

Congress Golden Jubilee Brochure No. 5

PUBLIC DEBT OF INDIA

BY

J. C. KUMARAPPA

PUBLISHED BY

ALL INDIA CONGRESS COMMITTEE

SWARAJ BHAWAN, ALLAHABAD

1935

Congress Golden Jubilee Brochure No. 5

PUBLIC DEBT OF INDIA

BY

J. C KUMARAPPA

For favour of review.

PUBLISHED BY

THE ALL INDIA CONGRESS COMMITTEE

SWARAJ BHAWAN, ALLAHABAD

1935

PRINTED BY
MURALI MANOHAR PRASAD
at
The Searchlight Press, Patna.

NOTE

The Congress Jubilee Brochures, written in popular style, are meant to educate the general public and furnish them with a working knowledge of the current Indian political and cultural problems. The Congress, as an organisation, may be said to be in general agreement with the conclusions of the different authors, although it may not be possible for it to subscribe to every detail of what has been written. There may be minor points of difference here and there for which we, as publishers, or the Congress, as an organisation, can take no responsibility.

SWARAJ BHAWAN
ALLAHABAD.
December 15, 1935.

J. B. KRIPALANI,
General Secretary,
ALL INDIA CONGRESS
COMMITTEE

CONTENTS

I	INTRODUCTORY	...	1
II	PRIOR TO 1857	...	7
	The Afghan War	...	8
	"The Mutiny"	...	11
	Capital and Dividend of the East India Company	...	13
III	SINCE UNDER THE CROWN	...	13
	External Wars	...	14
	The European War 1914—18	...	22
	Miscellaneous Charges	...	23
	Annual Military Expenditures	...	27
	Interest Payments on False Debts	...	30
IV	CONCLUSION	...	31

I INTRODUCTORY

In private finance an individual is expected to keep within his income which he acquires by means of his economic activity. His expenditure, normally, follows his capacity to earn. If he spends, ordinarily more than his earnings by borrowing the excess he will end up in a bankruptcy court. If he spends less than his income he accumulates purchasing power which we call capital, which may be used as a reserve or lent for further production. In both cases, where the income is not exactly equal to the expenditure, a debt arises,—in the case of borrowing, it is a debt and in the case of lending it is a credit. We notice that in private finance, income determines the expenditure and the debt.

On the other hand, in public finance, i. e. the finances of a State, the determining factor, within limits, is not the income but the expenditure. So that, if we wish to satisfy ourselves that the debts of a State are properly incurred, we have to scrutinise the various items of expenditure to see that each item is properly chargeable against the revenue of the country and that there is no extravagance. Then we should examine the taxable capacity of the citizen and see if the needed amount cannot be raised by taxation. After such investigation if we find that all items of expenditure are in the interests of the country and are properly chargeable and if the ability of the citizen

to pay any further taxes is nil then debts incurred under such conditions are fully warranted.

Unlike a private individual, the State first decides what are the expenses it has to incur for administration and for the nation-building programme for the year. Then it raises the needed funds compulsorily by ordering the citizens to contribute towards the maintenance of the State—by taxing them. Thus, in public finance income or revenue is raised to meet the expenditure.

It is not always possible to meet the expenditure out of revenue. Often the State has to incur expenses the benefit of which will only accrue to the public in the years to come. In such cases, it is obviously not fair to ask the citizen of to-day to pay for the benefits of the future in a lump sum. It may be too heavy a burden on the present day production which may be affected adversely. Under such circumstances, the State may borrow the money needed now and pay it off in future years out of income. Again, there may be sudden emergencies, to meet which it may not be possible to depend upon taxation. The funds may be required immediately—as in the case of a war, famine or pestilence. In such emergencies the State has to resort to borrowing.

In the first case, where the effect is to spread the taxation over the years which receive the benefit and where the expenditure is incurred for developmental purposes to aid the productive capacity of

the people and brings in a return on the capital sunk, it is called a 'productive debt'.

In the second case, where the debt is raised to meet an urgent expenditure which will not necessarily increase productivity it is termed an 'unproductive debt'.

In deciding the programme of the year, budgeting plays an important part in modern statecraft. It lays before the public what the government propose to do in the year and tells the people how much it is going to cost their pockets. A good budget demands the equalising of the revenue and expenditure, and where there is need for further funds it indicates how that extra is to be obtained. When the expected income from taxation is tardy in reaching the treasury and the expenditures have to be met, then temporary loans are raised by means of treasury bills which are paid off later on when the taxes will have been collected. Bills and debts so formed bear interest which becomes a recurring charge on the revenues till they are paid off.

Where the interest payments are made to persons within the country itself the production of the people remains in the country and it does not cripple the people to any great extent. Even then there is a maldistribution of wealth as the taxes are collected from the poor and paid to the bondholders who are usually amongst the rich. When the interest is payable to citizens of a foreign country the debtor country is held to ransom as

regards its production. As John Stuart Mill says 'A country which makes regular payments to foreign countries, besides losing what it pays, loses also something more by the less advantageous terms on which it is forced to exchange its production for foreign commodities.' This assumes a dangerous form when the creditor country is in a position to control the finance, currency and exchange policy of the debtor country and has the placing of orders for materials in its own hands.

