

# THE RUIN OF INDIAN TRADE AND INDUSTRIES

BY

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*SECOND EDITION*

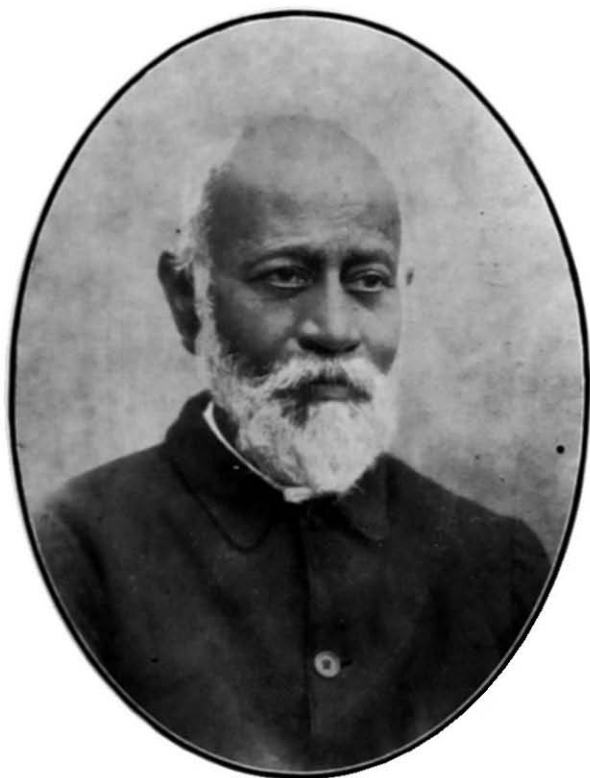
*Revised and Enlarged.*

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**MAJOR B. D. BASU**  
**Last Photograph taken during his life time**

## INTRODUCTION.

In the pre-British period, India was as great a manufacturing country as an agricultural one.

"Ere the pyramids looked down upon the valley of the Nile, when Greece and Italy, those cradles of European civilization, nursed only the tenants of the wilderness, India was the seat of wealth and grandeur. A busy population had covered the land with the marks of industry ; rich crops of the most coveted productions of nature annually rewarded the toil of the husbandman. Skilled artisans converted the rude products of the soil into fabrics of unrivalled delicacy and beauty. Architects and sculptors joined in constructing works, the solidity of which has not, in some instances, been overcome by the evolution of thousands of years. . . . The ancient state of India must have been one of extraordinary magnificence." (Thornton's *Description of Ancient India*, quoted in *The Modern Review*, January 1921, p, 162).

She was pre-eminently noted for her Iron and Cotton Industries. Regarding the Iron Industry in India, Dr. Benjamin Heyne in his statistical fragments on Mysore, wrote :—

"Since my arrival in England I have endeavoured to obtain information of what is known here of Indian steel, and of the result of experiments which have been made with it ; and I am happy in being permitted to lay before

my readers a letter from Mr. Stodart, an eminent instrument-maker, to whom I was recommended for the purpose by Dr. Wilkins, which equally proves the importance of the article, and the candour and ingenuity of the writer. The letter is as follows :—

'Agresably to your request, I herewith transmit to you a few remarks on the wootz, or Indian steel. I give them as the results of my own practice and experience.

'Wootz, in the state in which it is brought from India, is, in my opinion, not perfectly adapted for the purpose of fine cutlery. The mass of metal is unequal, and the cause of inequality is evidently imperfect fusion ; hence the necessity of repeating this operation by a second and very complete fusion. I have succeeded in equalizing wootz, and I now have it in a very pure and perfect state, and in the shape of bars like our English cast steel. If one of these is broken by a blow of a hammer it will exhibit a fracture that indicates steel of a superior quality and high value, and is excellently adapted for the purpose of fine cutlery, and particularly for all edge instruments used for surgical purposes . . . . I find the wootz to be extremely well hardened when heated to a cherry-red colour in a bed of charcoal dust, and quenched in water cooled down to about the freezing point.

'It is worthy of notice, that an instrument of wootz will require to be tempered from 40 to 50 degrees above that of cast steel. For example, if a knife of cast steel is tempered when the mercury in the thermometer has risen to 45°, one of the wootz will require it to be 49° ; the latter will then prove to be the best of the two, pro-

vided always that both have been treated by the workman with equal judgment and care.

'Upon the whole, the wootz of India promises to be of importance to the manufacturers of this country. It is admitted, by the almost universal consent of intelligent workmen, that our English steel is worse in quality than it was some thirty or forty years ago. This is certainly not what one would expect in the present improved state of chemical science: but so it actually is. The trouble and expense of submitting wootz to a second fusion will, I fear, militate against its more general introduction. If the steel makers of India were made acquainted with a more perfect method of fusing the metal and taught to form it into bars by the tilt hammers, it might then be delivered here at a price not exceeding that of cast steel . . . . I am of opinion it would prove a source of considerable revenue to the country. I have at this time a liberal supply of wootz, and I intend to use it for many purposes. If a better steel is offered me, I will gladly attend to it; but *the steel of India is decidedly the best I have yet met with.*'

In his essays on *Indian Economics*, Mr. Justice Ranade wrote :—

"The iron industry not only supplied all local wants, but it also enabled India to export its finished products to foreign countries. The quality of the material turned out had also a world-wide fame. The famous iron pillar near Delhi, which is at least fifteen hundred years old, indicates an amount of skill in the manufacture of wrought iron, which has been the marvel of all who have

endeavoured to account for it. Mr. Ball (late of the Geological Survey of India) admits that it is not many years since the production of such a pillar would have been an impossibility in the largest factories in the world, and, even now, there are comparatively very few factories where such a mass of metal could be turned out. Cannons were manufactured in Assam of the largest calibre, Indian *wootz* or steel furnished the materials out of which Damascus blades with a world-wide reputation were made; and it paid Persian merchants in those old times to travel all the way to India to obtain these materials and export them to Asia. The Indian steel found once considerable demand for cutlery even in England. The manufacture of steel and wrought iron had reached a high perfection at least two thousand years ago." (First edition, pp. 159-160).

As to the cotton industry of India, she used to clothe the men and women of the Christian countries of the West.

It is a historical fact that when Queen Mary came to England with her husband after the English Revolution of 1688, she brought "a passion for colored East Indian calicoes, which speedily spread through all classes of the community."\* But this did not suit the English philanthropists of those days. They proclaimed a boycott of Indian goods. To quote Lecky:—

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\* Lecky's *History of England in the Eighteenth Century*, Vol. II, p. 158.

"At the end of the seventeenth century great quantities of cheap and graceful Indian calicoes, muslins, and chintzes were imported into England, and they found such favour that the woolen and silk manufacturers were seriously alarmed. Acts of Parliament were accordingly passed in 1700 and in 1721, absolutely prohibiting, with a very few specified exceptions, the employment of printed or dyed calicoes in England, either in dress or in furniture, and the use of any printed or dyed goods of which cotton formed any part."\*

In Christian England, it was

"penal for any woman to wear a dress made of Indian calico. In 1766 a lady was fined £200 at the Guild Hall because it was proved that her handkerchief was of French cambric."†

But England did not then possess political sway over the destiny of India. When she came to possess that power, she not only boycotted Indian goods but strangled Indian industries by means which no one can pronounce to be fair and just. Wrote an English Historian :—

"The history of the trade of cotton cloth with India affords a singular exemplification of the inapplicability to all times and circumstances of that principle of free trade

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\* Lecky's *History of England in the Eighteenth Century*, Vol. VII, pp. 255-266.

† Lecky's *History of England in the Eighteenth Century*, Vol. VII, p. 320.



which advocates the unrestricted admission of a cheap article, in place of protecting by heavy duties a dearer one of home manufacture. It is also a melancholy instance of the wrong done to India by the country on which she had become dependent. It was stated in evidence, that the cotton and silk goods of India up to this period [1813] could be sold for a profit in the British market, at a price from fifty to sixty per cent. lower than those fabricated in England. It consequently became necessary to protect the latter by duties of seventy and eighty per cent. on their value or by positive prohibition. Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and of Manchester would have been stopped in their outset, and could scarcely have been again set in motion even by the powers of steam. They were created by the sacrifice of the Indian manufactures. Had India been independent she would have retaliated : would have imposed preventive duties upon British goods and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted her ; she was at the mercy of the stranger. British goods were forced upon her without paying any duty : and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms." *The History of British India*, by Horace Hayman Wilson, Vol. I. p. 385.

