The President, Lala Shri Ram, requesting Mahatma Gandhi to declare the proceedings of the Fourth Annual Session of the Federation open, delivered the following speech:—

Respected Mahatmaji, Ladies and Gentlemen,

I welcome you all to this the Fourth Annual Session of our Federation. We are making a new departure this year in holding our Session as late as April, but I am sure you will all be gratified to see Mahatmaji amongst us to inaugurate the proceedings of this Conference and this would not have been possible if we had held our meeting earlier in the year. We are justly proud of the Mahatma; he is not only a national asset but a world force, the idol not merely of his countrymen but of all those with whom the moral and the spiritual forces count more than the physical and the material issues. The country owes him a deep debt of gratitude for the phenomenal awakening in the country and for the confidence he has created in the masses by the movement he inaugurated a year ago for the attainment of Swaraj. May I, on behalf of the Indian commercial community, assure you, Sir, that we all feel it a rare honour and a great privilege to have you amongst us here to-day. In view of what His Excellency the Viceroy said last year about his inability to preside this year over the deliberations of the Federation, it was not possible for him to be amongst us to-day. We should have been, however, glad if His Excellency had been present here to receive from us personally our felicitations on the truce that he has helped to bring about. His Excellency will soon be retiring from India and on behalf of the Indian commercial community I am taking this opportunity of requesting him to continue to use his good offices towards consolidating the peace arrived at by securing for this

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* A list of the affiliated Member-Bodies of the Federation with their representatives is printed as Appendix A.

country a place of honour and respect in the Commonwealth of the British Empire.

The great struggle that has gone on during the last year has come to an honourable end through the efforts of two notable personalities who have worthily represented the two races of the East and the West. The Gandhi-Irwin agreement is a distinct landmark in our history, a signal stage in the building up of our national constitution, and every member of the commercial community in India will be grateful for the statesmanlike settlement arrived at between the Government and the people of this country. The representatives of the Indian National Congress will now be participating in the discussions of the Round Table Conference and we hope to see at no distant future the fruits of the joint labours of the representatives of the people and the British Government embodied in a constitution which will satisfy the legitimate aspirations of the people of India and prevent a renewal of the fight so honourably brought to a close by the Gandhi-Irwin agreement.

During the course of last year we were compelled by our sense of duty to give emphatic expression to our views on two political events of importance. Having failed, in spite of repeated efforts, to elicit from the Government a definite declaration about the scope and function of the Round Table Conference and an assurance for the establishment of Dominion Status for the country with the necessary safeguards during the transitional period, we were obliged to advise our affiliated member-bodies to abstain from all participation, direct or indirect, in the Round Table Conference. We had also to express our feelings of strong dissatisfaction with the representation accorded to India in the Imperial Conference held in London in October last. The Committee of the Federation had, therefore, to make it clear to those assembled at the Conference that so long as India did not get an effective control over her fiscal policy and was not represented at the Conference by a direct representative of her own, she could not be expected to feel herself bound by any commitment made on her behalf, and I am sure you will agree that your Committee have rightly interpreted your feelings in both these matters. I frankly admit that some of our Members were not satisfied with the amount of work that we did during the last year but I have this satisfaction that in a very stormy year we have not only held our own but it will be possible for me to hand over charge of the Federation, if anything, with enhanced prestige to my successor.

Since we met last year in this very hall many events have occurred in the economic sphere which have intensified the gloomy prospect we had then in view. There has been a catastrophic fall in the prices of our chief staple agricultural commodities, with the result that the purchasing power of the agriculturists has been reduced in a single year to an extent unparalleled in recent history. In the first place, the fall in prices in India has been heavier than in manufacturing countries like the United Kingdom. Secondly, exports have fared worse than imports in this respect. While the fall in the prices of the former between September 1929 and December 1930 was 36 p. c. the fall in the latter was 16 per cent. In the words of the Finance Member, "India may, therefore, perhaps be said to be going through the worst time now. She has felt the severity of the fall in the case of what she has to sell, but has not obtained a corresponding advantage of the fall in prices of what she has to buy." Almost every trade complains of difficulties, and all efforts of businessmen to rehabilitate their trade and industries have been defeated by forces beyond their control. Budgetary equilibrium is a thing of the past and deficits seem to be the order of the day. Fresh taxation to the tune of several crores has been imposed, while, public debt, both funded and floating, continues to grow, and the rates at which Government have been borrowing during recent years are bound to have further sinister effects not only on the finances of the Central and the Provincial Governments but also on those of the local bodies and of business firms. There is a general lack of confidence in the country, and there are no signs whatsoever of any serious constructive effort on the part of Government to raise the country out of what is veritably a slough of despond.

