from India, no attempt has been made to divert this source of their strength and prosperity towards Great Britain and other parts of the Empire. Heavy or prohibitive export duties are therefore suggested on these exports going to the protectionist nations outside the British Empire. By this, it is said, not only will British labour and capital gain, but foreign countries levying prohibitive duties on British and Indian commodities will have some pressure put on them and will be compelled to give better treatment to British goods. The United Kingdom at present takes only about 25 per cent. of the exports of India. The balance is distributed among the protectionist countries of the world. In discussing the probable nature

of a protective tariff, we have already said that export duties may be levied on many of our raw materials and grains that go out of the country in large quantities every year, to the benefit of the Indian revenues and the indigenous industries. As a matter of fact, an export duty on jute was actually suggested in the Imperial Legislative Council when the question of the possible sources for the funds that will be needed for the extension of education cropped up. A similar duty on raw cotton going to Japan has also been advocated on the ground that that country is by its policy of protection getting an advantage over India in the textile industry. There is one point in connection with the proportionate share of the United Kingdom and the foreign countries in their trade with India, which it is necessary to make clear here. To prove how the United Kingdom is gradually losing her ground in manufactures while her rivals are making rapid strides in their industrial progress, percentages of increase are given and the conclusion is drawn that the pace of the advance of foreign nations is very much greater than that of Great Britain. Thus it is said :—

"In her natural function of chief market for Indian commodities the United Kingdom has very seriously lost ground. As a matter of fact, Germany is now buying over 30 per cent. and the United States nearly 50 per cent., more from India than they were doing only five years ago!"

If the percentage increase in the trade of Germany is greater than in that of England, it must not be forgotten that the total amount in the case of the former is much smaller. Nations like Germany are comparatively new to the manufacturing and trading activity, and their progress is bound to appear more rapid than that of older countries like the United Kingdom which have

reached a high water mark. This error is pointed out by Prof. Less-Smith who quotes Giffen to say :—

"In the beginning of things percentages may be large, as we all know, but the real growth may be largest where the percentage is least, in consequence of the greater amount at which the percentage is calculated."

We have, before this, urged the necessity of giving the Government of India the power of manipulating its tariff in a way suitable to the interests of the country. But the question we have to consider here is, can the Indian tariff be so framed as to give preference to the United Kingdom and the Colonies over foreign countries in the matter of exports and is this scheme calculated to benefit India.

The largest item in the list of our exports is that of raw jute, it being responsible, on an average, for nearly 20 crores of rupees every year, while the exports of jute manufactures average 15 crores. The jute industry in Bengal has made remarkable progress during the past few years. That industry has declined in the United Kingdom before the competition of India and foreign countries. The monopoly of England and India has now been invaded and Dundee has been the greatest sufferer. The free-trade policy of Great Britain has been taken advantage of to erect jute mills by foreign countries, which at one time, relied solely on British manufactures. Raw jute is admitted free by almost all countries, while manufactures thereof are subjected to an import duty ranging from 5 to 30 per cent. If we impose an export duty on raw jute, it is likely to be productive and will stimulate the indigenous industry. But if we are to make an exception in the case of the United Kingdom, the Indian industry will

certainly suffer in proportion as Dundee gains. While foreign countries will have to work on dear raw jute, Dundee will get it cheaper and will compete with India. Mr. Webb observes :—

'In the case of jute, the resultant benefits would accrue rather to the United Kingdom than to India.'

Then what is use of this kind of preference which promises no advantage to India ? The resultant loss cannot be made up by anything which the United Kingdom has to offer in return, as we shall see later on. The Indian jute indurtry is, besides, a British industry, financed and controlled by British manufacturers and Indians only get the advantage of the wages of the mill-hands. It is difficult to believe that the Bengal manufacturers of jute will consent to an export duty on the raw material if it is accompanied by a preference to Great Britain, which will have the tendency of handicapping them. The jute industry in India being a British industry, it would be superfluous to give preference to the United Kingdom in the matter of raw jute.

The next important item in the export list is raw cotton. Large quantities of it are consumed every year by Japan and the countries of the European continent. The average annual production of Indian cotton is about four million bales. Half of this quantity valued at 20 crores,is exported, the other moiety being retained for internal cousumption. Can our cotton exports be so directed as to benefit our country and the Empire ? At one time Japan purchased large quantities of Indian yarn. In 1883 she imported 17,000 bales and the highest figure was reached when she purchased 62,000 bales in 1882. But then the downward tendency began. Our

exports of yarn to Japan gradually declined until to-day they have ceased altogether. This was all the effect of a protective tariff. Japan purchases raw cotton from us and has become our serious competitor in the markets of the East. A small import duty may help the mill industry in India. It is now well known that the number of spindles and looms has enormously increased throughout the world and that the supply of raw cotton is not equal to the demand. The American crop has become an uncertain factor and Indian cotton is in demand everywhere. Last year our cotton dealers got very high prices though the mill-owners had to suffer in consequence. Lancashire does not use Indian cotton and relies exclusively on America. But British manufacturers would find it advantageous to turn their rivals from American cotton to the Indian. If the latter is produced in larger quantities and finer qualities, much of the demand for the American staple would be diverted and Lancashire would have the whole of it to itself. The 'cotton growing' and other associations are making attempts to promote the more extended growth of cotton and their attention is chiefly directed to India where their hopes are centred. Lord Morley is being urged to encourage cotton cultivation in this country. An export duty on Indian cotton may encourage the mill industry in the country It has been suggested that all foreign products made from Indian or any other cotton should be subjected to a 10 per cent. duty both in India and the United Kingdom and that those nations who raise a high barrier against the importation of Indian cotton yarns and fabrics ought, either by an Indian preferential export duty on raw cotton or by a preferential import duty on some other commodity manufactured by the

competing nation, to be induced to lower or remove their artificial obstruction to their demand for British manufactures. If we can afford to face the retaliation at the hands of the foreign countries concerned, which such a step involves, the proposed export duty may be allowed. But this opens up many questions of principle and detail and they cannot be dealt with in an off-hand manner. The Government of India will naturally be unwilling to enter into a tariff war unless it is absolutely necessary in the interests of this country. And in the present instance the main prospective gainer is not India but Lancashire. To quote Mr. Webb again :—

"In these ways the power of the cotton current can be utilised to some extent for imperial ends, *mainly, if may be admitted for the benefit of the United Kingdom* Indian cotton industries would benefit slightly by the extension of home and foreign demand, *but the chief interest concerned, is Lancashire...* ." (The italics are ours).

With regard to the other items in the export trade of India, such as rice, oil-seeds, hides and skins, &c., it is asked, why should the protectionist countries of the world which exclude British manufactures by high tariff walls, be allowed to get their raw materials from India free ? These raw materials are a very important Imperial asset, and they can be used to coerce foreign nations into according a more favourable treatment to goods manufactured by British Indian labour. We may say to these countries, "well, if you want our raw material on favourable terms, you must lower your tariff against our manufactured goods. Otherwise, we shall treat you as you have been treating us." Germany and the United States, for example, have built up large industries at the expense of the British and the Indian industries ; and if a scientific tariff is framed, the

resources of theEmpire may be developed to the benefit of the Empire. The free-trade policy of Great Britain has so long made a readjustment of tariffs impossible. Tea and coffee, indigo and tobacco plantations, almost all of them British concerns in India, have been neglected and allowed to suffer from out-side competition. But here the point of view of the advocates of export duties, as pointed out before, is the advantage of Great Britain ; the anxious question with them being, how may the great resources of India be utilised for promoting English manufactures ? The Government of India may and even ought to promote the interests of the United Kingdom if it can do so without detriment to the revenues and industries of this country. But the advantage of India is problematical. Thus England ought to give preference to the Indian products. Let us suppose it is Indian wheat. There is, however, the wheat coming from Canada and other Colonies. Will these be on the same level or will there be discrimination between the two ? To-day the Canadian farmers do not want any preference but if preference is given at all they may require more favourable treatment. In that case how will Indian wheat fare ? Then as to tea the lion's share of that article is supplied by India and Ceylon. Efforts are being made to get the duty on the Empire-grown tea lowered. The justification for the maintenance of the present duty given by the Liberal Government was the deficit that would be caused by the resultant loss to revenue and their want of faith in preferences as a cementing principle to bind the mother country and the Colonies together. If the import duty on Empire-grown tea is further reduced or abolished altogether by a Unionist Goverument, the tea planters

in India will certainly be benefited. But the real competition will be between India and Ceylon. The Government of India said in 1903 that Indian exports are generally admitted free in foreign countries and that where duties are levied, they are moderate. They thought that economically India has little to offer to the Empire and has herself to lose a great deal. Supposing, by a system of preference our wheat trade prospers. This advantage will have, however, to be shared along with Canada, Australia and other British Colonies. Government would avoid all tariff war and they feel sure that if foreign countries know that their hands are free to revise their tariff, they would deal with us on fair terms. This is their position in a nutshell, and who can say that it is not sound? Great Britain imports from India mainly raw materials and articles of food. She cannot afford to make these dear to her by imposing preferential duties on imports. According to Mr. Chamberlain's Tariff Reform Scheme, a ten per cent. duty is to be levied on the manufactured imports from foreign countries. India, however, exports few manufactured articles to Great Britain and can therefore have no conceivable preference given to her. Her raw materials are admitted duty free and in some cases preference may be given but this is not likely to be of much importance. Our trade with the Colonies is too small to demand any serious notice. Both they and the Mother Country have little to offer to us in return for the services they require at our hands. They will not be ready to allow Indian industries to develop at their cost or at the least disadvantage to themselves. Preference in imports and exports upon this article and that, is

feasible scheme of preference can be devised which does not entail heavy and disproportionate loss on her. Neither the United Kingdom nor the Colonies have ever evinced any sympathy for the struggling industries of India. Great Britain already enjoys more than 60 per cent. of Indian imports and a large proportion of the exports also. While British goods are heavily taxed in foreign markets, they are admitted on a nominal duty into this country. Of the remaining 40 per cent. of the imports supplied by foreign nations, it is not physically possible for the Empire to contribute even the smallest share. Preference for British goods therefore, is superfluous. Lancashire would retain its grip on the Indian market at any cost, and the Indian textile industry naturally wants protection against this competition. Japan's rivalry is already undermining our position in the East and India cannot afford to be handicapped in this struggle. India has little to offer to the Empire and the Empire has scarcely anything to give in return. (6) The schemes, of preference adumbrated by advocates of tariff reform appear to be primarily animated by an anxiety to support the struggling industries of Great Britain and the indigenous industries of this country recede into the background. (7) While the very important position of this Dependency in the Empire is glorified, in practice the attentions paid to it are hardly commensurate with the professions. The treatment meted out to loyal Indian citizens of the British Empire by the Colonies has compelled even the Government of India to take to retaliation. The Imperialism of tariff reformers seeks only to lay the burdens of sacrifices on India's shoulders without compensating them with

privileges. The pronouncements of the leaders of the tariff reform party are far from assuring and Imperial Preference, in this manner, only becomes the means of benefiting the United Kingdom at the expense of India. (8) All these considerations point to the conclusion that, notwithstanding their desire to bear their share of the burden of the Empire and to be in all cases fair to the United Kingdom, the people and the Government of India cannot be induced to enter into any Imperial scheme of preferences which promises them no prospect of reasonable gain. What they demand, on the contrary, is fiscal freedom. There ought to be no apprehension that this autonomy will tend to the detriment of the United Kingdom. A prosperous India will be the most valuable asset of the British Empire. The commercial and industrial development of this Dependency will be a great ally of Britain in the keen struggle that is sure to rage in the near future, in the markets of the East among Eastern nations like Japan and China and Western countries like Germany, the U. S. A. and England herself. (9) If tariff reformers at Home and in the Colonies wish India to participate in Imperial Preference, they will have to modify considerably their attitude towards this Dependency and propose a reasonable scheme that may be acceptable. But a scheme thus framed will lose all its charms in the eyes of British and Colonial protectionists and therefore is, for all practical purposes, a chimera.

XIV.

INDIA AND IMPERIAL PREFERENCE.*

For obvious reasons India has not occupied in the British imagination the same place as the Self-Governing and other Colonies have done. The average Britisher's ignorance about this country is proverbial though natural. India has long been commonly regarded as a convenient field for exercising the administrative and the military talent of the British race and the prospect of developing its rich and untapped natural resources has been held out as a temptation to lure public attention to it. The strategical position of this 'pivot of the Empire,' its enormous trade potentialities and its teeming millions, its ancient civilisation and superior spiritualism have often been advanced as her claims upon the regard of the stay-at-home Englishman, the Imperialist and the Colonist. The interest evinced by the people of Great Britain and the Colonies, absorbed in their own problems, could not but be languid with regard to Indian questions and the sense of Parliament's responsibility in the matter of the proper governance of this country is easily satisfied by the conviction that in the hands of the Secretary of State and the Government of India everything must here be quite right. This attitude is, however, happily undergoing a slow but sure modification and of the factors which have contributed to shape this desirable tendency none is so important as the personal

* "Indian Review," November and December, 1911.

interest which His Imperial Majesty King George V., like his august father, has taken in the progress and welfare of this Dependency. Their Majesties' visit to India, their presence among its many millions and the Proclamation of their Coronation by His Majesty's word of mouth, constitute an unprecedented honour such as has never been done to any other part of the Empire Overseas. This unique distinction shown to India on the one hand and the spontaneous outburst of loyalty to the British throne and the British Empire which the event has evoked among Indian people, on the other ought to bring home to the mind of the British race the fact that India ought to be accorded no inconsiderable position in the British Empire. The eyes of the whole Empire and of the world are at present turned to this most essential member of that glorious organization and the auspicious event which has been celebrated throughout the length and breadth of this country, ought to cement still more strongly, the Dependency to the Empire. The final goal of the Indian people is, in due time, to be able to obtain all the rights of British citizenship and to give their land its proper rank among the self-governing dominions of the Empire.

As has been said above, for obvious reasons, this rank has been denied to India and her direct voice has never been heard in the Councils of the Empire. The two political parties in England do what they think wise or expedient on behalf of this country without taking into confidence the best exponents of Indian public opinion. While the Reciprocity Agreement question was being fought out in Canada, the Liberal Government, however it might bless the measure, had to remain a silent spectator of the game, and Sir

Wilfrid's party, which represented liberalism in the Dominions, was defeated before its eyes. But the two parties can impose their political and economic doctrines on India without let or hindrance. While the Liberals are in power, free-trade must be the dominating note of our economic and fiscal policy, and we shall have to submit to preferential tariffs when the Conservatives secure the reins of Imperial Government. Imperial Preference has, for some time past, been the chief plank in the Unionist programme, and though it will now be overshadowed by Home Rule and the Upper Chamber questions, fiscal reform must continue to engage public attention in Great Britain and the Colonies, the latter having already made considerable advances in that behalf. The recent events in Canada indicate the triumph, though temporary, of Imperial Preference and various schemes in connection therewith have been already discussed and propounded. Free traders, of course, do not believe in any beneficial effects of protective tariffs nor have they any faith in the unifying properties of Imperial Preference. During the last ten years the Imperial sentiment has become very strong in the Colonies which have shown their readiness to make concessions to and sacrifices for the mother country and for one another. The question is naturally asked, is the Mother Country to make no response to Colonial sentiment and offers of sacrifice? The present Liberal Government which was pleased to see Canada making a separate tariff agreement with the U S. A. as it harmonised with its economic doctrines, irrespective of any considerations of Imperial Preference, had to yield to the pressure of Colonial feeling focussed at

the last Conference so far as to appoint a committee to inquire how far the present fiscal relations of the members of the Empire with one another and with foreign states can be modified with advantage. This was intended as a mere sop to the Colonies and with it they have been for the time being satisfied. But in the case of India there is no need of doing even so much and free-trade principles can here be applied in all their rigidity and nakedness. The apostles of free trade very pertinently twit the tariff reformers on the flagrant injustice they will have to do to India if their scheme is ever carried into operation. Suppose, say they, Great Britain turns protectionist to-morrow, will they allow to India the same measure of protection as they seek for themselves? The question is unanswerable. Lancashire will not, even for a moment, tolerate the idea of its stuffs being taxed in India. Free-traders, of course, avowedly believe that protection is bad in all its forms and that protective duties are mischievous. It is therefore quite in consonance with their theory that a counter acting excise duty should be levied on the mill-produced cotton fabrics in India, if they benefit by the import duty on foreign cloth. But British protectionists cannot consistently claim protection of their own industries and refuse it for those of India. An exponent of the British free-trade policy recently wrote in answer to a tariff reformer :—

"The policy of the Tariff Reform League, so far as it has been defined, means the admittance of British goods into India free of protective duties. The policy of Indian Protectionists is to shut out British goods by prohibitive duties. The attempt to reconcile these policies is as futile as the attempt to square the circle."