In case large amounts are needed which can never be repaid, and for which the State is not prepared to pay interest indefinitely a government may, by virtue of its summary powers, find its where-withal by confiscation or by capital levy. Though these amounts so raised are in excess of revenue they do not form 'Public Debts'.

The excess of current expenditure over revenue—budget deficits—should not be capitalised by treating them as interest-bearing debts.

Raising money for public purposes by means of loans is a comparatively modern innovation, dating from the growth of the extensive use of commercial credit. Previously, rulers used hoarded wealth or treasures taken from temples or other public institutions.

When debts are incurred for public purposes by a Government representative of the people such debts are termed "National Debt" and they are very often held by the citizens of that same country.

Where there is no such relationship between the government and the governed the debts are described merely as 'Public Debts'.

In the absence of a representative government, it is incumbent on the administration to deal with the funds in their hands as a trustee. The present Government of India has succeeded to the tradition created by the East India Company and has modified its methods to suit the conditions of the times. Still there is no popular control over the purse, although there has been a pretence of representative government by the creation of impotent councils since 1861. Till 1909 the budget did not come under the purview of such councils. After that date certain items were allowed to be discussed and since 1920 about 25% of the total expenditure has been made 'votable'. The power of the purse is even now definitely in the hands of the executive who are not responsible to the people.

In the very early days, there was unvarnished loot from the country by the agents of the East India Company. Macaulay, describing the situation after Plassey, says "The shower of wealth now fell copiously on the Company and its servants. A sum of eight hundred thousand pounds sterling, in coined silver, was sent down the river from Moorshidabad to Fort William, Calcutta, which a few months before had been desolate, was now, more prosperous than ever. Trade revival and the signs of affluence appeared in every English house. As to Clive, there was no limit to his acquisition but his own moderation". (Essay on

Lord Clive Vol. III p. 240). Brooks Adams bears testimony that "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". "Thus the arrival of Bengal silver not only increased the mass of money, but stimulated its movement, for, at once in 1759 the Bank issued ten and fifteen pound notes and in the country private firms poured forth a flood of paper." (Law of Civilization and Decay. P317 & 319) It is estimated that between Plassey and Waterloo about one thousand million pounds were transferred from India to England. We can hardly realise the magnitude of this sum when we allow for the very high purchasing power of money in those days.

This naked looting proved a little too raw to the sensibilities of the fast developing palate of the Directors of the East India Company. They soon devised a cloak for its nakedness. Goods were bought out of the revenues obtained from the territorial side of the Company's transactions and sent to England to be sold for the benefit of the Directors, leaving this country poorer for the transfer. In less than twenty years a sum of about 130 million pounds was thus transferred to England.

As Great Britain advanced in 'Civilisation' these two methods of misappropriation of wealth seemed a little too brazenfaced to the high souled British Politicians holding up the ideals of a Heaven-sent mission. They beat about for a more subtle method which will serve the same end without revealing the ugliness of it

to the world. Their financial genius pitched upon the method of debits to load India with charges that rightfully belonged to Britain.

To appreciate these three methods, we may seek parallels for them in private finance. The first is equivalent to a trustee actually taking away the cash from the trust funds. The second one is like carrying on a speculation on the trustees account with trust funds. The third is the most heinous of all because of the difficulty of its detection and the meanness of its plan. It corresponds to a trustee debiting his personal expenses to the trust account without the beneficiary of the trust knowing anything about it.

In the chapters that follow some of the principal items that have been charged to Indian revenues will be brought under the searchlight with the aid of eminent Britishers or with the help of evidence from trustworthy documents such as the reports of Parliamentary Committees etc.

II. PRIOR TO 1857

During this period the Government rested with the East India Company which played ducks and drakes with its accounts and finances; so that, it is difficult for us to compute with any degree of exactitude the amount that was misappropriated. The revenues from the territorial side were used for commercial purposes and ultimately found its way into the pockets of the shareholders; while the deficits on the territorial side of the administration accumulated and became part of the 'public debt'.

According to the Indian Expenditure Commission, generally known as the Welby Commission of 1895, paragraph 117 of their report, "The Statistics of the Company leave much to be desired in precision and the figures of the early years must be taken only as approximate."

We shall consider the following few items which have been debited to Indian revenues in regard to this period.

	£
1. 1st. Afghan War	12
2. Two Burmese Wars	14
3. Expeditions to China, Persia etc.	6
4. The Indian 'Mutiny'	40
5. Redemption of Company's Capital and Dividends	37
	£ 109 Million

The Afghan War

This war was undertaken by the Government of Great Britain in opposition to the desires of the East India Company and yet the whole cost has been charged up to the Indian revenues. In this connection Sir George Wingate writes:—

"The Afghan War was one of the most notable of these, and it is now well understood that this war was undertaken by the

British Government without consulting the Court of Directors, and in opposition to their views. It was in fact, a purely British war, but notwithstanding this, and in defiance of a solemn expression of unanimous opinion on the part of the Court of Directors, and of a resolution of the Court of Proprietors of the East India Company that the whole cost of the war should not be thrown upon the Indian finances, the ministry required this to be done”.

