The President, Mr. Nalini Ranjan Sarker, in opening the proceedings of the Seventh Annual Meeting, said :—

GENTLEMEN,

The Annual General Meeting of the Federation of Indian Chambers of Commerce and Industry is an event of great importance not merely to commercial India, but also to the country at large. As the foremost organisation of Indian businessmen it is but natural that it should strive to protect the interests of our trade and industry, remove impediments in the path of their progress and ensure their expansion. But that is not all. We have also a great responsibility towards the whole country, and we must seriously address ourselves to its problems and future development. The history of our activities

in the past bears ample testimony to the fact that we have been alive to this responsibility. The members have always been anxious to bring to the service of the country the knowledge, influence and experience they have gained in their varied fields of activity. Although political and economic conditions of late have not been propitious to our efforts, thereby preventing them from being as fruitful as they might have been, the needs of the country have continued to engage our serious attention. Our deliberations have been inspired not merely by considerations involving our own particular interests, but also by a realisation of the wider economic needs of the country demanding our lead and guidance. Our vision and sense of responsibility should therefore keep pace with the growing amplitude of our complex problems.

We are now passing through the most extraordinary times and the immediate problems that beset us must naturally engage our foremost consideration. At the same time this should not blind us to the needs of the future, and we must therefore also look ahead. In all our actions we must keep the ultimate objectives in view, and we must muster up our courage and pool our resources for establishing a strong, unified and broad-based national economic edifice that may gain for our country her rightful place in the world, and for our people a prosperous and happy life. To a consideration of these latter problems I propose, therefore, to address myself presently.

I feel greatly honoured in presiding over this meeting, where are gathered the representatives of India's trade, industry and commerce, in fact, of every sphere of her wide and varied economic life. I have no doubt that our deliberations will throw light on the knotty problems facing us. I am conscious of the limitations that beset us to-day and hinder the realisation of our objects. But in spite of these I trust our efforts may lead to some fruitful results. I entertain this conviction in all humility and seek the blessing and guidance of the Almighty with the prayer that He may give us the strength to put forth our best efforts in removing the impediments in our way, and in making as much progress as possible within the limitations that surround us.

Before I approach the problems to which I have referred I will briefly examine the international background against which the Indian stage must be set.

It would be appropriate to examine the experiences of the world and of India in the year 1933. The events of the year were a strange mixture of opposites, of frustrated efforts in some directions and appreciable achievements in others. The glaring example of such frustrated efforts is the complete fiasco in which the World Economic Conference ended. This might be regarded as one of the major tragedies of the world's economic history in this period. Put side by side with the increasing disorganisation of the League of Nations exemplified in the withdrawal of Japan and Germany from the League and the growth in the mutual hostility of the Powers, this tends to show that the world is again lapsing into the pre-War attitude of belligerent nationalism, this time rendered more threatening by its extension into the domain of economics and trade.

Despite, however, the tragic end of the World Economic Conference and the failure of its purpose of restoring an international economic regime by concerted action, it is striking that this has resulted in no catastrophic repercussions on the economic life of the individual countries. Its memory passed into oblivion with a rapidity which is as astonishing as it is suggestive. It demonstrated clearly the determination of every country to face the problems of the economic depression boldly and resolutely and not allow it to be browbeaten by despair born of frustrated efforts at international co-operation on vital economic questions like tariff and exchange stabilization. Every country was up in arms against the onslaughts of the severest economic depression in history. If circumstances were against international co-operative efforts some relief was brought by the isolated, but conscious efforts, resorted to by each country in the light primarily of its own interests. True, Japan has long been pursuing such a policy. But it is the America of President Roosevelt which has not only demonstrated the efficacy with which it can be pursued but has also imbued a moribund world with a new faith. President Roosevelt's gigantic experiment in favour of a recovery drive is much too near our eyes to enable us to form a balanced judgment on it. Nor is it yet possible to forecast its results. Whatever may be the verdict of history on the achievements of the American President, it can be asserted without fear of contradiction that he has infused new hope into a forlorn world and has brought about that psychological change which is an essential condition to setting the wheels of prosperity again in motion.

The events of 1933 have clearly shown that the trend of economic thought and policy is towards the intensification of economic nationalism in some cases on the basis of a conscious plan. The main features of this movement are the development of national industries by various forms of protection and the exploration of possibilities of mutual commercial advantages by way of trade agreements. There is a distinct bias in favour of a policy of economic autarchy, particularly in view of the overcast political outlook and the consequent threat of possible conflagrations.

The gradual and almost universal emergency of a policy of economic nationalism need not be viewed with despair, provided it is not exaggerated by entirely non-economic considerations. As practical businessmen, we have to realise that the days of undiluted *laissez faire* are gone by for ever. Control of economic affairs is an established fact, and need not, in fact should not, be a serious matter. It is only necessary that such control should be informed, conscious and planned.

Most people are apt to think that a system of co-ordinated world economy can result only from the restoration of 19th century free international trade. It might just as well be that the co-ordination of world economy can be based upon a number of organic national economies. The depression might, after all, be the *force majeure* by which the change is to be effected. It is true that no nation can live by itself, that, thanks to the development of science and commerce in the widest sense of the term, the nations have to be knit together in an international economic system. We had in the pre-War days the shadow of such a system. But we might have the reality of such a system, once each nation had fully explored the possibilities of reconstructing its own national economies on rational and well-conceived lines ; and once this movement has had its chance, it is quite conceivable that a World Economic Conference convened for the purposes of co-ordinating these national economies might achieve to the lasting benefit of the world what the World Economic Conference of 1933 inevitably failed to secure.

It is, however, through the feverish efforts of the various countries to meet their own national difficulties—although not much concerned with what effect these may have on the rest of the world—

that there have been noticeable some improvements in the general economic condition of the world. It is true that the beginning of 1933 saw a set-back. But it is significant that not all the advance of the previous autumn was lost in the following summer and that during the latter half of 1933, the improvement, that was formerly noticeable, began steadily to extend. And although taking the world trade of the year as a whole a further shrinkage is seen both in its volume and value and though the course of trade is running at a low level, an undertone of a greater steadiness and resistance to further decline is perceptible. Countries whose economic production is complementary showed significant signs of recovery. In several countries increased activity in the home markets was accompanied by increased industrial activity and decrease in unemployment. While instability of exchange rates, restriction of international trade and exchanges obstructed the stabilisation of prices these did not adversely react on internal economic relations.

The outlook of industry in the principal countries of the world has also definitely improved. The gap between production and capacity is not as wide as formerly. Within each nation various attempts have been made to expand the purchasing power of the masses and to secure or expand the markets abroad. Nearly all the nations of the world are less opposed to the initiation of schemes of public expenditure with a view to increase employment and stimulate trade. All the nations have followed a policy of cheap money with a view to make credit available to industries on easy terms. The consequence of all these movements had been a slow, but perceptible, degree of recovery borne out by accelerated industrial activities, increasing trade balances, decreasing unemployment figures and balanced budgets in many of the countries. There has been a distinct expansion of industrial production, the index for the whole world marking an increase from the average of 62.4 per cent. in 1932 to well over 73 per cent. in 1933 on the basis of 1929. This improvement has been shared by Germany, U.S.A., Great Britain, France, Belgium, Sweden, Austria and Poland, in fact, all the leading industrial countries of the world. Nearly every important country in the world has been making strenuous efforts to revive prosperity. England is stimulating home production and reducing her adverse balance of trade. The Nazi regime in Germany is devoting great attention to the reduction of unemployment and the re-

patriation of German bonds. Japan has been working towards regimented industrial development. All these countries have been using every possible method to increase their export trade ; the most important of these methods is the conclusion of bilateral trade agreements, which have also helped to some extent to solve the problems of the smaller countries with whom they were entered into.

Against this background, no marked improvement was disclosed by conditions in India. Although on account of her extensive foreign trade relations the improvement in world trade and industry was reflected in her economic conditions, the basis of economic life continued dull and lifeless. Agricultural statistics reveal that, with the exception of certain sections, condition of the agriculturists of the country as a whole remained just as bad in 1933, as it was in the previous year. Our exports consisting mainly of raw materials, increased by about Rs. 11 crores ; but of this increase no less than Rs. 9 1/2 crores was accounted for by cotton alone. The benefit of larger exports of other agricultural staples, such as oil-seeds and jute, has been considerably minimised by a sharper decline in value, while commodities like rice suffered set-back in 1933 in both quantity and value. Even cotton showed a much larger percentage decline in price at the end of 1933, as compared to the price quoted at the end of the previous year. Wheat, which does not figure largely in our foreign trade, but is, nevertheless, a crop of great importance to a large section of agriculturists of the country, suffered larger reverses than in the previous year, its price index having dropped to 73 in December, 1933 from 89 in December, 1932.

In regard to industries, India provided by no means a parallel to the industrial countries of Europe and America. We have no comprehensive production or employment statistics in India, but such evidence as there is does not indicate that the industries showed any remarkable signs of expansion, with the possible exception of iron and steel, sugar and cement. The cotton mills industry showed no signs of progress ; indeed, if anything it showed signs of stagnation, and a number of mills in the Western Presidency were compelled to close their doors. The jute industry also laboured under forced restriction of its total productive capacity although a welcome relief was provided by the increased off-take of hessian by the U.S.A., in the middle of the year following the adoption of the re-

covery measures. Tea experienced a spurt in prices towards the end of the year owing to the prospects of the adoption of the restriction scheme, which was accepted by the Government of India and given statutory effect in November last. The scheme, while helping the price to rise, has imposed a definite limit on the permissible volume of exports, and consequently created a fresh problem for the industry as the production of tea far exceeds the quota allotted to India. Coal experienced a bleak year and deteriorated perhaps more than any other industry.

It is only in the matter of foreign trade that India's position has showed some improvement, during the year. Although official circles are inclined to credit a part of it to the Ottawa Agreement, it is significant that such claims are very cautiously made. While the total value of our merchandise exports increased from Rs. 137 crores in 1932 to Rs. 148 crores in 1933, the corresponding value of our imports declined from Rs. 133 crores to Rs. 116 crores. Our balance of trade has thus increased to Rs. 32 crores in 1933 from Rs. 3 crores in the previous year. The figures of the year reveal, that India has not derived, official protestations to the contrary notwithstanding, any substantial benefit from the Agreement. It has only led to a diversion of trade and has not given any particular stimulus to India's exports to the Empire countries. This is clearly borne out by the fact that, while during the year the share of the Empire as a whole in India's exports increased by only 4%, the increase in the off-take of the non-Empire countries increased by 11%.

The increased balance of trade, yet much below the normal, does by no means reflect any inherent strength in the trade position of the country. It was still far short of the essential requirements of a debtor country like India, and would have made it impossible for her to meet the foreign obligations, had not the ways and means programme of the Government been considerably facilitated by the continued exodus of gold.

Apart from the Ottawa Agreements, two other agreements were initiated during the year,—the Indo-Japanese Agreement and the Bombay-Lancashire Agreement. The former marks a welcome departure in the foreign trade policy of the country and provides the first instance of a commercial agreement negotiated directly between India and a foreign country, even though the actual signing

of it has had to be done in London. Although we cannot agree to the principle underlying it, namely, inducing other countries to take our raw materials by agreeing to take them back as finished goods, and must strongly disapprove of its extended application, we quite realise that under the extraordinary circumstances that prevailed it was perhaps inevitable.

The Bombay-Lancashire Agreement lacks the seal of national approval. As far as this country is concerned one could almost call it a sectional agreement. India has not gained much from it. Even if it may have marked the first recognition by Lancashire of India's right to protect her industries which is only a proof of her narrow and unfair outlook in the past, it was unnecessary as it had already been recognised by the Imperial Government and successfully embodied in Indian tariff measures. By no stretch of imagination could one call it a valuable economic concession. Further, whereas India has agreed to give a part of her market to Lancashire goods, Lancashire has given no undertaking to buy any raw cotton from us. You cannot call it a bilateral agreement, because Lancashire has not definitely agreed to do anything. All that she has done is a promise to do her best to encourage the use of Indian cotton, and that can hardly be called an adequate *quid pro quo* for valuable economic concessions. As for the good-will we are supposed to have gained, I must frankly admit I am not so sentimental, and I will only value good-will when it is expressed in action. That even after nearly 150 years of close political and economic relations, greatly to her benefit, England's good-will has still to be secured by economic concession, is indeed a significant commentary on inter-imperial relationship.

ECONOMIC PROSPECTS.

Government's Appraisal.

I will now deal with the Government's interpretation of the situation in India. The latest expression of the Government's view is furnished in the recent Budget Statement. That the Finance Member should think it necessary to devote so much attention to it is, I take it, a recognition of its seriousness. While Sir George Schuster realises that the economic stamina of the population has a profound influence on the economic strength of the State, he fails

to grasp fully the implications of this proposition. In simple terms, he cannot hope to mend the nation's budget without, at the same time, carrying out all those measures that are necessary for the people to balance their individual budgets. To say that the finances of the State are sound, while the Government are yet innocent of any positive and concrete action for the amelioration of the countrywide economic distress, is meaningless. The Finance Member does appear to have had a fleeting appreciation of this truth. For, he is at pains to rebut the charge that the Government of India have been content with a policy of drift. His apologia is halting and unconvincing; and while, on his own admission, the direct measures sponsored by the Government are but a poor test with limited aims, we are left wondering when our authorities would realise, in all vividness, the urgent and imperative need for a detailed, comprehensive and co-ordinated planning of the national economy.

In a world in which old beliefs and age-long institutions have all been thrown into the melting pot, our Finance Member is still desirous of being the leader of the school of orthodox finance. Narrow principle of financial orthodoxy have obsessed him to such a degree that he has failed in understanding the fundamental economic problems in their correct perspective. It is this fact which must account for the complacency with which he refers to his performance in presenting the so-called balanced budget.

Balanced in outlook and budget, the Finance Member has nothing but scorn for a country like Japan which had to take recourse to loans for making up the leeway in the budget. I would be the last to make light of the virtues and excellences of balanced budgets. I am all for a balanced budget. But the "when" and "how" of balancing is no less important than the mere fact of balancing. If an unbalanced budget in normal times is unsound finance, a balanced budget in these strenuous times need not necessarily mean sound finance. You can easily overdo this fad of balanced budget. The idea of balancing the budget at all costs, while the country is thereby asked to bear a burden beyond its capacity, is certainly not in accordance with modern conceptions of sound finance. I would rather be heterodox with Mr. J. M. Keynes, than orthodox with Sir George Schuster. I can understand heroic measures in the balancing of the budget if, at the same time, heroic measures are put into active

operation by the Government for the rehabilitation of national economy. Heroic measures in regard to a budget are a two-fold burden on the population which is left to find its own remedies for its own ills and has, besides, to put its hands into its pockets and find something more for the cure of the ills of the Government.

I do not suggest that we should be a party to the financing of revenue deficits by loans. Nor is the loan of 881 million yens raised by the Japanese Government entirely accounted for by budgetary needs. Everyone knows that a much larger percentage of the total expenditure of the Japanese Government is accounted for by development works than is the case in India ; and everyone is also aware that, as a result of funds so fruitfully spent, the economic condition of the Japanese people has, year by year, been showing considerable improvement.

Under these circumstances, so long as productive loans have not begun to yield the expected return, deficits may be taken as a normal incidence of such loans ; and within reasonable limits, and incurred as a result of scientific and deliberate policy and plan, deficits of this nature do not necessarily prove any inherent weakness in Government finances. In this connection, I would also refer to the colossal development and recovery loans amounting to 3 billion dollars which the Roosevelt Administration has taken power to raise. Are we to believe that while India stands out as the one sponsor of sound and scientific finance, America, Japan and countries similarly devoted to bold experiments in abnormal times, have a total dearth of financial experts, or are committed by statesmen-adventurers to rash and perilous policies of finance ?