Another English officer wrote :—

"Every one knows how jealously trade secrets are

guarded. If you went over Messrs. Doulton's Pottery Works, you would be politely overlooked. Yet under the force of compulsion the Indian workman had to divulge the manner of his bleaching and other trade secrets to Manchester. A costly work\* was prepared by the India House Department to enable Manchester to take 20 millions a year from the poor of India; copies were gratuitously presented to Chambers of Commerce, and the Indian ryot had to pay for them. This may be political economy, but it is marvellously like something else." Major J. B. Keith in the *Pioneer*, September 7. 1891.

How did England build up her industries?

India was considered to be fabulously rich and therefore she was called "Golden India." She was also rich in industries and manufactures. The object of the maritime European nations in the fifteenth and sixteenth centuries in trying to discover the sea-route to India was to bring into their countries the natural products and other articles which India then manufactured. India always attracted the gold and silver of the world by the sale of her products, both natural and artificial.

Dr. Robertson writes in his *Historical Disquisition Concerning India* (London, 1817), p. 180 :—

"In all ages, gold and silver, particularly the latter, have been the commodities exported with the greatest

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\* See the article "Specimens of Indian Textiles, where are they?" in *The Modern Review* for December. 1902.

profit to India. In no part of the earth do the natives depend so little upon foreign countries, either for the necessaries or luxuries of life. The blessings of a favourable climate and a fertile soil, augmented by their own ingenuity, afford them whatever they desire. In consequence of this, trade with them has always been carried on in one uniform manner, and the precious metals have been given in exchange for their peculiar productions, whether of nature or art." *A Historical Disquisition Concerning India*, New Edition (London, 1817), p. 180.

Again :

"In all ages, the trade with India has been the same ; gold and silver have uniformly been carried thither in order to purchase the same commodities with which it now supplies all nations ; and from the age of Pliny to the present times, it has been always considered and execrated as a gulf which swallows up the wealth of every other country, that flows incessantly towards it, and from which it never returns." *Ibid.*, p. 203.

But when England came to possess political supremacy over India, she went on draining the resources of India to England, which the poet Thomas Campbell referred to in the following lines :—

"Rich in the gems of India's gaudy zone  
And plunders piled from kingdoms not their own."

It was this "Indian plunder" which enriched England and enabled her to build up her industries. This is borne out by what Brooks Adams wrote

in his work entitled "The Law of Civilisation and Decay."

"The influx of the Indian treasure, by adding considerably to the nation's cash capital not only increased its stock of energy but added much to its flexibility and the rapidity of its movement. Very soon after Plassey, the Bengal plunder began to arrive in London, and the effect appears to have been instantaneous; for all the authorities agree that the "industrial revolution," the event which has divided the nineteenth century from all antecedent time, began with the year 1760. Prior to 1760, according to Baines, the machinery used for spinning cotton in Lancashire was almost as simple as in India: while about 1750 the English iron industry was in full decline, because of the destruction of the forests for fuel. At that time four-fifths of the iron used in the kingdom came from Sweden.

"Plassey was fought in 1757 and probably nothing has ever equalled the rapidity of the change which followed. In 1760 the flying shuttle appeared, and coal began to replace wood in smelting. In 1764 Hargreaves invented the spinning-jenny, in 1776 Crompton contrived the mule, in 1785 Cartwright patented the power-loom, and, chief of all, in 1768 Watt matured the steam engine, the most perfect of all vents of centralising energy. But, though these machines served as outlets for the accelerating movement of the time, they did not cause that acceleration. In themselves inventions are passive, many of the most important having lain dormant for centuries, waiting for a sufficient store of force to have accumulated to set

them working. That store must always take the shape of money, and money not hoarded, but in motion. Before the influx of the Indian treasure, and the expansion of credit which followed, no force sufficient for his purpose existed; and had Watt lived fifty years earlier, he and his invention must have perished together. Possibly since the world began, no investment has ever yielded the profit reaped from the Indian plunder, because for nearly fifty years Great Britain stood without a competitor. From 1694 to Plassey (1757) the growth had been relatively slow. Between 1760 and 1815 the growth was very rapid and prodigious. Credit is the chosen vehicle of energy in centralised societies, and no sooner had treasure enough accumulated in London to offer a foundation, than it shot up with marvellous rapidity. The arrival of the Bengal silver and gold enabled the Bank of England, which had been unable to issue a smaller note than for £20, to easily issue £10 and £15 notes and private firms to pour forth a flood of paper.'—*The Law of Civilisation and Decay*, pp. 263-264, quoted in Digby's *Prosperous British India*, pp. 31-33.

From the time England acquired political power in India, she destroyed Indian trade and industries principally by means of :

1. The forcing of British Free Trade on India.
2. Imposing heavy duties on Indian manufactures in England.
3. The export of Raw Products from India.
4. Exacting Factory Acts.

5. The Transit and Customs duties.
  6. Granting special privileges to Britishers in India.
  7. Building railways in India.
  8. Compelling Indian artisans to divulge their trade secrets.
  9. Holding of Exhibitions.
  10. Investing so-called British Capital in India.
  11. The denial of self-government to India.
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## APPENDIX A

### Sidelights on the Ruin of Indian Shipping

Sidelights on how the ruin of Indian shipping came about are thrown by some passages in W. S. Lindsay's *History of Merchant Shipping*, Vol. II, in which it is stated :

"In 1789 the Portuguese, who once engrossed the whole of the oriental trade, had but three ships at Canton, the Dutch five, the French one, the Danes one, the United States of America fifteen, and the English East India Company forty, while British subjects residing in India had a similar number. Moreover, a very considerable portion of the trade of the East was then conducted in Indian ships, owned by the natives, by whom as many voyages were undertaken from India to China, and from the coast of Malabar to the Persian Gulf and the Red Sea, as in the days before the passage to Europe by the Cape of Good Hope had been discovered.

"It was not, however, until 1795 that India-built vessels were permitted to convey goods to London. In the course of that year a great number of the Company's ships having been employed in the service of the English government, instructions were sent to the presidencies to engage vessels of India built at 16*l.* per ton for rice and other dead-weight stowage, and 20*l.* for light goods to the Thames, with liberty to take back on their own account whatever merchandise they pleased to the territories of the Company, or to any place within the limits of its charter.

"Many of them having been constructed on speculation, under an impression that they would be permanently employed, although warned by Lord Cornwallis to the contrary, their owners were greatly disappointed when they found that after the immediate wants of the government and the Company had

been satisfied their services were no longer required. English shipowners in the service of the Company inflexibly maintained their monopoly, and having secured stipulations for a number of voyages during successive years, they successfully opposed for a time any innovation of a permanent character upon their chartered rights. The contest, however, which arose between the independent merchants of England, who had combined with the owners of native shipping against the Company on this point, induced the Directors to make various concessions, which were the prelude to the opening of the trade at a future period." Pp. 454—55.

Perhaps at that future period the "concessions" came too late so far as "the owners of native shipping" were concerned.

The same author writes in the same volume of his work :

"When, in 1796, the Company's charter was again renewed, the important provision was made that all his Majesty's subjects, residing in any part of his European dominions, were to be allowed to export to India any article of the produce or manufacture of the country where they resided, except military stores, ammunition, masts, spars, cordage, pitch, tar, and copper ; and the Company's civil servants in India, as well as the free merchants resident there, were permitted to ship, on their own account and risk, all kinds of Indian goods, except calicoes, dimities, muslins, and other piecegoods. But so jealous were the Directors of competition in their commercial operations, that they prevailed on the government to insert various clauses in the new charter whereby neither the merchants of India nor of England generally, nor any of the Company's servants, were allowed to import or export except in ships belonging to or chartered by the Company ; appropriating, however, under various restrictions, three thousand tons of space in their ships for the use of private traders, at the reduced rate,



in time of peace, 5*l* outwards, and 15*l* homewards, for every ton occupied by them in the Company's ships, but stipulating that this rate of freight might be increased in time of war by the approbation of the Board of Control." Pp. 456—57.

