

ECONOMIC NATIONALISM

BEING A LECTURE

BY

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I AM obliged to the University Extension Board for inviting me to address you this evening on a subject which is of engrossing interest at the present time ; and I am glad that you have secured for your president a quiet, unobtrusive, but a leading Economist on this side of India. This is not the first time that Rev. Father Carty has done me the honour of taking the Chair when I was called upon to address gatherings of young men in this town ; and though we have differed in our views on subjects in which both of us are deeply interested, we have done so with mutual respect and regard. I do not know how far he is going to differ from me on the few points on which I propose to lay some stress to-day, but I am perfectly sure that those problems will be approached by Father Carty from the point of view of a close and intimate student of Economics, while to me the study of the science is only a matter of pastime, of spare hour recreation. Not that I am ashamed because Economists as a class have been a fit subject of ridicule from both the learned and the lay ever since Adam Smith collated the views of his class and brought forth his "Wealth of Nations." Two of the masters of literature in the nineteenth century, Ruskin and Carlyle, set the fashion, which has been taken up by the lesser and the imitative fry, in thoughtless criticism of their attitude towards life and its social obligations ; but this is not the place nor the occasion to defend them. I do not know if any one is more conscious and more keenly sensible of the imperfections of economic conclusions than those who have paid attention to them ; nor more perfectly aware of the fact that it is not the function of the Economist to expound a truth, but indicate certain methods of approach to truth. It is the confusion that the Economist is an oracle, whose business is to reveal the laws of making

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nations rich, an alchemist who will turn into burnishing gold every base metal he touches, that accounts for the century and a half's universal diatribe against him.

One of the most thoughtful Economists of the last century was Alfred Marshall. This is what he said about his own contribution to the subject: "The more I studied economic science," he wrote, "the smaller appeared the knowledge which I had of it, in proportion to the knowledge that I needed; and now, at the end of nearly half a century of almost exclusive study of it, I am conscious of more ignorance of it than I was at the beginning of the study." This was not mere mock modesty; and Professor Keynes tells us that when he presented a copy of his book to a pupil inscribed "To— —, in the hope that in due course he will render the treatise obsolete," it was only evidence of an insistence on his belief that economics was a growing science, that as yet nothing was to be considered final. In his inaugural address at Cambridge, criticising the narrowness of the work of English Economists, he said, "Ricardo and his chief followers did not make clear to others, it was not even quite clear to themselves, that what they were building up was not universal truth, but machinery of universal application in the discovery of a certain class of truths. While attributing high and transcendent universality to the central scheme of economic reasoning, I do not assign any universality to economic dogmas. It is not a body of concrete truth, but an engine for the discovery of concrete truth."

Yes, that is the vocation of the Economist. You have got to read economic text-books and treatises on special branches of the science, not for the dogmas they lay down, but for the economic reasoning by which under certain conditions certain results are arrived at. There can be no finality in economic conclusions for the very simple reason that a science which treats about social welfare has necessarily to premise upon that

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elusive, intangible, vague and ever-changing thing, the mind of man. You cannot postulate about the mind of even a single individual for any length of time; much less can you do so of classes or conglomeration of men. The economic man in an island home is an excellent theme for the beginner to start his discourses with; but in actual life you do not deal either with an economic man or with him isolated in an island home. At best man is a bundle of passions and prejudices which sometimes run counter even to the moral conceptions of society and he is swayed by them for considerable periods of time sufficient to over-ride and counteract the laws which would govern the conduct of the economic man. He is also a member of a social organism, and society as such may also be swayed by similar passions and prejudices leading to similar results. The Economist starts with the assumption that man is guided in his relations with his fellowmen by enlightened self-interest; and has worked out certain laws of production, distribution and consumption of goods on that basis. But those laws will be of no avail if, instead of self-interest, self-sacrifice becomes the ruling guide. Individual instances of self-sacrifice may in the aggregate result in social phenomena divergent from what may be predicated of individual self-interest as the operating force; but when there is class or national self-sacrifice, we shall have to close up our text books for guidance. The great phenomenon of modern economic life is that nations have given up enlightened self-interest as their motive power, and have rigidly taken to national self-sacrifice on a determined scale, of course with the ultimate object of securing national self-sufficiency. We are therefore confronted with problems to-day which the orthodox Economist can find no solution for.