Indeed, the justification of Government borrowings lies in the fundamental aims and objects for which the loans are raised and the purposes and uses to which the proceeds are put. If it is demonstrably proved that a large-scale loan could usefully be employed in the solution of a particular problem of vital concern to the population of the country or an important section thereof, and if it is also found that the solution of the problem is likely to result in a betterment and strengthening of the economic conditions, where could be the objection to the raising of such a loan for such a purpose ? I may readily admit that the two factors that have great relevance in this regard are the condition of the gilt-edge market and the ways

and means position of the Government. But if these factors are propitious—and they are propitious in the case of India—is it not a great pity that the Finance Member has not seen his way to take the fullest advantage of a favourable situation ? The Budget contains but a meagre provision of Rs. 11 crores on capital works.

The Finance Member claims to have played an important part in the current phase of cheap money. Before I proceed to examine the implications of a condition of cheap money, I should like to point out that Sir George's claim in this matter is not well-founded. On the contrary, his remittance policy has actually stood in the way of still cheaper money rates. The deflation complex, infused in the Finance Ministers of India ever since eighteen pence was enthroned in 1927, has still a firm grip. The silver sales in earlier years were used as a hidden device for effecting currency contraction. The remittance programme is now pressed into the service of deflation.

The Budget, which Sir George Schuster announced at February-end in 1933, provided for a remittance programme of £ 21 millions. The revised plan disclosed last February estimated remittances at £ 37 1/2 millions. A scrutiny of the last remittance *communique* makes it obvious that actual remittances are likely to be £ 45 millions. In other words, sterling purchases actually purchased in 1933-34 will exceed original proposals by £ 24 millions. We must strongly object to the Government purchasing sterling for such large amounts in excess of their needs unless it be that sterling has to be accepted by them in terms of the statutory obligation to buy sterling at 1s. 6.3/16d. As soon as the remittance programme is completed, the Government should step out of the market and allow exchange to rise to the upper point, so that any further purchases of sterling would be only in pursuance of the legal obligation. If this were done, whatever sterling happens to be purchased would be automatically placed in the London Branch of the currency reserve leading to currency expansion in India. Purchases of sterling at rates lower than the upper point result in the accumulation of sterling balances in the Home Treasury or in subsequent transfer of such surplus to the currency reserve with no corresponding expansion of currency.

It should be definitely understood that the Government can come into the market for sterling purchases at rates lower than the

upper point only for legitimate requirements. In other conditions, it is the statutory upper and lower points that alone should guide the operations of the Treasury.

The present procedure would mean the swelling of London current balances by £ 24 millions and the depletion of the Indian balance by Rs. 30 crores. To the extent that there has been a shortage of cash in India, various 'makeshifts have been resorted to. These makeshifts have had the effect of maintaining inter-bank call money at onerous levels, reducing the cash percentage of the Imperial Bank and compelling the Bank to keep a 3.1/2% bank rate, while the actual conditions of trade demand lower bank rates. Thus have excess remittances been utilised for depleting the cash position of the Treasury in India, whose repercussions have resulted in a phase of firm money which is at entire variance with the intrinsic conditions of trade.

If only the Government had followed the correct procedure in this matter, that is, if they had stopped purchases of sterling from the open market as soon as they had completed their programme, exchange would have gone up to the upper point, banks would have offered sterling to them at the upper point, accumulations of sterling in the reserve would have taken place, and there would have been expansion of currency to the amount of nearly Rs. 30 crores. Had there been expansion of currency to this amount, there can be no doubt that instead of the artificial tight money conditions which are now experienced, credits would have been available at cheap rates, thus offering an inducement for a higher level of commodity prices. I have dealt at length on this insidious use of excess sterling purchases for deflationary purposes, as this matter has not received any considerable attention either in the press or from mercantile bodies. In the light of the facts I have stated, the claim of the Finance Member that he it is that has brought about cheap money and that he is taking active steps for bringing about a healthier level of prices in the staple commodities of India is certainly exaggerated.

To return now to an examination of the implications of a condition of cheap money rates. The Finance Member seems to entertain the naive belief that cheap money alone is sufficient to induce industrialists to undertake new schemes of work and thus provide employment. That cheap money without business confidence is

like a machine without any motive power has been abundantly demonstrated by the experiences of all countries. If prices continue to be so deplorably low, of what avail is mere cheap money? The Finance Member does not, unfortunately, realise the fact that, under present circumstances, cheap money can be of value to national economy only if it is availed of by the Government for the evolving of an apt programme of public works. It is through such works that a solution can be found for the menacing problem of unemployment; it is by such works that effective demand can be set free for various kinds of materials and services. While trade and industry are in such a depressed state, the initiation of a vigorous capital programme would prove to be an effective way of stimulating the demand for industrial goods, inducing greater purchasing power in the masses, and relieving the industries suffering from a dearth of demand and a plethora of stocks. In the absence of effective and widespread demand, industries would have to impose on themselves voluntary schemes of restriction of output: and by reducing the national income of the country, this would further aggravate the crisis.

The need for such expenditure has been recognised by the State even in those countries where a substantial stimulus to the general purchasing power is afforded by varied schemes of unemployment relief. In India, where no such relief is available, there is all the greater and all the more insistent need for a programme of capital works. Progressive countries like the U.S.A., France, Italy and Sweden serve as an object lesson for our authorities.

President Roosevelt's plan and policies apparently do not command the Government of India's approval. It has been observed that the situation in India is not as serious as in America, and that, therefore, there is not a similar necessity for experimental measures. Neither have the Government any statistical data to establish the validity of this statement, nor have we the data to rebut it. No statistics of any kind are being compiled in this country in regard to the nature and extent of unemployment. But it would be perfectly true to say that as the unemployed are such a preponderating proportion of the population, it would be an easier task in the case of this country to compile employment statistics than the unemployment statistics compiled by other nations. Such figures, how-

ever meagre, would suffice to show that though no such serious situation has materialised in regard to unemployment among factory labourers—and industrialisation has made but little progress in the country—the number of educated young men of the middle classes, wandering aimlessly and helplessly in search of some opening in life, is markedly large, while under-employment among the agriculturists is admittedly considerable. If these men could be half so vocal as the masses in other climes, the Government would have long been forced to appraise the situation correctly. But to conclude from their apparent quietude that no such problem exists in India or that it is not half so serious, is absolutely unwarranted. Any one who has travelled in rural India with eyes to see and ears to hear, will not fall into the facile error of arguing that economic distress amongst the millions exists only in the imagination of agitators and malcontents. The tragedy of the lives of the middle and lower classes beggars description.

It is necessary, in this connection, to examine the contention of the Finance Member that nothing could be seriously wrong with the masses as the consumption of goods in India has continued to be maintained at a high level. The table which he has appended to the relevant paragraph does not, however, support his thesis. It is pointed out that, quantitatively, consumption of piecegoods in 1933 shows an increase of 11 per cent, as compared with the average of ten years ended 1930. The statement thus made is based on the total of internal production in 1933 plus the total of imports from foreign countries in that year. This kind of correlation of annual consumption with annual production plus imports is highly deceptive and, as a matter of fact, it need only be pointed out that the bulging stocks in the godowns of mills and dealers in 1933 afford conclusive warning against the assumption that the production plus imports of the year are a reliable criterion of actual consumption.

Another factor from which the Finance Member has derived great comfort is a comparison of the bank failures in America with an alleged absence of such failures in India. It is argued that because a large number of banks closed their doors in America, the American economic situation must be deemed extremely unsound. Banks as are known to the money market proper in India and as are established in India with rupee capital, are so few in number

that, in the very nature of the case, not many failures are possible. Even so, it has not been altogether an easy job for banks run on Western lines to conduct their business on a paying basis. But the real point is that far more important than the few banks run on Western lines and located in provincial capitals, are the hundreds of mofussil banks and the houses of indigenous bankers spread all over the country. Bengal, for instance, has a network of credit institutions consisting of no less than 800 loan offices. The Government of India are apparently ignorant of their plight. It is true that they have not closed their doors. It is true that there is no question of bank failures in their case. But over 90 per cent. of these 800 loan offices are, for all practical purposes, in a state of suspended animation. The position was so grave that I deemed it necessary to append a special note to the Central Banking Enquiry Committee Report on the subject in 1931, when these loan offices were in a moribund condition. They are in a still worse condition to-day. Yet the Government have done nothing in the matter. And yet the Finance Member claims that the banking and credit situation in India is far more healthy than in America. An equally gloomy state of affairs prevails in regard to indigenous bankers. Certain sections of important banking communities have passed through great strain and stress and, unfortunately, failures have not been an uncommon feature. I may add that, in earlier decades, failures among indigenous bankers were practically unknown. In reference to banks and bankers indigenous to India, the situation is far from satisfactory and has, in fact, reached a state of such crisis that, were this to happen in any other country, the Government in power would have been stirred to activity on quick and effective lines, or thrown out of office. Is this the kind of credit situation which can enthuse any Finance Member ?

No less is the rejoicing of Sir George Schuster at the absence of any control of production in regard to the staple commodities of India. We have had no necessity to control output, says Sir George, "and yet our exportable products have somehow or other throughout the crisis found a market in the outside world. We have no dangerous accumulations of unsaleable stocks and we have escaped so far some of the worst problems which have afflicted other agricultural countries." Surely, the Government cannot be unaware of the unhealthy accumulations of stocks in coal and jute which

have been depressing prices so heavy that record low levels have been reached. It may be that stocks in the hands of the growers are sparse. But what does this show? It only shows that the agriculturists, due to their total lack of holding power, have had to part with their crop irrespective of the price it fetched. This is not a fact on which the Government need congratulate themselves. On the contrary, it is a tragic reflection of the failure on the part of the Government to appreciate that they owe something to the large agricultural population in the direction of providing, through adequate and appropriate institutions, suitable and sufficient financial facilities for the strengthening of the holding power of the growers.

The Finance Member has narrated the story of India's great industrial development to prove that some Indian industries have made greater progress than the corresponding industries in countries like England, France and America. While the fact as cited may be literally true, the conclusions drawn from them are not fully warranted. After all, in a period of depression the production of industries in countries depending largely on export markets must decline, whereas the same cannot apply to countries whose industries have reached nowhere near the normal internal consumption level. This explains the fact that while industrial activity in textiles declined in countries like the U.S.A., France and U.K., during the first ten months of 1933, there was noticeable an increased activity during the same period in India. The cotton textile industry in India has been steadily expanding, under the stimulus given to it by a protective tariff, its volume of production to meet the demands of the home market, which is still supplied to a large extent by foreign manufacturers. Moreover, to speak in percentages is highly misleading for a correct appraisal of the real state of things, if any comparison is sought to be made on such basis between one country which has reached the height of its industrial progress and another where industrial development is still not far from its infancy.

Further, the selection of the year 1928 as the basic year is striking for its departure from the accepted standards of comparison in such matters and the choice of the particular year, which was abnormal in respect of certain Indian industries, is to no small extent responsible for the conclusions reached by the Finance Member. The year 1929 is generally accepted as the basis of all comparative

post-depression calculations. The Finance Member, on the other hand, has taken 1928 as the basis and estimates that the Indian steel industry had increased by 75% in production during the first ten months of 1933. May I remind him that in 1928 a prolonged strike took place in the Indian steel industry and the plant remained idle for nearly five months in the year ? Taking 1929 or 1927 as the basic year, steel in India during the first 10 months of 1933, comes down to the neighbourhood of 25 only.

The realities of the industrial situation in India cannot be made to appear brighter by a carefully drawn-up comparison on a basis that is untenable or by magnifying the progress of one or two industries.

It is, however, evident that even the present Government could not but be struck by the extreme gravity of the situation in this country. They have adopted certain measures, which are but half-hearted in their nature and we cannot accept the claim that steps have been taken as a matter of deliberate policy decided after much thought. The Finance Member has cited the Ottawa Trade Agreement, the undertaking of an economic survey and the appointment of a marketing officer as evidences of a deliberate policy. It is necessary to remind him that the agreement with Britain (assuming that it is to our advantage) is not due to any policy of the Government. The Indian Government had played no part in convening the Ottawa Conference, which they attended only by invitation. Nor was the Indian Delegation at all adequately prepared to take the fullest advantages of the opportunities offered at the Conference. This lack of equipment and preparedness of the Ottawa Indian Delegation betrayed the absence of any conscious policy on the part of the Government of India. Yet, the Finance Member claims that it was all the result of a deliberate policy.

The economic survey was announced full four years after the beginning of the depression. The learned surveyors passed through the country almost unnoticed. The Government's anxiety to justify themselves had led them to elevate such stray measures to the dignity of a deliberate policy. As for the marketing officer, while we welcome the appointment, I hope, the Government do not really wish us to believe that it is going to solve our agricultural problem;

The Finance Member is all praise for the Ottawa Agreement and the beneficial results that are said to have accrued from it. Cold facts and irrefutable statistics do not warrant the blessings showered on the Agreement. The economic plan of an inter-Imperial solidarity stands condemned in the light of subsequent trade developments. While the share of the Empire countries, except Britain, in India's exports has diminished from 18.4 per cent. of the total in 1932, to 14.8 per cent. in 1933, they have succeeded in increasing their share in India's imports from 8.1 per cent. in 1932 to 9.2 per cent. in 1933. A remarkable contrast, however, is presented by the fact that non-Empire countries have increased their off-take of India's exports from 54.2 per cent. in 1932, to 55.4 per cent. in 1933, while their imports into India have dwindled from 55.7 per cent. in 1932, to 50.9 per cent. in 1933. Great Britain's off-take of India's merchandise has, of course, advanced from 27.4 per cent. in 1932, to 30.0 per cent. in 1933 ; but this is in the main due to the general improvement in the industrial outlook of the world to which I have already made a reference. Taking absolute figures, however, it is more than evident that India has gained nearly Rs. 6 crores with Great Britain while she has lost nearly Rs. 4 crores with the Empire countries.

This is the benefit we have reaped from the Ottawa Pact, which shows that we have no reason to congratulate ourselves on its achievements. It does not, however, imply that we would not like to cultivate closer commercial relations with the Empire countries ; on the contrary, any opportunity to enter into agreements with them would be welcome to India, provided they are not thrust upon us and are potentially capable of conferring real economic benefit on India.

The menacing and the almost baffling problem of rural indebtedness in India has also engaged the attention of the Finance Member but his attitude towards it raises little hope of any effective solution, at least not until the lapse of an indefinite length of time during which the mass of agriculturists will have to continue to bear the crushing burden of their debts. In his opinion, it is not possible even in this respect to adopt any "heroic" measures. I wonder, if this menace to our economic structures does not demand any heroic measures, what else does ? And need I point out, having regard

to the experience of other countries, whose inherent economic strength is palpably much more assured than that of India, that the Finance Member's shyness of heroic measures has driven him to the length of finding in a crisis a hundred good reasons for doing nothing—a position which would certainly have provoked the strongest public censure on the Finance Minister in any other country? What was it but a revolutionary departure from their traditional policy when the American Government, throwing the creed of individualism overboard, initiated a plan for controlling the business activities of the nation? Was it not a heroic step on the part of the Government in Great Britain to have sabotaged their age-long policy of *laissez faire* and gone off the gold standard to save national industry and trade? A number of other countries, like Germany, Italy and Turkey, have taken "heroic" steps to maintain the integrity of their economic life. Even small states like Ireland have fallen into line. And how can Sir George Schuster make us believe that the Government in this country are habitually disinclined to heroic action and are quite averse to it? Did they not set all dangers at naught and make ruthless efforts to maintain the exchange value of the rupee at an artificially high level?