It is stated further in the same book :—

"Lord Melville quotes, from a letter written by the Marquess of Hastings to the Company, dated 21st of March, 1812, the following passage, "It will not be denied that the facilities granted by that Act (the Act of 1796) have not been satisfactory, at least, to the merchants of this country or of India." Page 457

## APPENDIX B

### The Indigenous Iron Industries of India

In Sir George Watt's *Commercial Products of India*, page 692, it is stated :

"There would seem to be "no doubt that the existing manufacture of wrought iron by a direct process was widespread in the country before the date of the most ancient historic records, while the manufacture of the ancient *wootz* anticipated by many centuries the cementation process, developed in Europe, for the manufacture of the finest qualities of steel." "The Native iron-smelting industry has been practically stamped out by cheap imported iron and steel within range of the railways, but it still persists in the more remote parts of the Peninsula and in some parts of the Central Provinces has shown signs of slight improvement." (*Imp. Gaz.*, 1907, iii., 145.) According to Mr. Syed Ali Belgrami, the Nizam's Dominions furnished the material from which the famous Damascus blades of the Middle Ages were made. To this day Hyderabad is noted for its swords and daggers.

It does not appear that the British Government in India ever did anything to prevent "the Native iron-smelting industry" from being "practically stamped out." But some glimpses

of how the process of stamping out was accelerated are to be found in Valentine Ball's *Jungle Life in India*, pp. 224-25, where he writes:

November 16th (1869). Deocha—

"In this village there are some native iron furnaces, the sole surviving remains of an industry now well-nigh extinct in this part of the country owing to the restrictions placed upon it by the Birbhum Company, which bought up the sole right to manufacture, and owing also to the royalty subsequently inflicted by the native landlords."

The Birbhum Company, referred to above, was a British Company. The British Government ought not to have sold the sole right to manufacture iron and steel to this company, nor allowed "the native landlords" to inflict a prohibitive royalty. Who, if any interested persons, instigated them to do so, is not stated.

Valentine Ball adds:

"To the best of my belief these furnaces are, for their size and the magnitude of their results, by far the largest and most important in the whole of India. Each furnace could make about 15 cwt. of iron per week; and the total estimated outturn in 1852 from 70 of these furnaces was put down at 1700 tons by Dr. Oldham. The *lohars* or iron-makers here were Hindoos; but further to the north, in the vicinity of the Ramgurh Hills, there is another race of iron-makers, who use the ordinary small furnaces, and are called Cols. It is probable that they are identical with the Agurians of Hazaribagh and Palamow, whom I shall describe on a future page."

## APPENDIX C

### How India's Indigenous Paper Industry was Ruined

In the previously mentioned work Sir George Watt gives a brief history of the manufacture and use of paper in different countries of Asia, including India. Coming to the days of the rule of the East India Company, he writes:

"One of the earliest detailed accounts of the Native methods of paper-making in India is perhaps that given by Buchanan-Hamilton (*Stat. Acc. Dinaj.*, 272-73), the material used being jute. Prior to 1840 India obtained a large share of its paper supplies from China. About that date interest was aroused in the subject, and both Hindu and Muhammadan factories for hand-made papers were established all over the country. During Sir Charles Wood's tenure of the office of the Secretary of State for India, an order was issued for the purchase of all the supplies required by the Government of India in Great Britain, and *this threw back very seriously the growing Indian production.*" (p. 866.)

The italics are ours.

Sir Charles Wood was the grandfather of Lord Irwin, the ex-Governor-General of India, and is generally known for his Education Despatch. But he should be remembered also for the order which contributed largely towards the decay of the indigenous paper industry of India.

## APPENDIX D

### How India's Indigenous Sugar Industry was Ruined

In *The Commercial Products of India* Sir George Watt writes: "An import duty on Indian sugar, which was practically prohibitive, was imposed by Great Britain. It came to 8s. a cwt. *more than was taken on Colonial sugar.*" (p. 958.)

The italics are Sir George Watt's.

He concludes the section devoted to "Exports to Foreign Countries" with the following paragraph, which has the side heading "Severe Blow":

"Thus there can be no doubt that a severe blow has been dealt to the Indian sugar industry, which, but for its own immense resources and recuperative power, might have been calamitous. Had England continued to purchase Indian raw sugar, there is little doubt an immense expansion of the area of production, and an enhancement of the yield, would have been the natural consequence. All this is now changed, and sugar

represents 53.3 per cent. of the total value of the articles of food and drink imported, and is the second largest single article of importation, the first being cotton piece-goods. Thus the two chief items of India's early export trade have become her greatest modern imports."

Sir George Watt's work, from which the above extracts are taken, was published in 1908 "under the authority of His Majesty's Secretary of State for India in Council," and is, therefore, not a seditious book written by a pestilential agitator.

## APPENDIX E

### The Ruin of Indian Agriculture

"The best way of worshipping God consists in allaying the distress of the times, and in improving the condition of man. This depends, however, on the advancement of Agriculture, etc." (*Ain-i-Akbari*, p. 12--Blochmann).

A tea-planter was asked why he did not engage in jute or paddy cultivation. He gave a curt reply: "It would not pay, the cultivator worked for the mere wages of labour." Though our arts and industries have been killed by foreign competition, there is a little fear yet of any foreign competition in agriculture which is already at the lowest ebb,—no, not even in regard to jute which is so much in demand in the markets of Europe and America. But who knows what the morrow may bring forth. The opening of the Panama Canal, and the marvellous reduction of the cost of production in America from the introduction of scientific methods and improved machinery, may at any time lead to foreign competition even in agriculture, and as it has always happened—when the competition lies between science and improved machinery on the one hand, and empericism and hand-labour on the other,—with the same fatal results as in the case of our arts and industries. There is no time for us to be asleep. (Even now Australian wheat has begun to compete seriously with home-grown wheat in our markets).

We should seriously consider and remove the causes and conditions that have led and are still leading to the ruin of Indian agriculture. However much we may try to impress other people with the high profit to be derived from agriculture,—practical people shake their heads, and are sceptical. People with any capital to invest, much as they may talk of it,—never seriously think of engaging in agriculture. We are all busy convincing others, but are not convinced ourselves. 'यत्क शत्रु परे' that is our motto for agriculture. The Zemindar commanding the largest extent of culturable land, the mahajan capitalist rolling in gold, or the successful lawyer—with the highest education that any country can give, in fact all who have money to invest, and brains enough to direct a farm of the most improved and scientific type,—never dream of engaging in agriculture for profit, and very seldom even for a hobby. The agricultural expert, European or Indian, with the highest agricultural training that the world can give, may be busy assuring others of a profit of Rs. 250 per month from a farm of 100 bighas (capital required unknown), while for himself he hankers after a fixed monthly salary, and a cosy berth under the Government. "He came to save others, himself he cannot save."

How the agricultural outlook has changed. European experts may not be aware of it, but how can we forget what we saw with our own eyes? Fifty years ago, there was not a gentleman owning land in the villages who had not his farm or *khamar* or *nij jot* with perhaps a small dairy which he worked by hired labour under his personal supervision. Why has he cut off his connection with practical farming, arable or dairy, and let out his land to poor ever-indebted cultivators? Why, but to gratify his love of a life free from risk or trouble, and the enjoyment of an "unearned increment" either as money-rent or produce-rent. Everybody knows that farming on one's own account by hired labour, is not paying under the existing conditions of our country. Any shrewd man of business, that has money to invest, would rather invest it in loans to the

cultivator at a fabulous rate of interest, ranging from 50 to 70 per cent per annum. With such a sunny prospect of doubling his capital in two years, the village money-lender would be a fool to invest any money in farming on his own account, which cannot, under the most favourable conditions, yield a profit of more than 10 to 15 per cent per annum. The landed-gentry, the money-lender, or the agricultural expert, one and all, in these days keep as far from practical farming as they would from the devil himself. They will sing the praises of, and go into ecstasies over the profits of agriculture, they will try by all means to tantalise others into it, but they will themselves be always on their guard, as though it were the very "pit that is bottomless." Why should it be so? because, speaking generally, under the existing conditions, agriculture on a large scale and with profit, is practically impossible, because Indian agriculture, like the Indian arts and industries is now in the throes of death. Agriculture which was so profitable in India in olden times that in the *Ramayana* the farmers and stock-breeders of India are said to have been a wealthy class, so well protected by the king that they could sleep with doors wide open, "*Dhana-vantah surakshita serate bibritadvara krishigorakshajivinah*," agriculture which found profitable occupation for the middle class gentleman even so late as half a century ago, is now in the very throes of death in this so-called agricultural country of ours. What could be the causes that have brought about so marvellous a transformation for evil in so short a time?