Most of these difficulties are ascribed to the operation of world causes; but some at least of the world causes which are operating to the disadvantage of the countries in Europe do not exist in India at all. The huge war debts and the reparations which have been hanging heavily over European countries generally and with crushing weight on Germany particularly, could have had no serious effect on the internal economy of India. Paying interest on war debts is like paying interest on losses. If our loans, as our experts have all along assured us, are for the larger part for productive purposes, the growing public debt of India should alleviate and not deepen the gloom in trade and industry. Neither the Government of India nor the Provincial Governments have incurred any large social expenditure on unemployment, etc., as the Government in England has done. There are, therefore, no

indirect additions to the cost of production, such as those of which British industry is complaining The new tariff-walls in foreign countries which are a serious handicap on British trade and industry, will at most have been a minor and not a major cause of our difficulties. We do not depend, as England does, primarily on foreign trade; our internal trade is vastly greater than our external trade, and our export trade consists of food and raw materials on which custom duties in foreign countries are generally the lowest. Three of the major causes of depression in trade in European countries therefore cannot be held responsible for our difficulties.

For much of the suffering, the currency policy of the Government in recent years is directly responsible. On the eve of exchange stabilisation, the spokesman of the Government said that to his mind "there was very much more prospect of a relative stability in world prices than there had been until recently." He has proved hopelessly wrong in his forecast, and yet in a period of continuously falling prices, the Government had persisted in maintaining a rate of exchange which is 2d. above the pre-war rate. It is no use persisting in a policy which was based on a belief which events have conclusively shown to have been a wrong one. In the absence of any tangible evidence of an effective international co-operation for the purpose of stabilising the value of gold, the best policy for this country would be for the present to let the exchange take its own course.

Another major cause of the depression in our trade and industry is, in my opinion, the borrowing policy pursued by the Government of India during recent years. While in the world outside, falling commodity prices and trade depression have been met by a steady fall in money rates, the rates of interest in India have actually risen because of the borrowing policy pursued by the Government of India and their persistence in stabilising exchange in the face of sharply falling prices in the world outside. This excessive borrowing of the Government of India is due, not so much to a mistaken policy of genuine investment in productive enterprises as to their budgetary deficits and their determination to maintain fixity of exchange at the ill-fated ratio of 1s. 6d. The Government of India has, in fact, become a 'distress borrower' in the money market in order to support exchange, which in spite of their efforts has been consistently and persistently below 1s. 6d. level during the last 24 months. A 'distress borrower' is uninfluenced by the return on the actual current investments and tends

to squeeze out the genuine borrower from the money market. What the effect of the policy of such borrowings at high rates of interest has been can be well judged by a reference to a statement prepared by the League of Nations and published in the memorandum on Public Finance for 1922—26, which shows that the public debt of India reduced to pre-war price level rose only by 16.3 per cent in the year 1926 over its level in 1924, while the gross interest charges reduced to pre-war price level increased in the same period by as much as 94.2 per cent.