Indian Protectionists do not certainly want to make

British goods a special objeet of their attack, though they are keenly desirous of encouraging their industries by means of import duties and otherwise. It is curious to note that the British tariff reformer is a protectionist at home and a free-trader with reference to India. The position of the free-trader is intellegible, not so that of the tariff reformer unless he is to be supposed to be animated by pure selfishness. If that is so, his vaunted Imperialism is a cloak to hide his interested motives. No wonder then that advocates of protection in India are suspicious of the blandishments of the tariff reformer and prefer his rival, the apostle of free imports.

For India, unmitigated free-trade is bad enough; but there is strong reason to fear that Imperial Preference would be worse. The latter idea is based upon free or preferential trade within the Empire and high tariff walls against the protectionist world; upon mutual concessions and sacrifices among the members of the Empire for the good of the whole. The common benefit, however, presupposes the benefit of the several constituent members. With every desire to do her part of the Imperial compact India will insist, all things considered, upon the balance of the advantages which preferential tariffs are supposed to be capable of yielding, turning, however slightly, in her favour If all British goods are admitted duty free into this country, foreign articles taxed, and commodities exported to non-British nations subjected to a duty, what will be the gain of India that may be set off against the obvious loss? The cotton excise duties may be removed and the revenue duties against the imports of Indian tea and tobacco may be taken off. This means a considerable loss of revenue on the one hand

unaccompanied by any gain on the other. As things stand at present, on an average of the last five years, 64 per cent. of the import and 25·6 per cent. of the export trade of India falls to the share of the United Kingdom. The remaining 36 per cent. of the imports consist of articles which Great Britain cannot manufacture and no amount of concessions would create those manufactures there. As to the exports a similar remark may be made. The United Kingdom does not import more than 25 per cent. because it does not want more from India. While Great Britain exports more than thirty-five crores worth of cotton manufactures to India, Holland comes next with only half a crore and Germany and America are almost nowhere. Now, suppose the import duty of 3½ per cent. is removed or abolished, what will England gain against her rivals? Nothing India will only lose a crore and a half of her customs revenue, a pie of which she cannot afford to sacrifice in her present financial situation. Far from reducing our import duties we shall have to enhance them for revenue purposes as some of them have already been. We are told that the abolition of the import duty on British cotton manufactures will make clothing cheap in India. But how dearly will that cheapness be bought? The price will be loss in revenue and the ruin of the indigenous textile industry, the only substantial Indian industry in existence. If again, foreign articles which the United Kingdom cannot supply are subjected to heavier duties, they will be dearer to the consumer and thus the argument of cheapness falls to the ground. Of the export of Indian tea Great Britain takes a substantial share and the remission of the import duty in British ports is not

likely to be of much advantage to us. An export duty on our raw materials, it is argued, taken by foreign countries will be productive of revenue and advantageous to Britain. Foreign nations cannot do without those goods, however burdened with duties. But as the Government of India remarked in their famous Despatch of 1903, this will only involve us in tariff wars and foreign countries may very well retaliate upon us. Even granting that the export duties are levied upon foreign purchasers, as the Government of India might well do for purposes of revenue, it will only be an indirect gain to the United Kingdom. If Great Britain can offer us something worth bargaining for, then the proposals of tariff reformers may be seriously considered. So far as the schemes of preference that have been formulated are concerned, they seem to be intended only to utilize India's raw materials to assail foreign rivals of England and to make the Indian market a monopoly for British manufacturers. The advantages that are put to the credit of India in the Preference account are illusory while the items on the debit side are substantial. This is not business but juggling. Some advocates of preferential trade have frankly confessed that owing to India's peculiar economic conditions she does not stand to gain anything for many a year to come by such trade, but all the same, they want to make this Dependency a lever with which the United Kingdom is to recover the economic ground it has lost to her rivals. No shrewd man will make a bargain on these terms, nor will a fair-minded person have the hardihood to offer them. Our trade with the Colonies and other Dependencies is too small to be taken into account and mutual preference in their case

will not affect the Indian situation in any way. To the United Kingdom the trade with the Colonies is important, as British exports to the self-governing Colonies taken together are nearly 28 per cent. more than those to India.

So much about the business side of the question. As regards the sentiment involved in it, Indians have not been admitted to a partnership of the rights of the Empire, and therefore they cannot be blamed if no cord of enthusiasm is touched in their breasts by an appeal to Imperial sentiment. The blessings which British rule has conferred upon India are patent to every one and none are more conscious of and thankful for them than the Indians themselves. They have firm faith in the noble traditions and instincts of the British race and wish that the lofty ideal of British statesmanship that India ought to be governed in her own interests, should be translated practical action. The attitude of the Self-Governing Colonies towards India is not such as to foster any imperial fervour in the minds of its people and a change in this attitude is urgently required if this Dependency is to take its proper place in the comity of nations which constitute the British Empire. Even so circumstanced, India will not be unwilling to do her duty by the Empire and make sacrifices, as she has so often done in the past, if the other members make a reasonable advance. If the advocates of preferential trade within the Empire are really serious in doing justice to every member of it, let them allow India to retain her import duties on cotton manufactures for the protection of her indigenous industry and she will give preferential treatment to British goods. The schemes so far formulated are only one-sided and if there is no

real reciprocation they will receive no favourable response in this country.

Opinions may differ as to the suitability or otherwise of a protectionist policy in India. Whether protection would be advisable in an industrially advanced nation like the United Kingdom and unwise in a backward country like India with her infant industries struggling into a vigorous life, the demand for fiscal independence for this country is growing stronger every day. And neither the Government of India nor the people will acquiesce in a fiscal policy which holds out no substantial economic advantages to this country. The opinion of the educated Indians leans strongly towards protection. It believes that if free-trade is good for England it is not equally good for India. It appears, however, that a modified free-trade policy will be better for us than the sort of Imperial Preference which has been offered for our acceptance. The Indian Government wants the same fiscal liberty as the Canadian Government, for instance, enjoys and unless that is conceded, India will not be in a position advantageously to join in schemes of Imperial Preference The views of Prof. H. B. Lees-Smith in this connection are valuable, though we cannot subscribe to everything he says regarding Indian protectionism. He observes :—

"By preferential tariffs Great Britain will lose heavily in her Indian market India, however, has little either to lose or gain from preferences themselves Nevertheless, the proposals for preferences are of the highest importance to her. If they are ever adopted by the United Kingdom, they will undoubtedly be accompanied by a return to protection. India will then have a unique opportunity of gaining her fiscal freedom. Although I have not disguised my suspicions of the prevailing protectionist sentiment of India, I wish to see her freely adopting the fiscal

policy which she considers most for the good of her own people. India, of course, means for this purpose the Indian Government, acting, I sincerely hope, in conjunction with the educated opinion of the country. My advice to the leaders of Indian opinion is simple. They should make it plain that, if a preferential scheme is adopted, they are willing that India should have a place in it. One fact, however, must stand out clearly. Should Great Britain adopted protection she must honourably face the consequences of her conversion and allow to India the right to follow in her footsteps, if Indian administrators and thinkers consider it to be for the conntry's good."

It is to be hoped that the visit of Their Majesties to this country will bring the British people to a frame of mind favourable to a correct appreciation of India's place in the Empire and their duty and responsibillty towards its people. Only on this basis of fiscal freedom for India can a reasonable scheme of Imperial Preference be framed which will be conducive to the economic progress of this country and the greater solidarity of the British Empire.

XV.

PROSPECTS FOR TECHNICALLY TRAINED INDIANS*

The report on " the enquiry to bring technical institutions into closer touch and more practical relations with the employers of labour in India " carried out at the instance of the Government of India by Lieut.-Colonel F. H. de V. Atkinson, R. E. and Mr. Tom. S. Dawson, must have produced a depressing effect upon many Indian readers. The inquiry was, no doubt, restricted in its scope, being limited to an investigation as to how the existing technical schools and colleges might be adapted to the actual needs of the employers of labour. To be exact, the enquiry had reference to the following five questions :—

(1) What openings exists for the employment of technically trained Indians and what further openings are likely to be available ? (2) What type of man and standard of education and training do employers of labour demand in the various industries ? (3) Have these demands been met by the existing technical institutions ? (4) If not how should these institutions be altered or added to in order that they should be in a position to meet these demands ? (5) What arrangements can be made for systematic co-ordination between institutes and employers of labour, in order that they may work in with each other for their mutual benefit and for the good of the country ?

These objects of enquiry are, by no means, unimportant. If the needs of employers are not properly studied and technical education is carried on in a

* Paper submitted to the Industrial Conference, 1912.

haphazard manner, waste of energy and time as also disappointment must inevitably follow. Before a further step in advance is taken, we must see whether the efforts made so far have succeeded and if not, we must inquire why they have failed. If the existing state of things continues, we may have the double evil, employers clamouring for the right sort of men to work in their mills and factories and technically trained men in large numbers failing to find employment. Lieut. Colonel Atkinson and Mr. Dawson were not called upon to take up the larger questions of the organization of new industries or the revival of the old ones, or of the turning out of men of enterprise and business capacity, nor were they asked to frame any schemes of large and small technological institutes throughout the country where men may be prepared for the higher professional careers. Though the scope of their investigation was thus limited, the report they have compiled is very interesting and suggestive. The information they have collected from various employers of labour in the large industrial centres in the country and the opinions they have brought together of men intimately connected with industrial concerns and the technical institutions, throw a flood of light upon the general situation and are, therefore, extremely valuable. The present inquiry is connected with another which has been undertaken in England by a committee appointed by the Secretary of State to report upon the facilities that are available to Indian students for technical and industrial training in that country. Sir Theodore Morison took up the cause of these students who complained that they were denied reasonable facilities for practical training in English factories. Many Indian youths who are sent out to

England by Government or private effort, find themselves handicapped by being shut out from factories. Under the circumstances, it becomes an important question to consider whether any improvement can be made in this state of things and if it is worth while maintaining the present system of giving scholarships and sending Indian students to England. Colonel Atkinson and Mr. Dawson have incidentally touched this question and offered suggestions thereon.

I have said above that the report under consideration must have proved disappointing reading to many. They would have liked to see a more comprehensive enquiry and to have recommendations with regard to the best system under which Indians might be trained to start new industries and manage the large concerns like those that are to-day in the hands of their European brethren. In reply to the inquiries made of him, the Hon'ble Sir Gangadhar Row Chitnavis is reported to have observed :—

"The points referred to me do not cover the whole ground of technical instruction, the true object of which, in my humble opinion, is and should be in the present state of the industrial and commercial development of the country, not so much the supply of existing demands, as to attract Indian talent to commerce and industry.....The production of skilled servants is, after all, only a subordinate question."

This typifies the expectations of a large number of educated Indians. It is admitted on all hands that our system of education has suffered much from its being too literary and has turned out thousands of young men who find the professions overcrowded and the doors of Government service closed upon them. Technical education is regarded as a panacea for the evil and Indian youths in large numbers are now going in for scientific

and technical education. There is, however, no scope for them and unemployment stares them in the face, all the same. People who entertained high hopes of the practical usefulness and pecuniary value of technical education have been disappointed at the result. While employers of labour are everywhere anxious to get improved types of mechanics, foremen, maistries and other low-paid servants, they have no faith in the highly trained men turned out by the colleges and institutes. They are simply "not wanted." It is really unfortunate that this should be so and that there should be no openings for the educated men who are expected to show enterprise in managing, controlling and starting industries. It behoves us to enquire what are the causes of this disappointing result and how our educated young men may be enabled to take their proper place in the industrial economy of their country. The questions that we have to consider are, are we going along the right lines in the matter of technical education? How will technically trained men get adequate scope for their natural and acquired talents? From this it does not follow that the greater efficiency which practical training in the factory or the workshop imparts to the low-paid skilled mechanic has no economic value and that all technical education worth the name should have for its object the turning out of the manager, the director and the supervisor in the mill or the factory. Both are equally useful and indispensable to the industrial progress of the country. Either class ought not to be produced at the expense of the other and there should be free scope and full opportunity for the aspiring captain of industry as for the not very ambitious mechanic.

Are we then putting the cart before the horse and turning out more technically-trained men than are wanted or turning them out even when they are not wanted? We are told to believe that we are. It must be admitted that many of those who talk about technical education know very little about it. And in the peculiar state of India's economic development this is not unnatural. The report under consideration reminds us that the examples of England, America, Germany and Japan which are usually taken as guides in this country, supply no useful analogy as 'in them, the growth of manufactures, factories and workshops, preceded the establishment of technical schools and colleges.' We are told that technical education does not give birth to industries. It rather follows their inception. In a note submitted by the Hon'ble Mr. Chatterton to the Educational Conference held at Allahabad in 1911, he remarked :

"There is a demand all over India for technical education chiefly engendered by the hope that those who receive such an education, will be able to find employment in industrial work. But it is more than doubtful if meeting that demand will not intensify the evil from which India is beginning to suffer—the unemployment of the educated classes. Till Indian capital flows into industrial ventures and whilst European capital is only so employed, there is no hope that Indians, even if qualified, will find any large amount of remunerative work."

That the field of employment for technically trained Indians must be limited by the state of the indigenous industries is axiomatic. But it is not equally evident why qualified Indians may not hope to get remunerative work while the industries are financed only by European capital. We are told every now and then that swadeshi industries are making a rapid progress and the increasing

outturn of the mills, mines and factories is given as an indication of this gratifying fact. If the gold and coal mines, the tea gardens, the jute and cotton mills and other factories are so flourishing, and the industries are advancing by leaps and bounds, why shou'd qualified Indians fail to find greater opportunities in them ? It is not, I believe, suggested here that the doors of industrial concerns financed by Europeans will bear the legend 'No Indian need apply.' That, however, would seem to be the case in certain places. Yet we are assured that provided particular conditions are satisfactorily fulfilled, a man's race, creed or social position makes no difference in the industrial world. The Madras Chamber of Commerce pointed out that in industry there was no racial question as such whatever. If industrial managers could get any given work done as well by an Indian as by a European, the former if cheaper, as he always would be, would certainly get preferential employment. But commercial enterprises are not carried on a philanthropic basis and the employers would not care to make experiments. There is a very large body of opinion among managers which seems opposed to the employment of Indians to any high posts of trust and responsibility. Various objections are taken to the college trained Indian. We are told that a college trained Bengalee considers himself a gentleman whose hands should not be soiled be actual work and in the rough and tumble of mill life there is no room for such men. The Principal, Civil Engineering College, Sibpur gave it as his experience with regard to his students that it is easier to place Europeans than Indians, there being no difficulty in obtaining suitable employment for Europeans. It appears from this that there must be

some prejudice against Indian students as such. Many of the people interviewed by the officers deputed by Government to make the enquiry, stated definitely that they were not prepared to employ Indians in the higher posts. In their opinion, man for man, a European was far superior to an Indian where work of trust and responsibility was concerned. This might be set down to bias, but though there cannot but be an element of prepossession in the minds of European employers in favour of men of their own race, their view seems to receive some support if the evidence collected is more closely examined. When an Indian of the position of Sir R. N. Mookerjee declares that "he, from a commercial point of view, would much prefer a European to an Indian of similar qualifications when a man with a higher training was wanted," it is clear that the college trained Indians do possess certain defects which apparently unfit them for the higher positions.