The reader will perhaps be surprised if he is told that India was a country of peasant-proprietors ages before Switzerland or any country in Europe, that the king in India, though he had absolute right over the lives and properties of his subjects, was not the proprietor of the land,—that he thought it unworthy of his kingly dignity to be ranked with his subjects as the proprietor of this or that patch of land, that agriculture in India was the joint duty and the joint interest of the king and his subjects, the king providing the pasture

ground, the agricultural capital, and the facilities for irrigation, at the same time acting as the protector and guardian of the cultivator, and the cultivator providing the labour of agriculture, that it was as much the interest of the king as of the cultivator to obtain the maximum yield from the soil, for instead of money-rent, the king obtained a fixed share of the actual produce in kind, usually a sixth of the produce. If there was a heavy yield, the royal revenues rose; if there was a low yield, the royal revenues fell. How stand we now? The feudalism of Europe has been somewhat clumsily engrafted on the old Indian stock of peasant-proprietorship, "the Zemindar's official position as tax-collector being confused with the proprietary right of an English land-lord," (Hunter), so that the Indian cultivator is half a serf, and less than half a peasant-proprietor—crushed with the duties of both, but without the privileges of either. Let us not be contented with bare allegations, but let us go into evidence.

We have said that in ancient India, the proprietor of the land was not the king, but the cultivator—for the land is said to belong to the man who first clears the land for purposes of cultivation—"Sthanu chedasya kidaram" (Manu IX. 44) and that "the forests, hills and holy places are without a proprietor,—and do not admit of being given—"atavyoh parvatah punyastirthanya yatanane cha sarvanya svamikanyahur na cha teshu parigraha" (Usanas Sanhita V.16). What was the king and why was rent paid to the king? The king was the protector and guardian of the land, and the rent was paid as a contribution or fee for the help and protection given by the king. "The king deserves one-half of old buried treasure-trove, and of the minerals in the earth, as giving protection, for he is the guardian and protector over the land"—"*Bhumer-adhipatir hi sah*" VII, 39—Manu. The king is not called the Bhusvami or land-owner, but the *adhipati* or guardian and protector of the land. Says the Ramayana: "Great is the sin of the king who while accepting their tribute of the sixth (of the produce) does not protect the subjects as though they

were his own sons" (VI--II--Aranya). Says Manu:-- "The king who does not protect but takes the sixth share of the produce is called a carrier of all the evil of the world" (Manu VIII, 30). "The king who takes neither the rent, the axes, the presents or the fines, but does not protect, surely goes to hell" (Manu VIII-307). Manu fixes the royal share as a "sixth, an eighth, or a twelfth" VII,130. "The share is to be fixed so that the king as well as the worker receive their due rewards--"*yatha phalena yuyyeta raja karta cha karmanam*" VII, 128. On this the commentator remarks--"The mutual claims of the king and the cultivator were so adjusted that the king might get the fruits of his supervision and the cultivators or traders the fruits of their labour in cultivation or trade." "The king enjoys the sixth part (of the produce)," says the Ramayana, "how should he not protect his subjects?" "*Shar bhagasya cha bhokta san rakshate na projah katham?*" Utt. XXXI, 87. Thus we see that the rent was not an unearned increment paid by the husbandman to the king as the proprietor of particular patches of land, but as a contribution to the sovereign or over-lord of all, which he earned by the performance of certain duties. It was a right enjoyed by king for the performance by him of certain duties. What then were the specific duties for the performance of which the rent was paid?

The duties of the king though generally expressed by one pregnant work "*Rakshanabekshana*"--giving protection and relief, are also distinctly specified, and among other duties, the following are the principal: (1) providing pasture for the cattle. Says the Yajnavalkya Sanhita: "Grazing ground should be reserved as the villagers desire or as fixed by royal command. Between the village site and the arable fields there should be reserved a belt of 100 *Dhanus* (300 cubits) around each village--two hundred *dhanus* in the case of woody villages and four hundred *dhanus* (1 *dhanu*=3 cubits) in the case of towns (II, 169-170)." Says Manu--"There shall be reserved on all sides of each village a belt of 100 *dhanus* or three throws of the shepherd's stick, and thrice that quantity for towns, there the grazing of cattle shall



not be punishable (VIII. 237)." We shall see further on that the provision of grazing ground for cattle by the State was a duty recognised even by the Mohamedan Emperors, though no doubt the extent of the land actually reserved for grazing purposes varied from time to time. There are people still living who will tell you that they themselves saw the last remains of those old grazing grounds around their village, between the arable fields and the village sites.

The second duty of the king was to provide water for irrigation purposes. The Hindu king shared with his people certain ideas and beliefs regarding the works of merit for the other world which prompted the whole nation irrespective of caste or class, to render yeoman's service in the cause of the country's agriculture. For every Hindu, whether king or warrior, whether priest or cultivator, the two main gateways of heaven were—*Ishta* or performance of sacrifices to encourage sacred learning, and *Purta* or the excavation of tanks, wells, and canals for giving facilities for the development of agriculture: "*Vapi-kupa-taragadi Devatayatanani cha annapradanam aramah purtamityabhidhiyate. Ishtapurtau dwijatinam samanyau dhrarmasadhanau, Adhikari bhavet Sudrah purta dharmena vaidike*" (Atri, 44). The belief being universal, the duty was also enjoined by the *Sanhitas* for all, and not for the king in particular, though we find both in the *Ramayana* and the *Mahabharata*, that the kings always looked upon a prolonged drought as a divine visitation for their own sins, and they moved heaven and earth for timely rains. "*Kalabarshi cha parjanya*"—when the rains set in timely, it was to the credit of the king. When king Sambarana with his wife Tapati was wandering in the forests, there was no rain in his kingdom for twelve long years, but the moment they returned, the rains set in, causing the crops to grow. We find the sage Narada in his enquiry as to whether the king Yudhisthira had been properly performing his duties to his subjects, thus enumerating the duties of the king: "Have you provided large tanks well filled with water, suitably distributed in each different part of the kingdom? for, agriculture will not thrive if it has to depend on the rains.

Do you take care to see that the husbandman's stock of food or of seed does not run out?" *Kachid rashtre tatakani purnani cha brihanti cha bhagaso vivivishtani na krishirdevamatrika. Kacchin na bhaktam bijancha karshakasyavasidati* (V. 82 Sabhaparva). Likewise also we read of King Bharata in the Ramayana providing canals large as the sea and filled with water, and in places where there was scarcity of water, he excavated many excellent tanks for drinking purposes, well-protected by raised banks" (Ayodhya, LXXX, 11 and 12). Here at Comilla where I am writing, stand some excellent tanks—the most lasting monuments of glory of the old Maharajas of Hill Tippera, and but for these the town would now have suffered from terrible water-famines year after year. But "we call our fathers fools, so wise we grow." We and our Maharajahs of now-a-days have given up, what we call, those old and foolish superstitions of our forefathers, and however much we may spend our money profitably in pyrotechnic displays for the encouragement of the sciences and the arts, for the lasting good of the country, there is no fear whatever that either we ourselves or our Maharajahs under the able guidance of ministers like ourselves, will squander away any more money needlessly in the excavation of tanks or wells, or other works of irrigation for the benefit of agriculture.