That was so, because it was considered most urgent in the interest of British trade and commerce. In India, it has been our most unfortunate experience that the Government's sense of gravity of any situation has been effectively roused only when British interests are involved. And where such interests were at stake, no efforts have been deemed too heroic or rash. Their comparative indifference towards problems of vital concern to the people of India was, perhaps, not a little due to the fact that hitherto the Government have proceeded on the assumption of an unalterable low standard of living for the people of this country, so that an evil like the present economic distress, which would have been deemed a national calamity in any other advanced country, has come to be looked upon as a matter of little concern. This attitude has so long placed a brake on the economic development of the country. But this consequent stagnation in the economic life of India at an extremely low standard demands a radical and immediate change in the entire outlook of the Government. It demands not only "heroic" measures but also a carefully drawn up plan of action to make up for years of negligence and inaction in the past.

PLANNING.

As we have seen, the Government's reading of the situation is not such as would enable the country to achieve the desired progress, and is so apologetic of their own policies and actions that as a guide to future development it cannot be considered to possess much value. My own understanding of the problems is very different, and so are my conclusions and suggestions. It shall now be my task to give a sketch of my ideas both as to the fundamentals of the problem and the directions in which solution is to be sought.

At the outset, I should like to consider why a plan is necessary and how the planned policy and programme can help us. The plea for planned development may appear superfluous to many of us. Nevertheless, there is so much confusion in the minds of the people about the conception of, and necessity for, economic planning that we must grasp clearly why an economic plan should be instantly adopted by India.

India's need of a plan arises primarily from the fact that she possesses outstanding natural economic resources and advantages which have been very inadequately appreciated and inefficiently exploited. Where some attempts have been made to develop them, they have been so desultory that results have been disappointing. And far from solving any problems, they have given rise to knottier ones. An economic plan is needed to develop the resources that are to-day lying undeveloped or are being wasted, and, where developments have taken the wrong direction, to correct them and attune them to a national policy. It would be fatal if we had no definite plan in view and were simply pushed one way or another according to the demand of immediate problems and proximate tendencies. It is easier to formulate, and more effective to execute, a plan in the earlier stages of a country's development, even as it is easier to train an animal while it is young. With the progress of time the economic organization of a country must perforce develop rigidity which renders changes more difficult.

It is difficult to conceive why one of the greatest producers of raw cotton should import such immense quantities of piece-goods, or why the world's largest grower of oil seeds should depend upon foreign countries for paints, varnishes and soaps. With millions

of acres suitable for tobacco growing, it is strange that we should buy such large quantities of foreign cigarettes. With our immense resources of bamboo, timber and grass, India could easily be an exporter of paper, and yet to-day she imports most of her requirements. That the country, which is, perhaps, the greatest producer of hides and skins, should still buy finished leathers and leather goods from abroad is an economic paradox and national humiliation. We produce rubber but have to import rubber goods. We can produce all the steel we want, but machinery is still imported. We have an immense internal market for all these goods and yet we do not seem to realise the possibility of filling this far-flung market with goods made in our own factories.

Apart from these important considerations, which constitute a positive reason for economic planning, the developments in the world around us would ultimately force us to fall into line. The rapid changes that are taking place in the economic outlook and policies of other countries, the development of exaggerated economic nationalism, the economic consequences of reparation and war-debt problem, new tariff and currency policies, these are all exerting tremendous pressure upon our own economy. To counteract their unfavourable reactions and diminish the violence of their impact, it is necessary to plan out the defensive measures that we will have to adopt. The need for the adaptation of our economic organization in answer to the sudden and startling developments in foreign countries has been forcibly impressed upon us during the last four years.

If countries endowed with a high economic standard like Britain, France and U. S. A., decide to refashion their monetary and exchange policies, we shall be compelled to modify our own policy in the light of such developments. Again, if our great foreign customers make new decisions as to what they should grow or make, what they should buy, how they would buy and from where, India, which produces, exports and imports an immense variety of goods, would have to make necessary adjustments in her own economic and fiscal policy. If Japan decides to develop her own resources of pig iron, Indian pig iron, which depends upon the Japanese market, would either have to find other markets or be utilised in India itself. If, again, Japan decides to develop cotton-growing in her Empire or cultivate other sources of supply, the Indian cotton-grower will

have to find new markets or the Indian cotton industry will have to be expanded to consume the surplus cotton in order to save the grower from ruin. The further development of manganese mining in South Africa, West Africa or Southern Russia will seriously hit the Indian mines. Similarly, if France decided to grow groundnuts in her African possessions, and succeeded in her efforts, the groundnut producers of India would have to face serious trouble, if, in the meanwhile, other foreign markets were not found or the possibilities of utilising more of the seeds industrially within the country were not explored.

The remedy for all these is planned economy—wherein every tendency is carefully studied, every result intelligently forecasted, every contingency wisely provided for the every method clearly elaborated. We may call it defensive or protective planning.

For a comparatively weak and economically young country like India, the importance of economic planning for both defensive and developmental purposes can hardly be exaggerated. In the progressive countries of the West, the urge for planning has been felt at a comparatively advanced stage of their economic development, with a view primarily to adjust their respective economies to the altered circumstances created by post-war developments. In India, we need a plan not merely for effecting such post-war adjustments, but what is immensely more important, for developmental purposes.

Certain symptoms have appeared in the economy of India which will be amenable only to systematic treatment. There are many problems which are pressing for solution, and which cannot be successfully attacked except in an organized manner. There is a pronounced lack of equilibrium between agriculture, industry and other channels of economic activities. The development of urban and rural areas is characterised by a marked disparity. Low yield per acre, uneconomic fragmentations, inadequate irrigation and chronic indebtedness of peasants have made agriculture, the most important occupation of the country, an extremely unproductive and unprofitable industry. Industries are handicapped by insufficient capital resources, inefficient technical service and low quality of raw materials. The policy of discriminating protection has afforded many of them a small measure of security, but unless it is supplemented by a re-

adjustment of internal freight rates and the adoption of a more sympathetic stores purchase policy, their full development will always lag behind their potentialities. Banking is still undeveloped and its structure ill-balanced. A great part of our population and a large number of our smaller towns are still ill-provided with banking facilities. In the absence of industrial, exchange and land mortgage banks, our industries, foreign trade and agriculture are forced to fall back entirely upon their own resources and, in many cases, face competition from foreign countries which enjoy immensely greater advantages in these respects. Our transport system lacks co-ordination and cost of transport is far too dear. We depend for the stability of our public finance upon very limited and inelastic sources of revenue, and the expansion of beneficial Governmental activities is seriously hampered by the inelasticity of their revenue. There is, again growing unemployment which destroys the *morale* of the rising generation and has introduced into the economic structure germs of a dangerous malady. While nothing seems to be done to develop our internal trade, our foreign trade is facing heavy odds and shrinking rapidly.

These problems, it will be seen, cover the entire phase of our economic life. The solution of every one of them is a matter of deep concern to the country. Some of them have already assumed very grave aspects, and attention to them cannot be delayed. At the same time, the ordinary *laissez faire* attitude will not produce results. It requires boldness and imagination. Mere tinkering will be of little avail. It is our ability to face facts, our courage to make experiments, our readiness to do things and take risks, if necessary, that will ultimately mark the pace of our progress. If the foundations are weak, there is no use of patching up the root. The problems are of great magnitude and our endeavours should always be of like proportion. Political expediency and the utilitarian complacency that all that need be done is something merely to pacify public clamour should have no part. The mainspring of policy and action should be the fervour to re-construct India and the determination to do it as speedily as possible.

There are various types of plans and it should be our endeavour to examine them and select the type that will be most suitable to Indian conditions. On account of the spectacular experiments

made by Russia in planning out her economy and the fair measure of success that is reported to have attended them, economic planning to many people has become synonymous with the Russian form of economic experimentation. Not only is the Russian conception of economic planning inapplicable to countries with an entirely different economic philosophy and outlook, but the very insistence upon the Russian model has served to create in people, who otherwise have an open mind, a feeling of prejudice, if not silent opposition to the adoption of any plan whatsoever. It is needless to say that the extreme type of State Socialism and economic regimentation that have been enforced in Russia can hardly be acceptable or applicable to India. The basic principles of the Russian experiment are, it seems to me, contradictory to the tradition, outlook and philosophy of the Indian people. But while we reject the communistic basis of economic planning as adopted by Russia, we would be exceedingly unwise to offer opposition to planning itself.

Planning on a wide and fruitful scale has been inaugurated in other countries like the United States of America and Italy and in Asiatic countries like Japan and Turkey. In Turkey the active intervention of the State has been more apparent because the people were comparatively undeveloped. In Japan in the early stages of her economic development, the State played an important part; but, in recent years, on account of the development of the people themselves, the State finds that it is sufficient to stand behind the organizations of the people and give them the necessary facilities and assistance needed for the working out of national policy. Italy has followed a similar policy of State-aided development, where instead of taking direct initiative, it has been content with placing, at the disposal of the people, such resources and assistance as are necessary to encourage them to take the initiative and launch enterprises. The State need not supplant the individual, neither need the individual be entirely left to himself under any planned economy. In India they would both have their respective spheres of activity and their separate economic functions. What we want is the co-ordination of State assistance and individual initiative.

I fully realise that, in the absence of political power, it would be difficult to induce the Government to accept our proposals. But there are parts of the plan which may appear innocuous even to the

present Government and may, therefore, be readily undertaken by them. The pressure of public opinion may force them to adopt further measures in other directions ; and, for the remainder, the people themselves can do a great deal, if they will only combine and organize. In these ways, I feel it is possible for us even under the existing inauspicious circumstances to make an encouraging start.

A leading member of the European group in the Assembly recently formulated what was intended to be a kind of economic plan for India. It denotes a welcome departure from the traditional attitude of European businessmen in this country that everything was alright and that there is nothing else the Government could or need do. It is, if I am not mistaken, the first open recognition by this group of the gravity of the situation and the necessity for action. As an indication of interest taken by European businessmen in the problems of the country and a growing sense of their responsibility to the country which is the field of their fortunes, we welcome this definite and unambiguous statement. But I must confess to a sense of disappointment about their reading of the situation. The real gravity of the problem is but dimly perceived, and the fundamentals seem to have eluded grasp. The aims are ill-defined, the goal vague, and, therefore, the methods prescribed lose much of their meaning. Suggestions are confined mainly to the refashioning of administrative machinery so as to subserve British interests better and not to the eradication of economic evils. The machinery for execution has its significance only in relation to the objective, which should be the adoption of such a plan as will make the best use of our natural resources, human wealth and capital for the foundation of the material basis for the fullest life for all the people of the country. However, if the new interest, which the European businessmen are taking in Indian problems, will induce them to pursue their studies further and consider the deeper aspects of the problems, I am sure they will reach conclusions not very different from ours. The European businessmen, with their wide experience and international contacts, can be of valuable assistance to the country in evolving well-poised economic plan, and I fully hope that it will be rendered willingly and generously.

Politics is a disruptive force. Economics is a unifying influence. If European and Indian businessmen endeavour to find solution for

economic problems in terms of fundamentals, they will find that they have a common platform and they can combine in the working of a common programme.

An economic plan may give rise to conflicting attitudes from the different sections of the community. One section in their hysterical anxiety to do something do not mind doing anything. This light-hearted attitude may cause great harm. Another section has adopted caution as its watchword and would sit quiet and do nothing for fear of committing mistakes. It is necessary to remind them that he never achieved anything who never made a mistake. We must steer a course clear of either extreme. Our desire to act should not lead us to light-hearted experimentalism nor should caution palsy our courage.

I may now examine the important departments of our economic activities.

AGRICULTURE.

In any scheme of planned economy for India, our foremost attention should be directed towards agriculture—the biggest industry of the country. Whatever degree of inter-dependence with other parts of the world may be permissible or economically justifiable in other matters, India should aim at becoming absolutely self-sufficient with regard to her food-supply ; and the production of such crops as rice and wheat must have adequate attention. Inroads have been made into the field of the supply of food crops by Australia, Indo-China and Japan, and with the question of separation of Burma looming so large, our dependence even on Burma rice may be a source of serious economic weakness.

Apart from this question of self-sufficiency in food supply, our agriculture requires to be specially looked after in order that the purchasing power of the mass of our population may be strengthened, thereby providing the necessary nucleus for industrial and commercial development, and that our exportable surplus may be maintained in sufficient measure to enable us to meet our heavy foreign obligations. Nor can its importance as a source of provincial revenue be over-emphasised.

In fact, whether we look at agriculture from the point of view of the prosperity of our peasants, the expansion of our export trade, the meeting of our foreign obligations, the development of our industries or the solvency of our Provincial finances, its supreme importance in the general economy of India and the urgency of economic planning in this field are forcibly impressed upon us.

A plan for agriculture would necessarily have to be based upon a close study of its problems. The primary need of agriculture is the improvement in the technique of production and the quality of the products. It would be no exaggeration to say that the technique of agricultural production in India has been stationary from almost remote antiquity. The implements and manures used, the quality of seed and cattle, the methods of irrigation and rotation of crops have shown little improvement. Crusted custom and blind tradition have still an enormous influence on the productive outlook of the peasant. The cumulative result of all these factors has been progressive impoverishment of the soil and comparative unproductivity of agriculture, reacting dangerously upon the cultivator's own condition and on the country as a whole.

The first part of a plan for Indian agriculture would, therefore, have to deal with the improvement of the human, the animal, the mechanical and the land factors.

The improvement of the human factor would consist of the means of making the peasant a better-informed, more progressive and self-reliant person. Lack of education and colossal ignorance lie at the root of the wretched condition of the peasants. Our Government have spent fairly considerable amounts of money in advancing agricultural research work etc., but the benefits of this will for ever fail to reach those for whom it is intended, so long as the mass of Indian peasantry remains ignorant and illiterate as they are to-day.

The spread of elementary education will, I am afraid, take some time and so long as the present state of things continues, the requisite knowledge must be imparted through such suitable methods as appeal through the peasants' eyes and ears. Travelling demonstrations and lectures form an essential part of the scheme of agricultural education and propaganda in countries like Japan, Russia and Germany, and although desultory efforts in the same

direction have been tried in some Provinces here, well-planned and systematic propaganda is yet to be undertaken. The tremendous possibilities of the cinema and the radio as vehicles of education have not yet been explored in our country. I think we should make more and more effective use of talkies and motion pictures for the education of the agriculturists in improved methods of production, marketing, etc.

Low yield and poor quality are the twin handicaps of the Indian agriculturist. He gets less out of his land than he might, and even the little quantity he produces fetches less per unit than his competitors in other countries. There is international competition in such products as cotton and oil-seeds, and unless we improve our quality and maintain a standard, we shall find our markets shrinking and our customers changing over to competing sources of supply. Besides this, it is necessary for us to explore the possibilities of improving the quantity and yield of such of our raw materials as cotton and sugarcane as may render our indigenous industries self-sufficient and strong enough to meet foreign competition.

Yield and quality are really the outcome of the same cause, and what is really necessary is to make the cultivators realise the danger confronting him and to induce him to select his seeds better and adopt more efficient methods. At the same time, an examination should be made of the possibility of introducing more and more economic crops as may suit particular areas and for which there may be better demand.

In common with the yield, the question of the size of holdings is also one that requires serious consideration. Subdivision and fragmentation of holdings, due, among other factors, to the increase in population, the prevailing laws of inheritance and governmental indifference, have made the average holdings in India mostly uneconomic. Consolidation of holdings, either by voluntary measures or by compulsory legislation as the circumstances of any particular area may demand, is, therefore, an urgent necessity. Attempts for consolidation can, however, yield fruitful results only by a gradual process, and these cannot by themselves find a solution of the problem of excessive pressure on land. Thus the need will arise for encouraging co-operative farming, as far as possible, while a large num-

ber of the people now dependent on land, which cannot support them, will have to be diverted to other occupations.