One of the principal drawbacks from which Indians are said to suffer, is that they are really unfit for any hard work. They think all such actual work below their dignity and would not take off their coats and stoop to it when emergencies require it. They expect high salaries commensurate with the time and money they may have spent in schools and colleges and believe that it is their duty only to order and supervise. Employers do not naturally want such stiff-necked men and prefer low-paid and untrained but practically useful hands from their own factories. Indians, it is said, cannot manage the turbulent workmen in mills and factories and are oftentimes very clannish. They do not like long hours, hard work and discipline characteristic of the mills and thus unfit themselves for employment

which they sorely feel they are entitled to get by their education and training. There is, therefore, no demand for Indians with very advanced training and most employers would much prefer a man of moderate attainments who could be moulded to suit their requirements. One can very well account for the comparative physical incapacity of the highly trained Indian for the work demanded of him by his employers. Education in India is, at present, confined mostly to the higher classes, and graduates in Arts and Science usually come from those people. The lower classes have not the inclination and the opportunities to go in for higher and technical education and therefore a majority of the young men who are turned out by technical institutes are members of the higher class among Hindus. There was long a complaint that education in India had become too literary, the liberal professions were overcrowded and the economic development of the country required that some of our young men should take to commerce and industries. But there is a hereditary and rooted aversion to manual work in the higher castes in India and they would not work with their hands like people of the lower grades in society. Technically trained men recruited from the higher classes see European and Eurasian gentlemen of their educational status and even a lower training earning high salaries and supervising big departments in mills and factories. It is their legitimate ambition to replace these men and they feel naturally aggrieved when similar treatment is not accorded to them. It is difficult to say if there will be any improvement in the prospects of men of advanced training if they are drawn from classes of society which are used to hard, physical work. They will be dissatisfied

if they are not allowed to occupy the proper place to which they are entitled. But if all conditions about practical work, etc., are fullfilled there is no reason why the employers who have a keen eye to business should not give them the due unless certain posts are to be reserved for non-Indians.

"The prevailing opinion of employers of labour seems to be that the genius of the inhabitants of Bengal is not generally adapted for successful employment in the technical professions .....They make excellent workmen, but the educated classes, even after training in a technical institute, are averse to manual labour as a regular employment."

The officers who made the recent inquiry into the question, did meet with some notable exceptions when the Bengalee has been freed from his social influences and has mixed with men of other races. As regards Bombay they are of opinion that of the varied races of the Presidency, the Brahmin seems least adapted for practical requirements. Though the inhabitants of Madras are good as workmen, the larger percentage of the higher classes, who are Brahmins, suffer, as a race, from the same disabilities. The Punjab and the United Provinces seem to be the best recruiting grounds for mechanics and engineers. By constitution, temperament, tradition and long habit, the Brahmins and other high class Hindus are hardly equal to the physical labour and strain which employment in mills and factories entails. It behoves these classes, if they want to move with the times, to adapt themselves to the new conditions. They must learn to forget caste distinctions and be ready to do any kind of work they are called upon to perform. With the spread of education other classes will send their

young men to technical institutions and the complaint of the employers will be removed. Caste restrictions are breaking down before the economic necessities of the day and young men of the higher classes among Hindus are taking to all sorts of professions which, some years ago, might have been regarded as degrading and dirty.

There is no reason to suppose that technically trained men will find no employment in the near future, if the training is given upon the right plan and with a practical object in view. In spite of the opinions expressed by a large number of employers that there are no openings for highly trained men, and though it is true that mere technical education will not give birth to new industries, it must be remembered that industries in this country are steadily expanding. The growing use of machinery, electric installations, the erection of pumping stations, the rise of new industries, the carrying out of sanitary works, the expansion of railways and so forth—all these are bound to create a considerable demand for technically trained men. Though the trained Indians turned out by the existing institutions are condemned by a large number of employers as being unsuited to their purposes and therefore thoroughly useless, many of them have commended for instance, the students passed by the Bombay Jubilee Technical Institute. These men are at present working quite satisfactorily and creditably in several places throughout the country where they occupy responsible positions. The complaint everywhere is that the products of the technical colleges are all right so far as mere theory goes ; but in practice they are no good. The suggestion that on completing their course at college they should spend at

least two years in a mill or factory and there undergo practical training and acquire experience is eminently valuable. It is gratifying to note that while a few employers do usually take a few apprentices and train them up, almost all, with only rare exceptions, are most willing to admit apprentices provided they are willing to work on a living wage and conform to the discipline of the mill or factory. It is the duty of Indian mill-owners and others to render every assistance to their countrymen in obtaining the requisite training. The latter have a claim upon their support which ought to be cheerfully given even though it may cause some inconvenience. Factories and mills are, no doubt, conducted upon business principles, but it would not be too much to expect even of the European employers of labour that they should make some concessions in favour of trained Indians and give them opportunities, which many have promised to do. As Indian citizens contributing to the wealth and progress of this country, they must take their part in promoting the industrial advance of India. It is unfortunate that youths who take to technical institutes are usually the sons of poor parents who must begin to make a living as early as possible. Those who can afford the money have no inclination to follow the industrial line. They hate the physical labour and, what must be to them, detestable work in the mills This divorce of financial ability and opportunity from the keen desire to become managers of industrial concerns is a great handicap upon the present generation of technical students. European mill-owners find it more profitable to employ Europeans to the posts which require force of character, grit and resourcefulnes and for which Indians are not trusted. As businessmen

they understand these things better than outsiders and their reasoning is intelligible. Almost the whole industrial field is, however, occupied by them and if they do not find Indians trustworthy there the matter ends. It is no use finding fault with their exclusiveness. Why should not Indians come forward, put their money into industrial ventures and give opportunities to their own countrymen? That is the question often asked and asked rightly. Speaking of the Madras Presidency, Sir Francis Spring, Chairman, Port Trust, Madras, observes that there is not much hope there for the establishment of industries requiring the employment of technically trained Indians of the better classes, until Indians have learnt to inspire commercial confidence in each other. As regards students from technical schools, they find it difficult to get admission into mills as the jobbers reign supreme in them. These men are generally jealous of and object to technically trained apprentices. The Parsees are said te have a good chance in mills owing to the fact that men of their own race own many mills. They have also a kind of grit and pushfulness lacking in members of other communities. The opinion expressed by the Secretary, Elgin Mills Company, Ld., is worthy of serious consideration. He feels that the class of young men which the Thomson College is now recruiting, is totally unsuited to the needs of European mill-owners and managers.

"These young men are usually members of families of the Indian gentry and as such are not altogether to be blamed for disliking the only class of work which employers would be prepared to offer them as a start. We can obtain the services of English managers, spinners, weavers, fitters, engineers, etc., members of the class which has produced workers in these trades for generations, and who not only have a certain amount of

theoretical knowledge but what is far more important, *practical* knowledge, at their disposal."

To replace the latter with Indians would be an expensive experiment in philanthropy directed to achieving in one generation what it has taken at least a hundred years to do in England. Students for technical institutes should be recruited, it is suggested, from the children of persons already employed as mill hands in a place like Cawnpore, where there is a class of hereditary mill-workers growing up now in the third and fourth generation. Schools should be started for the children of this class and the most promising among them should be selected of the college education which need not be very high and expensive. The managers and overlookers in Lancashire are, in the majority of cases, not drawn from the ranks of the hereditary gentry and there is no reason to suppose that the gentry of this country would take to manufacturing pursuits any more readily than those in England. Sir Thomas Holland says in connection with the requirements of the mining industry :—

"Unless, therefore, Indians of the better class begin as English boys do as workers underground, they can never be mine managers."

If the example of England is to count for anything in this country, it must be noted that.

"60 per cent. of the heads of private manufacturing businesses owed their position to their own private efforts and they had begun life in the lower economic ranks. In a cotton-spinning district it was found that 15 per cent. of the managing directors, 42 per cent. of the mill managers and 67 per cent. of the assistant managers came from the working class families, or families with incomes about the same as those earned by the operative classes."

Pioneers of labour in England have, no doubt, mostly risen from the working classes and numerous cases can be pointed out even in this country of self-made men who have risen from humble positions and are now managers and directors of large commercial and industrial concerns. But industries nowadays require scientific and technical knowledge and capital and these are not easily available to ordinary men. This is an argument in favour of a rapid spread of education in this country. Till we have satisfactory mass education in India, and opportunities are placed in the way of all to develop their natural faculties and hereditary skill and inclinations, our industrial progress will be materially hampered. Under existing conditions one would expect mill-owners and capitalists to train their sons and relatives for the industrial pursuits, but so far they do not appear to have done so to any marked extent. The owners of the Hathras Mills, themselves Indians, when interviewed, had to admit that it was no use giving technical education to men of high social position. They gave it as their opinion that the majority of mill-owners do not prefer to send their sons or relatives to technical colleges as they do not like to work with ordinary labourers and suggested that

"Boys of moderate positions, that is of middle class people, should be entered in the college, after they have taken reasonable education in the high school."

Dr. H. N. Allen of the Engineering College, Poona, in a paper submitted to the Lahore Industrial Conference, remarks:—

"The impression one gains in the technical colleges is that nearly all the students are the sons of people of very moderate means and that very few of them, if any, appear to belong to the families of the wealthy manufacturers, whose sons should be

training themselves to be officers in the industrial army. How are our Indian capitalists educating their boys? Wealth is a stewardship, and the accumulation of great fortunes in individual hands can only be excused on the ground of important services rendered to the country by those holding them.'

Though many employers are not satisfied with the type of the trained men turned out by our technical institutes, there is no ground for disappointment. Some of the employers have found these men quite qualified and they are to-day occupying responsible posts. Technical education in several parts of the country is yet in the experimental stage and cases of failure are bound to occur. But from the accounts one gets from Bengal and elsewhere of the successes achieved by students who have undergone any of the courses of technical training are full of hope. That is also the impression formed by the two officers deputed by Government to make a special inquiry into the subject. These are their words :—

"We do not feel in the least discouraged by the results of our enquiries. We recognise the formidable difficulties that technical education has had, and will have to encounter, but given time and *practical* guidance we are sure the average of success among technically trained Indians will be as great, if not greater, than among those turned out in England, and this opinion is confirmed by the number of successful instances we have met with."

The economic and social forces that are now at work in India are loosening the rigid fetters of caste and the disinclination for hard physical labour which characterises certain sections of society is being fast overcome. Our technical institutes will, therefore, get better material and their product is bound to turn out more satisfactory. Even then an average young man fresh from his school or college, cannot expect

straightway to obtain a comfortable job and a fat salary. It is not possible for him to do justice to the work assigned him till he gets some experience. No employer would care to pay a man to help him to learn unless he be an apprentice. The suggestion has, therefore, been made that no student should be regarded as having completed his training and should receive a certificate unless he has put in two years in a mill or factory and actually worked there to obtain practical experience. A majority of the employers of labour interviewed expressed their willingness to take on students from technical institutions as apprentices and this system is being regularly followed even now by several of them. Their complaint, however, is that the apprentices do not keep regular hours and conform to the discipline of the factories. Those who wish to learn, however high their theoretical knowledge may be, must be willing to work with and like the regular employes and be content with a living wage. On this condition they will be admitted most cheerfully by the employers. If this kind of practical training is made an indispensable requirement before a pass certificate is granted in all technical institutes, more satisfactory results will follow. It is said that in England too much is made of the practical man who rises from the ranks by sheer dint of ability and after a lapse of years to the higher rungs of the ladder and that the result of this predilection has been that employers have not taken proper advantage of the technically trained man as in other countries. We are told that there would be a gain in efficiency if the latter were more fully utilised and the tendency to underrate his utility were corrected.

Another matter which has recently attracted public

attention is the wisdom of awarding state technical scholarships to young Indians to enable them to proceed to England or some other country for study It has been found that these men, on their return to India, get no suitable employment and are scarcely fit for any practical work. The latter difficulty can be got over if only such students are sent abroad as have already obtained all the technical education that is available in this country and if after the completion of their course in England or America, they are made to attach themselves to a factory and get practical experience. In the opinion of some the money spent in foreign technical scholarships will be better utilised in this country if provision is made in an Indian technological institute to impart the higher training. Scholars sent abroad by Government, Native States, Associations or philanthropic and public spirited individuals find themselves, on their return, stranded without any prospects of employment. The money and the time and the energy are often wasted in this manner and the disappointed young men get what service is available to them. A few have succeeded, with the assistance of capitalists, in starting new industries which are in a satisfactory state. Several have failed owing to lack of practical knowledge and experience and their concerns have come to grief. Consequently these men cannot inspire confidence in their countrymen and they are looked at askance by the public. Recently governments have been very properly making it clear that students receiving state technical scholarships should not expect to obtain employment from them on return and usually preference seems to be given to those that have already had some training in this country and have prospects of

future employment. That a central, fully equipped technological institute on the model of English or German institutions is urgently wanted for India, if not one for each of the larger provinces, also goes without saying. Technical Colleges of a moderate character and scope are also necessary for each province. When provision is thus made for satisfactory training in this country, it will not longer be necessary to the extent as at present, to send students abroad with technical scholarships. The Cawnpore scheme appears yet to hang fire and it will take years before we approach the ideal. In the meanwhile it is satisfactory to see technical institutions rising up in every part of the country to satisfy the growing demand. But whatever endeavours are made, they ought to be systematic so that there may be no waste or repetition of mistakes. The recommendations of Lieut-Colonel Atkinson and Mr. Dawson in this connection are very valuable and ought to be adopted by Government when they formulate any schemes for the extension and improvement of the existing facilities for technical education in this country.

While there are few openings at present for the highly trained Indians, the supply of expert mechanics appears to be far short of the demand. I happened, the other day, to read in a newspaper two advertisements, one below the other, the first calling for a skilled mechanic on a tempting salary and the second inviting applications for the post of an arts graduate who was offered something like half the pay of the mechanic. This is an instructive commentary on the present situation so far as skilled labour is concerned. Expert opinion is divided as to the best method of training workmen and foremen for the large industries employ-

ing machinery ; some employers are of opinion that the proper training school for these is the factory. They take up the sons of their own workmen and find in them excllent material. Great difficulty is, however, felt in giving training in this manner and night schools have been condemned as unsuited to this country. Evening or afternoon classes will not turn the type of workman needed and some grounding in theory appears to be essential. Sir John Hewett, late Lieutenant-Governor of the United Provinces, held the view that,

"The training of foremen for the large industries employing machinery should begin by the study of theory, and should be completed by practical work in the factory or mill rather than follow the opposite course"

It is not, however, the purpose of this paper to enter into a discussion of the systems of technical education or the general education which should precede a technical course in schools. Suffice it to say that there are large openings for skilled workmen everywhere provided they give satisfaction to their employers who are otten unwilling to admit outsiders. Government ought, therefore, to formulate and adopt some practical scheme for training this class of men in co-operation with employers of labour. The sons of artisans in India instinctively catch the profession of their parents and if they are recruited for technical schools, the gain in efficiency will be enormous. The Indian railways are big employers of labour of every species and grade of technical skill but the system which they are seen to follow at the present moment is the most unsatisfactory imaginable. There is infinite scope for the employment of Indians on the railways in every capacity as engineers, permanent-way inspectors, signal inspectors,

erectors and so forth. Government, who now own many of the important railways, ought to see that the methods of recruitment and training followed by them are right that the companies afford reasonable or even liberal facilities for trained Indians on their railways.

I prefaced this paper with the remark that the report under consideration must have caused disappointment to many Indian readers. They cannot bring themselves to believe that trained Indians should have no scope while we talk with pride of indigenous railways and tramways, mills and factories, mines and plantations. Are Indians, who have qualified themselves by their education, to be relegated to the position of low paid subordinates in these concerns and to join the large army of the educated unemployed? This is the question they will ask themselves and they will find an answer thereto in the report itself. Even granting that the European and Indian employers oftentimes display a spirit of exclusivenes, there can be no doubt that the so-called technical and industrial education imparted in many places in India has been along wrong lines. We move very slowly in this country and the examples of Germany and Japan are not in point. Technical education with us is yet in the stage of experiment, which will take time to bear fruit. Efficient labour is only one factor in wealth production and the absence of enterprise, mutual confidence and capital are powerful drags upon its wheels Under these circumstances, it is futile to expect better and more rapid results and one's hopes ought not to be unreasonably too high. In the opinion of some, in the industrial advancement of India, we must begin at the top. Without minimising the

importance of creating a class of trained and educated operatives, it has been stated that

"The most important factors in the increased production of national wealth would, in the case of Indian at least, at present, be the leaders, managers, directors and supervisors of industries. It is the skill, capacity and training of generals and captains which determine victories more than the bravery and steadiness of the rank and file of an army." (The Hon'ble Mr. Mudholkar.)