The third duty for which the king was allowed rent, was protection from thieves and robbers, free of charge. In these days the *Rayat* in addition to paying the rent to his land-lord, has to enter into ruinous and expensive litigation, and fight out to the bitter end, through the proverbial "law's delay" to defend his holding against trespassers, and his crops and live-stock from thieves and robbers. Indeed, it may be said that he alone supports like Atlas of old, the huge machinery of the law courts on his own shoulders. In those golden days, however, the *Rayat* not only got justice free of cost, but in case the king failed to recover any stolen property, from the thief, he had to make good its value from his own treasury. Says Manu: The property stolen by thieves, the king is to restore to all the castes." *Datavyah sarva varnebhya rajna chorair hritam*

*dhanam*, VIII, 40. Says the Vishnu Sanhita: "Stolen property when recovered, the king should restore to all the castes. If it is not recovered, he should supply its value from his own treasury"—"*Anavahy cha svakosadeva dadyat* (III. 45) "*Chaura-hritamupajitya yatha sthanam gamayet koshadvadadyat* (Goutama, Ch. X.)—"Stolen property is to be recovered and restored to the owner,—or is to be paid for from the treasury." That the king really held himself bound to recover and restore all stolen property, and actually tried his best to perform that duty, will further appear from the following description in the Mahabharata of an incident in the life of Yudhishthira.—When Yudhishthira ruled, a thief stole some cows belonging to a Brahman. The Brahman represented the matter to Arjun, saying, "The king who accepts the sixth of the produce as his share, but does not protect his subjects, is said to be responsible for all the sins of all the world." Arjuna heard it and said, "If I do not give relief to this man crying at our gate, the king shall have committed the great sin of neglect of duty." So saying Arjuna at a great personal risk entered Draupadi's room, took his bow and arrows, went with the Brahman, overtook the thieves, recovered the cattle, and restored them to the Brahman. Thus it should be quite clear that under the old Hindu law, the king who received the sixth share of the produce did not receive it as an "unearned increment" like what is enjoyed by our Zamindars, or the English land-lords, but had on his part, among other responsible duties, to recover and restore stolen property free of cost.

How did agriculture flourish in Mahomedan times, it will be asked. The history of the Indian people during the Mahomedan times has yet to be written. We are still but chewing the cud of European scholars and historians, not always free from prejudice. Basing our conclusions, on such materials as we are at present in possession of, we may say that so far as village life and the internal management of the Indian village communities were concerned, the Mahomedan rulers preferred to leave the old Hindu laws and village customs almost intact. They too

realised their rent in kind, only the old Hindu rule of one-sixth was raised by Akbar to one-third of the actual produce. The Emperors sometimes made hereditary grants of land or pensions for the subsistence of saints and men of learning or of the impoverished representatives of old and respectable families. "Such lands (Sayurghal) were hereditary, and differ for this reason from Jagir or tuyal lands which were conferred for a specified time on Mansabdars (leaders of armies) in lieu of salaries."—Blochmann, page 270. But the emperors did not create any hereditary middlemen or permanent rent-farmers like our zamindars, but dealt with the husbandmen directly. In the Mahomedan times for "all land which paid rent into the Imperial Exchequer," the husbandman has his choice to pay the revenue either in ready money or by kunkoat or by Bhaoli" (Gladwin's translation of *Ain-i-Akbari*, p. 251). Again the Amil Guzzar or Revenue Collector is directed "not to be covetous of receiving money only, but likewise take grain."

The manner of receiving grain is described, (1) Kunkut or appraisement or estimation of the grain by inspectors while the crops are standing, (2) Battai or Bhaoli or division of the grain after the crop is harvested, and the grain collected into barns, (3) Khet batai or by dividing the field as soon as it is sown, and (4) Lang Battai or division after the grain is gathered into heaps. Thus it was optional with the cultivator in Mahomedan times to pay his rent in kind, and as a fixed portion of the produce, for example, for the best quality of land or "Pooly" (i.e., what we call Dofasli) or land cultivated for every harvest, and never allowed to lie fallow."—"A third part of the medium (average) produce was the revenue settled by his Majesty (Akbar)," the second quality of "Perowaty land when cultivated paying the same revenue as pooly";—but when not cultivated

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\* With regard to Akbar, Hunter says :—"The essence of his procedure was to fix the amount which the cultivators should pay to one-third of the gross produce, leaving it to their option to pay in money or in kind.

or left fallow, unlike now-a-days, no rent was charged. It was thus the common interest of the emperor and of the husbandman to extend cultivation and obtain from the soil the maximum yield it was capable of producing. Accordingly, we find the Emperor Akbar giving the following directions to the Amil Guzzar or Revenue Collector:— (1) Let him not be discouraged at the lands having fallen waste, but exert himself to bring back again into cultivation." (2) "He must assist the needy husbandman with loans of money, and receive payments at distant and convenient periods." Indeed, these loans might be repaid in ten years, and yet the total amount realised was not to be more than double the amount of the loan. (3) "When any village is cultivated to the highest degree of perfection, by the skilful management of the chief thereof, there shall be bestowed upon him some reward proportionate to his merit." (4) "If a husbandman cultivates a less quantity of land than he engaged for, but produces a good excuse for so doing let it be accepted." We find the Mahomedan Emperor like the old Hindu king holding himself responsible to the cultivator for supplying the necessary extent of grazing ground for the cultivators' cattle on reasonable terms. Accordingly, it was ruled by Akbar "if any one does not cultivate *khiraja* (or revenue-paying land), but keeps it for pasturage, let there be taken yearly from a buffalo 6 dams (one dam one-fortieth of a Rupee or about 2 pice), and from an ox 3 dams, but calves shall be permitted to graze without paying any duty. For every plough there shall be allowed four oxen, two cows and one buffalo,—from whom likewise *no duty shall be taken for pasturage.*" (Gladwin's translation of the *Ain-i-Akbari*, p. 256). I need hardly say that the Mahomedan Emperors never had any faith in that most wholesome of the Hindu superstitions, which placed the highest value on the excavation (*Purta*) of "tanks and wells as passports to heaven, but the *Ain-i-Akbari* also speaks of irrigation at the public expense," waste lands which a Moslem has made arable by means of water brought thither at the public expense," (*Gladwin*, p. 340), which shows that the Mahomedan Emperors

enjoying even more than we are doing this day, the benefits of the extensive works of irrigation done in the Hindu times, and still being done under those old Hindu superstitions, though they paid less attention to it, they could not have been altogether indifferent to the question of water supply by the state for purposes of agriculture. Again even as the Hindu king was bound to see that the cultivator's stock of food or seed did not fail—" *Bhaktan̄cha bijan̄cha karshakasya navasidati*,"—so likewise did Akbar consider himself bound to see that the producer of food for the people was not left without food himself, and provided public granaries in different parts of the kingdom—a measure as effective as it was simple—for the prevention of famine:—"Granaries are erected in different parts of the kingdom from whence the cattle employed by the state are provided with subsistence. They are also applied to the relief of indigent husbandmen, and in time of scarcity the grain is sold at a low price, but the quantity is proportioned to the absolute necessities of the purchaser. Likewise throughout the empire a great quantity of food is dressed daily for the support of the poor and needy. "For this purpose, Akbar exacted an annual tribute of ten seers of grain from every *bigha* of cultivated land throughout the empire" (Gladwin's *Ain-i-Akbari* p. 189.). Lastly as regards justice and the redress of wrong done to the cultivator, it must be admitted that the ideal of the Mahomedan rulers was not as high as that of the old Hindu kings, and there is no reason to think that they would consider it their duty to restore from the royal treasury, like the old Hindu kings, the value of any stolen property that they failed to recover from the thief. The Mahomedan rulers, however, considered it to be the "immediate duty of a monarch to receive complaints, and administer justice." In this matter, he delegated his power to the Kazi who tried each case not "without painful search and minute enquiry"—though the complainant had nothing to pay for expenses either as court-fees, process fees or lawyer's fees, etc. as in these days. Indeed, so great was the interest in agriculture taken by the Emperor Akbar, that he tried to remove one of the