The socio-economic menace of excessive pressure on land will have to be tackled simultaneously by comprehensive and courageous measures. Low standard of education, want of adequate organisation, and meagre financial resources practically rule out the remedy through intensive cultivation and we must examine how far we can depend upon an extension of the area under cultivation. There yet appears to remain some scope for this, for, not more than 33 per cent. of the total land in India is cultivated and nearly 30 per cent. of our land is lying as cultivable waste. As population increases, more and more of this cultivable area would reach the margin of remunerative production. Reclamation of agricultural land should, therefore, form part of the economic policy of India. This reclamation should be proceeded with carefully and methodically, province by province. In certain cases, the State may have to undertake direct reclamation; in others, subsidized reclamation may be quite sufficient and effective. This would depend upon the condition of the land, the difficulties encountered and the finance required. It is interesting to note what other countries more or less similarly situated are doing in this respect. In Italy, the State actively promotes the formation of associations of peasants for the purpose of co-operative land reclamation, and various concessions are offered to them. Holland has undertaken one of the greatest schemes of reclamation in modern times around the Zuider See. Palestine is the latest country to adopt a bold programme of extending the area of cultivation. In several parts of the British Empire, particularly in Australia and Canada, generous State assistance in one form or other has always been placed at the disposal of the pioneers in this matter. The Irish Government have been devoting energies to the draining of marshy lands and cleaning of bogs. In India we may adopt any or all of such measures as may be found necessary.

The development and improvement of agriculture in India is also largely bound up with irrigation. It is well-known that large areas of otherwise good land cannot be cultivated on account of lack of adequate water-supply. The North-West of India and large tracts of Central India belong to this category. There is yet a larger area in which the rain-fall is so uncertain and variable that the peasant

is practically at the mercy of a wayward monsoon. On the other hand, in areas of abundant rainfall, water becomes so uncontrollable that instead of being uniformly helpful, it not infrequently becomes a source of positive danger to crops. As a necessary concomitant of planned economy for improvement of our agriculture, we will have to tackle both these problems.

A complete irrigation survey and a programme of irrigational development based thereon including within its scope not merely the damming up of rivers and canalised distribution of water, but also schemes for well and lift irrigation should, therefore, form an important part of the Plan.

In recent years, certain of our agricultural commodities have shown a distinct tendency towards over-production. Jute is the most important of the crops in this group, unrestricted cultivation of which has led to very serious repercussions on the price of the fibre and the consequent impoverishment of the agriculturists. The question of a well-conceived regulation of the crop commensurate with its demand has, therefore, thrust itself into prominence and immediate action in this respect has become imperative in order to prevent a glut and also to ensure a fair price to the agriculturists. The case of jute should also serve as a lesson and a warning to us, and our plan for agricultural development should provide effective checks against the repetition of similar contingencies in regard to other agricultural commodities. The endeavour to fix a minimum price as in the case of sugarcane, would have been, it may be incidentally remarked, more apt and more effective in the case of jute. At the same time, we shall have to consider the suitability of other alternative crops that might be profitably cultivated in areas thus released from the cultivation of those crops, which are brought under any scheme of regulation and restriction.

In our plan for agricultural improvement the problems of marketing must next have our attention. These problems should be studied not only with a view to quick disposal of products but also to enable the cultivators to obtain the maximum possible price. The peasant's knowledge of the market and his holding capacity are too poor to enable him to sell his products to the best advantage. The inadequacy of transport facilities also considerably adds to his

difficulties. The dissemination of market information and the setting up of crops committees and organized markets, as recommended by the Agricultural Commission, would go a long way to remedy the first defect. But the solution of the problem relating to the poor holding capacity of the peasant is more serious and is essentially a question of finance. For this purpose, it would first be necessary to open warehouses all over the country where the cultivator may deposit his crop, and, on the security of warehouse warrants or receipts issued by them, raise the necessary finance. It is no doubt true that the absence of specified grades for particular commodities is a serious handicap in this respect, but that only suggests that this question should be simultaneously tackled along with that of warehousing. These measures would be of great help in steadying up the price of agricultural products and in protecting the agriculturist from the demoralizing influence due to his utter inability to hold over the crop.

The question of profitably employing the long and idle days that the peasant is forced to spend in the off-season has a great bearing not only on his economic life but also on his physical and mental welfare. The scope for developing subsidiary employment by either promoting new and small domestic and rural industries or by encouraging the mobility of agricultural labour has not been seriously tackled. Dairy, fruit and poultry farming and kitchen gardening have considerable potentialities in India, which need to be fully developed.

No agricultural plan, however, can be fully effective in India, unless it provides for adequate steps for a bold tackling of the problem of rural indebtedness. The Indian agriculturist is chronically steeped in debt. The rate of interest is unbearably heavy and the repayment of the major proportion of it is a remote possibility. It reacts in numerous ways upon the productivity of the land, the health of the peasant and the welfare of his livestock, and all talk of saving the peasant will be futile as long as this huge load remains unlifted.

Various plans and policies have been suggested but most of them only scratch the surface of the subject. The time for half-hearted measures and timid temporising is gone, and that for imagina-

tion and courage has arrived. The hope that a few lakhs of rupees thrown into half-baked co-operative credit schemes will solve this problem betrays too much of economic optimism. A planned attack on this menace by the adoption of such measures as the enactment of rural insolvency laws, composition of debts on either voluntary or compulsory basis, according to different categories of peasants, and establishment of land-mortgage banks, with the necessary preliminary of a debt survey, can alone cope with it effectively. The examples of Australia and Japan would provide most valuable guidance in the formulation of a suitable plan for India in regard to this. Simultaneously with this programme of redemption, due facilities will have to be provided through suitable banking institutions or co-operative societies, in order to enable the agriculturist to meet his future credit requirements, both for short and long terms. At the same time, every precaution should be taken to prevent him from sliding back into the old condition. He should be kept out of the temptation of dangerous and extravagant re-borrowing.

In many other countries agricultural associations have done much good to the peasants, and India might usefully take a page out of their book of experience. In Japan, agricultural associations are encouraged by the State and are vested with many privileges, membership of such associations being practically compulsory. If such associations are established in India, they would greatly facilitate the introduction of co-operative farming and the removal of indebtedness. They would serve also as excellent agencies for the collection of statistics and information and for conducting agricultural propaganda for the improvement of methods of cultivation. In fact, if properly conducted, they may provide the most potent influence in bringing about the necessary change in the outlook of our agriculturists.

INDUSTRY.

I shall now turn to the problems of Indian industry. Notwithstanding some recent indications of industrial growth, India is still, as judged by the standard of industrially advanced countries, very backward. That this should be so inspite of the fact that she possesses certain outstanding advantages, natural and otherwise, and that she has had the benefit of a long contact with advanced indus-

trial powers of the West, is indeed a very sad commentary upon the Government who have been directing the economic destinies of this country for so long. An examination of the industrial history of India during the last 50 years or more reveals what little use this country has made of her great industrial opportunities. No doubt cotton, steel, cement and a few other industries have made great strides in recent years; yet when compared with the vast market that still remains unfilled and the immense tonnage of raw materials still exported from this country only to come back manufactured, our lack of economic foresight and the absence of an industrial plan for the country become apparent. What is necessary, therefore, is that instead of sporadic assistance to individual industries, as and when they need it, or more often in answer to insistent agitation, this country should draw up in advance a complete programme of industrial development, suitable to her needs and in accordance with her available resources. Instead of treating the disease of the various limbs of industrial India, only as and when they show symptoms of severe economic ill-health, we must lay down principles of, what I may call, the industrial hygiene to be followed for the purpose of maintaining the economic health of the country.

The first step in this direction would be a general industrial stock-taking. We shall have to examine in detail the origin, history and development of all industries that have been established in India during the last 5 or 6 decades and also the difficulties with which they have been confronted and the results achieved. It will include cotton, jute, iron and steel, leather, chemicals, paper, glass, cement, sugar, soap, etc. Only a connected and simultaneous study of their position would reveal their basic problems and their common needs upon which must ultimately be based our new economic policy.

The Indian demand for industrial development is sometimes misinterpreted as an attempt to manufacture in India everything that we consume or require. Indian economic nationalism has never gone to any such absurd length or placed an exaggerated faith in the principle of economic self-sufficiency. Our aim is to manufacture within the country everything that it is possible to make on a reasonable economic basis and for which we have the natural facilities. For example, to aim at immediate economic self-sufficiency in motor cars or electrical generators would result in misdirection

of economic effort ; but there is no reason why this country should not produce every yard of cotton cloth, cement or paper or leather goods required. We can grow large quantities of rubber, but yet there is no rubber industry. We do not make even a pair of rubber shoes.

In our attempts to develop industries, we should guard ourselves against a potential danger of a lack of balance in the development of even individual industries. Without in the least desiring to raise the scare of over-production, it must be admitted that there is a tendency for certain industries to develop beyond the consuming capacity of their effective economic market. Such an outcome fraught with grave consequences should be avoided, and for this, a closer inter-provincial co-operation towards a policy of sound industrial development would be necessary. The danger of inter-provincial jealousy to the prosecution of a rational plan of economic development is by no means imaginary. The aim should be to afford to every province the fullest opportunities to develop its industries, avoiding the dangers of duplication and over-production. Such an objective alone will further the general economic interest of the country as a whole, and also help to evolve a rational industrial plan.

The essential preliminary for this purpose is a complete survey of our home market, that is, a clear and detailed analysis of the demand within the country for every kind of product that it is possible for us to manufacture in this country and for which we possess the requisite raw materials and other facilities. Even after having decided to produce those things for which we have the facilities, it would evidently not be desirable, perhaps not even possible, to start making them immediately or simultaneously. They would have to be taken up in a certain well-defined order. Logically, basic industries like iron and steel, chemicals etc. would demand our attention first, because the development of many other industries would depend to a great extent upon the materials and facilities made available by these. But our progress in this respect has been rather lop-sided, and in many directions inverted. Attempts have been made to build the super-structure before completing the foundations. Even in the rare instances where we have developed a basic industry, we have not taken adequate advantage of the facilities thus provided. For example, in industries like iron and steel, fair

progress has been achieved ; but the development of allied and subsidiary industries has been extremely slow and disappointing. Japan, with considerably poorer mineral resources, has not only built up a larger steel industry, but has also made rapid progress in establishing industries like the building of locomotive and rolling stock, ship-building etc. The whole picture is a good illustration of our lack of industrial vision, of the absence of an industrial plan.

A survey of the raw material resources of the country would come next. We have to consider both the quantity of material produced and the suitability of the quality. It would be easy to do this in the case of agricultural raw materials, but when we come to the mineral resources of the country, greater care and more expert treatment would be necessary. Special attention would have to be paid to the wasting assets of the country and the possible exhaustion of such resources as coal, oil, mineral ores, etc. In the initial stages, the quality of the raw materials may have to be given greater attention than the volume of its production. Suitable machinery to improve the quality of our raw materials and for their standardisation and grading would have to be established. It would be of interest in this connection to study the efforts that the Government of the United States of America have made and more especially the measures adopted by the Japanese Government in regard to raw materials. It is fairly well-recognised all over the world that the State has an important economic function in regard to the fixation and maintenance of proper standards and grades in raw materials.

The power problem of Indian industries is another subject which is likely to assume prominence in the future. India's potential power resources have not yet been completely surveyed ; but from what little information is available to us, it looks as if they are not so extensive or limitless.

For the present, coal forms the most important source of industrial power. The quality of Indian coal is certainly not the best and our resources are not commensurate with our future requirements. An additional handicap arises from the fact that our coal resources are not economically distributed but are concentrated in one big area. The incidence of transport charges upon such a low-priced material as coal has acted as a serious handicap to our industrial development. I feel that as regards coal we shall have to revise

all our orthodox ideas about freight rates ; these rates should be regulated in such a way that our industrial needs, and not the interests of the transport agencies, receive the first consideration.

It is also reported that coal-mining in India has developed in a thoroughly unsound and uneconomical way. Inefficient methods of mining, wastage and uneconomic working appear to be the general characteristics of the mining industry. No doubt some of these evils have been forced upon them owing to the peculiarly lean times they have had to face. Even so, one feels that the mining industry in India has neither a common organization nor an agreed common policy. Its history during the last three or four years bears witness to its complete disorganization and lack of a cohesive policy. It is highly to be regretted that its recent attempt to evolve some kind of organisation has not entirely succeeded. A mere scheme of restriction, however carefully laid down and successfully worked out, will not, I am afraid, be fully effective. What is necessary is a comprehensive plan of rationalisation to ensure minimum cost of production, maximum efficiency and least wastage. Many of our small, ill-equipped, financially weak and economically inefficient units may have to be amalgamated with others to form stronger and more capable units. Wasteful operating methods should be eliminated and uneconomic units closed down entirely. Regional reorganisation to control production and develop common marketing policy and methods are also essential for purposes of rationalisation.

It appears that India has committed serious mistakes in the location of power plants. It is generally admitted that within a certain radius of the coal fields it would be definitely more economic to generate power on the coal fields themselves and transmit it to the surrounding towns and industries, than to transport coal and generate power right in the consuming areas. The towns of Southern Behar, Western Bengal and Northern Orissa might have had cheaper power if it were generated by one or two giant plants situated in Jharia or Ranigunge. Apart from savings effected in transport of coal, it should be more economic to generate power in immense quantities. One is inclined to think, for instance, that the city of Calcutta and the industries that have grown up in and around it might have electric power at a lower price had the power plants been laid down right on the coal fields.

Poor as we are in coal, it is more encouraging to note that water power resources can very helpfully supplement our power requirements. Great and striking developments have been made in many parts of India during the last 30 years and even greater developments are under way. No doubt large parts of India and many important industrial areas are situated far away from coal fields, but many of them are near enough to sources of water-power. The entire upper Indo-Gangetic valley would appear to be an area that could economically be better served by the sources of water power from the Himalayas. All these require thorough investigation.

The installation of plants for generating hydro-electric power involves very large initial expenditure and, from the very nature of the work, such undertakings cannot yield profit during the first few years. It is, therefore, difficult to attract private capital and enterprise to these projects. Consequently, development of such schemes, wherever possible, should be undertaken by the Government.

Oil resources of India are considered to be very inadequate. Burma can supply the entire requirements of the country ; but, for obvious reasons, it would not be wise for us to depend upon her. In the first place, her oil is controlled entirely by powerful foreign corporations. Secondly, powerful and open manoeuvres are being made by British vested interests in Burma and their strong supporters in London to separate Burma from India. Greater attention should, therefore, be paid to the possibilities of whatever oil resources are situated within India itself. Their exploitation should be strictly controlled in the national interest and should not be allowed to pass under foreign control, nor should they be allowed to be exploited by private individuals or corporations of the country itself without regard to the wider interests of the nation. The importance of effective national control of such resources is clearly revealed by the experience of other countries, such as the United States of America, where the unregulated operations of the oil barons nearly sucked the country dry of oil.

Adequacy of capital resources will also have a great bearing upon the pace of India's industrial development. Future industrial units will have to be larger in size, and ampler in resources, if they must withstand foreign competition. In recent years, great strides

have been made in other countries in this direction. They have either increased the capital of existing units or encouraged them to combine in order to form larger and more powerful organizations. The size of the average industrial unit in India is still so small as to prevent the achievement of maximum efficiency. Our industrial magnates and promoters must now begin to think and plan in a big way, so that, in future, industrial units of inadequate size may be established. In certain industries, however, like weaving, toy-making, manufacture of cycles and other types of small machines with standardised parts, it is possible to have comparatively smaller co-operative units, each concentrating on the manufacture of one or two parts or upon one process, the final assemblage or finishing being done in a big plant. Japan's industrial organization is largely based on such a plan. It avoids the dangers of too great concentration of industries in a few places and facilitates helpful economic decentralisation.