The chief difficulties in the way of the realization of this wish have been referred to above. They are connected with the social and economic condition of the people of India which cannot be changed in a day. If supreme efforts are, however, made by Government and people, ultimate success is assured. By overhauling the system of general and technical education and granting all possible facilities to Indians for training and employment, Government can materially improve the industrial prospect. The sacrifice needed for this will be worth making. Then the drawbacks in the physical, mental and intellectual constitution of the average Indian candidate for employment, described by the employers of labour are not imaginary and they must be removed if Indians are to inspire more confidence. The hopeful feature of the situation is the willingness of the employers, European and Indian, to take up apprentices from technical institutions and give them opportunities for gaining practical experience. The outlook, on the whole, is eminently encouraging and one need not feel disappointed or show impatience if the results are not as bright as one anticipated.

XVI.

HOW MAY THE INDUSTRIAL CONFERENCE BE ORGANISED.*

There can be no two opinions, I think, as to the desirability of having an All-India organization like the Industrial Conference to promote the economic progress of this large country The principle has now been fully recognised in India that a healthy development of her people can be ensured only if the nation progresses simultaneously in the different fields of activity, political, social, industrial and so forth. Politics and social reform were seriously taken up in India at an early date and spasmodic efforts for industrial development were made in certain parts of the country. It was the desire to bring the latter work in a line with the political and social organizations that led to the institution of the Indian National Industrial Conference ten years ago. The industrial regeneration of India is rather an up-hill task in which much spade work has got to be done. As in politics, one aspect of it does appeal to the patriotism of the educated people, but unlike politics, it offers no immediate rewards in the way of self-satisfaction or the achievement of success. Industrial development is more like social reform : in which most of the work has to be done by the people themselves, though the active sympathy of Government is a great desideratum. Almost every one is dissatisfied with the way in which the

* Paper submitted to the Industrial Conference, Madras, 1914.

Congress is working and suggestions are made from time to time for placing the organization upon a more sound basis. The Social Conference is similarly found fault with for talking too much and doing too little. What wonder then, if the Industrial Conference should be subjected to hostile criticism and declared to be a useless body? Those, however, who have direct experience of public work in this country and are cognizant of our national drawbacks, will not endorse such sweeping assertions and while admitting that there are defects which require to be removed, will frankly acknowledge the valuable work the three national organizations have done in the peculiarly difficult situation in which they are placed. The General Secretary of the Industrial Conference, the Hon'ble Mr. R. N. Mudholkar, deserves the most cordial thanks of the country for the task of love he has been doing all these years at so much personal sacrifice and in the face of tremendous difficulties. It is but due him to say that had it not been for his patriotism and earnestness, the work the Conference has done, inadequate as it is, would have been impossible.

The National Congress has a constitution and rules; so has the Social Conference. People interested in the two movements are besides endeavouring to make these organizations living bodies whose work will be systematically carried on throughout the year. The feeling has been long prevalent that something of the sort should be done with regard to the Industrial Conference. The General Secretary of the Conference has a paid assistant and a regular office and to defray the expenses of the establishment an appeal for funds is made every year. The office has done much good work in the past

by collecting useful information and giving it to the public in the shape of the Directories ; and the annual reports afford evidence of the labours of the Secretaries in this respect. The value of their work cannot be overrated and the present arrangement as to a permanent establishment doing Conference work throughout the year must be continued. Looking into the reports of the Conference, one finds that, while the sale of the Conference publications, reports and directories has been a decent source of income, it is nearly counterbalanced by printing and other charges that must be set off against it, and the financial balance has been maintained mainly by the generous donations given by a number of public spirited gentlemen from various parts of the country. It is a matter of notoriety that the financial position of our national organisation is not very satisfactory ; nor is the system in this respect sound and conducive to efficient work. The routine work of the Conference is done by the office and, if possible, the Assistant Secretary goes about the country doing propaganda work. The Conference also appoints committees from time to time to investigate important questions and submit reports, but I do not know if such committees have so far done any tangible work. Like the National Congress, the Industrial Conference focusses public opinion in matters industrial and places popular views before Government, urging upon the State reforms needed to promote the economic development of the country. Secondly, it seeks to enlighten the public upon the industrial position of the country, studies its wants and tries to supply information. The Conference, when it annually meets in Christmas, devotes an afternoon to the passing of a number of resolutions on important

industrial topics of the day and the main part of its programme is left to be carried out by the office of the General Secretary.

That the organization of the Industrial Conference described above was not found satisfactory may be seen from the thirteenth resolution passed at its Calcutta Session in 1911 whereby Mr. N. A. Dravid of the Servants of India Society was appointed Honorary Assistant Secretary along with Mr. M. B. Sant, the salaried Assistant Secretary. This proves that the work to be done is more than can be discharged by one Secretary under the direction of the General Secretary. The resolution goes on to say :—

"This Conference deems it desirable that there should be a Standing Committee of the Conference appointed for each year to co-operate with the General Secretary in carrying on the work of the Conference during the year and to advise on all such matters as the General Secretary may submit to them and that the following gentlemen do constitute the Standing Committee for the year 1912"

(Here follow twelve names of prominent gentlemen from the different provinces). The need and usefulness of such a Standing Committee are obvious. Questions arise from time to time which the General Secretary alone cannot solve and a body competent to deal with such matters is essential if the work of the Conference is to be in any way effective. In a large country like India frequent meetings of this Committee are impossible, but something can be done by interchange of views, by correspondence. The Conference has no constituted body corresponding to the All-India Congress Committee of the premier national organization and the above committee was perhaps intended to do duty for it.

A fair idea of the existing organization of the Conference and its work will have been conveyed to the reader by the account given above. That there is much room for improvement and that in fact reform is urgently called for, will be easily conceded. But what are the lines along which the reform should be effected? This question cannot be easily answered and no cut and dried scheme can be put forward. But it may be permissible to make a few suggestions. At the outset, a few preliminary remarks are necessary to clear the ground. At the Karachi Session of the Industrial Conference a resolution was passed welcoming the scheme of an All-India Commercial Congress formulated by Sir Fazulbhoy Currimbhoy, and appointing a Committee to consider how the existing Conference could best co-operate with the proposed Congress. The new organization has yet to come into being, though its constitution and rules have long been published and it must remain an open question whether the old and the new bodies will be amalgamated or should remain separate. To my mind, the existing Conference has its work cut out for itself and it will not be rendered superfluous by the starting of the Commercial Congress. It is needless to say that the Conference must remain entirely a non-political body, open to all classes and creeds of people in the country. The interests of European and Indian merchants are indeed often times seen to clash, and the aspirations of Indians seldom find favour with the European merchants. But as Sir Fazulbhoy said at Karachi, the commercial interests of Europeans and Indians are interwoven, and the co-operation of the two is absolutely essential for the success of the work of the Conference. This is also the principle on which

we have been all along acting, and the active sympathy and co-operation of officials and European bodies with our leaders has materially contributed to the success of the Conference. The problem before the Conference is how to bring together our educated people who have an amount of enthusiasm in them and the few merchants and men of enterprise who have on their side experience and capital. At the present moment the two classes tend to stand apart and the work of industrial regeneration suffers. The enthusiasm of the people is a valuable asset and it must co-operate with business acumen, experience and capital which can be supplied by our merchants, bankers and others. While the commercial bodies like the Chambers of Commerce may be left to tackle questions which chiefly concern them, the general questions which are no less important, and the work of enlightenment and organization in the districts will lie within the exclusive domain of the Conference. Finally, let me add, that whatever constitution we may frame, everything must depend upon the earnestness of the people, their capacity to do sustained work and their faith in that work. These things are not abundant in this country and our success will be limited by the fund of these qualities we bring to bear upon our work. That the above remarks are not superfluous may be seen from the fact that our failures in this respect in the past were due to our drawbacks some of which I have noticed. The late Mr. P. L. Nagpurkar of Sholapur, who used to take deep interest in the question of industrial progress, in submitting his views in connection with the starting of the Industrial Conference thus described the attempts which were made in Poona about twenty years ago through

the inspiration and under the guidance of the late Mr. Ranade :—

"Delegates from several parts of the Bombay Presidency, including a few Native States, attended. Papers on industrial questions were read and discussed and the resolutions which were arrived at, during the course of the two or three day's sessions were printed and published for the information of the general public and also of Government. But all this came to a standstill, owing to several causes the chief of which was the non-participation therein of the industrial and commercial leaders Most of those who took the lead in political agitation, had also a considerable share in the organization and upkeep of the industrial Conference, but the energies of these gentlemen were spent up and a complete collapse was the sad result"

(Report of the First Industrial Conference, 1905.) We have progressed a good deal since these lines were written, but they are instructive even at the present moments as they describe a state of things which has not yet passed away.

The existing constitution of the Industrial Conference seems to be modelled on that of the Social Conference, with the exception of the Standing Committee. I should like to suggest that the constitution should, in the main, be modelled on the pattern of the National Congress. Every province should have its own Industrial Conference Committee with District Committees affiliated to it. The various provinces, with certain conspicious exceptions, hold their Conferences in connection with the political and social reform movements and discuss questions peculiar to themselves and also of general interest. In the absence of Industrial Committees, the cause of the Industrial Conference is not promoted in the provinces Latterly in Presidencies like that of Bombay, the Provincial Social Conference has been

independently holdings its sessions though the corresponding political activity appears to have ceased. This shows the earnestness of the social reformers as well as the advantage of having special Social Reform Associations. It will always happen in a country like India where education has made little progress that the same leading men will be actors upon the political, the social and the industrial stage. That is inevitable ; but there are several people who are interested only in industrial progress and are hostile or indifferent to the other movements. These men must have a platform which can be supplied only by the creation of Provincial Industrial Conference Committees. We may have a number of Chambers of Commerce and similar other bodies in each province, but the Industrial Conference must have its own committee there. The duties of these committees are obvious. They will consist in promoting the industrial development of the provinces by every available means, organizing conferences and exhibitions, making inquiries and representations to Government, facilitating the starting of new industries and so forth. Every Provincial Committee will have affiliated to it District Industries Committees and if possible even Taluq Committees. Each district has its own peculiar industrial conditions and economic problems and they should be tackled by the District Committee. Associations and bodies, interested in industrial progress, other than the above committees, should also be affiliated to the Provincial Industrial Conference Committee. Rules with regard to affliation, fees, &c., should be left to be framed by the Provincial Committees.

It will be apparent from the above that I have taken the Congress constitution as my model and I would

draw the attention of the reader to Articles VI to XII of the constitution and rules of the Congress organization. From the District and Provincial Committee I shall pass on the Central Conference Committee which will correspond to the All-India Congress Committee. We have such a Standing Committee even now and it may be expanded into the Central Committee by having three or four members nominated by each Provincial Committee. This body need not be very large, but it will be representative of all the provinces, of course with the Native States included in them of India. Call it a Standing Committee or a Central Committee as you like. Its duties will be precisely those of the All-India Committee of the National Congress, *viz.*, "to take such steps as it may deem expedient and practicable to carry on the work and propaganda of the Conference, and it shall have the power to deal with all such matters of great importance or urgency as may require to be disposed of in the name of and for the purposes of the Conference." I am not sure if it is necessary for the Industrial Conference to have two General Secretaries, like the Congress. It all depends upon the quantity of work that has to be done and the enthusiasm that will be brought to bear upon the work. Obviously it is desirable to locate the office of the Conference in a commercial and industrial centre, say like Bombay, but the facilities of such a place must be combined with the earnestness and self-sacrifice which are at present made available to the Conference at Amraoti by the General Secretary, the Hon'ble Mr. Mudholkar. Unless we secure the latter advantage, I would keep the office of the Conference at Amraoti. The President of a session of the Conference will be the President of the Central

Committee for the next twelve months, and this Committee will hold office for the same period.

The financial question, as everywhere else, will be the most difficult to solve. The position of the Conference in this respect is far from enviable and were it not for the generosity of a few of our public-spirited and wealthy ment it would have been well-nigh hopeless. This will be clear from the accounts that are published in the reports of the Conference from year to year. In his report submitted to the Bankipore Session, the General Secretary complains of the extreme difficulty that he had to experience in realising the promised donations towards the current funds of the Conference which have to be raised from year to year. I do not think that delegation fees, which will have to be small, and contributions from District and Provincial Committees, which they will not be in a position to make, will bring any substantial grist to the Conference mill. We shall have to depend, as at present, on donations from year to year from our business men and other public and well-to-do people. This is why a hearty co-operation of our merchants, bankers, landlords and others is imperatively necessary and the gulf which separates these classes from earnest and patriotic people who lack business experience and money has got to be bridged. As regards the work of the Conference office, it has so far been admirable, and it must be continued on the same lines. With better resources at the disposal of the General Secretary and with the creation of conference committees throughout the country, I am sure more valuable work may be turned out.

This is a broad outline of the organization of the Industrial Conference. I have left several matters in

connection therewith out of consideration. I feel that if the main points are agreed to, the details may be easily settled. Before concluding, however, I shall refer to one point. The procedure followed by the Conference at its annual session is subjected to criticism in the press on the ground that its programme slavishly follows the system of the National Congress and it has therefore to hustle through a number of resolutions to observe the time limit. As things stand, it is inevitable that the Conference should wait upon the convenience of the Congress. It cannot be a success if it is separately held without reference to the Congress. An Industrial Conference to be held for three days in a place and at a time to be chosen by itself is an ideal beyond our reach for years to come. The experiment is going to be made by the Commercial Congress. Perhaps it may succeed, but not the Conference, which must make the best of the situation. I should, however, give the go-bye to the usual lengthy speech from the Chairman of the Reception Committee, and the Presidential address too shall be short and confined to a few important topics or aspects of the industrial situation. The resolutions of the Conference should be few in number and relate to questions of urgent importance. I find that the number of resolutions passed by the Conference annually has gone up from six or seven to thirteen. Imagine how efficient the work of the Conference must be when within the short space of six hours, or so, so many speeches have got to be delivered. The Industrial Conference should not be only a demonstration, but a businesslike meeting of experts and others interested in industrial progress. A few questions should be selected beforehand and they alone should be discussed at the

Conference with a view to arriving at some decision. For example, the question as to how India should benefit by the cessation of the trade of Germany and Austria-Hungary and generally by the situation created by the war ought to dominate the deliberations of the Conference this year. If necessary, the committee system should be adopted and the recommendations of the committees should be submitted to the Conference.

I do not claim any originality for my suggestions, and the reports of the Conference will show that attempts have been made in the past at forming Provincial Committees and appointing committees for other purposes. Those experiments do not seem to have succeeded and a paper constitution like the one I have tried to sketch may have the same fate. To succeed, constitutions and rules must be animated with the spirit of devotion, faith and practical work. But it is my belief that it is always better to have an organization and rules for everything than to grope in the dark and do things in a slip-shod, unmethodical manner. An earnest and sustained endeavour will have to be made, if any life is to be put into the Industrial Conference. Much propaganda work will be necessary for the starting of committees in the Provinces and Districts. The experience of the Congress in this connection is not more encouraging, and we need not be disheartened by our failure in the industrial domain. A few enthusiastic workers from every district must come forward to promote the work of the Conference, and I suggest that at the forthcoming session at Madras, this question of organization and propaganda work should be seriously taken in hand.

XVII.

POPULAR CONTROL IN INDIAN FINANCE.

Under the auspices of the District Congress Committees in Bombay, Prof. V. G. Kale of Fergusson College, Poona, delivered an address on 9th March, 1916, at the Empire Theatre, on "Popular Control in Indian Finance." The Hon. Mr. Chimanlal H. Setalvad presided. Prof. Kale said :—

Though at a great distance from the theatres of the terrible war now being waged in three different continents, we, in India, have been making, in our humble way, our contribution to the prosecution of the struggle with the enemy and have been feeling the effects of that struggle more or less directly. The Budget now before the Viceregal Council, has been very properly called a War Budget, and the additional taxes which have been imposed are calculated to bring home to every one of us the fact of the dreadful war. The annual financial statement for the Indian Empire does not usually attract much popular attention, and fresh taxation having been imposed only once during the last twelve years, the budget comes and goes without disturbing the equanimity of the common citizen. Though the financial statement, presented to the Viceregal Council by the Hon. Sir William Meyer a week ago, is a document of absorbing interest, I do not propose here to-night to criticise it. I wish to place before you a few considerations of a general character concerning the Indian system of finance as a whole and, to invite your attention to certain salient features of that system.