The heavy taxation of the Government due to excessive expenditure is another blighting influence on trade and industry. When prices rise, the Finance Members, Provincial and Imperial, readily go before the legislatures with proposals of fresh taxation. When prices fall, they generally resist all proposals for retrenchment. We are fast approaching the level of prices in 1914, the Calcutta index number for December 1930 being only 101; but the expenditure of the Government shows no sign of falling to the pre-war level. The total expenditure charged to revenue for the whole of India (Imperial and Provincial) for the year 1913-14 was Rs. 1,243,421,280 while the budget estimates for the year 1931-32 provide as much as 132.4 crores for the expenditure of the Central Government alone. Military services cost India in the year 1913-14 only 31.8 crores, but the Government of India provided as much as 51.00 crores for military services in the budget estimates for 1931-32. The expenditure on the army must be brought down immediately to give relief to the tax-payer. The Inchcape Committee proposed certain reductions in the expenditure of the Government on the assumption of a price level current in 1921. They definitely stated in several of their recommendations that the actual figure for a particular year should be reduced far below that recommended by them in the event of a further fall in prices.

The need of public economy was never greater than at present. We know that a Retrenchment Committee has been promised by the Finance Member in his Budget speech, but there can be little hope that it will be allowed to suggest radical reforms or modifications of policy without which no substantial retrenchment can be made. To quote the words of Sir Eric Geddes, it would be no use "using a small pruning knife when an axe or saw is needed." What justification can there be for maintaining a rigidity of administrative cost at a time when prices are collapsing and the country is in the grip of the worst depression it has ever known? What is wanted above all is a lead from high officials by

way of an "essay in self-sacrifice." Examples are not wanting, though it is true they are confined to countries enjoying complete self-government.

The Government of India are thus directly responsible for the three major causes of our difficulties—their policy of exchange stability in the face of falling prices in the world, their heavy borrowings at high rates of interest, and their crushing taxation in a period of peace and falling prices. The record of Government's achievement in the sphere of relief to the suffering people has been precious little. And this is precisely why the public in India insists that the power of the purse should, under the new constitution, vest in popular ministers who will grapple seriously with our economic problems, particularly the problems of our growing unemployment and our depressed agriculture and industry.

The Government of India having lowered the credit of the country by their financial mis-management are not justified in saying that any transfer of control to Ministers responsible to the Central Legislature without the so-called guarantees would result in a serious shock to India's credit leading to large movements from the country of capital both Indian and European and a restriction on new enterprise. A popular minister responsible to the legislature will be more jealous of the credit of his own country than the present administration and the public will have so much confidence in their own ministers that there will be only few occasions for him to have recourse to foreign borrowings. All the special difficulties inherent in the present financial and economical position which are regarded as obstacles to full responsible Government in India are really strong arguments in favour of transferring the destinies of this country to ministers responsible to the popular Assembly. If the general economic difficulties from which the country is suffering have to be faced seriously, success can be achieved only by ministers who can rely on popular support for carrying out energetically any programme which they consider necessary in the best interests of the country.

The Government regard the present moment as exceptionally unfavourable for an attempt to establish even a Reserve Bank because the obligations incidental to their own mistaken policy of maintaining fixity of exchange at 1s. 6d. in the face of falling prices in the world will be far too heavy for a Reserve Bank to

take up,* as if a national Reserve Bank would pursue a policy detrimental to the economic interests of the country.

Some of the arguments in the Government of India's Despatch on Constitutional Reforms make one despair of the future. It is to my mind unfair to suggest that the officers in the all-India services, both European and Indian, who received special concessions recommended by the Lee Commission on the express ground that prices had risen considerably since they were recruited should be given guarantees that their existing emoluments and privileges would be retained, no matter how sharp may be the fall of prices within and without India.

The Government of India have repeatedly referred to the apprehensions felt by the British businessmen that we shall follow a policy of discrimination against British trade and industry, and have supported on this ground the demand for effective guarantees against such a possibility. They cannot mean to suggest that our trade and industry shall be denied the assistance and encouragement which national Governments everywhere accord to their own trade and industry. Such a position will never be tolerated by self-respecting and patriotic Indians. No popular minister will accept office under such conditions; nor will he be able to retain his position for a day if he is in any way responsible to a representative legislature. The Government of India admit in their Despatch that "for a number of years there has been an insistent demand from Indians of all shades of political thought that the economic policy of the country should be shaped on national lines, that in particular industrial development should be actively pursued and that the control should be placed in Indian hands." And they rightly point out that "unless in this region some transfer of power proves feasible, it will not be possible to satisfy Indian aspirations." If as the Government of India themselves admit, the customs tariff is the most powerful instrument which a Government desirous of pursuing an active programme of industrial development can employ, we cannot allow our liberty of action to be fettered in any way. The Government of India seem to suggest that the convention regarding the so-called fiscal autonomy meets our legitimate demand, but this will not do.