In a letter dated 6th. April 1842, the Chairman and the Deputy Chairman of the East India Company protested and wrote to Lord Fitzgerald :—

“Under these circumstances it has become the duty of the Court to claim, on behalf of India, to be relieved from any charges to which, upon a fair and impartial view, she may not justly be liable; and whilst it is very far from the Court’s desire prematurely to raise any question regarding the objects of the expeditions beyond the Indus, yet they are constrained to submit that, in no view of the case it can be just or expedient that the whole charge of these operations including that of the Military reinforcements about to be effected, should be thrown on the finances of India”.

On the 27th June 1842, the General Court of the East India Company resolved :—

"That upon consideration of all the circumstances connected with the British intervention in the affairs of Afghanistan as they appear from the papers already laid before Parliament it is the opinion of this Court that the whole expense of that war ought not to be thrown on the people of India, but that a part of it should be borne by the Exchequer of the United Kingdom."

As regards the other wars in Asia Sir George Wingate writes :—

"Most of our Asiatic wars with countries beyond the limits of our Empire have been carried on by means of the Military and monetary resources of the Government of India though the objects of these wars were in some instances, purely British, and in others but remotely connected with the interests of India. They were undertaken by the Government of India in obedience to instructions received from the British Ministers of the time acting through the Presidents of the Board of Control; and for all consequences they have involved, the British Nation is clearly responsible."

In Regard to the Persian War he says :—

"The late Persian War was proclaimed by the British Ministry in pursuance of a policy with which India had no real concern; but the war, not the less, was carried on by the

troops and resources of India, and one half only of the total cost was subsequently settled to be borne by the revenues of this country. India, in fact, has been required to furnish men and means for carrying on all our Asiatic wars and has never, in any instance, been paid a full equivalent for the assistance thus rendered which furnishes irrefragable proof of the one-sided and selfish character of our Indian policy." (Our Financial Relations with India pp. 17-19.)

"The Mutiny"

John Bright, speaking on the East India Loan in March 1859, said :—

"I think that the forty million pounds, which the revolt has cost, is a grievous burden to place upon the people of India. It has come from the mismanagement of Parliament and the people of England. If ever men had what was just, no doubt, those forty million pounds would have to be paid out of the taxes levied upon the people of this country."

Sir George Wingate draws attention to the "unparalleled meanness" and "selfish tradition of Indian policy" in these words :—

"In this crisis of the Indian Mutiny, then, and with the Indian finances reduced to an almost desperate condition, Great Britain

has not only required India to pay for the whole of the extra regiments sent to that country, from the date of their leaving these shores, but has demanded back the money disbursed on account of these regiments for the last six months of their service in this country, previous to sailing for India. There may be good reasons for the adoption of a course that reminds one of Brennus throwing his sword into the scale, which determined the ransom of the vanquished Romans; but as we had the services of the men, and as their pay for the period in question was spent in supporting the industrious classes of this Kingdom, and could have been of no benefit to India, we are laid under a moral obligation to explain the principles of justice, or of honest dealing, by which we have been guided in throwing this additional heavy charge upon the overburdened finances of India." (Our Financial Relations with India. pp. 15-16.)

In regard to an 'extraordinary representation' made by the War Office in a letter dated 14th. April 1872, the Secretary of State for India wrote on 8th August 1872 as follows:—

"It must be remembered, however, that, if similar exertions had been called for by war in any other part of Her Majesty's dominions, not only must the same effort have been made, but the burden of it must necessarily

have been borne, in greater part, at least, by the Imperial Government; but, in regard to the Indian Mutiny, no part of the cost of suppressing it was allowed to fall on the Imperial Exchequer, the whole of it was or is now being defrayed by the Indian Taxpayer.

Capital And Dividend Of The East India Company.

The last item we have shown on our list represents the purchase price of the East India Company's stock and the interest paid to them. This is a most unique financial transaction. A company's rights are bought over by one party, but, instead of the buyer paying the purchase consideration the company itself is made to pay it, with interest, an instance which will be difficult to match even in the shady annals of speculative company management.

The few items above described totalling to about one hundred and twelve million pounds, incurred in days before the British Crown assumed full responsibility for India, are definitely charges on the British Exchequer and have been placed on Indian Revenues improperly and dishonestly in spite of repeated protests.

III. SINCE UNDER THE CROWN

After the 'Mutiny' the British Crown assumed the reins of government in India. This made the pursuing of the policy of false debits 'simplicity' itself.

There were no Court of Directors to be wooed or to protest. All that was needed to relieve the British Exchequer of the burden of some millions was a firman to the Indian Administration to debit the unwanted charges to Indian revenue and the Government of India found its joy in the unquestioning obedience to such mandates from on High. No doubt, there were a few recalcitrant officers, like the Earl of Northbrooke, who foolishly believed the altruistic utterances of Cabinet Ministers, and in their misconceived notions of applying principles of justice and fair play in imperialistic ventures resigned their posts of duty as a protest against dishonourable dealings. Cutting through such floatsam and jetsam the imperial ship of state pursues its course relentlessly and heartlessly.

We shall examine a few examples of such debits in this chapter.

(a) External Wars.

As regards the cost of external wars that have been wrongfully charged to us the following are the chief ones that call for our attention.