There are two important points which must be noted in connection with the finance of every nation, *viz.*, (1) the machinery of collecting and spending revenue and of keeping accounts and (2) the control of that financial machinery. As to the first point, it must be frankly observed that our method of collecting and spending taxes has been highly developed during the past fifty-five years since Mr. Wilson was called upon to place our finances on a sound basis. The system of Provincial finance and the state of the financial relations between the Government of India and the Provincial Governments, are, no doubt, far from satisfactory, and important and even drastic changes are necessary in this direction. But the mechanical side of our finance is excellent. Estimates are correctly made and accounts properly kept, and a succession of very able Finance Ministers,—men like Wilson, Laing, Strachey, Colvin, Barbour and Sir Guy Fleetwood Wilson,—have steadily improved the organisation of Indian Finance. It is not of this aspect of finance that I want to speak to-day but mainly of the method in which the financial machinery is controlled.

The Power of the Purse a Test of Progress.

The machinery of a nation's financial administration may be excellent and very efficient as is that of India. But we must inquire, who directs and controls the working of that machinery? This is a question of very great theoretical and practical importance. In every self-governing nation, it is the people through their representatives in the legislature, that exercise full control over national finance. It is they who ultimately

determine what taxes shall be levied and how the revenues that are raised shall be expended. They vigilantly supervise how money voted by them is spent and how the accounts are kept. This undisputed power over the national purse is a highly cherished privilege of the people which has been acquired after a long struggle and is a distinguishing feature of the modern state. In financial, as in other matters, the legislature is supreme, and the executive is absolutely subordinate to it. It was not always so. In former times, the chief or the monarch levied what taxes he liked and spent their proceeds in any manner that he chose. The history of England is an interesting record of the persistent struggle of the people to obtain the control of national finances, and even in the Magna Charta, King John swore that 'No scutage or aid shall be imposed in our kingdom unless by the general council of our kingdom.' The people of England proved victorious in the struggle, and however the systems may vary in the different countries, they have, in substance, followed the British example. Control over national finance is, indeed, a test to-day, of the constitutional progress of a people, and judged by that standard India is very far from the goal. The British system of finance bears traces of the old struggle even to-day and some of its features which appear to us superfluous, only demonstrate the jealous vigilance of the people over the management ot national finance. It is, again, the House of Commons, which truly represents the people, that has monopolised this power over the purse of the nation, and in this connection, the Upper Chamber is an ornamental rather than a useful part of the constitutional machinery of Great Britain.

The remarks made by Sir William Meyer in introducing his recent financial statement, concerning the inability of the Government of India to propose an increase in the import duties on cotton piece-goods, along with general enhancement of the customs duties, faithfully reflect India's position in this respect. The Finance Member observed :—

"The Council will naturally ask why, at a time when fiscal necessities compel us to make a material enhancement of the tariff in nearly every other direction, we should leave cotton alone. Well, the Government of India have not failed to represent their view that there should be a material increase in the cotton import duties while the cotton excise, which has formed the subject of such wide-spread criticism in this country, should be left unenhanced, subject to the possibility of its being altogether abolished when financial circumstances are more favourable. But His Majesty's Government, who have to consider the position from a wider standpoint, felt that the raising of this question at the present time would be most unfortunate as it would provoke a revival of old controversies at a time when they specially desired to avoid all contentious questions both here and in England."

Nothing can be more unconvincing than the argument put forward by His Majesty's Government. We want more revenue to meet the exigencies of the war, and one of the most eligible sources is the customs duties on cotton piece-goods. There was no occasion here for any controversy and the sermon preached to the Government of India might have been more appropriately addressed to Lancashire who would have clamoured against the enhancement of import duties. His Majesty's Government may be right or they might be wrong in their attitude towards the cotton duties. The fact is there that the Government of India is not a master in its own house, and the people of India are

nowhere in the determination of financial dispositions pertaining to their own country. When the Government of India was transferred to the Crown by the Act of 1858, the Crown became responsible to the British Parliament for the administration of the finances of this country. Section 2 of this Act lays down :—

"India shall be governed by, and in the name of, Her Majesty. And all rights in relation to any territories which might have been exercised by the said Company if this Act had not been passed, shall and may be exercised by and in the name of Her Majesty as rights incidental to the Government of India, and all the territorial and other revenues of or arising in India; and all tributes and other payments in respect of any territories which would have been receivable by or in the name of the said Company if this Act had not been passed, shall be received for and in the name of Her Majesty and shall be applied and disposed of for the purposes of the Government of India alone, subject to the provisions to this Act."

In theory, Parliament controls the Secretary of State for India who represents the Crown, in the management of Indian affairs, and he controls the Government of India, that Government in its turn, controlling the Provincial Government. While these last are subjected to very stringent control, and the Secretary of State hampers and coerces the Government of India, *popular control* there is none over any part of financial administration. Parliament, as everybody is aware, is indifferent and this is strikingly proved by the oft-mentioned fact that the speeches during the Indian Budget debate in Parliament are often addressed to empty benches. And the Secretary of State's control, like that of the Government of India, is official control and not popular control. The Indian executive is, therefore, indirectly responsible to the people of Great Britain and not of India, who

are directly interested in the management of the finances of their country. It is a curious anomaly that those who have to pay the piper, cannot call for the tune and whatever control is exercised over the Government, must come from outside.

HELPLESSNESS OF LEGISLATIVE COUNCILS.

But you will ask, are there not our Legislative Councils, which discuss the budgets and pass important resolutions and is not that a method of exercising control over the executive? As the Chairman will tell you, the representatives of the people in our legislative assemblies may discuss and make suggestions, but they cannot modify the budget placed before them by so much as a pie. In England, not a farthing can be raised or expended by the Executive Government without the authority of the people, and the funds appropriated for a certain purpose cannot be diverted to another without the assent of Parliament. An English writer, describing the British system of finance, observes :—

"But every penny that is spent is collected and spent under the authority of some Act of Parliament, permanent or temporary. In the matter and manner of getting and spending, the executive is wholly subject to Parliament and has not power to move a hair's breadth beyond the powers which Parliament entrust to it"*

The accounts are also carefully audited by an independent officer who reports directly to Parliament. But for the Government of India, the Budget is not a binding instrument; it is only a voluntary expression of anticipated expenditure which they may afterwards abide by or not, according to circumstances or their own discretion. The divergence of expenditure from budgetary

* 'The system of National Finance" by E. Hilton Young.

provision may be a matter for criticism ; but is of no constitutional importance. Popular criticism may indirectly affect the financial policy of the executive but the latter is not directly responsible to the people. In the matter of the auditing of accounts, the British people are very particular, the accounts being subjected to a very minute and strict scrutiny. The Auditor of British Accounts is an independent official and submits his report directly to Parliament which has also its Public Accounts Committee entrusted with similar or almost parallel duties. The question of adopting the English system of audit in this country, where the Controller and Auditor-General is not an independent functionary, who may report irregularities to the Imperial Legislative Council, has often been mooted in the past, and was discussed by the Welby Commission in detail. But the Commission felt satisfied ultimately, that the Indian system worked well, on the whole, and required no modification. The Government of India was, besides opposed to the institution of a system of independent audit on the ground of the heavy expense it would entail.

Before the year 1892, even the present system of the discussion of the Budget did not prevail. By the Council Act of 1861, the Legislative Councils could discuss only such measures as came before them in the form of Bills. For the various taxes and duties, legal enactments were necessary and they were open to such discussion as was possible in the absence in the Councils of the elected representatives of the people. By the Act of 1892, the representative element was introduced and a general debate was allowed on the Budget. The discussion of the Financial Statement and the asking of questions,

were subject to strict restrictions and the Act laid down :—

"But no member at any such meeting of any Council shall have power to submit or propose any resolution or to divide the Council in respect of any such financial discussion, on the answer to any question asked under the authority of this Act, or the rules made under this Act."

The Act of 1909 went one step further. The Councils were still further expanded, and the right of moving resolutions in the matter of financial arrangements was conceded to members. It must not be forgotten, however, that these resolutions even when they pass by majority, are of the character of mere recommendations which the Government may accept or not. In their Reform Despatch of 1908, the Government of India laid particular stress upon the condition that the resolutions should be in the form of recommendations to the Government as indicating that the power of passing the Budget is vested not in the Council but in the Executive Government. The Despatch says :—

"We are clearly of opinion that it is advisible that the Council should be afforded increased facilities for expressing their views upon the budget, and that these facilities should be given at a sufficiently early stage to enable the Government to take advantage of any advice that may be tendered and to adopt and give effect to such suggestions as may be found practicable. The ultimate control must, however, rest with the Government, and no useful purpose would be served by affecting to ignore this essential fact. It is the Government and not the Council that decides any question arising on the Budget, and the utmost concession that can be made is to give the Council ample opportunities of making recommendations to the Government in respect of particular items."

The Despatch goes on further to state :—

"The Council would divide on any resolutions that were pressed and the result would be duly recorded. But the Govern-

ment would not be pressed to take any action upon any resolution, either in whole or part. Power should be vested in the Chairman to close the discussion upon any head or group, when he thinks that it cannot be continued with advantage and there should be a time limit for individual speeches. Here, as in paragraph 62 above, we desire to lay stress on the condition that the resolutions should be in the form of recommendations to the Government as indicating that the power of passing the Budget is vested, not in the Council but in the Executive Government. This is not a mere verbal refinement; it denotes a constitutional fact and it has the further advantage of avoiding any objection that may be taken to the scheme on the basis of the English rule that all proposals for the increase of expenditure must be initiated by the Crown. If it is necessary for us to support our proposals by a reference to Parliamentary practice, the requisite analogy is to be found in the right of the House of Commons to submit an address to the Crown recommending certain expenditure."

The constitutional position of the Government and of the Legislature could not have been described more clearly and emphatically than it is in these words. The Government of India relied in this connection on the British system under which proposals for the increase of expenditure must be initiated by the Crown but it did not take into account the important fact that the British Parliament has the power to vote supplies and can make and unmake ministries. A Government has to resign or give up its proposals if Parliament refuses to sanction them.

Strong Practical Reasons for Change.

It is, no doubt, true that even in democratic countries the executive is very powerful and on account of the existence of political parties and other causes, popular control is often ineffective. But, after all, the proposals

of the executive are backed up by the opinion of the majority in the legislature, and as the people ultimately make and unmake Governments, the latter are responsible to the nation. Apart from the theoretical aspect of the problem, there are strong practical reasons why the executive in India should be amenable to the control of the people. (1) In the first place, however capable and efficient the executive may be, it is not endowed with imagination and must lack the enthusiasm necessary for all true progress ; (2) the administration of India being purely official, there is a natural tendency towards increasing expenditure ; (3) much of Indian expenditure is incurred in England and for purposes to which people attach but subordinate importance ; (4) finance is a powerful engine to bring about the moral and material progress of the people, and unless Indians themselves control expenditure, revenues will not be expended upon measures of urgent importance to the country ; (5) in the absence of popular control public criticism of the Government's policy becomes irresponsible. That is one of the reasons why facilities are now given for the discussion of the budget in our Councils. These discussions, however, become unreal and lifeless owing to the consciousness of the critics of Government that the executive is supreme and that they are powerless to regulate the financial machinery. Many non-official members of our Legislative Councils have recently given expression to a sense of disappointment at their utter helplessness to achieve anything tangible in those assemblies. If a sense of responsibility is lacking in the criticism of non-official members, it is not their fault. They are excluded from all real power, and so long as they have

no statutory control over the executive, there is little likelihood of this state of things being improved. If popular control were provided, many important and beneficent schemes, like the diffusion of education, may be undertaken and the people would cheerfully submit to heavy taxation necessary for the purpose.

The history of the expansion of railways, of the prosecution of wars on and beyond the frontiers, the imposition of cotton excise duties, the enhancement of the land-tax, growth of military expenditure and of other features of the Indian finacial system, shows how great is the need of popular control over finance in India. The whole problem was examined by the Welby Commission, a majority of which was, however, satisfied as to the sufficiency of our existing financial control. Some of its members did feel that an independent audit like that in England was wanted in India and felt the injustice that was done to India by her being saddled with expenditure in which she was not directly interested. The growth of expenditure in recent years, the costliness of our administrative machinery, and the inadequacy of the funds required for the prosecution of schemes of reform, point to the need of our people being effectively associated in the management of India's finances.

In every other country of the world the people hold the strings of the national purse in their hands. In several of them expenditure on armaments has grown enormously, but at the same time large schemes of social amelioration and national advancement have been and are being taken in hand. The extravagance of Lloyd-Georgian finance is often made the target of cheap criticism in the Tory and Anglo-Indian press.

But if he has increased national expenditure and the burden of taxation upon the rich classes, Mr. George has inaugurated schemes of social amelioration which are calculated to promote national well-being. Democractic control may have failed in certain nations, but by common consent, popular government is considered the best form of government. And what is good for other countries, for Great Britain and the self-governing Colonies, must also be good for India.

Reforms Needed.

The reforms introduced in 1892 and in 1909 have proved the capacity of the Indian people for self-government and they can be trusted to take further strides in the path of progress. Not the most prejudiced critic of the representative of the people in our Legislative Councils, can say that they have not shown capacity for their work. The evidence is all the other way. The time has, therefore, come when (1) financial autonomy should be granted to India, and the Indian people should be allowed to order their house according to their own needs and wishes, (2) the Government of India ought to be freed from the shackles imposed upon it and should be free to frame its own budget without being dictated to by the Secretary of State; (3) the people of India must have an effective voice in the administration of their national finance; the members of the Councils must be given the right to vote the national expenditure and the executive must be made responsible to the Legislatures, the bulk of which would consist of elected Indians; (4) provincial finance will have to be re-organised and placed upon the basis of independence, and local finance too will have to be

modified ; the voice of the people must be supreme in the Provincial Councils also, which may then levy Provincial taxation ; and (5) Indian finance must be placed upon a federal basis. The existing system of Provincial finance is extremely unsatisfactory. It is well-known that certain charges and revenues have been handed over by the Government of India to the Provincial Governments, but the latter find their revenues inadequate. The progress of the people under their immediate charge requires more funds ; but they have no power of independent taxation. The Provincial Governments are, in fact, chafing at the restrictions imposed upon them by the Supreme Government. The latter contends that as it is responsible for the good government of the whole country, it cannot divest itself of the powers it enjoys ; and that it has to regulate, to co-ordinate and to control. It is averse to making any radical changes in the system of Provincial Finance which is a growth of 45 years and it is trying to adjust it to changing conditions and pressing demands. Provincial finance does not stand upon any regular principle and the division of resources among the various Provincial Governments is considered as inequitable. The Supreme Government acts upon the parental theory according to which it has to deal with the various Provincial Governments as so many sons, some grown up, others very young. The more developed Provinces, it is said, must help the less developed. The Government of India has made its position quite clear in this respect. As regards the proposal that Indian finance should be placed upon a federal basis, it contends that the position of Provincial Governments in India is not analogous to that of the

states which make up a federated state. Without going into great detail, it may be pointed out, that neither the Provincial Governments nor the people are satisfied with the present financial arrangements subsisting between the Government of India and the local Governments. And though the reform may appeal to be radical, the problem has got to be boldly faced. The people will press the Provincial Governments more and more for liberal expenditure and those Governments must be given greater latitude. But this reform of decentralization must be accompanied by a proper provision for popular control over the Provincial Governments. The large question of the financial and constitutional relations between the Government of India and the Provincial Governments has been discussed pretty often, but there has been actually only a tinkering with it, the main issue being put off owing to its seriousness and complexity. At the close of the war there will come a splendid opportunity to decide this question, and British statesmanship must rise to the height of the occasion. The future of our people is bound up with the proper management and control of the finances of the nation and India must be raised in this matter to the level of Great Britain and the self-governing Colonies. Our advancement must be along the lines of the progress of England, and I hope there will be no hesitation in following those lines.

XVIII.