Much the same may be said about our powers to foster national shipping. We are not going to be led away by the cry of unfair

*Para. 191, Govt. of India Despatch on Constitutional Reforms.

discrimination raised by vested interests ever since the introduction of the Coastal Reservation Bill. We all know the reasons why our shipping companies have failed in the past, and we must leave no stone unturned to remove the causes of our failures. That there was reason and justice on our side is proved by the fact that His Excellency the Viceroy tried to bring about some sort of compromise, but as usual the British companies proved too obdurate. And now attempts are made to prevent by statute all efforts to revive our ancient shipping industry. But I may frankly tell our British fellow subjects that a nation which is reminded by its Shastras that when the Supreme Creator churned the ocean, the butter produced was Lakshmi, the Goddess of Wealth, that nation is not going to allow for long its seas to be churned by foreign ships and let the resulting wealth go into the pockets of foreigners alone.

There is one other aspect of the impending changes in the Indian constitution to which I think it my duty to refer in view of its vital bearing on trade, commerce and industry. In the sphere of economic policy and in all questions relating to trade and industry, India is one and must remain one. The Government of India in their Despatch acknowledge that provinces cannot be regarded as special economic units (para. 177) but in the various schemes for the distribution of power and functions between the provincial and central governments, I have a feeling that a very inadequate appreciation has been shown of the implications of this dictum. Whatever may be the delegation of power to the provinces the development of industry and the tariff policy of the Central Government are intimately related. The interests of India as a whole have to be considered and not the narrow interests of a particular province. These interests can efficiently be looked after only by a Government which takes note of the national needs as a whole and has the power to shape its policy in the whole of India in accordance with those needs. Whatever, therefore, may be the distribution of functions between the Central and Provincial Governments, we cannot allow Indian Provinces and Indian States to be divided among themselves in the sphere of economic development of the country.

Please allow me to draw your attention to another important matter. It has happened time and again that the Congress has committed itself to certain economic ideas of far-reaching effects. Take the case of the declaration of rights recently made at the

Karachi Congress. I do not want to criticise the declaration itself. Most of the points are, in fact, very good while about others it may be said that they require further investigation. What at this stage I wish however to say is this: could we expect the Congress before committing itself to principles of such vital importance to consult the vital interests concerning them? We do not wish to be misunderstood to be presumptuous but we claim with due modesty that economics is our field and we may be of real service to the country and to the Congress. We would therefore suggest you, Sir, a sort of a convention for future that in all matters pertaining to realm of economics, the Congress before making up its mind will allow us to offer it our suggestion and if necessary have discussion with our members.

The Government of India have reminded us of the services rendered by British enterprise in the industrial and economic development of the country and have asked for an assurance that the future Indian Government would treat British businessmen not as aliens but as citizens of the country. So far as the past services are concerned, I do not wish at all to minimise the importance of the pioneering work which some of the British businessmen have done in India in the sphere of its economic development, but as Mr. Birla said last year they have been adequately paid for this spade-work. The Government of India are anxious to have statutory safeguards for British interests, but after giving very serious thought to the subject, I feel convinced that no statutory provision of this sort can possibly benefit these interests unless the British businessmen earn the goodwill of India, in which case they are superfluous. If the British interests insist on unreasonable safeguards and guarantees in the future constitution of the country, patriotic Indians are bound to fight shy of them and make every effort to resort to other countries for the necessary material and expert advice. I, therefore, appeal to the British commercial community in the country that they should throw in their lot whole-heartedly with the nationals of the country in attaining the goal. By working together with the Indians in all that vitally concerns this country, the British mercantile community can earn for themselves the goodwill which will help their business and strengthen their position in India far more than any of the most rigid constitutional guarantees. The British business community which is richly endowed with common sense has an ideal opportunity of converting the hithertofore advocates of boycott of British goods into advocates of preference of Brtish over non-British products and I am sure they will grasp it by

sincerely identifying themselves with Indians and by not insisting on any so-called safeguards in the constitution. I already see an improvement in their attitude in some parts of the country, and earnestly hope that it will develop into a genuine desire to see this country get its rightful place in the Empire.