1867 Abyssinian War	600,000 Pounds
1875 Perak Expedition	41,000 „
1878 2nd. Afghan War	17,500,000 „
1882 Egypt	1,200,000 „
1882 192 N. W. F. Wars.	13,000,000 „

1886 Burmese War	4,700,000	„
1896 Soukim	200,000	„
	say 38 Crores,	rupees
1914-19 European War Expenses	39	„
„	„	'Gift' 150 „
	Excess defence	170.7 „
		<hr/>
		Rs. 397.7 Crores

In regard to the Abyssinian War, giving his evidence before the Fawcett Committee (1876) Sir Charles Trevelyan said:—

“The Abyssinian war arose out of the Imperial sentiment affecting the whole British Empire and in a much greater degree, in my opinion, our European and American relation than our Indian relation..... In fact, the people of India knew nothing about Abyssinia.”

Again in reply to question 1600, he answered:—

“In fact, India was in no way more concerned with our expeditions to Abyssinia than were Australia and Canada, and that the only reason why we did not make similar demand from Australia and Canada to help to pay the expenses of that war, was that we knew perfectly well that they would indignantly

scout such a proposal; they would not listen to it for a moment, would they?—Well, I am bound as an honest man to say that I see no real difference. India had nothing to do with the proceedings which brought about the Abyssinian war and was not much concerned with the result.”

(Parliamentary Committee on East India Expenditures, 1876, Vol. III page 151.)

The Earl of Northbrook stated before the Welby Commission (1897) that the cost of the Abyssinian War is a sum of money which India has a fair and equitable ground to claim (India Expenditure Commission Vol. III p. 23.)

Again in regard to the amount illegally charged to India in connection with the Perak Expedition, Lord Northbrook gave his evidence as follows:

“I happened to be the Governor General at the time, and I protested against this charge being put upon India. Not only was no notice taken of the protest made by the Government of India but not even were the statutory addresses from both Houses moved, so that the Law was broken, and the charge so made upon India has never been repaid. It has remained charged upon India from that time to this, contrary to the law, and contrary to the protests of the Government of India (Indian Expenditure Commission, 1895, Vol. III p. 20.)

In his speech at the Parliamentary debate on the second Afghan War, Mr. Fawcett protested against the cost of that war being charged to India and said:

“In India, there was a war for which the Indian people were not responsible—a war which grew out of our own policy and actions in Europe, and we are going to make the Indian people, who were not self-governed and who were not represented, pay every six pence of the cost”. (Hansard, Vol. 251 page 926.)

And Mr. Gladstone supported Mr. Fawcett and said :

“This Afghan war has been distinctly recognised as partaking the character of an Imperial war.....but I think not merely a small sum like that (a contribution of five million pounds) but what my Right Honourable Friend, the Chancellor of the Exchequer, would call a solid and substantial sum, ought to be borne by this country at the very least”. (Hansard Vol. 251, p. 935.)

After the war the Amir was paid six lakhs a year till 1894. After that he was given twelve lakhs a year. In addition to the cost of the war these payments also were made out of Indian revenues.

Giving evidence before the Welby Commission on the Egyptian operation of 1882, Major General E.H.H. Collen—Military Secretary to the Government of India—gave it as his opinion that “India should

not have had to pay even a farthing for such an expedition."

With reference to the North West Frontier Expeditions the Indian Expenditure Commission states "for all these wars, so far as they were an indivisible part of the great Imperial question, the Imperial Exchequer should primarily have paid." (Indian Expenditure Commission, Vol. IV. p. 187.)

As to the propriety of charging the Burmese war costs to India, Mr. D. E. Wacha (now Sir Dinshaw) stated before the Welby Commission :—

"As to Upper Burma, the entire cost of the Military Expedition and the subsequent cost of the administration should be wholly refunded by England to India, and the province separated from India and made into a Crown Colony as was suggested by the Congress. The occupation was made at the suggestion of the English merchants in Rangoon and Mandalay. Indians never demanded the annexation and it is unfair to India that for the promotion of the interests of English Capitalists and extension of the British Empire any charges be paid out of the revenues of India." (Indian Expenditure Commission, Vol. III, p. 204).

And Mr. Gokhale told the same Commission :—

The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire and no special Indian interest was ever here at stake."

(Indian Expenditure Commission, Vol. III, p. 243).

The expences of the Soukim Expedition was charged to India in spite of the protests of the Government of India, who wrote :

“ In order to strengthen Soukim and to set free Egyptian troops for employment on the Nile, we have been asked to provide for garrison composed of troops from Native army in India. We cannot perceive any Indian interests, however remote, which are involved in carrying on the policy above described. It cannot be alleged that safety of the Suez Canal is involved and the tax-payers of India, who have to bear the ordinary costs of the Indian troops, preceeding to Soukim, will hardly comprehend the reasons for taxing them for troops which are not serving in India in order to maintain order on the Egyptian frontier to reconquer part of an Egyptian province or to assist the Italian forces. In these circumstances, we feel it our duty, in the interests of the country of which the administration is entrusted to us, to protest once more in the strongest terms against the policy which burdens the Indian revenues with expenditure connected with services in which India has no interest; which is unjust to India, because it applied to the payment of the Indian troops lent to England, a different principle from that which

England imposes when English troops are lent to India ; and which is inexpedient, because it exposes our Government to attacks to which there is no adequate answer." (Qindue in Financial Developments in Modern India p. 131.)