THE WAR AND INDIAN TRADE.*

India's contribution to the noble and manful fight that is being put up by the Allies against the twentieth-century barbarism of the German Huns, in men, money and moral support, has been acknowledged to be quite in keeping with the loyalty, imperial patriotism and the honourable traditions of this ancient land. Apart, therefore, from the sacrifices India will be called upon to make and will cheerfully make on behalf of the British Empire, this country, in common with other nations of the world, will have to face the inevitable consequences of the great struggle now going on in Europe. The stagnation of trade, the dislocation of industry and the disorganisation of credit, with high prices, unemployment and distress as their concomitants—these constitute the penalty civilization must pay to the barbarous militarism of Germany. In this crisis, every nation must strive to face the universal calamity in the best way open to it and to minimise the evil effects of the disastrous war when they cannot be escaped. How will Indian trade and industry be affected by the war and

*From "All About the War : The *Indian Review* War Book,' Published by G. A. Natesan & Co., Madras.

what effective measures may be taken to weather the storm, are questions which are agitating the minds of the Government and the public. It is futile and foolish to expect that everything should run on smoothly and that no inconvenience should be caused to the public in this time of crisis. We have to make up our minds on this point and be prepared, with confidence and hope, to make the needful sacrifices. Government may be depended upon to do everything that is practicable to ensure the even tenour of business and life in these times of financial stringency, industrial depression and trade stagnation. The financial estimates for the current year and possibly for the next, will be altogether upset and we have no doubt, Sir William Meyer will make the best of the situation. The Indian currency system and the gold exchange standard are passing through a tough ordeal, but Government have taken timely measures to maintain the foreign exchange. One cannot say how we shall stand at the end of the current financial year, and it is premature to forecast the position in which we shall then find ourselves.

With the enthusiastic co-operation of the public, the Government in Great Britain have been strenuously trying to ward off the evil effects of the war on the finances, currency, trade and industries of the country. So far as the two latter are concerned, similar measures must be adopted in India. Some of our larger industries, like those of cotton and jute, have already been adversely affected. The Bombay mill industry is in a parlous state and several mills have had to be closed. There was probably some over-trading in foreign piece-goods and there are heavy stocks lying upon the hands of merchants. These were recently calculated at 150,000

packages in Bombay and their value was put down approximately at six crores of rupees. To add to this, there are the stocks of country-made cloths estimated at some three lakhs of bales and of yarns at one lakh bales. It is impossible that these large stocks should be worked off and the mills continued in working order at the same time. The public will, in these times of high prices and stagnant business, naturally be in a thrifty mood and the market for cotton goods will be extremely limited. The capital needed to run the mills will be wanting, and even if it were available, it would be madness to work the mills when there is no market for their output. The exports to the eastern markets have been stopped for lack of shipping and when they are opened there will not be much eagerness to purchase on the part of our customers. The last year was far from prosperous to the mill industry in Bombay, the depression being more the result of a glut in the piece-goods market than of the loss of credit and monetary difficulties. Thus we read in the *Trade Review* for the year 1913-14 :—

" For the town and island of Bombay the profits for the year 1913 came to Rs. 182 lakhs, including Rs. 29 lakhs for the agents' commission. The wages amounted to Rs. 247 lakhs against Rs. 268 lakhs in 1912. The profits of the weaving mills, excluding commission, came to 21 per cent.; out of which 10 per cent. was paid in dividends as against 28 and 11½ per cent. respectively earned in 1912; while the spinning mills earned about 11 per cent on capital, out of which 6 per cent. was paid in dividends last year, as compared with 22 and 5½ per cent. respectively in the previous year."

The present depression thus comes on the top of an unfavourable year and the prospect is anything but cheerful. As regards our export trade in cotton yarn and cloth, we have not been making any progress

during the past few years, as will be seen from the following figures :—

Exports of cotton manufactures.

	YARN.	WOVEN GOODS.
	Rs.	Rs.
1909-10	9,71,00,000	2,21,00 000
1910-11	8,62,00,000	2,39,00,000
1911-12	7,59,00,000	2,19,00,000
1912-13	9,92,00,000	2,21,00,000
1913-14	9,83,00,000	2,29,00,000

With the jute industry in Bengal, matters were quite different, the last year being very prosperous for it. India has almost a monopoly in the production of jute-fibre which is in constant demand in Europe and elsewhere. During the last ten years the value of raw jute exported to foreign countries has nearly doubled, having advanced from 17 crores of rupees in 1905-06 to more than $30\frac{3}{4}$ crores in 1913 14 The export trade in jute manufactures has similarly expanded in a remarkable manner and increased from 16 crores in 1911-12 to 28 crores of rupees last year. But the war has darkened the outlook for this industry too. Apart from the shrinkage of the market, the lack of the means of transportation must hamper the course of the export trade and thus involve an amount of loss. What an important place jute occupies in the industrial economy of this country may be seen from the fact that in 1913-14, jute manufactures represented nearly 52 per cent. of the total value of exports of Indian manufactures and nearly 12 per cent. of the total exports of Indian merchandise as compared with raw jute, the export of which was nearly 13 per cent. of the total. It is notorious that the bulk of the Indian export trade consists of food grains and raw materials which are in great demand in all the

manufacturing countries of the world. While the share of the United Kingdom in our imports in 1913-14 was 64·1 per cent. it took, in the same year, only 23·7 per cent. of our exports. Nearly 25 per cent. of our export trade is with countries now engaged in the war on the European continent, Germany taking 10·3 per cent., France 7·1 per cent., Belgium 4·9 per cent., and Austria-Hungary 3·9 per cent, This trade is, of course, doomed this year as also a part of the trade with other countries. India's export trade in oil seeds is a pretty large one, and was valued at more than 25 crores of rupees last year. Last year, the United Kingdom and France took nearly 32 and 29 per cent. respectively of the total, with Belgium closely following. The war cannot but adversely affect this trade and cultivators have been warned not to raise oil seeds this year as there will be no demand for them, and grow food grains in their stead. It is difficult to say how far this warning has reached the ignorant class of cultivators and whether they will be in a position to profit by it. The war is, in this way, telling upon almost every branch of our export trade and involving in loss large classes of people, merchants, middlemen, agents, and particularly the poor cultivators.

The situation of the trade in raw cotton is perhaps the most anxious. Our exports of this staple have been steadily expanding till they attained the record amount last year, *viz.*, 29,75,000 bales valued at more than 41 crores of rupees. The area under cotton rose from 22,028,000 acres in 1912-13 to 24,595,000 acres in 1913-14, while the estimated out-turn rose from 4,610,000 bales to 5,201,000 bales. Cotton has latterly become one of the most important of our commercial crops and the cultivation has

been steadily expanding. The value of the whole annual crop may be ordinarily put down safely at 70 crores of rupees. Even if Japan, our largest buyer, purchases from us this year anything upon the last year's scale (1,348,000 bales in 1913-14), our other usual customers, Germany, Belgium, Austria-Hungary and France, who among them take as much as Japan alone, cannot absorb even a fraction of the normal total. Half of the out-turn of cotton is exported and more than one-third is consumed by the indigenous mills. Both these outlets are now practically stopped and this stagnation will spell ruin to all those interested in the cotton trade. The United States of America, the largest cotton-producing country in the world—is confronted with an equally serious problem. The exports of American cotton to Great Britain are stopped owing to the stoppage of mills in Lancashire and there is a slump in the trade. This means that price of cotton will go down, as it has gone down already, and there will be no demand for the staple even at cheap prices. Now the cotton crop is a very valuable economic asset in the United States and systematic and strenuous attempts are being made there to tide over the present crisis. In view of the present depressed trade conditions and the uncertainty about the duration of the war, the area of cotton cultivation will be curtailed in the ensuing season in America and Egypt. The measures that are contemplated in the former country to relieve the situation, will " consist in greatly increasing the storage facilities for cotton, which facilities under present conditions are limited to only about one quarter of the crop, and secondly in making it possible for banks to loan more liberally on cotton than they would feel warranted in doing without some

special Government assistance." Sir Charles Macara has adumbrated a similar scheme in England for storing up cotton with state help, thus carrying over the stocks to next season and preventing an abnormal condition in the market.

Cotton dealers in India have been urging upon the attention of Government the immediate need of taking similar measures of relief in this country. If the cultivator is forced to sell his cotton at the ruinous prices that will now rule in the market, he will suffer heavily. It is, therefore, suggested that Government should accept custody of cotton and issue warrants against it. We are told that it would be "an easy matter for warrant holders to obtain loans and advances on such convenient and undoubted securities and an additional advantage would be that the lenders themselves could raise money on them if they so desired." The scheme appears so nice on paper but one does not know how far it is practicable. Then again, the question has been raised, if this relief is to be granted to dealers in cotton, why should not the same consideration be shown to people who are interested in other crops? The latter stand in the same predicament as cotton dealers and deserve the same sympathy and assistance. The solution of the problem will not be found easy by Government who will have impartially to give relief wherever it is required. The problem of unemployment is being systematically faced in Great Britain where the distress caused by the war will be immense. Work is found for those who are thrown out of employment and relief is given in other ways. The Government is acting throughout in co-operation with the labour organisations, the local bodies and the public.

In India we have no labour organisations and workmen are said to be returning from industrial centres to their native places. It is not easy therefore to estimate the effects of trade stagnation upon labour. District officers will do well to make local inquiries and ascertain the condition of skilled and unskilled workmen in the various industries and with the co-operation of the public organize measures of relief if and where it is needed. One effect of the war has been the rise of the price level in the case of articles which are usually imported from abroad, but this is likely to be counter-balanced by a fall in the prices of commodities which are locally produced and the foreign market for which has been closed or curtailed. This cheapness will not be unmixed blessing inasmuch as while it will benefit the consumers, the producers who represent a very large portion of the population, are bound to suffer from a substantial shrinkage in their small profits. This gloomy prospect is relieved by one cheerful feature and it is this. The monsoon season has been very favourable throughout the country and the crops have been and are expected to be abundant. Fortunately, therefore, we are free in this time of crisis, from one potent factor of anxiety, *viz.*, drought or famine which seldom fails to make its appearance in one part or another of this big agricultural land. It is something to feel thankful for that nature is fighting on our side.

So far we have dealt with only one aspect of the problem and considered how our trade and industries will be affected by the war. The country is overtaken with the adverse effects of a calamitous war and the Government and people have to devise the best measures of defence. But war is not only a game of

defence ; we must also take the offensive and carry the martial operations into the very heart of the enemy's dominions. In fighting the ever-recurring famines in this country, the Government takes measures to relieve distress when and where it occurs. It at the same time carries out certain works which are calculated to prevent the occurrence of famines, at any rate to render their attack comparatively mild. When the war broke out, it thus occurred to many people in England, that advantage might be taken of the enemy's situation to carry on an industrial campaign against Germany and Austria-Hungary and to capture their growing trade with the Empire and neutral countries. By strenuous effort Germany has made very rapid strides in the development of her industries and trade during the last few years and has come to take a larger share in the commerce of the world. It may be impossible to oust Germany from certain lines of trade owing to a kind of monopoly she has established in them ; but there are several others where by a determined effort Great Britain might establish herself as a successful rival. The dependence of the Empire on Germany for the supply of certain commodities was to be shaken off and a stimulus was to be imparted to the industries of Great Britain and the Colonies. Owing to the war the trade and manufactures of Germany and Austria-Hungary were stopped, while, thanks to Britain's naval supremacy, those of the Empire were safe. If, under the circumstances, England could capture a portion of the enemy's trade, it would not only provide work to her people for the time being, it would also promote the industrial prosperity of Britain while dealing a blow to the industries of Germany. As soon as the idea was started, it was enthusiastically taken up

by the people and the Government, the latter collecting and publishing all the information that was necessary for carrying on the industrial campaign. Exhibitions were held and samples of articles to be produced shown to people who were interested in their manufacture. How far this patriotic movement will succeed and what permanent gain will have been made by the time peace is restored, it is difficult to say. But there it is and something is bound to come out of it.

This movement touched a sympathetic chord in the Indian heart and recalled the dying echoes of *Swadeshi*, the failure of which is universally deplored in this country. Everybody thought that the psychological moment had arrived when Government and people might co-operate to inaugurate an industrial revival in India. If the movement could be started in England, it could be launched, it was felt, under more favourable conditions in this country. Our export trade is very large and three-fourths of it is with countries other than the United Kingdom. Apart from the possibility of advantageously diverting a part of this trade—mainly that with the enemy nations—to England and the Colonies, there was the prospect of our being able to manufacture locally a considerable portion of the raw materials which are annually exported to foreign countries. India imports numerous articles of every-day use from Germany and other countries such as paper and cutlery, glass ware and matches, sugar and leather goods, umbrellas and soaps, candles and cigarettes and a host of others. Could we only manufacture these articles in our own country, what a large addition should we make to the income of our people and how should we promote their prosperity ! The idea is an old one—

the dream of our sleeping and waking hours,—only there is a fresh opportunity afforded now to translate the fancy into a fact. The Governments of the various Provinces were fired with zeal and ordered inquiries to be made as to the extent to which advantage might be taken of the present situation to improve the industrial prospects of the country. We are afraid, so far as the economic condition of the country and its industrial possibilities are concerned, fresh inquiries are not likely to reveal much that was not discovered and suggest new lines of development. Without deprecating the industrial investigations that are now in progress in the country, we may be allowed to say that not only have industrial surveys been already made in several Provinces, but the points of strength and weakness in our position have been definitely marked. Not only that; industrial experiments have been made by people and many of them have failed. The causes of the failures are also not unknown. If, under the circumstances, fresh inquiries are to be made, they must be made with a definite object in view. For instance, take the match factories, several of which were started by private enterprise and have not succeeded. Make an inquiry into the cause of the failure of the enterprises and let Government come forward to assist in remedying the defects from which they have suffered. Let the State make up its mind to help private enterprise to the necessary extent; let it initiate industrial schemes so that they might be taken up by the public. Inquiries started with some such definite idea and fructifying in some tangible results will be more welcome. Mere collection of facts and figures will indeed have its own use; but of that we have had much. What is required

is practical action and one or two industries successfully launched will go further to stimulate general industrial development than a mass of statistics carefully collated and tabulated for the information of the public.

When speaking of an industrial revival in this country, we must not lose sight of the enormous difference between the economic conditions that obtain here and in England. When they talk in Great Britain of capturing the enemy's trade, the people are conscious that they possess the means of doing so. They have the necessary capital, the enterprise, the skill and the experience which are needed, and what is demanded is only the expansion of these into new channels. But in India most of these essentials are sadly lacking, and we have to begin almost at the beginning. Exhibitions of the articles to be turned out may suffice in England to give rise to new industries. In India a great deal more than this is wanted. So many failures of Swadeshi ventures have damped the ardour of the people and they have no guarantee that any fresh experiments will succeed better. The State in India is wedded to the principle of free-trade and is precluded from giving active assistance to indigenous industries. Is this not a time when Government in India might be allowed to turn over a new leaf in its economic policy and do for India what several foreign states have done for their people? The very idea of capturing the enemy's trade, to a certain extent compromises the principle of free-trade according to which freedom of trade and of individual and international competition must be left to determine what industrial activities will be pursued by the different countries of the world. At any rate, in India, the principle must indisputably be modified in action if this

country is to make any industrial progress in the face of foreign competition. While England may be able, in spite of the worship she does to the fetish of free-trade, to capture some of the lines of the enemy's industrial and commercial activity, India, as past experience amply shows, will be able to do nothing in the way of industrial development unless the Government take the initiative and train the people to achieve success. There are indeed difficulties in the way, but they must be overcome if the present opportunity is not to be lost. For example, there is the sugar industry in the development of which private capitalists have made more or less fruitless essays. The stoppage of the supplies from the European continent will divert Java sugar to England and other countries in the West and will raise the price of the article—the price is already high—in the Indian market. Cannot something be done to rehabilitate the indigenous sugar industry? Even the *Statist* feels that this ought to be done and asks.

"Or if private capitalists will not do the work, is it beyond the capacity of the British Government in India to build up once more a great sugar industry in that country?.....Are Englishmen so inferior to Frenchmen and Germans that they cannot revive the sugar industry in India at a time when the vast German and Austrian supply is suddenly cut off?"

It is well known that our sugar imports have been going up by leaps and bounds and were last year valued at more than 14 crores of rupees. The attention of Government has certainly been drawn to the question of developing the sugar industry in India and various measures are being taken in that direction. And it is to be seen if the pace will be accelerated under the peculiar conditions created by the war, and whether the line of action being purused will undergo any change.