The capital resources of India are considered to be very inadequate. Even though, for argument's sake, it is admitted that India's capital resources are not large enough, it is undeniable that they have not been tapped efficiently or systematically. The ordinary haphazard method of company promotion and finance-finding will not help us very much, because this depends, for the most part, upon a comparatively small group of individual financiers. We must cast the net wider and gather the small amounts that lie scattered over the entire face of the country. This cannot evidently be done by the traditional methods of company promotion. Some sort of institutions for industrial finance will have to be established. They may follow the lines of the Trust Companies in America or the Industrial Banks of Germany and Japan. State assistance and State encouragement would be necessary in the initial stages. This is a question which vitally affects India's industrial development and would have to be considered along with the bigger problem of the reconstruction of the entire banking organization of India, to which, let us hope, the new Reserve Bank will address itself without much delay.

The problem of foreign capital raises a number of vexed and complicated issues. While Indian business opinion will not object to the investment of foreign capital in India and may even welcome it, any attempt at its domination of India's economic life will be

strongly resented. Realising as India does the evils of dominations of foreign capital, especially as illustrated in the painful economic struggles of some of the backward countries like Mexico and Persia, she must be careful that while she allows foreign capital to come in, it should not be permitted to create problems that might endanger the country's economic peace or, worse still, its economic freedom. Indian opinion differs fundamentally from the policy expounded by the Secretary of State as regards control of the operations of foreign concerns in this country. The necessity for orderly and disciplined development, and not the desire to restrict and injure them, is the real object of control of foreign concerns. This question cannot be left any longer hanging in the balance. The Government and Indian commercial opinion should lay down the exact conditions and terms on which foreign capital may be invested in this country.

The human element in our industry has been sadly neglected. Neither in the higher managerial and technical departments nor in the lower skilled labour ranks have we tried to ensure the highest efficiency by a system of industrial education and apprenticeship. The comparative industrial inefficiency of India can be remedied to a great extent by training and education organized on scientific lines. To increase the general level of intelligence and efficiency the spread of primary education should be encouraged.

The condition of our labourers needs to be considerably improved. Their standard of living should be raised by providing for better housing facilities, general education and other social amenities. An economically better-off labour force would help industry not only by improved efficiency but also by so much larger consuming power, that is, both as a producer and a consumer.

Our company law is in many respects out-of-date and needs considerable modifications in order to adjust it to the newer problems and developments. The system of managing agency, as has been universally asserted, requires to be thoroughly re-examined in the light of experience and altered circumstances.

The nature of governmental assistance needed for the development of industries would vary according to their character. There are certain industries, which, by the very nature of capital required,

risks involved or importance to national economy, will require direct State initiative *e.g.*, the construction of railways, big power plants, expensive housing schemes for the labourers, etc. There are still other industries which may, in the main, be left to private enterprise, and would only be in need of some manner of State assistance. Such assistance may be either direct, *e.g.*, provision of facilities for raising or securing capital required, or indirect, *e.g.*, a sympathetic stores purchase policy and the grant of subsidies or imposition of tariffs against foreign competing products. The development of the metallurgical industry of Japan is due very greatly to direct State initiative. A policy of State subsidy to shipping has been resorted to by Japan, Germany and America. It is, however, necessary that the form of assistance as well as the granting of it to deserving interests should be determined in accordance with some plan. If we must favour a protective policy, it should be adopted, not piecemeal, but in accordance with an all-embracing and scientific plan.

TRADE.

(INTERNAL).

Although foreign trade generally receives greater attention in economic discussions, it is necessary to realise that, as far as India is concerned, her internal trade, like that of America, is of much greater value and importance. Accurate estimates of either the volume or the value of internal trade are not available, but it would be no exaggeration to say that the value of our internal trade (including coastal trade) is at least twenty times more than that of our foreign trade. That gives us an idea of the importance of that branch of our trade, the necessity for its expansion and the economic consequences of its neglect.

At the outset, I must say that the Government have paid very inadequate attention to the development of internal trade. The fact that they are vitally interested in India's foreign obligations has induced them to pay almost exclusive attention to foreign trade to the neglect of the problem of the expansion of internal trade. This was, perhaps, also due to the fact that the British business community have much larger interests in the foreign trade than in the internal trade of the country.

This underlying economic policy influenced, in a large measure, the development of the Indian transport system ; the railways were originally built mainly with the object of transporting quickly and cheaply the raw materials grown in the vast interiors of India to the ports for export and to move imported goods from the ports to upcountry parts. The geographical lay-out of the railways and their development bear testimony to it. Inspite of recent attempts to vary this basic policy of railway development, the influence of the old policy still persists.

The lack of an internal trade policy—which, in the ultimate analysis, means the absence of a trade plan—has produced the most curious economic anomalies and misfits. Certain commodities are imported into India, while similar commodities grown in the country are exported abroad. For example, only a little while ago, Australian wheat used to be imported into Calcutta, whereas Punjab wheat had to be exported through Karachi to England. Bengal coal has to seek export markets through Calcutta, while South African coal is imported into the Western Presidency. That Indian commodities should be forced to seek foreign markets while identically the same commodities are imported from abroad is a significant commentary on our freight rate policy as well as on the utter lack of any sensible plan.

The other chief impediment to the development of internal trade is the lack of adequate financing facilities. With the extension of Indian banking to the interior towns, internal trade has certainly received some encouragement, but the number of such banks being yet too small, the banking facilities available for the internal trade are extremely meagre as compared with the total requirements. Not until a wider bill market and a keener banking habit are developed can internal trade grow to its fullest extent.

It should be fully realised that our internal trade, important as it is even to-day in volume and value relatively to our external trade, must still be very much more developed. For, Indian industries must grow at a fairly rapid pace and their success would depend largely upon exploiting the internal market to the fullest extent, in other words, upon the development of facilities for the movement of goods from one part of the country to another. In our

country, happily enough, nature seems to have provided some excellent opportunities for the exchange of commodities between one part of the country and another—that is, for natural division of labour. Jute, Cotton, Oil-seeds, Wheat, Tea, are all grown in fairly well-defined separate regions, and any facilities given for the mutual exchange of these commodities are bound to increase the internal trade of the country. Similarly, the major industries of India like cotton, cement, iron and steel etc., are located in accordance with the natural advantages possessed by certain areas, and the encouragement given to a wider distribution of their products in India would ultimately increase the volume of internal trade.

What is necessary, therefore, is to plan out the development of internal trade. Its present volume requires careful calculation, and having ascertained this, the scope of its further development should be investigated.

Having decided to expand internal trade, our next attempt should be the removal of the existing obstacles like high freight rates, differential excise duties etc., and the establishment of conditions conducive to its steady development. A re-orientation of the freight policy of the railways and a revision of the principles underlying it should be the first step. The provision of better financial facilities must follow. The new banking structure of the country that will be built after the establishment of the Reserve Bank shall have to give due attention to the needs of internal trade, in particular, to the problem of providing facilities for discounting internal trade bills. The abolition of annoying local duties, which threaten a potential impediment to the development of internal trade in certain parts of India, must also engage our attention.

(Foreign Trade).

While it is obvious that we should seriously address ourselves to the task of creating conditions for the steady and unhampered development of the internal trade of the country, it is well to remember that we must, at the same time, develop and expand our foreign trade, particularly our exports, in view of the fact that we have heavy annual external obligations to meet. An expanding export surplus is consequently a necessity for India not only to meet our immediate requirements of foreign goods, but also for the pur-

pose of steadily diminishing the volume of our foreign obligations. The growth of our foreign trade during the present century is certainly encouraging but the shrinkage in India's percentage share of world's trade, in recent years, which can hardly be explained by the present depression, is a disquieting feature of her foreign trade demanding organized efforts for its redress and improvement.

By far the preponderating proportion—not less than two-thirds —of our export trade consists of raw materials and "food, drink and tobacco." It reveals India's predominantly agricultural economy, indicating how any serious diminution in the volume of her exports would react disastrously upon the mass of India's agricultural population.

Another unwelcome feature of India's foreign trade is the preponderating importance of a few countries. England, Germany, France, America and Japan between them account for more than half the total value of India's foreign trade. The danger of thus putting too many eggs into a few baskets should be obvious.

In recent years India's export trade has been meeting with severe competition from other countries, especially in commodities like oil-seeds, hides and skins, rice and manganese. Jute and shellac, on the other hand, are threatened by actual or potential emergence of substitutes. Our export of manufactures is also encountering serious competition. Our exports of cotton textiles have almost been wiped out by Japan ; and exports of Jute manufactures are threatened by foreign discriminatory tariffs imposed by several Governments with the definite purpose of encouraging imports of the raw fibre and its manufacture within their own countries.

The problems of our foreign trade thus pertain to both the maintenance and expansion of our markets abroad and it requires closer study and the continuous attention of the Government. The volume, the direction, the competition encountered, and the facilities needed—all require careful watching. At the present moment, the functions of the Government of India in this respect cease with the collection and publication of foreign trade figures. There is no organisation whose duty it is to watch the tendencies revealed by these figures and take necessary steps in the national interest. The present Department of Commercial Intelligence is ill-equipped for

that purpose, and without any further delay, machinery should be set up conforming to a real Board of Trade. Until such an institution is set up, the planned development of our foreign trade would be almost impossible. This is all the more important in these times when the fiscal and commercial policies of foreign countries are undergoing rapid changes with their inevitable reactions upon our own foreign trade.

During the last few years, the development of foreign trade by trade agreements between countries has become a widely accepted method. Nearly every European country of any importance has entered into one or more of these agreements with their customers. The main features of such agreements have been the most-favoured nation treatment, export and import quotas or exchange clearing arrangements. They have not only led to the lowering and simplification of tariff barriers between the countries entering into such trade-understandings, but have also tended to increase the volume of trade between them, by facilitating the exchange of goods mutually advantageous to them. An approximate approach to such methods was made in the series of Agreements entered into at Ottawa between the various parts of the Empire. While the method is unexceptionable, it must be said that, as far as India is concerned, the actual agreements were hastily concluded with insufficient knowledge and preparation by persons whose greatest handicap was a basic misconception of India's foreign trade position. This has been proved by subsequent events. The Ottawa Agreements were only the starting point for the United Kingdom and other parts of the Empire to enter into a network of economic understandings with non-Empire countries. England took the lead and concluded a series of carefully planned agreements with a large number of other countries such as Argentine, Germany, Norway and Sweden, while a similar agreement was entered into by Canada with France. So far as India is concerned, the possibilities of evolving such agreements have so far been practically neglected, and this bears an eloquent testimony to the absence of any real trade policy on the part of our Government. The recent Indo-Japanese Agreement marks a departure in this respect but even this Agreement was not, as I have already pointed out, the outcome of a pre-determined plan calculated to expand the foreign trade of India. The Bombay-Lancashire Pact is worse than futile, judged by the criterion of trade expansion.

The most important part of a trade plan for India would, in the present circumstances, consist in the negotiation of commercial agreements with her foreign customers on a strictly scientific basis, securing real advantages to the interests of this country. A complete survey of the possibilities of such agreements should first be undertaken. The Agreements concluded at Ottawa may, in the light of experience, require fundamental alteration in order to serve Indian interests better. The possibility of the greater expansion of India's trade outside the Empire than within it should be kept in view, and mere political affiliations should not be allowed to stand in the way of its realisation.

The policy of appointing Trade Commissioners abroad has been accepted by the Government. For financial reasons, its extended application has been delayed. In view of the increasing complexities of foreign trade and the keener competition experienced by our products abroad, the watchful assistance of Trade legations is essential. Without further delay, Trade Commissioners should be appointed in the Far East, the Middle East, East Africa and America. A definite policy should be laid down for developing a really efficient Consular Service, manned by well-trained and experienced people.

One discouraging feature of India's foreign trade is the small share of Indians in it. Apart from ignorance of foreign conditions and traditional economic conservatism, the absence of an Indian exchange bank is the most serious handicap. There is no dearth of Exchange Banks in India, but they are all foreign institutions and the Indian merchants cannot hope to, and do not, get the same facilities from the British, American or Japanese Banks, as a Britisher, an American or a Japanese gets from the bank of his own nationality. Japan realised very early that an exchange bank of her own was necessary for developing her foreign trade and for increasing the share of her own nationals in it. She started an exchange bank fully backed by her Government. I am convinced that, on identical grounds, an Indian exchange bank should be established with adequate assistance from the Government.

TRANSPORT.

In a large country like India internal transport is of much greater importance than in a small country. The transport problems of

a country of long distances consist mainly in the carriage of goods and passengers quickly, and cheaply, consistently with efficiency. The system and methods of transport now serving India should be tested by this standard, and it would be generally found that they would not come out of the test quite well.

In the machinery, policy and organisation of India's transport there are glaring inconsistencies and anomalies. Nowhere does one find a unity of purpose, a co-ordination of services or a desire to obtain the maximum benefit out of whatever natural facilities the country may provide. Railways compete with railways, and railways combine to compete with waterways. Waterways compete with railways, and coastal sea transport agencies try to take trade away from railways. An unholy war is further waged between railways and road motors. While this struggle is in full swing the country looks on unconcerned and the Government are slow in moving. Every day of inactivity adds to the confusion and renders the establishment of a co-ordinated internal transport system more and more difficult.

Let us first take the road-rail problem. Its gravity is recognised. The Mitchell-Kirkness Report was published last year and was followed by a transport conference at Simla ; but no action has yet been taken. A large amount of the taxpayers' capital is invested in the railways. They are and will continue to remain for a long time to come the main artery of transport. The nation can therefore ill-afford to let them suffer ; on the other hand, road motors offer, in certain cases, distinct advantage over the railways, and public convenience cannot be long ignored. The difficulty has been aggravated owing to a large proportion of our metalled roads running parallel to the railways.

We must approach the problem of road-rail competition with an open mind tempered by a recognition of the realities of the situation. Theoretically, and on mere considerations of efficiency and services rendered, road transport may in certain cases be preferable to railways. To argue the case for the actual scrapping of railways in favour of motor transport on the basis of this consideration alone may be inadvisable unless, of course, the retention of the railways involve a disproportionately heavy burden on the taxpayer. I have already said that the railways represent a huge amount of the tax-

payer's capital and still constitute the main artery of transport. These facts demand sympathetic and careful consideration without, at the same time, bolstering up and perpetuating inefficiency. I am, however, quite alive to the fact that it may be profitable to close down certain light railways in favour of motor services. In fact, it is the light railways which are most exposed to road competition, and their place in the future transport system of the country should engage our serious attention. Co-ordination of road and rail services would considerably mitigate the acuteness of the problem of road-rail competition. A partial solution will be found in the development and construction of roads running transverse to railway lines, which would act as feeder routes to the railways and would also widen the available areas of exploitation of the motor transport industry. Such a road development policy is further needed in the interests of our agriculture, to enable it to take advantage of quick access to competing markets. In view of all these considerations, I need hardly impress upon you the need for closer co-ordination between road and rail services, in fact, between all the different systems of transport, in the interest of the community and the taxpayer.

Even as amongst the railways themselves, the absence of co-operation in policy and co-ordination in operation is causing serious maladjustment and considerable economic waste. Our railways, unfortunately, are not administered as the hand-maid of commerce and do not serve the interests of a national economic policy. They are run either by Boards in London, in whose calculations considerations of India's economic development have never been prominent, or by officials in India who have not generally been inspired with a spirit of service to the country and its people. Their agents, representatives and servants have been characteristically unresponsive to either the claims of Indians or the demands of Indian industries and trade.