most serious drawbacks that today hampers the progress of Indian agriculture—by helping the cultivators to get all their lands in one block. "After sometime it was reported that those who held grants (Sayarghals) had not the lands in one and the same place, whereby the weak whose grounds lay near khalisah lands (i. e., paying revenue to the Imperial Exchequer) or near the jagirs of the mansabdars or leaders of armies were exposed to vexations: and were encroached upon by unprincipled men. His Majesty then ordered that they should get lands in one spot, which they might choose. The order proved beneficial for both parties." "It was ordered that everyone who should leave his place, should lose one-fourth of his lands, and receive a new grant" (pp. 268 and 269, Blochmann's translation). What a world of good we should be doing if we could follow this noble example of Akbar on a more extensive scale so that each husbandman of today might get all his arable land in one block and conveniently situated in reference to his homestead. Thus we find that the Mahomedan Emperors like the old Hindu kings had very good reason to feel that the success of agriculture was as much their own interest as that of the Rayat, and that for the success of agriculture, even as the Rayat was responsible to give his labour, the Emperor was also responsible to provide the capital, the facilities for irrigation, and the pasture for the cattle, that he was responsible to administer justice, and give the cultivator protection against thieves and trespassers free of cost. The rent was paid to the state as a sort of fee for the performance of these onerous duties by the state, and in no sense could it be looked upon as an "unearned increment," as enjoyed by either the feudal land-lords in England, or their Indian substitutes, the Zemindars of today, whom Hunter speaks of as "the mushroom-creations of Mahomedan despotism"—though more correctly speaking they were created by a fiat of John Company. It was only under favourable conditions like the preceding that agriculture could flourish in India both in the Mahomedan and in the Hindu period, under the Indian Rayat, for the largest majority of whom it may be said that their only capital lay in former times

as now in the strength of their own bones and muscles and their habits of industry and temperance.

What happened during the period of transition from the Mahomedan to the British rule? Akbar died in 1605 and Aurangzeb died in 1707. The puppets who succeeded Aurangzeb were rapacious debauches unfit to rule and the Mogul Empire was destroyed by Nadir Shah in 1739. The Government may be said to have passed into the hands of the British from 1767 under Warren Hastings, who became the first Governor-General of India in 1774. In that half a century what momentous though silent transformations took place in this country as affecting our agriculture; India ceased to be looked upon as the country of peasant-proprietors, as it had been from the remotest antiquity. The state ceased to be the mere guardian and protector of the land "*Bhumer adhipatir hi sah.*" The rule of "*sthana ched asya kedaram*" that the arable land is the property of the man who cleared the jungle for cultivation, ceased to have force. The forests and hills ceased to be without a proprietor *asvamikanyahuk* or rather ceased to be the sort of no man's property (compare the Roman Res Nullius) that it was from the remotest antiquity, which any intending cultivator could appropriate by reclamation, and on which neither the state nor any individual whatever had the right to levy *Nazarana*. The rent paid by the cultivator ceased to be regarded as the fee paid for certain valuable services rendered by the State for the benefit of agriculture. Says Manu :

"The king is to fix and receive the rents and taxes of his kingdom so that the king receive the fruits of supervision, and the cultivator and the trader receive the fruits of their labour of cultivation and trading" (VII. 128). "*Yatha phalena yujyeta raja karta cha karmanam.*"

The king ceased to be responsible to the cultivator as before for the restoration of his stolen property free of cost. But the worst of it all was that during that time of transition, or rather anarchy from the death of Aurangzib in 1707 to the destruction of the Moghal Empire by Nadir Shah in 1739, the rapacity of



those puppets that disgraced the throne, introduced the system of the temporary farming of the revenues to irresponsible and sharking adventurers for lump sums of money. The only hope of the country, and the only redeeming feature of that farming system or rather system of contracts was that it was temporary, and when Warren Hastings became the Governor-General in 1774, it could be expected that the system of farming of the revenues would be given up. But that was not to be. "The existing Mahomedan system was adopted in its entirety. Engagements, sometimes yearly, sometimes for a term of years, were entered into with the zemindars, to a lump sum for the area over which they exercised control. If the offer of the Zemindar was not deemed satisfactory, another contractor was substituted in his place. For more than twenty years, these temporary engagements continued, and received the sanction of Warren Hastings" (Encyclo. British India). This system of farming of the revenue, with its collateral system of requiring compulsory payments of rent in lump sums of money, instead of in kind as a fixed share of the produce, which is the root cause of the ruin of Indian agriculture, was only a temporary disease in the body politic in the last days of the Mahomedan rule and might have ceased and the proprietorship of the husbandman restored to him and confirmed, with a change of administration for the better. But that was not to be. Lord Cornwallis in 1793 made the system of farming of the revenues permanent, and depriving the husbandmen of their ownership of the land, raised the status of those mere contractors of the revenue into that of the modern Zemindars of Bengal—addressing them, with what truth Lord Cornwallis alone could say,—as "the actual proprietors of the land." Sir John Shore was right when he said in his minute of 1788 that "the rents belong to the sovereign." but was wrong in saying that "the land (belongs) to the Zamindar." The name Zamindar does not occur in the Ain-i-Akbari. The Jagirs granted by the Emperors for military service, were for a prescribed period only. The English prejudices of Lord Cornwallis and his colleagues were responsible for his fatal blunder of divesting the

husbandman of his right of property in the soil he cultivated, which he had enjoyed without interruption from time immemorial, thus converting him into a mere serf as in feudal Europe, to invest his "mushroom creations"—the Zamindars, with it, that they might take the place of the feudal lords. He thought India was England, the zamindar corresponding to the English land-lord, and the rayat to the English serf or tenant-at-will. "By two stringent regulations of 1799 and 1812, the tenant was practically put at the mercy of a rack-renting land-lord" (Enc. British India).

What has been the effect? The rent realised ceased to bear any fixed proportion to the actual produce of the soil, and could be realised in all its fullness even though a single ear of corn should not reward all the sweat of the brow of the toiling husbandman. The basic principle of Hindu Law that the rent is charged by the state for the performance of certain duties by the state most material to the success of agriculture, was gone. A fatal divorce between the right to enjoy the rent, and the duty to help the development of agriculture has taken place. Regulation 1 of 1793 confers on the Zamindars the privilege of enjoying the rent "for ever", but lays on him no duty whatever to help the development of agriculture. "The Governor in Council trusts that "The proprietors of land"—meaning the Zemindars, "will exert themselves in the cultivation of their lands." A very pious hope no doubt, but that was all. There was no penalty imposed if they proved unworthy of the trust. The enjoyment of the rent was all that the Zemindar cared for, and taking the example of the Zemindars for a model, the Government too, where there were no Zamindars, forgot that the rent was a mere fee for the performance of certain duties by the state. Whatever the so-called proprietors or rather enjoyers of rent did for agriculture, they came to look upon not as the fulfilment of a bounden duty, but as a mere work of charity or philanthropy, little better than a waste of valuable money. No one who now enjoys the rent, thinks that he is bound to give a loan on easy terms to the rayat, or to

provide pasture ground for the rayats' cattle, or to remit the rent, if the rayat has to use his arable land for a pasture ground or to provide facilities for irrigation. Indeed the enjoyer of the rent has quietly appropriated almost all the public pasture ground of the country. The very idea that the kings of old were bound to restore from his own treasury the value of his stolen property free of cost, to the rayat, seems to us Utopian. We have been accustomed to see a very different spectacle. The rayat is now practically supporting on his Atlas-like shoulders, the law courts with all their huge paraphernalia, and the Zemindars and Mahajans with all their myrmidons of *amlas* and *vyadas*. Unlike the Emperor Akbar, the rent-enjoyers today never dream that it is their duty to give loans to the rayat, and those loans might be repaid in ten years, and yet the total interest realised never exceed the principal. They never dream that in order to be entitled to enjoy the rent, they are bound to provide free all the necessary tanks, wells, and canals for purposes of irrigation. No one now has the option to pay rent in kind as a fixed share of the actual produce—either a sixth as in Hindu times, or a third as in Akbar's time. Rent has now to be paid in money—a lump sum irrespective of the actual produce of the land, regardless whether all the rayats' toils are rewarded with an ear of corn or not. Thus the rent-enjoyer has no interest whatever in securing an increase of produce or an extension of cultivation. Indeed under the provisions of the Bengal Tenancy Act the rent-enjoyer's interest lies in the reduction of the produce and the decline of cultivation. The law provides that if the prices of the staple food crops rise, the rent-enjoyer is entitled to an increase of rent. The prices rise when the supply fails, *i. e.*, when the crop fails, and cultivation declines. How absurd! The duties of the rent-enjoyer are thus clean swept away,—the privilege of rolling in unearned gold alone remaining.