We must again guard ourselves against raising false hopes about the results of the 'capture-the-enemy's-trade' movement. At one time the *Swadeshi* movement was equally promising and our enthusiasm over it knew no bounds. But some of the essential factors which bring about industrial development were lacking and the movement did not prove the success it promised to be. Unless, therefore, care is taken to frame the scheme of our industrial revival in accordance with sound principles and to carry it out along well-thought-out lines, we shall be inviting another big failure. The lesson which the experience of the past has to teach has, however, been taken by the country and the recent banking catastrophe is too fresh in the minds of the people to require a fresh warning. In one sense, this is really very unfortunate. Capital, which is proverbially scarce and shy in this country, will be absolutely unobtainable exactly when it would be required to finance any new industrial venture which people of enterprise may be induced to start at this moment. There is another consideration which must also be emphasised in this connection. Owing to a cessation of foreign competition resulting from the disturbance of the war, certain lines of trade and industry may appear to be open and may perhaps be temporarily occupied by Indian enterprise. The war must, however, come to an end sooner or later and the competition will be renewed. The period of the war cannot be enough to enable us to place the new ventures on a satisfactory footing and the indigenous industries will once more have to run the gauntlet of the foreign competitors. The protection provided by patriotic sentiment goes some way in assisting the growth of indigenous industries

but that is not enough. That protection has to be backed up by the systematic policy of the State designed to promote the industries of the nation. Such a definite policy we ask Government to formulate at this moment. Let officials and non-officials meet together in each district and discuss the industrial possibilities of the locality. Let experts be consulted and definite proposals be made to be taken in hand under the auspices of Government. These are the practical lines on which we have to proceed and even if nothing more than a beginning is made in this direction we shall have accomplished much.

This is a matter which is probably engaging the attention of the Government at the present moment, though it is difficult to say what practical results their enquiries and deliberations will produce. In the meantime, the Department of Statistics have published a Memorandum and Statistical Tables relating to the Trade of India with Germany and Austria-Hungary for the information of the public. The publication gives a clear idea of the nature and extent of India's trade with the enemy nations and of the openings there are for Great Britain, the Colonies and India for the expansion of their trade with one another. Of course it is not possible for the latter to capture and permanently occupy lines of business which are a kind of monopoly with Germany and Austria-Hungary. But there are certain lines which may be attacked and retained. At any rate, the statistics exhibited are very suggestive and to a discerning eye and resourceful brain, open promising prospects. It is needless to name here the many articles in the supply of which the enemy nations enjoy a large

share. What we want to point out is that this is not a question of only temporarily taking advantage of the war in which Germany and Austria-Hungary are involved. It is the larger question of initiating a regular movement in favour of the industrial development of India. Temporary measures and palliatives will not, therefore, serve the purpose ; a new and definite policy is required. In this connection the remarks made by Mr. Findlay Shirras in his "Review of the Trade of India for 1913-14," with regard to our trade with Germany, are very instructive. He says :—

"The value of Indian trade with Germany has increased, costly British goods being largely displaced in India by cheap German manufactures. German manufacturers have secured special advantages by the application of technical skill, chemical science or a combination of both, in the supply of certain goods, such as musical instruments and mineral dye from coal tar The development of German shipping has also encouraged direct imports from, as well as export of cotton, hides, jute, oil seeds, and rice for manufactures to Germany. Cotton manafactures, dyes, copper, iron and steel, machinery and woollens bulk in the import trade."

The present is an opportune moment for initiating the new policy such as we have suggested above for the economic advancement of India. The British press, reflecting British public opinion, has been ringing with expressions of appreciation for the spontaneous co-operation which India has given to Britain as a matter of plain duty at the present juncture The whole British nation is in a kindlier and a more sympathetic mood. Might not the opportunity be availed of by Government for the purpose of ushering in a new era of industrial activity and economic prosperity ? No boon will be better appreciated by, or will prove more beneficial to, the people of India.

XIX.

INDIAN TRADE AFTER THE WAR.

At a meeting of the Indian Economic Society, held at the Hall of the Servants of India Society, Bombay (April 1916), Prof. V. G. Kale of the Fergusson College, in opening a discussion on the subject of "Indian Trade after the War," said :—

You are aware that India's fiscal policy has been excluded from the scope of the inquiry entrusted to the IndustriesCommission whose appointment was announced in the Viceregal Council some time ago. This exclusion is most unfortunate. The economic development of a nation is so intimately bound up with its fiscal policy that an inquiry into the industrial possibilities of India cannot be complete or useful unless it includes an investigation into the fiscal policy of the country. The inquiry of the Holland Commission will certainly be valuable so far as it goes. But it is bound to prove defective and inconclusive on account of the restriction imposed upon it. The deliberate omission of the fiscal relations of India to the other parts of the Empire and to foreign countries from the purview of the forthcoming enquiry, is defended on two grounds. The first argument is that it is a controversial matter and all controversy ought to be avoided during the present time of the war. This argument would have been unanswerable if animated discussions of trade policy were not being carried on in Great Britain and in this

country. Our Councils and our press are not free from the controversy and in England, that is the dominating problem engaging the attention of everybody. The British Government is being called upon to abandon free-trade and at once adopt a policy of protection. The Chambers of Commerce in India are going to meet in a conference and deliberate upon the future trade policy of this country. If this kind of discussion is considered necessary, I fail to see what harm would have been done if the Holland Commission had recorded opinions and made recommendations in connection with the question of India's fiscal policy. India's demand for fiscal autonomy and protection, is perhaps inconsistent with other interests and the attitude of Lancashire. But when the other people are frankly and openly airing their views, India and the Holland Commission could have been allowed, without detriment, to record theirs. His Majesty's Government were unnecessarily frightened by the bogey of controversy and their restriction of the scope of the Commission's inquiry is calculated only to mar its usefulness.

Inter-Empire Trade.

Secondly, we are told that inasmuch as the trade relations of the various parts of the British Empire towards one another and of the Empire towards the Allies and other nations, will be discussed in a comprehensive way by His Majesty's Government in consultation with the representatives of the self-governing Colonies and the Allies, an inquiry into the same question by a body like the Holland Commission would be worse than useless. True, the whole problem is very complex and large and the interests

involved are divergent and conflicting. The Imperial Government will, therefore, be certainly more competent to deal with it than a Commission's enquiry in India. This does not, however, make an inquiry in this country and from the Indian stand-point, superfluous. On the contrary, a deliberate pronouncement made by the Holland Commission and the facts and opinions recorded by it would have materially assisted His Majesty's Government in finding out a solution. The adoption by His Majesty's Government of the Commission's or anybody's view was not obligatory on it, and a clear exposition of the situation and of public opinion in India would have proved extremely serviceable. The Dominions are being freely consulted as to the post-war trade policy and their representatives are being allowed even to attend Cabinet meetings and the Allied Conferences. In one of his speeches recentle made, Mr. Asquith referred to the need of Indian interests and views being consulted and he gave a promise that whatever the trend of opinion may be at the Paris Conference, no decisive step would be taken without the knowledge and consent of Parliament. Like the Governments of the Colonies, the Indian Government has most probably been asked to state its views with respect to the fiscal policy of the Empire and Lord Hardinge more than hinted in a speech, the other day, that he had communicated his opinion to the Imperial Government.

Fiscal Needs of India.

The Holland Commission will, incidentally if not directly, deal with the fiscal needs of India. The Government of India will seriously consider the question

and place its opinion on record if it has not already done so. The Chambers of Commerce in India are going to meet together for considering the future of the Indian fiscal system. It, therefore, behoves all who take any interest in the subject, to formulate their views as to the position India should take up on the termination of the war. There are three problems with which the Imperial Government is, at the moment, confronted. (1) The organization and concentration of the resources of the British Empire and of the Allies with a view to prosecuting the war with the utmost vigour and bringing it to a speedy termination. (2) Taking concerted measures betimes to frustrate Germany's attempt to re-establish economic and political domination over other nations, and to make the recurrence of a war, like the present struggle, impossible. (3) Re-adjusting the trade relations (*a*) within the Empire, (*b*) with the Allies, (*c*) the Neutrals and (*d*) the enemy nations. As to the first of these objects, all energy must be concentrated upon its attainment irrespective of traditional policy, preconceived notions and accepted fiscal and economic theories. The second aim appears to be inconsistent with the hopes and aspirations as to future international relations, engendered by statements which were so common in people's mouths in the early stages of the war The present struggle was regarded as a war upon war and a harbinger of permanent peace and goodwill among the nations of the world. Opposed to this view we now hear a talk of boycotting Germany, killing her trade and reducing her to a position of weakness and obscure helplessness. Many thoughtful people do not believe in the feasibility of measures to be taken to humble and crush Germany with the fiscal weapon,

some want real peace and harmony after the war and not a condition of silent resentment and steady preparation for a renewal of the struggle.

A Warning.

A boycott of German goods and a fiscal campaign against the enemy even after the close of the war, (during the war no measure of attack and punishment will be too severe), are perhaps necessitated by the urgent requirements of the situation. The British Empire and the Allies will have to repair the ravages of the war and mutual concession and co-operation among them will help them a good deal. Otherwise, there is the danger of Germany pursuing the old unscrupulous trade policy to the detriment of the Allies and trying again to rear the fabric of its political ambition upon the foundations of trade. Europe must be saved from the demon of militarism which feeds upon trade and hence the anxiety of the Allies to isolate Germany and keep it weak and incapable of harm to neighbours. There is a perfect agreement upon this question among the Allies, but how far any permanent fiscal arrangements based upon the principle of excluding the enemy may be evolved to the satisfaction of all parties concerned, is more than one can say at present. So many conflicting interests will have to be considered and adjusted and divergent claims to special consideration satisfied. If the Allies are able to devise a tariff scheme which will bind all of them together with bonds of friendship, it will be one of the biggest fiscal organisations the world has ever seen. The resources of the Allies are sufficiently varied and vast and a kind of allied Zollverien may be formed with preferential trade within and high tariff

walls against their present enemies. What will, however, be the economic and political consequences of such a customs union ? Will not the world be divided into two rival camps preparing to harm and crush each other and will not the present war have been fought in vain if the pre-war conditions are to be perpetuated ? What attitude will America and other neutrals take ? These are questions to which it is not easy to find an answer and we must be on our guard against hastily building up fiscal castles, which may not stand the test of time and experience. Whatever policy is finally adopted must have, for its justification, the predominant claim of the defence and prosperity of the Empire and of the Allies. In deciding, on the termination of the war, what will be our trade relations with the outside world, we ought not to be hurried away by resentment or desire to take revenge.

Preferential Trade.

The idea of extending preferential treatment to the trade of the Allies, is entirely the product of the war and comrades in arms will also be faithful comrades in times of peace. But preferential trade within the Empire is an old scheme brought into prominence by the late Mr. Joseph Chamberlain who proposed to knit the Colonies to the mother country by ties of trade concessions and hoped thereby also to stimulate the industries of England. The tariff reform movement thus initiated, has now gained extraordinary strength by the sacrifices the mother country and the Colonies are making for the defence of the common heritage. During the last few years the soliditary of the Empire has been steadily growing and the Dominions has been admitted to the

inner counsels of the Empire. The part India has played in the war, her spontaneous and unflinching loyalty, her cheerful sacrifices and the bravery of her sons on the battle-field, have brought about a happy, though only a slight change in the old British and Colonial attitude towards this dependency, and if her representatives are admitted to the Imperial Conference which will shape the future destiny of the Empire, her status and prestige will be considerably enhanced. One serious drawback in India's position is that there is no popular Government in this country and India being a dependency, her people will not stand upon the same level as the people of the self-governing Colonies. The Imperial Government will think for us and decide matters for us and the voice of the Indian people will not be directly heard in the Councils of the Empire. India's low status as a dependency is the reason why, while the premiers of the Dominions are being freely consulted in the matter of trade policy, representatives of India have to look on the scene as mere spectators.

Difficulties in the Way.

When, soon after the close of the Boer War, Mr. Chamberlain raised the issue of preferential trade within the Empire, the Government of India were asked to state their views. As no definite scheme had been placed before them, Lord Curzon's Government could only lay down certain general propositions. They refused to be involved in any fiscal wars and claimed complete liberty for themselves to regulate their tariff. They did not believe that, India's import trade being in the bulk with Great Britain and subject to a low revenue duty, she could make no further concessions. The

position is materially the same to-day as it was 13 years ago. Sixty per cent. of our imports come from Great Britain and the exports consisting mainly of raw materials, are distributed among foreign countries. If a readjustment of trade relations takes place, India will be called upon to admit British goods entirely duty free, impose a light duty on the imports from our Allies and subject German and Austrian goods to prohibitive import duties. The result of this will be that India will have to sacrifice a very large source of her revenue and this loss in the customs cannot be made good by heavier duties imposed upon enemy goods. The exports of our raw materials to England and the Colonies will be duty free or will bear a nominal duty while those to enemy countries will be charged with heavy duties. On the credit side of the account of trade adjustment, we shall have the disappearance of the obnoxious cotton excise duties. The experience of this year's budget tells us how we must rely more and more, as the years roll on, on customs duties for the growing revenue we require for urgent reforms. If this source is to be cut off on the plea of inter-imperial free-trade, export duties will have to take the place of the customs and they may not be equally productive. The case will be further complicated and made more difficult by the preference which will have to be shown to the Allies. Such a scheme of preferential trade will not be a business proposition.

The Interests of India.

None of those who have waxed eloquent over the idea of an Imperial Zollverein, have been able to show that their pet project will be an advantageous bargain to India. They talk of India's sacrifices but not of her

gain. We have been already doing for years past so much for the defence of the Empire, and it is not justice to demand from India any further contributions. I am, of course, speaking of trade arrangements of the after-war period. So long the war lasts India will not grudge anything she is aked to give. But when we speak of fiscal dispositions of a more or less permanent character, we have seriously to consider how they will affect the true interests of the Indian people. In this matter there is no analogy between India and the self-governing Colonies and India ought not to be judged by the standard of the latter.

Promotion of Indigenous Industries.

One of the aims of preferential trade has been the promotion of British industries. Mr. Chamberlain laid stress upon it and the Chambers of Commerce in England are doing the same thing to-day. We, in India, have also been speaking of the opportunity of the war being taken to promote indigenous industries. The Holland Commission has been appointed for the purpose of suggesting what measures may be taken to achieve that object. The fiscal policy of India will have to be so shaped as to facilitatate the economic development of the people. So long we have had free-trade thrust upon us because England worshipped that fetish. We do not know if that discredited theory will be given up after the close of the war. We must not lose sight of the fact that England had continued to be a free-trading nation because it paid her to do so. Preferential trade, it seems, will force protection upon that country now, though to a moderate extent. But it shall be allowed to protect our industries when England

turns protectionist. The true test will come when the interests of Lancashire and those of India will have to be reconciled, and past experience does not lend support to the hope that the interest of Indian indigenous industries will be protected when they come in conflict with extraneous interests. British free-traders are showing signs of readiness to revise their opinions in the light of recent experience; but their protectionism will be as inconsistent with our interests as their faith in free-trade has been. Every scheme of Imperial preference that will, therefore, be adumbrated for our benefit will have to be closely scrutinised and its weak points exposed.

Situation Analysed.

The propositions which I have therefore to submit for your consideration, are :—(1) The volume of opinion, which is growing stronger every day in England and the Colonies as also in the allied countries, seems likely to lead to a modification of the present free-trade policy of Great Britain; (2) While imports coming from enemy countries will be penalized, those hailing from the component parts of the Empire will be encouraged; (3) The allied nations will be treated favourably; (4) What are called the key industries of Great Britain will be supported by the State; (5) India and the Colonies will be called upon to give preferential treatment to British and allied imports; (6) In the matter of exports also similar concessions will have to be made; (7) As the bulk of our imports are British, there is no scope for further encouragement; (8) Preferential trade will entail heavy loss of revenue to India; (9) Our indigenous industries are not likely to benefit;

(10) Inter-Imperial free-trade, therefore, is not a business proposition ; (11) Every scheme must therefore be closely examined and tested before it is accepted.

The view I have taken will strike some rather too gloomy and exaggerated. But I may state that it is based upon a study of India's economic and political condition and of the schemes of Imperial preference which have been so far adumbrated. A fresh scheme may indeed be formulated and it may offer certain definite advantages. My plea is that unless and until those advantages are clear and tangible we should not be hurried into the acceptance of any project. I know there must be a give and take and exchange of sacrifices in such matters. My conclusion, therefore is, that the whole subject must be carefully studied in the light of the fiscal agitation that is now going on in England, in the light of our experience of the past and of our aspirations for the future. I do not wish that you should take my conclusions on trust and I have only opened a discussion of the most interesting subject I have placed one view before you, and I should be pleased to have it criticised.