Similarly I feel that I would be failing in my duty if I did not indicate to Government both in India and in England the immediate hopes and aspirations of the Indian commercial community. I have already said that India looks forward to Lord Irwin continuing in England that sympathetic attitude of his which has enabled us all to meet here to-day. I mean you, Mahatmaji and the Hon'ble Members of the Viceroy's Executive Council. The present outlook in trade and commerce is anything but cheerful. Unfortunately clouds are still looming large on the horizon and may assume a menacing outlook. Happily a silver lining to them is beginning to show itself. Should contentment in India be secured as a result of the next meeting of the Round Table Conference in London, the silver lining will deepen till at last it outshines the clouds altogether. This in turn will bring about better confidence in trade and commerce, not only in India and England, but also in the rest of the civilised world which has been watching our doings in the political field. Looking to the cheering reaction on trade and commerce generally by the announcement of the Gandhi-Irwin agreement, one has to imagine what the effects of a permanent settlement will be. I speak with full deliberation, and I say that the situation, unless rightly handled at this juncture, will degenerate into something which I dread to contemplate. I recall the warning given by Mr. Birla towards the close of his address last year from this very platform, and I hope that when we meet again a year hence, my successor will have no occasion to sound a similar note. In any case, events have amply proved that those who warned England in time did not raise false alarm. The situation can yet be saved if India is conceded her birthright without any further delay. Let there be no mistake about the unanimity of the Indian demand or its object. We want nothing more than Dominion Status, but nothing less will satisfy us. If there are to be any reservations of power anywhere, India's delegates to the Round Table Conference must be convinced that other Dominion constitutions contain similar provisions, and that every reservation is to be subservient to the main purpose of making India happy and prosperous. No constitution which does not enable the Nationalist Government to bring about a substantial improvement in the present

wretched condition of the masses will be worth the paper on which it is written. Even reservations in respect of military defence must not be such as to preclude the possibility of the people's burden being adjusted to their capacity to bear it. Given the substance of the freedom which we seek, the Indian delegation will not be a "stickler for the provisional form." But if there is a desire or attempt to deny the substance then I say, God help both India and England.

You all know, gentlemen, however, since this movement was started by Mahatmaji, it has attracted the attention of the whole world. Distinguished foreign journalists from across the seas visited this country and watched personally the course of the movement. Happily for us all, the grave crisis through which the nation has passed during the last year has come to an honourable end. The Gandhi-Irwin agreement has convinced world opinion of the justness of the cause for which the country has been fighting, and has rallied it in its favour. The Indian commercial community has stood by the just cause which you, Sir, so earnestly espoused. It may not be out of place to mention here that in deference to our resolution regarding our non-participation in the Round Table Conference to which I referred at the beginning, some of the Members of our Committee including an ex-President of the Federation declined with thanks the invitation of the Viceroy to the Conference. The business community has no doubt that you will continue the negotiations with the same tact, firmness and perseverance which all have come to regard as characteristic of you, and give England every chance to do justice by India. We hope and pray that you will be able to carry world opinion with you in all the stages of the Conference which is about to begin. So far as the Indian commercial community is concerned, it has made its attitude amply clear, and I may repeat that we are in no way behind any other section of the community in seeking the substance of Swaraj for our country, so that in all domestic affairs, Indians may be masters in their own house. We have only to wish you and through you, ourselves the best of strength to secure for India lasting peace as a result of your struggle.

I thank you all, Ladies and Gentlemen, for giving me a patient hearing and on behalf of you all, request Mahatmaji to declare the proceedings open. (Applause).