The railways directly managed by the State are perhaps slightly better in this respect, but even they have not been able to get out of the peculiarly anti-national tradition of the previous company managements. A real and fundamental change in outlook and the bold adoption of a new policy conducive to national economy are urgently needed.

Nowhere is this more keenly felt than in the freight policy of Indian railways, to which I have already made some reference in another section. Our railway rates had so far been mainly based on a policy of encouraging foreign trade and traffic to and from the ports. Circumstances, however, have changed and are fast changing and our internal trade is playing a more and more prominent part in the national economy. The basic policy of our railway rates, therefore, requires thorough revision, in the light of the newer industrial developments and the agricultural needs of the country.

It must also be pointed out that our railway administration is modelled on a somewhat out-of-date British system and is in need of change. Even British railways have, during recent years, been thoroughly reorganised and their technical administration reconstituted. German and American railway administrations likewise have been completely overhauled to meet new demands and solve new problems. It is regrettable, however, that similar rejuvenating methods have not been seriously taken up in India as yet.

Regarding the recent proposals to vest the administration of Indian railways in a Statutory Railway Board there may be some degree of agreement in principle, but the creation of such an *imperium in imperio* cannot be acceptable to Indian opinion so long as the prevailing inequities and discriminatory practices prejudicial to national interests are not removed. In an anxiety to free the day-to-day railway administration from political influence of Indians, it would be unwise to accept a situation that will necessarily mean perpetuation of present evils and continued domination of British politics over Indian Railway administration. The Indian Legislature can ill-afford to give up its control over their general policy. False principles and misleading analogies should not deflect us from the supreme duty of ensuring a truly national transport policy. The Indian Railway authority, be it the Statutory Railway Board or otherwise, should be constituted by the reformed Indian Legislature in a manner that will provide for effective control and guidance of the Legislature, not in the day-to-day administration, but in the general policy and administrative arrangements of our railways from the point of view of national economic development.

The development of inland water transport is still in an exceedingly unsatisfactory condition. Exaggerated importance has

been bestowed upon our railways and the importance of our roads and water-courses in the scheme of India's transport has not been properly realised. This is perhaps due to the fact that a large amount of British capital is directly invested in the railways and great influence is wielded by railway interests in the counsels of the Government. It should be recognised, however, that inland waterways are particularly well-suited for the transport of India's bulky raw materials and grains, and water transport has great potentialities in many parts of the country, notably Bengal and the Punjab.

The condition of India's coastal sea transport reveals a dismal picture of the unhealthy domination of foreign interests and high freight rates. The question of the reservation of coastal trade is a live issue of great economic consequence, and will demand our serious attention in the future. A matter of national economic necessity cannot long be allowed to be decided entirely by political considerations. The development of a national merchant marine is, in the condition of the world to-day, highly desirable and necessary. I have always felt that shipping occupies a pre-eminent place in our national economy.

The ship is a link in the chain composed of banking, insurance and commerce which binds the exporters to the importers. No country which is entirely dependent for the transportation of its overseas commerce upon the shipping of other countries can enjoy freedom or certainty of movement of cargo or expect reasonable freights it will have to pay. National shipping not only removes this disability but does often come to the aid of indigenous industry and commerce directly. As a matter of fact, even though our indigenous shipping is still in its infancy accounting for only about 23.7% of the entire tonnage engaged in the coastal trade of India, it has rendered great assistance to several Indian industries, large and small, such as steel, cement, sugar, Indian chemicals and drugs, flour, strawboards etc., by the offer of concessional rates. The rates policy of a national company would naturally be guided by considerations of assisting the development of Indian industries not only in its own interest but in the wider interests of the country with which its prosperity is ultimately bound up. Unfortunately, there is at present no Indian company employing vessels in the overseas trade of India, with the result that in the foreign trade of India the exporters or

importers are entirely dependent on non-Indian transport services. The consequences of such dependence have been recently illustrated in a vivid manner in the inability of Indian shippers to secure tonnage for shipment of Indian cotton to Japan after the Indo-Japanese Agreement was concluded. I am glad that some of these drawbacks have been receiving the attention of the Government of India. But I should point out that until shipping services are co-ordinated with the needs of exports and imports of the country, as in the case of Japan, such maladjustment and consequent loss to our agriculture, commerce and industries are bound to continue. It is this realisation of the economic importance of a mercantile marine that has led a number of countries since the last War to build up their national shipping. The merchant marines of America, Germany, Japan and the Fascist Italy have all been developed with State assistance of one kind or another. Even Britain is often forced to adopt a policy of assisting shipbuilding and safeguarding British shipping, and British mail-contracts have always been utilised for the purpose of developing trade routes. It is, therefore, essential that in any scheme of planned economy the place of shipping as an adjunct to trade and industry should be fully realised and adequate measures taken to co-ordinate it with the economic development of the country.

The problem of aerial transport has received practically no attention in India. The question of air transport as a commercial proposition is, of course, still in its very infancy. But this provides us with the opportunity to see that commercial air transport does not develop in a chaotic fashion leading in future to serious problems of uneconomic competition with railways as in England and America. Our aerial transport should be so planned and developed that it may serve the best interest of the country, by forming an important link in our transport system. The road-rail tangle should warn us against the development of another vexed problem of air-rail competition.

A survey of the transport map of India, to-day, betrays a lamentable lack of policy, and impresses the urgency of a co-ordinated development of all the various transport systems with a view to avoid waste and ensure efficiency. For this purpose, a Central Ministry of Communications should be constituted, and every Province should have a Department of Transport working under the general guidance of the Central authority.

CURRENCY, EXCHANGE AND BANKING.

Nowhere are results of an ill-planned policy more apparent than in regard to the currency and exchange machinery of India. It has ever been a case of haphazard experiments on just wrong lines. Commissions and Committees have been appointed, have reported and made sundry recommendations; wherever such recommendations were to the detriment of the country, the Government never hesitated in taking action. Wholesome recommendations were never acted upon. Warnings and protests were lightly brushed aside; and all that happened to the reports of the various enquiries was further deterioration of the currency machinery with greater injury to national interests.

In broad terms, it may be stated that suggestions for the establishment of gold standard, even when made by expert committees, were unacceptable to the Government of India. On the other hand, fantastic proposals regarding the exchange value of the rupee were acted upon with indecent haste. It is the fad of a high ratio that has governed the monetary outlook of the authorities. Early in the last decade, a two shillings ratio was placed on the statute book in the teeth of universal opposition. Millions of pounds were wasted in the futile attempt to prop up an impossible ratio. This ridiculous experiment lasted for six months. Only after the Treasury had incurred a direct loss of over Rs. 55 crores, the Finance Member threw up his hands and said that it was no longer possible to maintain the two shillings ratio. This disastrous experience did not teach anything to the Government for, again, an equally disastrous ratio of eighteenpence was forced on the country in 1926, despite the strong expression of opinion against it from all sections of Indian opinion. The maintenance of a ratio far higher than was justified by intrinsic conditions necessitated a ruthless pursuit of an inexorable deflationary policy. The country was subjected to repeated doses of contraction. Total currency contraction between 1927 and 1931 came to no less than Rs. 100 crores. Every endeavour was made to infuse and maintain extreme stringency of money. Furious borrowings at fantastic rates were the order of the day. Trade was penalised just in order that the Government might persist in their fetish. Matters were heading to a crisis and the Government would again have had to throw up their hands and confess themselves beaten if it

were not for Great Britain's abandonment of gold standard in September, 1931, which gave them relief at just the critical moment and which enabled them to save their face. But the Finance Member would not avail himself of the opportunity thus offered in the way which prudence should have dictated. India could have anticipated the currency experiments, which, in later months, countries like Japan, New Zealand and the U.S.A. were to inaugurate with immediate and beneficial results to themselves. Great pressure was brought to bear upon the Indian authorities that the occasion offered by the divorce of sterling from gold should be utilised for the re-adjustment of the external parity of the rupee. Protests and appeals were of no avail. And so we come to the present, with the rupee maintained at 1s. 6d. sterling not by natural support of merchandise surplus but by the artificial prop of shipments of distress gold.

In any economic planning from the point of view of money, the prime consideration that should be kept in view is an entire change in the mentality and outlook in currency matters. All this talk of the sacrosanctity of the rupee must end. We should refuse to be parties to making a fetish of stability of exchange. We should devote more attention to the importance of a smooth-functioning currency standard. Let us by all means have a stable ratio. But let us give up all thought of having a ratio stable for all eternity. Sir Basil Blackett, himself the author of the eighteenpence, would be the first person to scrap this ratio if he was the Finance Member to-day. Sir Basil, who argued so bravely about the supreme importance of a stable ratio in 1927, had changed his views by 1933; and he has nothing but ridicule for the fetish of a stable ratio. Mr. J. M. Keynes visualises the future as one in which we should be free to make minor alterations in the par of exchange so long as every attempt is made to maintain stability over a limited but short period of time. Instead of the ratio engaging all the attention and demanding all the resources, it is the perfecting of the currency standard to which the Government should set their hands. While, under present conditions, we can have no objection to a sterling exchange standard, we should make it clear that the moment countries like Britain and the U.S.A. have definitely re-established gold standard, India should forthwith alter her currency mechanism from sterling exchange standard to gold standard.

Meantime, even the working of sterling exchange standard must be free from needless interference and manipulations. Any currency standard in which the link of national currency is with an external paper currency can be, at best, only managed currency. But let it not be a case of mismanaged currency. In another context, I have referred to the way in which the remittance programme is being utilised for the enforcing of a deflationary policy. In reference to the standard, the currency authority undertakes two statutory obligations, namely, the obligation to sell sterling at the lower point and the obligation to buy sterling at the upper point. In between, the Government have perforce to buy sterling at rates lower than the upper point as they have to accumulate sterling resources for the Home Treasury. If the accumulation of such sterling resources is done in a way that defeats the purpose of the upper point, this means clearly that the currency standard is being worked by the authorities in a way that is opposed to scientific practice and is at variance with statutory obligations.

The essence of planned money is the adoption of a currency standard which will function smoothly, both in relation to internal and external conditions, and which will permit the least possible interference from or manipulation by the authorities entrusted with the working of the standard. There should be full scope for action and re-action.

By far the most important feature of economic planning is the planning in monetary matters. In the absence of planned money, prices of commodities will be subjected to fitful influences, trade and industry could not have the assurance of adequate finance at reasonable rates, and confusion would prevail in the capital, gilt-edge and exchange markets. The well-being and prosperity of all the sections of the community are profoundly affected by the way in which the currency authority controls the standard, supplies or withdraws currency and otherwise undertakes varied operations which affect the value of money and prices of goods. The currency mechanism can either do great good or great harm according as it functions in a wholesome or unwholesome fashion. The good it can do, embraces the entire country and no section of the population remains unaffected if harm accrues. It is for this reason that the utmost emphasis should be laid on a correct and scientific plan for money.

In the evolution of a proper currency standard, our authorities should revise their ideas as regards the proportion of gold in our external reserve. Conservative in every other respect, and fighting shy of experiments in every other sphere, the Finance Member has, however, professed ultra-modern ideas in regard to gold. Gold is not a fetish to him. It is sterling that is the be-all and end-all. He visualises a day when countries which have been grabbing all the gold that they could lay their hands on would be sorry that they did so. In this view, Sir George Schuster has no use for even the policy of Great Britain. While England has been rapidly strengthening her gold reserve in the period following the abandonment of gold standard, the Indian Government have allowed gold to flow out of the country, without any attempt on their part to secure a portion for the strengthening of their currency reserve. From the published figures in the Bank of England returns and from the reported accumulations of gold in the Exchange Equalisation Fund, it may be said that Britain has gained an additional £ 150 million of gold within 2.1/2 years. India, on the other hand, has exported gold to the amount of Rs. 175 crores. Our currency reserve has not gained one ounce of gold during all this period. We are asked to feel very pleased with ourselves as sincere philanthropists who have helped international finance by exporting gold without let or hindrance. If it is certain that the important countries of the world would go back to gold standard as soon as conditions permit ; and if, therefore, it is essential that India too should re-establish gold standard, the present attitude of the Government in regard to gold exports must be considered extremely detrimental from the point of view of planned money. There must be definite plans for the acquisition of gold on account of the currency reserve for such amounts as would ensure the smooth functioning of gold standard in a country which has two kinds of notes in circulation, namely, paper notes and silver notes ; and which has an annual recurring liability of about £ 30 million by way of overseas commitments.

In this, as in other matters, the currency policy of India has been fashioned at the dictation of Whitehall and in the interests of the City of London. It is negligence of the Indian interests and policy of drift which have most adversely affected the economic life of India ; what is worse, it has seriously jeopardised the prospects of satisfactory reforms in the future. The conflict between the cur-

rency system of India and the larger economic interests of the country has become more and more pronounced. Considerations connected with our foreign obligations have exerted undue influence over the outlook of the Government, and they have failed to realise that the best guarantee for a proper discharge of such obligations can be provided by stimulation of our export trade and expansion of our favourable balance, to both of which the high ratio has proved a serious impediment.

From a survey of the history of the past, it is obvious that we have had no plan or definite aim in currency and monetary affairs. Those who have been shaping the currency and exchange policy have been content to live for the day. They have evinced no desire to place it on a suitable and permanent basis ; yet, of all issues affecting the economic destiny of a country, nothing requires more urgently and more imperatively to be placed on a definite and permanent basis than currency and monetary policy.

Although the canons of a sound currency system are universal in their character and are fairly well-known, the principles which in the circumstances prevailing in India, should be regarded as most important to the policy best suited to this country, need to be fully emphasised. We should aim, in the first place, at a comparative stability of internal price level. As I have already stated, less attention has been paid to this most important consideration, and, not infrequently, it has been absolutely ignored in the anxiety of the Government to maintain a stable exchange value. A fair measure of elasticity should be one of the essential characteristics of our future exchange and currency policy. Special attention will have to be paid to the fact that seasonal variations in economic conditions are very marked in India. Lastly, our currency and exchange plan should be entirely under our own national control ; in its management interference from abroad and international influences should be eliminated as completely as possible.

Further, we should aim at a co-ordination of the currency and credit policies of the Government which are now conspicuous for their complete divorce from each other, not infrequently reacting most disastrously on the internal price level. The establishment of the Reserve Bank is expected to solve the problem to some extent, but with very little effective control of the Reserve Bank over ex-

change, its complete control over the currency policy will be doubtful. Besides, the influence of the Treasury Bills policy of the Government over the volume of money in circulation cannot be ignored. Money is at present pumped out and pumped into the market at the discretion of the Government, often with scant regard to the effect of such actions on price level. The plan for our future currency and exchange policy of the country will have to provide for safeguards against such unsettlement of the market.

But the efficient functioning of our monetary standard will depend, to a great extent, on a re-organisation of the entire banking system of the country. The banking structure of India lacks homogeniety and cohesion. When the modern system of banking was introduced in India in the second half of the 19th century, there was already in existence in the country a much older indigenous banking organization which, with all its faults, its out of date methods, its unprogressive outlook, was performing a very useful economic function. The new banking structure was superimposed upon the old edifice and no attempt was made either to make the old organisation the basis of the new structure or to induce the new system to utilise fully the materials, resources and the organisation already in existence. The development of modern banking in India, therefore, is in a real sense exotic. We have, on the one hand, the village money lenders, the bigger sowcars and mahajans and the rich and influential banking houses in the cities and towns. After them have grown up the Indian joint-stock banks, most of them fairly well-managed but with modest resources, and some of them working on the most modern principles and with ample resources. Thirdly, there are the big foreign exchange banks situated for the most part in big cities but possessing extensive and influential connections with up-country centres of trade also. Above them all stands the Imperial Bank of India, a sort of quasi-central bank, performing many of the functions of such an institution but, in reality, a large commercial bank with magnificent resources, ramified branches and vast influence, transacting an immense volume of business in competition with the other banking institutions in the country. Smaller public banks and richer private bankers work in a kind of affiliation to this bank and are in a very real sense dependent upon it.