If the nineteenth century witnessed the awakening of the national sentiment in Europe, the formation of nationalities

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based upon certain ties of language, religion, association and ethnic sympathies, the twentieth century has bred a spirit of nationalism in the field of their economic activities. The sacrifices that were made by the peoples who grouped themselves into distinct nationalities are now matters of history; but whether the sacrifices they are prepared to make for their economic salvation can fall short of them, and may not grow into mightier proportions, the future alone can show. But there is no doubt that everywhere there is an attempt to strengthen and consolidate political independence into economic independence. The Economist will tell you that it is not by independence but by interdependence that the maximum of social advantage can be secured. In fact that is the basis for all commerce, whether internal or international. National barter is necessitated and justified by the very grounds that encourage individual barter. Nature has been rather quixotic in her distribution of gifts as much to countries as to peoples. Just as men are endowed variously and in diverse proportions in all those qualities that make for enterprise and the creation of wealth, even so, countries are variously gifted; some are rich in their resources of mineral wealth, others in the fertility of their soil. No country can be truly said to be economically self-contained except perhaps the United States of America; and even if it is, there may be neighbours more happily situated in respect of some commodities which it may be of advantage to secure in exchange for what they may be lacking in. The free exchange of commodities as between nations seems so mutually beneficial that it is certainly surprising there should be impediments put in the way in a manner which would seem to suggest that international trade is not a blessing but a curse.

And yet, the instinct of statesmen and businessmen alike has managed to render what is undoubtedly an instrument of

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human benefit into one of peculiar disadvantage. You know the story of the greedy man who killed the goose that laid golden eggs. I have said that the rationale for international barter of goods is that the exporting country has facilities to produce goods with a cheaper expenditure of labour and capital than the importing countries, for there is no country so completely bereft of resources to satisfy human wants that it must ever be at the mercy of the foreigner. In plain language, it is a question of the cost of production. But the rapacity of European nations has utilized international trade as a means for their own aggrandisement and for the exploitation of the less organised peoples in two continents. The European Powers vied with one another in their race for the peaceful penetration of the Asiatic and African regions and wherever they got a foothold, they converted those regions into happy dumping grounds for their manufactured wares. Those Asiatic and African tracts which did not fall by conquest into the territorial dominion of the European Powers, were divided into so many spheres of influence by tacit agreement among them. The unfortunate peoples, who could not resist the inroads of aggressors and fell a prey to their wiles or their prowess, were forcibly reduced into so many breeders of raw produce to be finished into goods and re-exported to them. It was this keen competition for markets that precipitated the war of two decades ago, which has robbed one country of all her Colonial possessions, that is its chief dumping ground, the rest of the belligerents of their peace, their wealth and their trade; and left behind it a keen and acute struggle for economic self-preservation. This struggle which is as yet in its initial stage bids fair to leave results far more devastating than the war which was its parent.

I have heard it said that the present reaction towards economic nationalism is only the result of half-hearted indul-

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gence in economic internationalism; and savants like Rabindranath Tagore deprecate placing too strong an emphasis on nationalism and urge people to work for internationalism. But economic internationalism between a strong Power and a weak Power is only like the assimilation of a wolf and the lamb. There is an old Sanskrit adage which says that alike in marriage and in war the best results are seen when the parties are well-balanced. If nations have economic gifts in equal proportions their contact can be of equal advantage to both. But it must be an unequal struggle between a dominant and a servant Power. What can be more revolting to sound economic principles than that we in India should go about canvassing for customers for our cotton or earnestly supplicate Lancashire or Japan to take off definite quantities while we are importing textiles in ever increasing quantities every year? Internationalism in commerce is only another name for free trade. I wonder if internationalists like Rabindranath Tagore consider a situation like the Mody-Clare-Lees negotiation a normal or even a justifiable feature of economic internationalism. If any country is not only fit to supply local demand, but also exports a decent quantity in textiles outside its borders, it is India; but the internationalism of the last century has made the position topsy-turvy. We export raw cotton to Lancashire and to Japan and import finished goods paying freight to and fro, not because of the imp of cost of production, but because we are a subject people, and other people do for us the economic thinking and planning. I have mentioned cotton only as an illustration: many things may be mentioned as falling within the same category.