The effect of this divorce of the privilege of enjoyment from the duty to be performed, could not but be disastrous. It has naturally become the sole ambition of every Indian of means to be the enjoyer of an "unearned increment." Agriculture which

was the occupation of every householder, so that the term *grihastha* or householder became a synonym for farmer, has now become distasteful to the gentlemen or the *bhadrolok* class of today. Even as the "hart panteth after the brooks," the heart of every Bengalee gentleman, whether barrister-at-law or pleader, whether Zemindar or Mahajan, whether Judge or Magistrate or *amla*, all pant after that Lotus-Eaters' life of an enjoyer of rents without their corresponding duties, so that they and their children's children may roll in unearned gold, and sleep beside their nectar like the gods, careless of mankind. To realise his dream of life without duties more fully, the rent-enjoyer has only to screw up the money rent by hook or by crook to the highest pitch, and then sublet his right for a lump sum to a *pattanidar* who again gives a few more turns to the screw, and sublets to the *dar-pattanidar* and so on and on without end. Thus like parasite, upon parasite, a whole chain of rent-enjoyers settle on the devoted head of the husbandman to divide the fruits of that poor man's labours. Thus has this country of peasant-proprietors been transformed into one of rent-enjoyers, and to a condition much worse than feudal England which Lord Cornwallis took for his model, for in England the statute of *Quia Emptores* of 1285 disallowed sub-infeudation altogether, while in India Acts were passed to legalise interminable sub-infeudation, without any restriction whatever. The whole country is now become a country of the enjoyers of rent under the various denominations of *xanindar*, *pattanidar*, *dar-pattanidar*, *howladar*, *talukdar*, and what not. Thus India which was the very queen of agricultural countries, is now become a country of crafty middlemen. India which was the country of peasant-proprietors ages before Switzerland or France or any other European country, has now become a country of the so-called proprietors of land, more interested in the failure than in the success of agriculture, and "rolling in unearned luxury" consuming the fruits of the labour, of the toiling husbandman "engaged in grinding labour," "eking out a precarious existence" and having no champions or spokesmen to express

his views, or protect his interests. These then are the root causes that have led to the ruin of Indian Agriculture, and made the Indian husbandman what Lord Curzon describes him to be: "The Indian poor, the Indian peasant, the patient, humbled, silent millions, the eighty per cent who subsist by agriculture, who know very little of politics but who profit or suffer by their results, and whom men's eyes, even the eyes of their countrymen, too often forgot." (DVLJADAS DUTTA in the *Modern Review* of August 1913).

## APPENDIX F

### Indian Banking and the Ruin of Indian Industries

Banking in its modern form is a foreign institution in India. Though the main functions of banking had in the past, been, ably performed by indigenous bankers, that monster of finance, the Exchange and Joint Stock Bank, is of foreign origin. It was no unusual thing in the Pre-British days for a bill of exchange (or what was in action a bill of exchange) to start from Katmandu in Nepal and to be cashed in Mysore in South India, though, no doubt, it took long enough to reach its destination. The internal trade of India as well as what foreign trade there was at that time was financed by Indian bankers, *mahajans*, *Seths*, *Chetties* or whatever they were called in different parts of India. There is ample evidence to prove that individuals often deposited their savings with these bankers, and the bankers, as a normal practice, advanced large sums to traders, landlords and even to Princes for the purpose of War or Peace-economy.

With the coming of the British and the institution of their "enforced" commerce with India, there sprang up a whole series of wholesale houses, transport organisations, bonded ware houses etc. all over India. British Banking was at once the main spring which ran the whole mechanism and was itself run by these institutions. The result was that the financiers of India began to feel a progressive loss of grip upon the Indian market. Wholesale

houses which dealt in foreign goods got very cheap credit from these foreigners and dealers in foreign goods shared the benefit of this credit. There being large capital behind these banks (all the loot of the so-called "civil," military and mercantile officials trickled into these banks), the indigenous trader could not cope with the protege's of these banks. They could not sell their goods at fixed price nor give long credit, nor transport their goods cheaply, nor do anything easily which helped the smooth flow of trade.

It will be a long story to follow step by step the progress of marauding British Banking into the smiling and prosperous fields of Indian Industry. If told at length it will merely repeat incidents over and over again. Tales of slowly pushing out Indian goods from their home market, of traders going bankrupt or giving up internal commerce in order to join the slavish ranks of those who sold foreign goods; tales of bills for home-produced goods going abegging to be discounted and of bills for foreign goods being discounted for next to nothing; tales of foreign "business men" coming to India with only the pair of trousers in which they travelled as assets and being granted big overdrafts, while Indian merchant princes getting no credit anywhere; tales of indigenous traders losing all faith in their own business and going over with their deposits to foreign bankers in the hope of finding favour in the eyes of foreign business magnates. Thus slowly were Indian banking and business ground into something too small to be ground down any further. The biggest Indian Capitalists lost their good name and foreigners became the only "Stable and safe" people. Slowly the British Banks gained the confidence of the Indian public, who poured their savings into the coffers of the aliens, who in their turn used the money to further the cause of Britain and reduce Indians to a State of abject economic slavery.

At the present moment British Bankers in India do not as a general rule give any facilities to Indian business men. They of course are very keen on getting deposits from the natives. In times of crisis British Bankers flock together; but woe betide the

Indian Banker who looks for help to Britishers in time of a run or financial stringency. Although sometimes when Indian Banks go down or have a hard struggle to face, evil tongues ascribe such happenings to forces which for unknown reasons dislike prosperity in Indians.

## APPENDIX G

### The Rupee Sterling Exchange and Indian Industries

India has an extensive trade with Britain. Every year Britishers buy millions of pounds worth of Indian material and Indians buy (or are forced to buy) large quantities of foreign goods as well as pay for alleged "Services" rendered to India by foreigners. So that every year a large demand is created in India for pound Sterling and, similarly, a large demand is created in Britain for Rupees. The rate at which the rupee buys pound and *vice versa* is therefore of very great importance. For if pounds sterling sell at a cheap rate it becomes easier for Indians to buy British goods and, on the other hand, if pound sells dear it becomes easier for Indians to sell goods to Britain. Now, this exchange ratio, had it been free to adjust itself to the laws of demand and supply, would have meant profit or loss to Indians or Britishers according to the vicissitudes of International trade. But if it were controlled, it could be abused. And it has been abused often and on. Let us take an instance. The British, let us say, are at one time obliged to purchase very large quantities of Indian material. When the time comes to pay for the goods, they have to buy rupees in the money market to settle their debts. Now, if by some artificial means they could be enabled to buy Rupees cheaper than they could in the open international money market, they could gain whilst Indians would be cheated. For, by this means, while the artificially created rate remains in force, Indians would be getting fewer pounds for their Rupees and thus ultimately less of British goods for their money, than

they would have got normally. This artificial aid to exchange is given by selling Rupees in London (by the British Government of India) and pounds in India under official management and from state funds in India and Britain. Such things have been done more than once. Let us see what Sir Purshottamdas Thakurdas said in his minute of dissent in the Report of the Royal Commission on Indian Currency and Finance (Hilton Young Commission, 1926).