At this stage it will be interesting to note what the erstwhile British Prime Minister, Mr. Ramsay Macdonald, had to say on the various items before the scales of office crept over his eyes and blinded them. He says :

“ Undoubtedly, India has not been dealt with fairly in this respect. It has had to bear the expense of operations that have been mainly Imperial.” “When we stationed troops in other parts of the Empire we did not charge them upon the Colonies but in India we have the influence of the dead hand. When the Company ruled, it hired troops from Great Britain, and not only maintained them when in India, but paid the cost of their transport. When the Company surrendered to the Crown, the habit of ‘lending’ troops was kept up, as a fiction convenient to the treasury of Great Britain. Owing to the report of the Financial Commission in 1900 the Home Government now pays 130,000 pounds per annum, which is supposed to be about one half of the cost of transport, and 100,000 pounds are Charged to the home Treasury for half the military cost of Aden. That

is all. India pays the rest. Thus India is treated as an independent state, which, however, we rule and whose military policy we control, while it 'borrows' from us certain number of troops for which it pays; the arrangement is most satisfactory." "The Commission which reported in 1900 put an end, it is to be hoped, to a still greater grievance. Frontier wars and wars of annexation, like the Burmese wars as well as the Abyssinian expedition, were all paid for by the Indian tax-payer. Only five millions of the twentyone millions which Afghan war cost, was found by the Imperial Exchequer. These expeditions are in reality events in Imperial policy and should not be an Indian charge at all. Mr. Gokhale once described the position thus : England has in the past borrowed troops from India for expeditions undertaken from considerations of Imperial policy, such as the expeditions to China and Persia, the Abyssinian expedition and others, and on all these occasions all the ordinary expences of these troops have been taken from India, England defraying their extraordinary expenses alone. On the other hand, when India had to borrow troops from England as on the occasion of the Sindh campaign of 1846, the Punjab campaign of 1840, and the Mutiny of 1857, every farthing of the expenses of these men, ordinary

and extraordinary, including even the expenditure on their recruitment, was extorted from India. " (Government of India pp. 154-5.)

The European War 1914-18.

The monstrous charges made to India in connection with the European war of 1914-18 is still so fresh in our memory that we need not dilate on it. By dubious methods many expenses relating to the war to the extent of over twentysix million pounds were taken from Indian revenues. (Imperial Legislative Council Proceedings, Vol. 57, p. 167-8.)

Besides, India was shouldered with the many burdens of equipping men and arms. Such excess of defence expenses caused by the European War on the standard of 1914-15 was calculated to be about 1707 crores of rupees. (Congress Select Committee Report. p. 33)

In addition to all this the Government of India made a 'Gift' to Great Britain of one hundred million pounds. This 'Gift' was definitely illegal and *ultra vires* of the Government of India Act. According to the opinion of the Congress Select Committee (on which two ex-Advocates General of the Bombay High Court served) "The Government of India, under the statutes, by which it is regulated, had no power, whatsoever, to make a gift to Great Britain out of the revenues of India." (Congress S. C. Report p. 30)

In this transaction Great Britain had again reverted to the looting methods adopted by the East India

Company in the days of Clive—the honoured 'Empire Builder'. One of the golden rules in any office is never to take undue advantage of the position one holds. To put it mildly, Great Britain had taken a mean advantage of the weakness of India to saddle her with all manner of expenses which could not have been done if India had even the semblance of any kind of self-government. To cap it all, she presents herself with a sum equivalent to two years' revenues of the Indian Empire. If Great Britain wishes to hold her head up amongst honest people, she will have to refund this misappropriated amount with interest.

Miscellaneous Charges

Apart from these external war costs, Indian revenue has been burdened with all manner of other charges, such as, the cost of the Persian Mission, Chinese consular and Diplomatic establishments etc. Here again it is worth while quoting Mr. Ramsay Macdonald on the matter:

“On the civil side, there are several payments objectionable to a degree which cannot be measured merely by the amount of the charges. The cost of the Secretary of State's establishment in London is charged to the Indian revenues. The Colonial Office is not so charged to the colonies. Royal visits to India and the visits of the Secretary of State are also paid for by the Indian tax-payer. These items, which now amount to about four

hundred thousand pounds, are steadily growing. They are all Imperial costs and, in the main, are fixed apart from the Indian Government. Their appearance, in the Indian Budget is mean and is altogether unworthy of us." (Government of India p. 155)

The most unconscionable methods adopted by Company Directors find their parallels in the dealings of the British Treasury. To give one such instance, we cite the case of the Red Sea & India Telegraph Company, which was formed in 1858, and the Treasury guaranteed $4\frac{1}{2}\%$ for p.c for fifty years. After a day or so the line broke down and a half share of the annuity was charged on Indian revenues. The Welby Commission states in this regard:—

"In 1861, an Act was passed declaring that the guarantee was not conditional on the telegraph being in working order. By a further Act of 1862, the line having ceased to transmit messages, the property was transferred to a new company; and the guarantee of the old company was converted into an annuity of thirtysix thousand pounds for 46 years. It was further provided that India should pay over 18,027 pounds annually to Her Majesty's Exchequer, being half the annuity and cost of management, upto August 4th 1908." (Indian Expenditure Commission, 1895, Vol. II. p. 370.)

If the amount paid under the above-mentioned arrangement were claimed back with 4 p.c. interest, the sum will be in the neighbourhood of two million pounds.