I do not know if ever the principle of economic internationalism was practised with genuine enthusiasm at all. I remember reading some years ago a book called "A Project of Empire" by Professor Nicholson and in that book the learned,

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Professor was at pains to show that Adam Smith was not a universal man, if I may use the expression, but a distinct nationalist. Professor Nicholson felt the need to apologise for what appear to be laws of universal application enunciated in the "Wealth of Nations." Adam Smith's attack on the mercantilist theory and his plea for the free international barter of goods were certainly conceived in the best economic interests of nations, but has he not at the same time also said that defense is of greater importance than opulence? En passant may I observe that to-day, after a century of free trade by Great Britain and of fair trade by other countries, the self-same theory is raising its head though in different shapes? Not long ago, and while the Great War was still in active progress and immediately after, Neutral Powers put an embargo upon the import of gold, the chief monetary standard of Europe; and Professor Gustav Cassel says that "this gold-exclusion policy is one of the most remarkable phenomena in the history of money after 1914." But it was not long before the pendulum swung on the other side. The scramble for gold has now become so universal that France and the United States of America, who have stored up as between themselves more than sixty per cent of the world's production of the yellow metal, are now looked with jealous and suspicious eyes by the other Powers who have been forced to declare themselves off the gold standard. Every country wants to store up as much of gold as possible, and would prefer to be paid in the yellow metal instead of by goods for its exports. The United States, not satisfied with the stores already accumulated, would purchase all the gold available at a price fixed day to day by the Treasury. Japan is another Power which is following in the wake of America. It is not that statesmen and financiers have forgotten their

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Adam Smith, but that the changing conditions of the world economy—so they conceive it—have left them no other go.

Indeed, what has been practised till recently under the thin veneer of internationalism was only a mild form of economic nationalism, and it required a world-war to make it obstreperous. The abolition of the Corn Laws by Sir Robert Peel and the success of the Cobdenite school of free trade was as much a national necessity as perhaps Ottawa or the Neo-Imperialist protection to which Great Britain has reverted. It is the same sentiment that has spread under different names over every part of Europe and America. The Bolshevism of Russia, the Fascism of Italy, or the Hitlerism of Germany is conceived in the same spirit in which President Roosevelt refused to be drawn in by the wizards of Europe to settle the problems of the world at the Economic Conference on their lines. The President would solve them in his own way and it was best for each nation to go and do likewise. The methods that may appeal to each nation may be different or may even be diametrically opposed to one another; and it is notorious that the methods of subtle British Imperialism, of destructive Hitlerism, of constructive Fascism, of planned Bolshevism and determined Rooseveltism differ as widely from one another as possible. I do not propose to assess their economic value, and I must ask leave to reserve it for some other occasion; but it is enough to note the common purpose of them all, which is to secure maximum social advantage through their own efforts, if possible, unimplemented by the co-operation of others. And, if in working out their economic destiny, they crossed the path of others and caused them economic loss, that is as little their concern. President Roosevelt only thought a little loudly what others were thinking in the closet of their studies but practising every day of their lives. The Bolshevist method of cutting down export

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prices below the cost of production in exchange for goods the Soviet cannot internally raise, has as much to support it on economic grounds as competitive enhancement of protective duties.