"4. Till 1893, India had a silver standard with free coinage of silver, and the rupee was a full value silver coin. Owing to the discarding of silver as a standard of value in leading countries in the West after the Franco-German War, wild fluctuations took place in the rates of exchange between India and gold standard countries. In response to a widespread general feeling amongst the organised sections of the commercial community in India, the Government of India proposed to the Secretary of State the stopping of the free coinage of silver with a view to the introduction of a gold standard. The Herschell Committee, to whom the proposal was referred for investigation and report, approved of the Government of India's proposals, with certain modifications. The recommendations of that Committee were accepted by Her Majesty's Government; and in 1898 the Fowler Committee was appointed to consider and report on "the proposals of the Government of India for making effective the policy adopted by Her Majesty's Government in 1893 and initiated in June of that year by the closing of the Indian Mints to what is known as the free coinage of silver. That policy had for its declared object the establishment of a gold standard in India."

*The Fowler Recommendations*

"5. The Fowler Committee "looking forward . . . to the effective establishment in India of a gold standard and currency based on the principles of the free inflow and outflow of gold," recommended that :

- (1) The Indian Mints should continue closed to the unrestricted coinage of silver and should be opened to the unrestricted coinage of gold.



(2) The sovereign should be made legal tender and a current coin.

(3) The ratio between the rupee and the pound sterling should be Rs. 15 to the pound, i. e., the exchange value of the rupee should be ls. 4d.

(4) No legal obligation to give gold for rupees for merely internal purposes should be accepted ; but

(5) The profit on the coinage of rupees should be held in gold as a special reserve and made freely available for foreign remittances whenever exchange fell below gold specie point.

(6) The Government should continue to give rupees for gold, but fresh rupees should not be coined until the proportion of gold in the currency was found to exceed the requirements of the public.

"These recommendations were accepted "without qualification" by the Secretary of State, who on the 25th of July, 1899, 'requested the Government of India to make preparation for the coinage of gold.' "

Had these recommendations been given effect to, Indian exchange would have been largely free from official abuse and India would have played her own game at the International money market, without the drag of British interests or the international value of the pound. But this would not have helped the British cause ; so these recommendations were not carried out ; though they were officially accepted.

The abuse went on ; greatly to the disadvantage of India. Ratios of exchange were fixed most arbitrarily and rupees and pounds sold by the Government to keep up these various ratios. The losses were borne *always* by the Indians. Thus in 1926, Sir P. Thakurdas said.\* "The loss on sales of Reverse Bills (sale of pounds from India) in India exceeds Rs. 22 crores." Not only did India lose in cash to maintain fictitious ratios, the loss was also indirect. For in order to

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\* Royal Comm. on India Currency and Finance 1926, p. 115 (1929 edition)

maintain the pound value of the rupee, the Currency in India was deflated enormously to bring down the general level of prices. In the report quoted above, we find that in 1920, in an attempt to stabilise the rupee at 2sh. (when the actual rate was 1s. 4<sup>5</sup>/<sub>16</sub>d.) the Currency was deflated "to the extent of Rs. 35 Crores." The result was a violent disturbance in the Indian Market which caused great loss to numerous people.

The Government did not learn its lesson. In 1923-24 the market became so tight owing to deflation that the Bank Rate went up to 8 per cent. In the above Report we read : \*

"In the Viceroy's telegram to the Secretary of State, dated the 8th of October 1924, it is admitted "that the stringency in the market is the direct outcome of Government action in contracting currency, or rather in placing strict limits on possibilities of expansion . . . We should have difficulty in refusing to provide more generously for additions to currency even if we wished to do so and there is serious risk of a financial crisis if we keep the screw on too tight."

Again we read :—†

"But deflation, and a consequent raising of exchange, has been accomplished by preventing the expansion of the currency to the extent normally required by India, as evidenced by the pre-war annual average of expansion. In fact, the Government of India themselves pleaded with the Secretary of State in paragraph 3 of their telegram to him of the 4th of November 1924, when they pressed for authority to prevent the exchange rising above 1s. 6d. in the following words :

"We doubt whether sufficient weight has been given by you to the great improvement in internal economic conditions which has taken place in India, and to the check which in the last few years has been placed on the expansion of currency. In the last two years the raw materials of India have been in great

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\* Report of Royal Comm. on Ind. Curr. Fin. 1926 (1929 edition) pp. pp. 122-22. † ditto p, 124.

demand with the result that there has been a substantial trade balance in her favour.

"In a word India has been straved of her natural currency requirements and this operation, being equivalent to deflation, has been effective in raising the rate of exchange."

The present exchange ratio is favourable to Britain. It enables her to sell more goods to India and damage Indian Industries. But its enforced existence has been the greatest obstacle to India's economic expansion. Everywhere in Indian people cry, there is no money to carry on trade with. The explanation is found in the above quotations.

## APPENDIX H

### Sale of Treasury Bills and Borrowing at High Rate

The Indian Government is a competitor with the Indian trader in the money market. Being chronically short of funds the Government is always borrowing large sums here as well as in London. The short loans raised in India are obtained by the sale of Treasury Bills, which draws out large sums from the market to the detriment of our trade and industry. It is sinful, the way the Government walks into a tight market and draws out money, either to meet dues or to effect contraction of Currency. Who would risk money in trade and industry, if Government Bonds yielded a high rate? Who would give short loans to traders at a fair rate if the Government were willing to accept what are tantamount to Hundis? This policy of the Government has been a great blight since the end of the War. It is the last straw that may yet break the back of the Indian Industrial Camel which has traversed many a long decade of bad trade on an almost empty stomach.

The Government also mortgages India's Revenues at a high rate of interest. While other nations borrow at a low rate in the world's Money Markets, India borrows (is made to borrow) at a high rate in the Market where Britain reigns supreme. Often a loan raised by India has sold at a premium the day after it had been floated. Why? Because the interest was too high. Where the Government could have got the same Capital by pledging 1 per cent. or 1½ per cent. less in interest Government has pledged more. Why? Because the lenders have been mainly Britishers (usually in the first instance as underwriters). Not merely have they borrowed the money at a high rate: they have also used that money in Britain (or in India) for the purchase of goods which have not unusually been the highest priced in the world. Why? Because the sellers have been British Tradesmen!

No Medical man, Botanist, Forest Officer, Agriculturist,  
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## Indian Medicinal Plants

CONTAINING BOTANICAL DESCRIPTIONS, NAMES IN THE  
PRINCIPAL VERNACULARS, PROPERTIES AND USES OF  
OVER 1,300 INDIAN PLANTS USED IN MEDICINE BY  
THE MEDICAL PROFESSION ALL OVER THE WORLD

By

Lieut.-Col. K. R. KIRTIKAR, F. L. S., I.M.S. (Retd.)  
Major B. D. BASU, I.M.S. (Retd.) and an I. C. S. (Retd.)

This work is useful to Botanists, Medical men, Forest Officers, and all those interested in the development of the economic resources of India.

It contains illustrations of above 1,300 medicinal plants, on above 1,000 Royal quartozed lithographic plates, kept in nice portfolios in 4 vols.

The letter press is in 2 vols. of over 1,500 pages.

In his letter, dated the 28rd June, 1919, the Under Secretary to Government, United Provinces of Agra and Oudh, writes to the Manager, Panini Office :

"His Majesty's Secretary of State for India is desirous of purchasing ten copies of the work . . . I am also to inform you that the Government of India has been pleased to bring the work to the notice of all the other Local Governments and administrations.

Patronised by His Majesty's Secretary of State for India, Governments of India Bombay, Bengal, U. P. of Agra and Oudh, and several other local administrations.

THE MODERN REVIEW, in reviewing this work, writes :

"This very valuable work is neatly printed on thick art paper. The illustrations are clear and lithographed on good paper. The portfolios are beautiful.

'The Imperial and Provincial Agricultural and Forest Departments of British India should make use of the information brought together in this monumental work. All Native States should have medicinal plant gardens and pharmaceutical laboratories, and their Agricultural and Forest Departments should be provided with copies of this work. Now that it has been published the educated section of the public should insist that indigenous physicians of repute and all the leading pharmaceutical factories should be able to scientifically identify the plants they use."

N. B.--The Ninth All-India Ayurvedic Conference and Exhibition, held at Lahore in 1948, awarded First Class Certificate together with a Silver Medal to the Editor, Major B. D. Basu, I.M.S. (retired), for exhibiting this work at the Ninth All-India Ayurvedic Exhibition, Lahore. Price Rs. 275 (Two hundred and seventy-five Rupees only).

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