Apart from these actual payments parts of which have been debited to us, Great Britain, consciously or unconsciously, has made herself liable on other scores. India has lost enormous amounts through the Exchange policy of the Government and the Reverse Council operations of 1920-21, in which year alone the loss amounted to 23½ crores. In regard to the Exchange question, Mr. Macdonald writes :—

“One other item in Indian expenditure calls for notice on account of its unfairness to India. For a long time, the value of the rupee was in relation to gold as one to ten, e.g. the rupee in Great Britain exchanged for two shillings in 1873-4. It began to fall and lost 2½ d; it went down slowly but steadily, every drop of a penny meaning the addition of a crore of rupees to Indian indebtedness which had to be met on a gold basis. In 1895 it had fallen to 1-1 d.; the mints were closed and the policy begun which created a token rupee, bearing the conventional value of 1-4. Officers, who had to send Home money, were badly hit; from 1893 additions were made to salaries of most Europeans called Exchange Compensation Allowances, and in 1912, owing to the settlement of the value of the rupee, the

Government issued a decision to add to European salaries amounts equal to these exchange allowances. This again is unfair to the Indian tax-payer. Certainly, the officer ought not to suffer, but the fact that exchange considerations affect his real salary is not an Indian affair at all, but an Imperial one, and these extra emoluments should be found by the British Treasury.

“Indeed, the question is wider than this. When the Indian Exchanges were being so grievously disturbed, the disturbance was common to all ‘silver’ countries. But British policy in India was responsible for a good deal of the Indian unsettlement, and India’s obligation to Great Britain seriously increased the difficulty.

“The controversy on the Exchange is voluminous, complicated and obscure in some of its points, but since this country was responsible for the policy which brought the rupee problem to a critical head, it ought not to have left India to pay the whole expense of the depreciation, least of all that part involved in the payments made to the Government in London and its own servants in India.” (Government of India. P. 155.)

Under this head of Miscellaneous Charges a claim will lie for over one hundred crores

Annual Military Expenditures.

It is a notorious fact that the bulk of our revenues have been spent on the primary functions of government. This is not the place to go into the damage caused to the country by starving nation-building expenditures to find the wherewithal for the military expenditures. But it must be observed that the army in India since 1857 has been in the nature of an army of occupation. The proportion of European to Indian troops has been increased since that date from one to five to the present ratio of one to two to assure the safety of British occupation. That the strength of the Indian army has been maintained at a high level for Imperial purposes is obvious from the fact that whenever Indian troops were required for Imperial wars outside India, they were taken away for varying periods without any hesitation and without any attempt to replace them during their absence from India. India has thus been used "as a barrack in the Eastern Seas", for providing troops for British Imperial purposes. As the cost of each European soldier is estimated to be about three to four times the cost of an Indian sepoy, the military expenditure of the Government of India has been considerably in excess of what it need have been, if the army was maintained merely for defence and internal order and consisted purely of sepoys. Such being the case, that amount of the expenditure representing the excess over the needs of India, should be legitimately borne by Great Britain.

Apart from this, Imperial considerations have led to the keeping up of a much higher standard of equipment etc., than would have been required by purely local needs. Mr. Buchanan, a member of the Welby Commission, says in his reservation No. 4 to the Report of the Commission:—

“It has already been pointed out that, in so far as the military defence of the country is concerned, India pays everything, and the United Kingdom nothing. And yet the maintenance of the military defence of India is one of the greatest of Imperial questions.

“The military strength of India is the main factor in the strength of our Empire in the East. In virtue of that strength Great Britain is a great Asiatic power. We have had overwhelming practical evidence of the value to the Empire of the military forces of India in the aid, both direct and indirect, which she is rendering to us in the South African war. Nearly 6,000 British troops on complete war footing were rapidly despatched at a critical moment from India to Natal, others have followed, and Indian native regiments now garrison Mauritius, Ceylon, Singapore and other places from which British troops have been withdrawn for the purposes of the war.

“Surely, therefore, both on general grounds and from our recent experience of the efficient

help that India's military strength can give to the Empire, it is established beyond question that India's strength is the Empire's strength and in discharging these Imperial duties India has a fair claim that part of the burden should be borne by the Imperial Exchequer. There may be difficulties as to the method of making the charge and the amount; as to the equity of the claim on the part of India there can be no doubt."

(Indian Expenditure Commission, 1895, Vol. IV, p. 149.)

In the financial statement of 1885-6, paragraph 136, the then Finance Minister, Sir Auckland Colvin, estimated the net cost of the army (exclusive of cost of wars) at about fifteen crores of rupees every year. "This amount," he said, "may be considered to be about the normal military expenditure in India and England." This gives an Indian Government standard for Military Expenditures which has to be adjusted for varying price levels and when so adjusted we get the following standards for Military Expenditure:—

1859-60 to 1899-1900	...	15 crores.
1900-1 to 1914-15	...	20 "
Since		30 "

Calculated on this basis the excessive military expenditures caused by maintaining the Indian army

for Imperial purposes which ought to have been borne by Great Britain works out at a little over six hundred crores. This amount also in fairness to the Indian tax-payer has to be refunded to India.

Interest Payments on False Debts.

All principles of business practice demand that where an item has been wrongly debited and interest payments have been made on account of these debts, such interest amounts should be made good. If the original debit to India is proved to be wrong, then it is but right to demand restitution of all payments made in respect of such a debit.