XX

THE EXCHANGE SITUATION.

At the Meeting of the Council of State held on the 17th March, 1921, the Hon. Mr. Kale moved :—

'This Council recommends to the Governor-General in Council the urgent necessity of an inquiry by a special representative committee into the exchange situation with a view to suggest suitable remedies to relieve the existing tension connected therewith and to consider if it is not desirable to propose an alteration in the exchange value of the rupee fixed by law, and a modification of the currency system so as to place it on a gold standard basis.'

In moving the Resolution he said :—I regard it as a distinct advantage that the discussion on the Resolution has come up before this Council at this stage of the Session. We have had the benefit of the lucid exposition on the financial and exchange and currency situation which has been given by the Honourable the Finance Member. There are also discussions going on in the Press and on the platform on this subject, so that my task has been simplified by the fact that Honourable Members are in possession of certain facts regarding the existing exchange situation.

The Resolution, as it stands, is likely to appear unwieldy, and it might be thought that it includes too many subjects which must be separately dealt with. As a matter of fact, the Resolution makes one request to Government, namely, that they should cause a formal inquiry to be made into the exchange and currency situation. This is the immediate aspect of the problem which we have to face. The exchange situation has

become very difficult and very serious, and in my opinion that question should be settled once and for all. If this is done, it would be to the advantage of all parties concerned, Government included.

The second aspect of the question is, what are the Government going to do in reference to the permanent system of exchange and currency in this country? That is the two-fold aspect of the exchange problem which I want to place before this Council.

Coming to the first aspect, let me briefly put the whole situation before this House. But in doing so, I do not wish to take up much of the time of the Council, inasmuch as most Honourable Members are acquainted with the way in which the exchange situation has developed during the last six months. As Honourable Members are aware, the rupee in this country has long been linked to the English sovereign and the ratio has been one rupee equivalent to 16 pence. During the period of the war, on account of various causes into which it is not necessary for me to go at this stage, on account of the contribution that India made towards the successful prosecution of the war, on account of the rise in prices of ordinary commodities all over the world, on account of the strain which was put upon the available supplies of silver, on account of the consequent rise in the price of that metal and on account of the impossibility of India receiving payment in gold for its exports, the Government found it necessary to raise the exchange value of the rupee from 16 pence, at which level it had remained for many years. The exchange was raised by steady stages till eventually it went up to the neighbourhood of 28*d.*; but the Government did not know where the exchange would stabilize itself. The situation

was so uncertain that the Secretary of State found it necessary to order an inquiry into the whole question, and that question was as to where the exchange value of the rupee should be established. That was one of the chief terms of reference given to the Committee which began its work in the month of May 1919. The recommendations of that Committee, which were published at the beginning of last year, were that the rupee should be stabilized at 2 shillings (gold) and that other measures should be taken in order to carry into effect this policy.

The recommendations made by the Committee were accepted by the Secretary of State and whole-heartedly supported by the Government of India. It was in consonance with that policy that the Government of India found it necessary to sell Reverse Councils on a very large scale, and those Reverse Councils happened to be sold at a rate which was considerably higher than the market rate which prevailed for the time being. The justification for the policy of Government was that inasmuch as the recommendation of the Currency Committee had been accepted that the equivalent of the rupee should be 24 pence (gold), Reverse Councils had to be sold if effect was to be given to that policy. There were loud protests against the reckless sale of Reverse Councils, and the Government realised very soon afterwards that it could not maintain the exchange at 24 pence gold, and it came down to the rate of 24 pence sterling. Even the new rate could not be given effect to later and ultimately—about the month of September last year—it had to be abandoned. But the policy was not abandoned before legislative sanction was secured for the high rate of exchange, *viz.*, 24*d.* (gold). Government was told :—'You have not succeeded in giving

effect to the recommendations of the Currency Committee ; you were in a hurry to give effect to the main recommendations ; wait and see how it will turn out before you legislate.' As I said, the Government persisted in its policy and the rupee was fixed at 24 pence gold. All financial calculations were made on that basis and even in the year to come you will see the effect which calculations made on that basis will have, though allowances have been made. A large number of Indian merchants were under the impression that they would be doing well if they ordered goods from abroad owing to the very favourable conditions then existing and on account of what they regarded as an assurance from Government that every effort would be made to maintain the exchange at 24 pence sterling, if not at 24 pence gold, and here an important point arises.

On behalf of Government it was contended that no promise was made and that no assurance was given that Government would maintain at any cost the high exchange value of the rupee. On the other hand, merchants found that their goods were flooding the harbours and quays and that they were not able to take delivery and that they were faced with enormous losses. They said 'We were under the impression—and the Government is responsible for that impression—that the exchange would be maintained at 24 pence sterling if not at 24 pence gold.' Prices have gone down in the markets while importers have to pay the old high prices. Contracts were made when it was expected that certain prices would rule and a certain exchange rate would also rule. But what do we find? We find that the prices have collapsed and the exchange has also collapsed. The difficulty, therefore, is a double one, difficulty

in connection with the rate of exchange, and the difficulty in connection with prices. The market is flooded with goods at the present time and there is no demand. How are merchants to meet their contracts? How are they to carry on their business? Even though they are willing to fulfil their contracts, how are they practically to do it? Government say that they are not responsible for what has happened; that it is a matter in which two parties, buyers and sellers, are concerned and that they have nothing to do with it, as they have made no promises. The strongest objection has here been taken to certain statements which have been made by the Honourable the Finance Member when he said something about the commercial morality of the import merchants. This is what the Honourable the Finance Member said:

'Ordinary commercial prudence should have led merchants to cover their exchange Common commercial morality should at all events prevent those who desire to dishonour their contracts from pleading so unsubstantial an excuse as the failure of Government to make its policy good.'

I am not here to plead the cause of import merchants. I do not want to speak on behalf of any class of commercial people. I am here to deal with the question as a detached student of the commercial and general economic conditions of the country. I want to look at the question from the general citizen's point of view, from the point of view of the nation as a whole. And yet, I cannot but feel that this attitude on the part of Government is absolutely unjustified. Government say they are not responsible. I caenot understand how they are not. If there is want of commercial morality on the part of importers, can they not retort and say:

'If there is want of commercial morality on our side, have Government carried out their pledge? Have they fulfilled their promise?'. In a few minutes I hope I shall be able to convince Honourable Members what is the responsibility of Government. The very fact that we have in this country a Gold Exchange Standard devolves on Government the responsibility of maintaining the exchange. Apart from that, Government deliberately assumed that responsibility. They said: 'This is the policy recommended by the Currency Committee. We whole-heartedly accept it.' Not only that. They began to carry out that policy and they tried to do it against loud and universal protests on the part of the country. Then in the month of June they declared for 24*d.* sterling. In September they came to the Legislature and asked for legislative authority for the rate of 24*d.* gold. In the face of these, are the importers not correct in carrying away the impression that Government want to stabilize exchange at 24*d.* sterling? What can any business man have done in those circumstances? Here is a Government which is ordinarily responsible for the maintenance of the exchange, a Government which has wasted 55 millions of India's wealth in a vain attempt to maintain the exchange. Here is a Government which has gone to the Legislature for sanction to maintain the rate of exchange at 24*d.* gold. The law is passed. And yet Government say that they are not responsible. If an all powerful Government—I may be pardoned for saying so—cannot foresee the future, how can importers foresee the future? How can they be expected to cover their operations? On what basis can they cover their operations in the face of so much uncertainty about the future? Of course I am not one of those who argue;

'Well, you have made your bed ; you must lie on it.' At the same time I cannot refrain from saying that Government cannot shirk their responsibility. They must assume the responsibility which belongs to them. They cannot turn on the importers and say that their business policy is lacking in morality when the same charge can be brought to them that they have not been able to carry out their own declared policy. What is a promise ? What is a pledge ? Need it be a written bond ? Is not the very system a sufficient promise ? Are not the measures taken by Government a sufficient promise to the importers ?

I want to place before the Council another aspect in connection with the question of the present exchange situation. Granting for a moment that Government cannot do what they are called upon to do, should not Government try their best at least to minimise the evil ? I am no supporter of some of the Resolutions which have been passed by import merchants in various parts of the country. I do not wish to encourage the idea of wholesale repudiation of the contracts by import merchants. But I want to bring to the notice of this Council the fact that the importers have been driven to desperation. When they are threatened with bankruptcy, what are they to do ? Is it not the duty of Government, as representing the whole nation, to come to their rescue ? But they may say : ' Place before us concrete proposals; let the merchants who are suffering propose concrete schemes.' Of course, it is very difficult to propose concrete schemes, and I would also say that it is not fair on the part of Government to ask people to propose practical measures. However, the import merchants and others, who are interested in this question must try

their best to help Government. I do recognise that nothing ought to be done by any class of people at this moment which would embarrass the Government, whose financial difficulties are very serious, and that nothing should be said or done which would multiply those difficulties or intensify that embarrassment. But at the same time, cannot Government do something in the matter? For example, cannot Government use their influence with people in Manchester and with the large importing houses? I think that if Government were to take it into their head to do so, they could do a good deal. Honourable Members must have seen the controversy going on in England at the present moment. I shall not weary the Council by reading extracts. But I will simply show that Sir Claude Hill, a former Member of the Government of India, has taken a very reasonable view of the matter. He has written to the London papers and he has said explicitly that the wrong which is attributed to import merchants is after all not justified. A correspondent of an Indian paper observes as follows :—

'The fact is that both sides need patience and goodwill in understanding the point of view of the other Sir Claude Hill argues to-day that the heavy fall in exchange has involved the importers in such enormous potential loss that the gains of an earlier date from high exchange are negligible He holds that the importers in many cases are unable to meet the losses incurred, and that the alternative to the repudiation which the meeting so rightly criticised is for them to go into liquidation forthwith. Happily there is a third alternative in mutual adjustment, and the way thereto can be greatly simplified by the rescindment of the provocative Resolutions to which the meeting on Monday took justifiable exception.'

Some measure of this character, I think, must be taken by Government for bringing together the two parties

which are pulling in opposite directions, and finding a common ground, a sort of half way. It will not be an unusual step on the part of Government to take. During the war Government has interfered very often in this manner? Government has very often called upon merchants to help them in this way. I have a copy of a telegram from the Government of India, Commerce and Industry Department, issued in August 1914 to merchants and the Resolution passed by those merchants :

'In view of dislocation caused by war and consequent impossibility of merchants adhering to contract time, it is requested that you will appeal through Chambers of Commerce to the various Native Piecegoods Associations to extend deliveries under Force Majeure clauses for two months for goods now under contract'.

And this is their Resolution :

'As Delhi is a season's market which opens in September and closes in November, the greatest latitude for extension of shipment that the Committee feel justified in recommending Members to agree to, provided their buyers concur, can only apply to goods contracted for shipment in July. They recommend buyers to accept July's shipment goods provided they are landed in India on or before 31st October 1914. In view of the exceptional conditions caused by the war, the Committee appeal to the piecegoods traders to meet the situation in a patriotic spirit.'

That is the wording of the Resolution passed by those merchants. It was through a sense of patrotism that these merchants helped Government and also the Manchester manufacturers. Is it not the duty now of manufacturers and shippers and of the Government also to meet import merchants when they find themselves in a hole. We cannot but sympathise with them. It is not a question of sympathy alone. It is the interest of the country itself. What will be the consequences of a

repudiation of the contracts ? The whole country will suffer on account of the dislocation of trade and business and of the money market. This will be a disaster to the country which the country must try to avoid and Government in this way and other ways can certainly relieve the situation. There is another aspect of the situation. Even if merchants are actuated by a desire to meet their contracts, I am told they are unable to pay and we have to consider everything that can be done to enable those people to tide over the difficulty. I do not want to say anything about the rate of exchange to be settled. I do not think it will settle at 2*s*. However, if by mutual agreement anything can be done in these two directions and if the Government can help the merchants to tide over the difficulty, I think everything ought to be done, if possible. It is for this purpose that I have proposed that a committee should be appointed, so that confidence may be restored to the money market and the importers. The merchants will feel that 'something has been done ; our people are being consulted by Government ; Government is trying its best and if Government tries its best and fails, then nobody is to blame.'

The reason why I bring in the question of permanent arrangements in the second part of my Resolution is that during the next few months the situation with regard to exchange will have to be watched and a permanent policy adopted. There is, I may tell the Council, a good deal of very strong feeling in the country relating to this question. Rightly or wrongly, there is suspicion abroad with regard to Government's financial policy, and if confidence is to be restored, it can be done only by a public inquiry. But it will be

said, how can an inquiry be made into conditions relating to exchange and currency, when we do not know what will happen to-morrow? I do not mean to suggest that the Committee of Inquiry will be immediately able to propose a particular rate of exchange. I do not mind if it is 16*d.* or 18*d.* or whatever it may be. I want an inquiry and I strongly feel that in the near future such an enquiry should be made. I want to warn the Government that there is a feeling in the minds of the people that the Government of India cannot control its own exchange policy. The Finance Member himself declined to give the information that was asked for in this connection. He said :—

'We have frequently been asked to explain how far the persistence in the selling of Reverse Councils on the system first adopted was due to our deliberate choice, or how far the responsibility lay with the home authorities. Particular emphasis has been laid on the failure to adopt the system of sale by competitive tender. I regret that it is not within the power of Government to answer these inquiries.'

The Council will, of course, draw its own conclusion. The conclusion is obvious. If that is so, is it not desirable that an inquiry should be made in this country largely by experts from India, by people who are interested in the affairs of India and who have got a stake in the country? Is it not necessary that such an inquiry should be made? Whenever an attack is made upon Government with reference to its exchange policy, it cries : 'Hold, hold, I have a partner in this business.' We know that Government has a partner in this business and that he is the predominant partner. Now the spirit of the reforms is, we have been told, that the people in this country will be consulted more and more as to the national policy to be adopted. We have been told that

though the people have no real power in the Central Government, we shall be able to influence the decision of the Government. How are we going to do this unless the people of this country are consulted and consulted in due time? It is no use instituting a committee for making an inquiry when Government is in a position to confront them with an accomplished fact. Already there is evidence in the speech of the Honourable the Finance Member that he is calculating all along on the basis of a rise to 24*d.* exchange. Whether it is 24*d.* sterling or 24*d.* gold he has not told us, but all calculations have been made on that basis. Then, again he tells us that the time for supporting exchange at 24*d.* gold or sterling, will arrive, that the psychological moment will arrive once more, when the balance of trade will be in favour of India. I cannot understand this attitude. Is it meant that Reverse Councils will be sold when exchange will rise to the neighbourhood of 24*d.* sterling? We do not want the Government to make up its mind with regard to the future policy. We know that all those grounds on which the recommendations of the last Currency Committee were made have been cut off from under our feet. There was the argument of high prices. There was the argument of the price of silver. All those arguments have gone. Circumstances have entirely changed. Everything is in a flux. Exchange has gone down to 15*d.* Is it not the proper time to consider what our future policy will be? Or will the time come when something or other has happened and Government is in a position to say, 'Well, we have arrived at this stage that we do not think an inquiry is necessary.' I should like to give here the story of a gentlemen, charitably disposed, who had at the gate of

his house a signboard. Beggars used to come at a certain hour to his house to beg for alms. On one side of the board was a legend 'Too early', and on the other side 'Too late,' and they were alternately displayed. This is what happened with regard to Indian currency. It is too early to make an inquiry because we do not know what is going to happen. Something or other does happen and then Government says, 'It is too late: we have already reached a certain stage when an inquiry would be of no use.' I do not want that the Government should take upon itself the responsibility. We have already had sufficient experience in the past, and there are admissions in the speech of the Honourable the Finance Member himself that mistakes have been committed. Why should Government pursue their policy without consulting the wishes of the people, I do not see. Why should we once more leave our exchange policy to drift? Whenever an inquiry is asked for, the same thing happens. We have had enough experience in the past. The Imperial Legislative Council and the public outside complained, and bitterly complained, with regard to high prices. Government said, 'It is no use having an inquiry made; our currency system is yet too young to be disturbed.' All the same an inquiry did come. When later the Government's currency policy was again attacked in England and in India in 1912, Government said, 'It is no use appointing a commission or committee of any kind.' But the Chamberlain Committee did come. So that the Government will have to make an inquiry, and the earlier the better.

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