There is a fairly close understanding among the exchange banks and they work with a certain amount of co-ordination. Their rela-

tions with the Imperial Bank are also fairly intimate and there is ample evidence to say that they have enjoyed the confidence of the Imperial Bank. In the beginning they were established in India with the sole object of financing the foreign trade ; but, as time went on, they discovered the possibilities of doing inland banking business as well, of developing the deposit side of their activities and the financing of internal trade. In recent years, therefore, the Indian joint-stock banks, most of which are not engaged in the business of financing foreign trade, have begun to feel keenly the competition of these powerful foreign rivals.

This is the picture of the working of the organized banking system of the country. It will be readily seen that, under such an organisation, a co-ordinated banking policy is impossible of achievement. Till now there was no central authority which could lead or advise and, if necessary, enforce the banking policy and methods. There is no doubt that this serious defect will be rectified as a result of the enactment of the Reserve Bank Bill. But the Bill as passed will not bring the millennium. Immense benefits could have been reaped had the Bill been framed purely from economic considerations, and had not extraneous political considerations affected the whole issue. The constitution and management of the Bank can hardly be deemed satisfactory, nor are its functions calculated to inspire much hope and confidence in the banking world. It is apprehended that its relations with the Imperial Bank will make it impotent against any policy that might be pursued by the latter in order to counteract its credit policy. The vast number of indigenous bankers have been left out of its sphere of influence, and it is difficult to see how the operations of the rural money markets can be co-ordinated with those in the cities.

So far as the wider questions of banking development and the credit policy are concerned, the Reserve Bank, even if it had been an ideal institution, could do little in the matter of acting as the monetary authority, without there being a network of banks in the country. The number of cities having a banking office is too small as compared with the total number of cities in the country. A considerable number of towns, not to speak of villages, have no modern banking institution and it is necessary to establish a large number of commercial banks spread throughout the country. As I have

already stated, banking development of the country, meagre as it is, has been entirely lop-sided. Industry and agriculture have been sadly neglected. The need is at present keenly felt for developing a more diversified system of banking by the establishment of banks of all kinds, for financing agriculture, industry (both for long term requirements, as well as for short period), and trade (both internal and foreign). To bring all these banks within the orbit of the effective influence of the Reserve Bank, it will be necessary to establish discount houses and licensed warehouses. The absence of a bill habit has resulted in the popularity of the system of cash credits which is at present a weak link in the banking system of the country. The problems of loan offices in Bengal and Nidhis in Madras and the problem of indigenous bankers remain also to be solved. Reform of these agencies must be made an essential feature of planned money.

PUBLIC FINANCE.

The lack of plan has also characterised the administration of Indian Public Finance, but before any suggestion can be made, it is necessary to take into careful consideration the probable future trend of the existing sources of revenue. A review of the past and the present reveals the fact that India's sources of revenue have changed from decade to decade in point of importance and yield and have forced upon the Government the necessity of tapping fresh resources for the augmentation of revenue. Every growing country has got to face this problem at every stage of its progress and as India stands now at the threshold of political reforms and in view of the necessity for a planned economic development of the country urged by me in the foregoing pages, her scale of public expenditure is likely to increase in the near future and possibilities of fresh sources of revenue will have, therefore, to be thoroughly explored.

The main sources of revenue of India at present are customs, income-tax, salt and opium in the case of Central Exchequer, and land revenue, excise and stamps in that of the Provincial Governments. The productiveness of opium as a source of revenue has already been rigidly circumscribed by international agreements, while returns from salt also are not likely to increase, for the regressive nature of the tax has already made it extremely unpopular and its reduction, if not entire abolition, is only a question of time. Cus-

toms, till now the most important of all the sources from the point of view of revenue receipts, will remain so for some years, but its diminishing returns have to be taken into account in formulating any scheme of India's public finance. The policy of encouraging the development of industries in India by means of tariff and other measures, with a view to make India self-sufficient at least in respect of certain commodities, will have its inevitable repercussions on the receipts from customs. As a matter of fact, this policy has already tended to discourage imports of certain goods, which have already evinced a downward trend. It is true that the industrial needs of the country will require importation of machinery and varieties of raw materials for several years more, while it is also true that with the improved standard of living resulting from the economic development such as we envisage, the consumption of foreign goods of the kind not manufactured within the country will increase to a great extent ; it is also reasonable to assume that with the lifting of the depression, there will be larger imports into the country than at present, and consequently larger customs revenue. At the same time, it is necessary to bear in mind, that the imports of cotton piece-goods, sugar, matches, paper, etc., which have so long yielded the major portion of customs revenue, will gradually fall off. In fact, matches have long ago ceased to yield any considerable revenue while sugar as a source of revenue is already a spent force ; the steady growth of cotton textile industry all over the country will also inevitably tend to shut out imports of cotton manufactures into India. These facts serve to emphasise the importance of income-tax, the only other principal source of central revenue, but even though the increased prosperity of the country might be reflected in receipts from income-tax, it will not be reasonable to expect that the additional revenue from this source will, for some years to come, be such as to compensate the loss from customs.

The logic of circumstances thus demands that new sources of revenue should be tapped, the need for which is also evident from a review of the position of the Provincial Governments. Land revenue, their principal source, is extremely inelastic and has shown considerable resistance to any substantial increase; the receipts from excises also have not in all the provinces yielded the desired result, leaving stamps as the only important dependable item. But as in the case of income-tax, dependence on a single source for a con-

siderable portion of the revenue receipts is extremely precarious, and it suggests the necessity for making the tax system more broad-based.

At the same time, we have to take into consideration the limited taxable capacity of the people. The people of India are admittedly very poor as compared with those of other countries, and the proportion of the total tax revenue to the total national income cannot naturally be as high as in other more fortunately placed countries; which leads to the conclusion that not much can be raised by imposing new taxes or increasing the present rates of taxes. We cannot, on the other hand, ignore that if the present practice of expending larger sums on the primary services of the Government to the exclusion of the more important developmental works is abandoned or even modified, and if, in future, increasing sums are allotted for the latter, the consequent improvement in the economic condition of the people will enable them to bear the burden of increased taxation to a greater extent than is possible at the present moment.

The minimum total amount of additional revenue to be placed at the disposal of Provincial Governments for making a fair beginning in regard to the nation-building services has been estimated by Sir Walter Layton in his Financial Report appended to the Report of the Simon Commission at between Rs. 40—50 crores. It is extremely problematic whether it is feasible to raise this amount of additional tax revenue, while it is equally doubtful whether the money thus raised will be available for being spent for the secondary services of the Government in India, in view of probable shrinkage in Customs Revenue—a loss which will also have to be made up from the new levies.

These facts inevitably lead to the conclusion that to enable the Provincial Governments to adopt beneficial measures, it will be necessary not merely to tap new sources of revenue but also to exercise strict control over items of expenditure, particularly those relating to the maintenance of internal and external security, in order to leave a larger margin for productive purposes. It is, however, well to recognise that this economy in expenditure will not dispense with the necessity for additional taxation.

As regards the new sources of taxation which can be tapped, careful enquiries will have to be made into the equity, incidence and

the probable yield from taxation of agricultural income, the institution of a tobacco monopoly, (and, for that matter, national monopolies in regard to other commodities of similar nature), excise duties on certain specific commodities, stamp duties on railway receipts, etc. I do not propose to deal with these specific suggestions here, but I would suggest that possibilities of raising additional tax revenue from these and other sources should be carefully investigated. Simultaneously, steps should also be taken to increase the productive power of the existing sources of revenue by varying the rates. Besides, attempts should be made for making the Post and Telegraphs Department a revenue earning department instead of being a burden on the general revenues as is now the case. This principle has been widely accepted in countries like Switzerland and Canada. But while State revenue is to be the objective, full and sympathetic investigation should be made into the taxable capacity of the people before any scheme of indirect taxation is undertaken through the regulation of postal and telegraphs rates. The existing financial position of the department, as at present administered by the Government of India, is extremely unsatisfactory. Year after year it is being run with deficits and for the last few years it has been almost a fashion to make of the general depression a scape-goat and put the whole blame on it. The crying necessity is, however, greater economies in administration, for which there is a vast scope.

The question of India's debt burdens will also have to be tackled in a scientific manner. The influence which our external debts and Home charges have on our Balance of Accounts with foreign countries can hardly be exaggerated. Inspite of the fact that we have ordinarily had a large visible Balance of Trade, our huge foreign obligations have not infrequently caused serious anxiety to the Government in meeting the annual charges.

To my mind the best method of meeting these obligations is to create a separate Fund, to which should be annually allocated sums determined in accordance with certain fixed principles ; these annual allocations should be utilised not merely for paying interest charges but also for redeeming portions of the original debts, in such a way as to wipe off the entire amount of our external debts at an early date. A similar provision made for our internal debts would facilitate conversion of loans bearing higher interest charges into those bearing low rates, thereby relieving the burden on the general revenues,

As regards future borrowings, I would suggest that a Central Loan Council or a Council of National Debt be set up to accord sanction to the floatation of all loans, and especially the foreign loans, and also to co-ordinate central and provincial borrowings. For the purpose of raising loans abroad, India must shake off her exclusive dependence on the London market and should tap other markets as well.

Allied with the question of our external debts is that of the Home charges which are a source of immense concern to the country. The reduction in these charges, which mainly consist of pensions and allowances to the past and present Government officials recruited from England, has become imperative; and while the stopping of further recruitments in England altogether will in course of a number of years result in the ultimate extinction of these charges, the question of regulating their payment by paying an annuity for a fixed number of years to the British Government in return for their undertaking the entire liability on this account should be carefully considered.

In view of the fact that the provinces are to secure greater autonomy with greater responsibilities for their own development and advance, the question of an equitable allocation of resources is of primary importance. While the question has been discussed by a number of Government Committees and Commissions and settled to be only unsettled again and again, the solution still remains remote. The fundamental defect of the system, which has persisted since the Meston Award, is the allotment of comparatively inelastic sources of revenue to the provinces. Land revenue is an extremely stationary source even in those provinces where permanent settlement of land tenure does not prevail; excise is one in which diminishing returns have set in with the growth of an enlightened public opinion. Irrigation and forests are likewise mostly unproductive, mainly due to the fact that Governmental expenditure in these directions is quite meagre. It is, therefore, necessary to make a satisfactory re-allotment of sources of revenue with full consideration of the needs and potentiality of respective provinces before the Federal constitution is actually inaugurated and fresh burdens and responsibilities devolve upon the provinces. Financial justice to the federal units will constitute in itself not only a source of strength to themselves but also a reserve of potential support to the Federation.

That the administrative machinery in India is exceptionally top-heavy is an admitted fact. A poor country like India can ill afford the luxury of such expensive administration, which has always hampered the prosecution of schemes for national development. Reductions in expenditures are also urgently required for releasing adequate funds to help the Government in the launching of a constructive economic plan for India. I would suggest in this connection the establishment of a Commission on the lines of the American Efficiency and Economy Commission to thoroughly examine the whole question of government expenditures and suggest necessary economies consistent with efficiency. I am firmly convinced that Government expenditures can be considerably curtailed without in the least impairing the efficiency of administration.

MACHINERY FOR PLANNING.

I have already dilated at considerable length on the necessity as well as the general nature of the plan. I have also indicated the immediate problems which demand our urgent and serious attention, although it is well to bear in mind that the emergent measures which may be needed to deal with some immediate pressing problems should not be confused with the formulation and the carrying out of the general plan itself. Now to formulate any general and comprehensive plan, it is necessary to have some appropriate and effective machinery. It is well known that the present governmental machinery is, by its very nature, unfitted to do this.

The work which faces us requires a regulating or planning body in possession of all relevant and accurate statistical materials for a correct assessment of economic and social happenings. The dearth of such materials in India is too patent. Our existing statistical methods and materials need thorough overhauling. It would then be the function of the planning body to correctly read the implications of such materials and evolve such a plan as will be best suited to her conditions and also will, at the same time, best subserve her own interests. Such a body, I need hardly impress, must be at once intensely realistic to gauge and assess present conditions as accurately as possible and sufficiently imaginative to visualise the problem as a whole in relation to the several parts with due regard to future possibilities. The machinery must be quick in action, but, at the same time, flexible. It must be free of the curse of bureaucracy

and courageous enough to admit mistakes. In the choice of methods, it must resort to such as are best suited to the conditions and change them whenever altered circumstances demand this, so that the better may never become an enemy to the best.

The central idea is to set up a Supreme Economic Council or a National Planning Commission which will in no sense supersede either the executive or legislative limit of the Government. From the working of the Tariff Board, a fruitful scheme for such a Council or Commission could be drawn. It should be composed of a permanent personnel of experts with the right to co-opt from time to time members having expert and specialised knowledge of particular problems when the Council will have to deal with such matters. Such a procedure will ensure the availability of specialised knowledge for special problems while guarding against a too circumscribed outlook or unwieldiness on the part of the Council itself. In the task of planning, each particular industry, manufacturing, agricultural or extractive, must be dealt with as a whole, and the several units in any one industry must organize itself for co-operative work. The next step would be the establishment of organizations for the whole of Industry, Agriculture, Retail Trade, Foreign Trade, Banking etc., which should be able not only to represent as organised functional bodies their respective cases to the Council but also to carry out such schemes of work as may be entrusted to them. Where such embracing organizations for the whole or any particular economic aspect of life or for the separate units in any one industry do not exist, the setting up of such associations should be actively encouraged.

In respect of the provinces, too, we should have similar Economic Councils, although, in so far as the services of experts will be needed to elucidate particular problems, it will be open to them to draw on the experiences of the Central Council in addition to their right to co-opt members with specialised knowledge of mainly provincial matters. An important function which the provincial councils will subserve is the compilation of all relevant data in regard to the various aspects of the economic life of the respective provinces. Towards this end, voluntary co-operation of universities and colleges on the one hand and of Chambers of Commerce on the other, would be found extremely valuable,

While facts and figures bearing on the situation in each province will be gathered, sifted, analysed and compiled by the provincial bodies, the Central Council will have to co-ordinate the results of the provincial investigations and, what is more important, to take all those measures for the expansion and enlargement of the economic statistics of the country, so as to bring them into line with the statistics maintained by progressive countries like America. The Economic Intelligence Bureau will have to be organized on a thorough and efficient basis. It would be necessary, in this connection, to ascertain how far the existing machinery of the Department of Commercial Intelligence and Statistics admits of expansion and strengthening, so as to make the kind of Economic Intelligence Bureau which it will be the prime purpose of the Central Council to provide itself with.

I should again like to impress upon you a point which I have already stressed, *viz.*, that the basic necessity of our plan is for developmental purposes. And India should be developed mainly in the interest of Indians. It is therefore incumbent that in any machinery we may set up for the formulation and execution of the plan, we should constantly bear this fact in mind.

URGENCY OF ACTION.