It should be borne in mind that in claiming these interest payments, a claim is made, not for a consequential loss, but for an actual loss. In such a case, the interest payments themselves are principals which have been erroneously paid and hence the claim in respect thereof.

These interest payments would have fallen on the British Exchequer had the original debts been placed on the right shoulders. The British Exchequer has been relieved to that extent and hence this claim only amounts to asking the party, who should have originally paid it, to pay it now. Strict commercial practice will allow of not merely the simple interest paid but also interest on such payments, that is, in effect, compound interest. But the claim now made is only for a refund of what has actually been taken out of the Indian Exchequer.

The Interest Payments have been annual payments, and hence a claim extending over seventy

years will more than turn over the original debit three times. But this cannot be helped as the annual charges have been persistently made in the face of many challenges of the original charge by Britishers themselves.

The rate of interest on Government Loans has varied from time to time from $3\frac{1}{2}\%$ to 7% and it is difficult to determine the rate that should be claimed. The average rate on all government loans works out at 4% and it is submitted that a charge to Great Britain at 4% simple interest on those items cannot be considered unreasonable. Interest so calculated on the cost of External wars, the amount of redemption money paid to the East India Company on its Capital and Interest and on the 'war gift' works out to over five hundred and seventy crores. The total amount paid by way of interest since 1860 aggregates to over one thousand two hundred crores. So that our claim amounts, in effect, to asking for a refund of about half the sum that has been paid out of our revenues in relief of the British Exchequer.

Iv. Conclusion.

We have considered in the previous chapters only a few of the many items which have been wrongly debited to India. Even these aggregate to an amount much higher than the present amount of Public Debt of India. The amounts we have discussed so far are:—

Items previous to 1857	112 crores
Since 1857, under the Crown.	
External wars.	398 "

Miscellaneous Charges	100	,
Excessive Military Expenses	600	,
Interest paid on wrong debits	570	”
	<hr/>	
	Rs. 1780	crores.

In our calculations we have not taken into account the extremely wasteful manner in which the Railways were built, largely for military reasons and to promote the steel industries of Great Britain which were then reaching adolescence. If a strict account of these were taken over another one hundred crores will have to be added to the above claim.

Our examination has been illustrative rather than comprehensive. In the nature of things it is not practicable to treat exhaustively a subject of this nature in a small pamphlet. We have confined ourselves to dealing with cases which were actually objected to by Britishers themselves before Enquiry Committees appointed by the British Parliament. We have not even mentioned the border line cases which may have to be argued. Taking such a generous view of the matter, we still find these items mount up to about five hundred and fifty crores in excess of the present day public debts.

In the first chapter we saw that debts in public finance arise when the expenditures are in excess of the revenue. If the items charged to revenue include any extraneous transactions, these should be excluded before the debt can be computed. If we remove even

the items detailed above as being wrongly charged, instead of a debit we shall have a credit against Great Britain.

These items that have been challenged are not hypothetical ones, but, actual payments out of cash. They, in reality, should have been paid by the British Exchequer. Therefore, the British tax-payer was relieved of the burden to this extent at the cost of the Indian citizen. Thus, what is claimed is that the burden should now be transferred to the right shoulders. There can be no hardship involved in resuming one's own responsibility, though late in the day.

The transference of responsibility from the Government of India to the British Exchequer is no repudiation at all. The bond-holders need not lose a penny, if Great Britain plays fair. The proposition will reduce itself to the interest being paid in future by the British Exchequer and not by the Indian taxpayer as hitherto and when the time comes for redemption it will have to be undertaken by Great Britain.

At the Karachi Congress a Select Committee was appointed to carry out a scrutiny into the financial transactions of the East India Company and the British Government in India and the so-called 'Public Debt' of India and report on the obligations which should in future be borne by India or England. The reader is referred to their report for fuller study but we may quote here their final recommendations:—

“The History of British occupation of India, since the East India Company acquired political power, is a history of ever-growing material gain in wealth and prestige to Great Britain. On the other hand, the result to India has been that the Indian industries were destroyed or suppressed and India has become a market for the manufactures and other products of Great Britain. Without the growth of that market and the use of India’s wealth in her efforts to develop her industries, Britain’s present position would never have been anything like what it has grown to. India has also provided a vast field for the employment of Britishers in all grades of civil and military service and even if the salaries and pensions paid were totalled up the figure would be colossal. In addition to her actual material gain, her growth as a great world power was due mainly to her possession of India. These facts by themselves should be sufficient reasons for transference of all existing liabilities by way of Public Debts from the shoulders of India to that of Great Britain from every moral and equitable point of view.” (Report. p. 60/61)

And again :

“Every principle of fair play now requires that if India is to start on a new era of

National Self-Government, it should start freely and without any burden, if any progress is to be achieved at all. India cannot afford to bear any additional taxation. The only possibilities of progress for India, therefore, are: the application of national revenues for national purposes, and it is only by reducing the national expenditure on the civil and military administration of the country to suit its own requirements and freeing India from the liabilities for public debts not incurred in her interests, that saving can be effected which would be applicable to the advancement of India in the matter of education, sanitation and other national means of regeneration " (The report p. 62.)