In examining such vast problems within the limited time at my disposal, I have necessarily had to content myself with a reference to some of the principal subjects only, omitting reference to a lot of other connected subjects. An economic plan itself is only part of national planning, and the latter comprises the co-ordination and harmonisation of a number of other human activities which go to make up the physical, mental, moral and material well-being of the people of the country. Even as regards those I have examined, I have had to be content with the barest and baldest outline. And the outline has often been rather slightly sketched than firmly drawn. I have tried not so much to exhaustively deal with the problems and the methods by which their solution could be attempted. My object rather has been to place before you some suggestions in order to quicken interest and stimulate thought. To formulate a complete plan embracing the varied and far-flung economic interests of a continent like India would be beyond the capacity of a single individual like myself. It will need "skilled collaboration of many minds,

administrators, businessmen of varied experiences, trade unionists, lawyers, men and women skilled in parliamentary and municipal procedure, scientists, teachers." My object will be completely achieved if my observations can serve as the starting point for further thought and discussion, and if I have succeeded in impressing upon you the imperative necessity for action.

I believe that unless some measures for improvement of the economic stamina of the people are quickly adopted, the situation may get out of control and lead to catastrophic repercussions. The great need of the moment is not only a policy of action to deal with a pressing situation, but also the provision of a new conception of social and economic organization which will facilitate the evolution towards a healthy and stable economic system. Such a system need not involve a radical reconstruction of the economic structure. Nor need it eliminate from business the motive of personal reward. Once we have laid the foundations of a plan for the economic betterment of the country as a whole, there will still be a large field of useful work for even the most hardened individualist. But unless something is done quickly, I feel, there is a limit to the sufferings that will be borne by even a traditionally patient people ; and when their balance of mind has been upset by continued privations and their judgment warped by severe economic adversity, they may develop into the most fertile soil in which the violent and ruthless could sow the seeds of revolution. That is the lesson furnished by the history of countries like Russia, eighteenth century France, Post-War Germany and Post-War Italy. Revolutionary movements thrive with the development of a revolutionary situation, and bankruptcy of statesmanship has invariably led up to such a situation. The flamboyant appeal of the revolutionary must be opposed not by a negative attitude, but by constructive proposals which will appeal to the reason and intelligence of the nation by diminishing its sufferings. But it is not enough to frame constructive proposals, nor is it enough to know the remedy, we must apply it in time before fatal symptoms have developed.

Of course, I realise at the same time that it would be futile to adopt certain measures merely because "something" has to be done. This is no time for light-hearted experimentalism. When we undertake the journey we must be clear as to our destination. We must realise that fragmentary measures cannot achieve permanent

results. While we realise that the defects of a system cannot be eradicated all too soon, this cannot be an excuse for being too slow and timid. Necessity for caution there no doubt is, but it certainly is no justification for inactivity or for half measures.

POLITICAL OUTLOOK.

I have confined myself so far to the consideration of economic problems with which as businessmen we are so intimately concerned. The political situation also affects us no less vitally. Frequently, we have experienced how political conditions have thwarted economic objects, and the impending political changes will affect our business activities to a greater extent than we imagine. I need not therefore apologise to you for making certain observations on the political situation.

The country had been following a certain political programme in accordance with a policy that was laid down by the most dominant political organization of the people. The whole nation for a time supported it and the commercial community, even while it could not as a body actively participate in it, genuinely sympathised with it and helped it in various ways. It did not bring us that measure of success that was universally hoped for. The very nature of the programme is such that there are serious practical limitations to its continuance for any length of time. An extreme programme of non-violent direct action imposes severe sufferings upon and demands great sacrifices from its adherents. The stringent measures adopted by the Government have also seriously affected the chances of its continuance as a mass movement. In an atmosphere of intense inter-communal clash and sectional differences, the continuance of such direct action of this kind may easily become a dangerous method. To continue to use such a weapon and at the same time prevent its inevitable reactions require a degree of national unity and discipline that is not found in India to-day. Civil resistance, as understood and practised in India, by itself need not necessarily be a dangerous method. But among its advocates is a group of people who view it merely as a preliminary to further extreme action for the promotion of aims and ideals about which there is not the least unanimity. In short, their ideas appear to favour a social and economic revolution, if necessary. When we examine Civil Disobedience as a method, we should not be too greatly influenced by the aims of its saintly

originator, but we must also ponder deeply over what is likely to be the results, if its control and direction passed into the hands of those whose purity of motives and selfless devotion we may admire, but whose reckless disregard of consequences cannot be defended. And who can say it will not happen ? As businessmen we cannot risk the creation of an atmosphere of national confusion and disintegration. It is not that Indian businessmen are afraid of financial loss. If they could be sure of achieving the aim, they would never recoil at sacrifices. But if they feel these sacrifices will not bear fruits, they cannot in fairness to themselves support that policy. This is the simple and understandable position of Indian businessmen.

At the same time we are quite aware that the Government, by their lack of vision and sympathy and the adoption of harsh and indefensible methods, may be adding fuel to the fire of national resentment, which might at any time blaze forth again into the terrible conflagration of revolution. We are powerless to prevent it. The responsibility for it, if such a position occurs, must rest entirely with the Government. We have warned them against it ; but warnings go unheeded, for what does Government care for the opinion of the people of this country ?

Now the old programme is, for all practical purposes, suspended, and no new programme has been adopted in its place. But as far as it can be seen the feeling is widespread, not merely among the commercial community, but even among erstwhile active adherents of the policy and the country in general, that a definite change in the political programme, and the political methods and tactics is necessary. It is a feeling that is fully shared by businessmen all over India and I fully trust it will be given due consideration when the time for decision arrives.

Apart from the transformation in popular feelings and ideas, there have also occurred perceptible changes in the situation of the Government. After the success which they feel they have achieved in checking the nationalist movement, they are naturally feeling more confident of their own powers and less inclined to respect the country's wishes. The Assembly and Councils everywhere have ceased to function as guardians of national rights or champions of national interests. The Government have been able to persuade them to pass the most reactionary measures with indecent haste and sur-

prising ease. The most unwarrantable interference with individual freedom has been openly exercised. Above all, ruthlessly repressive measures have been incorporated into the frame-work of the administration. While a cloak of justification for them, however thin, might have been provided by the conditions that existed some time ago, their indefinite continuance and the continual addition to their number are not warranted by present circumstances. But the Government are arming themselves and strengthening their defences, lest under the petty concession that they contemplate in the White Paper, real power and effective control should slip out of their hands. Under the next regime it may be difficult for the Government to force the legislatures to accept such measures ; but under the extensive and undefined powers that will certainly be vested in the Governors and the Governor-General, all attempts at their repeal can be effectively thwarted.

Paradoxical as it may appear, simultaneously with the strengthening of the bureaucratic buttresses, the Imperial Government are also considering the extension of some political concessions. The wearisome delay which marks the progress of their proposals through the interminable stages of Conferences and Committees, before they are finally placed before the Parliament, signifies the seriousness with which the whole question is viewed by Britain. India's own opinion of the constitutional proposals embodied in the White Paper and the subsequent discussions in London, which constitute Britain's prescription for the solution of the Indo-British problem, has been given frank expression. Even the moderate-minded representatives that gave evidence before the Joint Parliamentary Committee did not consider them as acceptable. "India desires," they say, "to shake hands with Great Britain in token of friendship based on a recognition of equality. A proposal that she should be handcuffed before she is allowed to shake hands, lest she be tempted to strike, is hardly the most expedient method of beginning a new era of cordiality and mutual understanding". The spirit that runs through them is one of open mistrust and the proposals themselves are grossly inadequate judged even by the declaration of policy made by the Prime Minister at the end of the first Round Table Conference. They are characterised by a carefully concealed unwillingness to part with real power. Wherever there has been any concession of power it has been effectively nullified by artfully contrived

checks and balances. The Governor-General's extraordinary powers and "special responsibilities" will overshadow whatever powers may be delegated to the Ministers. The Defence Budget will be determined by the Governor-General and the Commander-in-Chief. In matters of currency, credit and exchange the previous sanction of the Governor-General will be necessary for any substantial change in the present order of things. That the Governor-General should have a special Financial Adviser (a function which in all countries if fulfilled by the Finance Minister) is an unmistakable indication that the Finance Minister is not expected to share his confidence. The constitution and powers of the new Reserve Bank have been so devised that real Indian interests will still find it difficult to gain influence. The proposal for a Statutory Railway Board is another measure that has been devised to diminish the powers of the Legislature and segregate the transport organization from popular control. The provisions relating to commercial discrimination have been so framed that, in the form which they finally assume, they may prove a powerful impediment to India's economic progress and freedom, and the strongest guarantee of the economic control of India by foreign capital. Under the plea of preventing commercial discrimination Britain is really attempting to force India to confer upon the British businessman every right, every privilege that an Indian businessman can ever enjoy. Even the idea of so-called reciprocity is receding to the background, and nobody in India can enjoy greater rights than a British businessman. This is a position which may lead to a future economic conflict many times more severe than the present political struggle.

If the situation does not improve and if the present struggle is continued, India will remain a source of increasing weakness and troubles to Great Britain. While her apparent control and the outward forms of political domination may continue, her real influence over India's life, ideas and outlook is fast dwindling. The antipathy she has aroused cannot be eradicated by 'strong measures', political palliatives or half-hearted concessions. While these facts suffice to show that under the new constitution the position will remain substantially unchanged, Britain's attitude towards India has not undergone any basic alteration. There is not even an indication as to when the tutelage will end. The position is both unsatisfactory and uncertain. But the Government seem to be changing their

tactics. New methods are under their contemplation. The devices they will adopt under the new regime to retain control of the country will differ widely from the old weapons. For this reason, again, the country also would require to change its methods and instruments.

But it would be difficult to prescribe them just now before knowing the exact position and attitude of the British Government; and neither is it possible immediately to define our attitude towards them under the next regime, and even if it were possible, at the present stage it would be eminently inadvisable. There is time yet to do that. We do not yet know in what shape the Bill will finally emerge and, therefore, it strikes me that it would not be wise to enter into speculation about our future action.

There is a section of people who seem anxious to express their willingness to work the new constitution for what it will be worth. They do not even know the ingredients of the medicine manufactured and patented in England, but they are eager to prescribe it for India. In my judgment such an attitude is not warranted by the present state of things. There is nothing to justify or support the assumption that our readiness to make an unequivocal declaration of co-operation will induce the British people to make any change in their policy or concede greater powers to us. You will pardon my inability to understand those whose zeal for co-operation under all or any circumstances still remains unabated.

I do not think the time has yet arrived for the commercial community to make any immediate decision on the question of council entry. Our readiness to go to the Councils cannot be of any avail unless the country also decides upon such a policy. Representatives of the commercial community may go to the Councils to oppose unacceptable measures and help the initiation of beneficent ones; but unless the nation also decides to enter them the few representatives of Indian commerce can expect to do neither successfully. Some of them are in the Councils to-day. Are they able to prevent the enactment of any unjustifiable measures, even in the economic sphere? Are they able to influence legislation for the benefit of our economic progress? The Councils can be of some advantage to us only if they consist of the real representatives of the people on whom our representatives can rely and with whom they can work in co-operation. Until, therefore, the country decides to enter the Coun-

cils, it will be premature to make any decision ourselves in this matter. What we really ought to do is to express our views frankly so that they may exercise due influence upon the leaders when they assemble to make the final decision and, having done so, to await the decision before adopting any definite policy ourselves.

As I have already stated, the general feeling is growing that a review of our political situation and resources and a reconsideration of our political methods and tactics are necessary. The great lesson brought home to us by the events of the past few years, as I read them, is that too great a sanctity should not be attached to one particular method. Political tactics often necessitate the adoption of several weapons at the same time. The value of a method is sometimes so exaggerated, and invested with almost divine sanctity that not infrequently there is the danger of our losing sight of the goal. There may grow up an impatience of any other methods suggested for the attainment of the same goal. A tenacious loyalty to a given method is often a political asset of great value ; but when you mistake it for an unalterable political principle, it may become a terrible handicap to political progress.

The soundness of a given political method should be tested not merely by its theoretical excellence, but also by its adaptability to the conditions actually prevailing and which are necessary for the achievement of success. It might be eminently desirable to have an army composed of men, every one of whom is six feet high ; but by prescribing this condition as an indispensible qualification for entry into the army you will hardly gather more than a few hundred men.

We have in the past employed certain political methods. We should not be afraid to admit that they have not brought us the success we had hoped for. Ordinary prudence demands a change. There is nothing derogatory to a change in political methods. Considerations of false political prestige should not deter us from grasping the realities of the situation which call for a change, so long as our goal remains unchanged and our ideals unaltered. A river in its course to the sea encounters many an obstacle. If it encounters a hill in the course of its progress, it circumvents it and continues its course to the sea. So should it be with our politics.

Within the bounds of the principles of morality and the tenets of the philosophy of our life, we should have no hesitation in adopting any method that is likely to further our ends and strengthen our cause. I do not believe that we should not approach an evil thing even to mend it, not even to end it. If the leaders think that the Councils can give us strength to achieve our goal they must capture them and work them. If they believe the Councils are impediments in the path of our political progress, they must capture them and break them. In any circumstance we must prevent others from using them to pass bad laws and utilising the support of these blacklegs as justification for their black laws. As instruments of self-government these Councils may not excite our enthusiasm ; but when they are filled with unworthy men, they have been freely utilised as weapons against national economic interests and political aspirations. There are men in the present Assembly and Councils, who, merely to win the applause of the Treasury Bench and gain the favour of the Government have derided great national institutions, political and commercial. There are yet others who could not have reached these bodies except by exploiting communal dissensions and who could not have retained their seats except by fanning the same hateful flame. The opinions and actions of these men are being paraded before the world as those of the country. Should this at least not be prevented from happening again ?

The Indian commercial community has always helped the political organizations in all legitimate endeavours to attain Swaraj, and will, I am sure, continue to do so. But the national leaders should take into consideration all our circumstances and limitations so that our humble co-operation and services may also be useful for the advancement of the country's cause. Our future political methods should be such that every man who loves his country will have an opportunity to make some contribution, however, small, towards its advancement. We, the commercial community, desire to march with our countrymen. Do not exclude us by taking a route we cannot follow or prescribing methods we cannot use.

CONCLUSION.

Gentlemen, I have now about done, but before I resume my seat I must extend to you my sincere thanks for the honour you conferred on me by electing me your President for the year. It is an

honour which I highly covet, it is a privilege to have served you and this is the happiest moment of my life. There are few more honourable positions to which an Indian may aspire than the presidentship of this important body representing the vast interests of Indian trade, commerce and industry. I would ask you to pardon the length of my speech but I thought it necessary to bring to your attention these matters which are so greatly exercising our minds to-day, and also what urgently calls to be done to improve the country's economic condition. I hope, therefore, that the proceedings which follow will be really constructive and helpful. It is hardly necessary for me to urge upon you, that a tremendous responsibility rests on the Indian commercial community; for, on them devolves to a larger extent than any other section of the people, the duty of sailing the economic vessel past the shoals and quicksands that threaten a safe anchorage. (Applause).

President: Sir Shanmukham Chetty and other National leaders, I beg to thank you most sincerely for your kind attendance at this session of the Federation. I appreciate very much the great trouble you have taken in attending this conference. I take it that it indicates your spirit of co-operation and good will and your desire to have mutual co-operation with this great commercial organisation of this country. Co-operation between the commercial community and the national leaders is very necessary at this moment and I fervently hope that the spirit of co-operation and the expression of good-will which betoken your presence here will abide and with our combined experience, strength and resources we shall be able to dedicate these to the cause of our country so that the country may improve and prosper along economic lines. I thank you, gentlemen, once again for your having kindly come to attend the deliberations of this Federation.

The Honourable Sir Shanmukham Chetty: Mr. President and Members of the Federation, on my own behalf and on behalf of all the other guests whom you have so kindly invited to your deliberations today I extend to the Federation our thanks for the honour that you have done us in extending this invitation to us. So far as I am personally concerned, I feel my position to-day replying on behalf of the guests as a rather curious one because until very lately I was one of yourselves (hear, hear). I have always looked with pride