In conclusion, to a professedly Christian nation like Great Britain, may we commend the noble example of Zacchaeus, who returned his ill-gotten wealth fourfold wherever he had taken undue advantage of his official position? Though this may seem an inimitable instance of honest dealing and generosity, will it be too much to expect Great Britain even to return the mere principal itself and thus render unto India the things that are India's.

LIST OF CONGRESS PUBLICATIONS

			Rs.	a.	p.
1.	Constitution of the Indian National Congress (1935)		0	2	0
2.	Congress Bulletin No. 1 (1935)		0	1	0
	Congress Bulletin No. 2 (1924-35)		0	4	0
	No. 3 "		0	3	0
	No. 4 "		0	4	0
	No. 5 "		0	4	0
3.	Indian National Congress (1920-23) (Congress, A.I.C.C. and Working Committee Resolutions):				
		Full cloth	1	8	0
		Half cloth	1	0	0
		Paper cover	0	8	0
	Do.	Do. 1924	0	5	0
	Do.	Do. 1925	0	4	0
	Do.	Do. 1926	0	8	0
	Do.	Do. 1927	0	8	0
	Do.	Do. 1928	0	8	0
	Do.	Do. 1929	0	8	0
4.	Public Debt Report Vol. I		1	0	0
	Do.	Do. Vol. II	1	0	0
5.	Decalogue of Public Debt Committee Report		0	2	0
6.	Punjab Martial Law Report Vol. I		0	8	0
	Do.	Do. Vol. II	1	0	0
7.	Guru ka Bagh Enquiry Committee Report		2	0	0
8.	Assam Opium Enquiry Report		0	8	0
9.	Allahabad Congress Report ... (1910)		2	0	0
	Do.	(soiled copies)	1	8	0
10.	Cawnpore Congress Report		1	8	0

			Rs.	a.	p.
11.	Calcutta Congress Report	...	1	4	0
12.	Karachi Congress Report	...	1	0	0
13.	Nehru Report 3rd edition	...	1	8	0
	2nd edition Paper cover	...	0	8	0
	Card board	...	1	0	0
14.	Supplementary Report to the above	...	0	8	0
15.	Summary of Proceedings of All Parties Conference, Lucknow, August 1928	...	0	4	0
16.	All Parties Convention Report	...	2	0	0
17.	National Demand	...	0	2	0
18.	Dominion Status and Indian States	...	0	4	0
19.	Agrarian Distress in U. P.	...	1	8	0
20.	Poona Statements and correspondence be- tween Mahatma Gandhi and Jawahar Lal Nehru (September 1933)	0	2	0
21.	Resolutions of the following Congress Sessions :				
	Madras 1927	0	1	0
	Karachi 1931	0	2	0
	Bombay 1934	0	1	0
22.	Calcutta Congress (1928):				
	Presidential Address of Pandit Motilal Nehru	0	4	0
	Karachi Congress (1931)				
	Presidential Address of Sardar Vallabh- bhai Patel	0	4	0
	Bombay Congress (1934);				
	Presidential Address of Babu Rajendra Prasad	0	4	0
23.	Dr. Kitchlew's Address of Welcome (Lahore Congress)	0	1	0
	Dr. Choithram's Address of Welcome (Karachi Congress)	0	1	0

	Rs.	a.	p.
Mr. K. F. Nariman's Address of Welcome (Bombay Congress)	0	1	0
24. Lahore Congress Report	1	0	0

HINDI PUBLICATIONS

25. Gauhati Congress Report	0	12	0
26. Presidential Address of Pandit Jawaharlal Nehru at Lahore Congress 1929	0	2	0
27. Do. Do. of Sardar Vallabhbhai Patel at Karachi Congress 1931	0	2	0
28. Public Debt Committee Report Vol. I	0	12	0
Do. Do. Vol. II	0	6	0
29. Resolutions of Karachi Congress	0	2	0
30. Congress and Muslims by Syed Fazlur Rahman	0	2	0
31. Resolutions of Calcutta Congress	0	2	0
32. Nehru Committee Report	1	8	0
33. Supplementary Report of the above	0	8	0

CONGRESS GOLDEN JUBILEE BROCHURES

No. 1. Satyagraha—in Gandhiji's Own Words	0	12	0
„ 2. Village Industries and Re-construction— by Bharatan Kumarappa	0	6	0
„ 3. Some Aspects of Khadi—by Gulzarilal Nanda	0	6	0
„ 4. Rural Indebtedness in India—by Prof. K. P. S. Malani	0	4	0
„ 5. The Public Debt of India—by J. C. Kumarappa	0	6	0
„ 6. Indian Tariff Policy	0	6	0
„ 7. Public Services in India—by Prof. K. T. Shah	0	6	0

		Rs.	a.	p.
No. 8.	Defence of India: Problem of Nationalization—by Nirad Chand Chaudhary	0	8	0
„ 9.	Woman in India—by the Rajkumari Amrit Kaur and L. M. ...	0	4	0
„ 10.	Indian Transport—by Dr. H. R. Soni, M. A., D. Sc., (London.) ...	0	6	0
„ 11.	Indian Currency and Exchange ...	0	6	0

J. B. KRIPALANI,
General Secretary, A. I. C. C.

N.B.—Proportional Representation by Single Transferable Vote (in Hindi) by Mahavir Tyagi, Dehra Dun, price As. 4. To be had of the author.