I have said that the inequality of the gifts of nature has in it the roots for the growth of economic nationalism, as it is the justification for international barter; but this inequality has been further accentuated as an aftermath of the war. People who precipitated the war and mistook every battle-cry as a war-song have gone into sack-clothes and ashes now that the bill has come to be paid. The colossal debt that has been accumulated cannot be paid by debtor nations without an amount of sacrifice which is a serious menace to the fair distribution of wealth among those who toil for it. Uncle Sam is unwilling to wipe off the debt and insists upon the payment of his dues. The Reparations from Germany out of which the debtor nations were meeting their obligations were themselves met by borrowing from America; and when American lending ceased, Germany defaulted and the rest have followed suit. Creditor nations are unwilling to be paid in kind, but insist upon payment in gold. We have therefore the spectacle of creditor nations accumulating gold and debtor nations unable to find it. International indebtedness is not to be discharged by commodities, by exports of surplus produce, even if the debtor nations can stint for it. Europe is pursuing a policy whose rationale one fails to comprehend. Every country is anxious to stimulate its exports, but is unwilling to receive payment in kind. Heavy import duties and bounties for export are the order of the day. Import duties are sought to be circumvented by debauching the currency. Lenin said that if you want to break the capitalistic system you must debase the currency, and the west has taken the hint rather seriously. There is now a race in currency depreciation to

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defeat tariffs which are increased as currencies are depreciated. This is economic nationalism with a vengeance!

Behold with what little wisdom is the world governed exclaimed the famous Oxenstern; and it is deeply to be regretted that the combined wisdom of Europe and America could not rise superior to this uncanny attempt on the part of nations to circumvent one another's endeavour towards commercial rehabilitation. It would be more to the purpose to let each nation develop its own resources to the fullest possible extent in a manner agreeable to their economic aptitude. The struggle for economic independence is sure to assume mass proportions by reason of the growing replacement of man-power by increasing and effective process of mechanisation. Industrial countries have labour thrown out of employment every time science has invented cheaper methods of production and improved kinds of machinery. Rationalisation of industries has resulted in increased output with diminished labour; and unless labour so thrown out of employment finds work elsewhere, the problem of unemployment is sure to become more pressing and difficult of solution. Each country will therefore have to adjust means for the utilisation of excess labour power on lines peculiar to itself. It has got to conform to a certain standard of living among the peoples, or else there will be acute suffering. Great Britain spends every year fifty million sterling in doles to the unemployed, and that is seventy-five per cent of the imperial revenues of British India! Surely there is no correspondence between the economic life of the Britisher and of the Indian. With fifty millions we can well feed in India a minimum of ten millions or ten times the number of the British unemployed. The wage-scales, translated into purchasing power and taking various representative trades, is claimed in America by a writer to run from double to quadruple the wages paid in the United Kingdom, which is the next

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highest wage-paying country. The difference in the economic life of the people is yet another contributory cause for fostering the national sentiment in economic activities.

It follows that when nations begin to treat themselves as distinct entities independent of each other's economic life and seek to achieve the best social organisation suitable for their condition, there must be a fall in the volume of international exchange of goods. The weaker and the more effeminate nations cannot serve as a distinct caste of prostitutes for the indulgence of the stronger nations. There can be exchanges only in those commodities which it would be definitely wasteful to produce in the importing country, and for which it would pay by its surplus product. International barter may really become a barter between nations and not between aggregates of individuals among the nations. We are not altogether without experience of such phenomenon. In our own country we controlled the export of wheat by government machinery. Such control has been exercised by various countries during the war. The creation of import and export boards is only a preliminary, a necessary preliminary, to a nation taking over the economic direction of the people. The boards will necessarily act on the advice of an economic bureau which will have a constant aim at developing as much of internal, and as little of external, trade as possible. For, internal trade is cheaper by the cost of freight, insurance and commission. The economic life of the nation as a whole will be the concern of the bureau and not of the individuals. The profit of international trade may be diverted from individual dealers to the State as representing the people. It is indeed a difficult question whether such a system of State control and management of international trade is possible under a capitalistic system or whether some form of socialism is needed to make it a success. But when ardent supporters of the capitalist system are in

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favour of "planned money" and "managed currency," there is no reason why the State regulation of international trade cannot afford equally satisfactory results. At all events economic nationalism must lead to some sort of socialism if it is to be productive of the best results.

I have envisaged the possible abridgment of international trade by the substitution of internal trade in place thereof under the influence of the national sentiment in the economic field. And this is bound to have a wholesome effect on the exchanges. The problem of foreign exchanges, always intricate and perplexing, has now assumed an aspect baffling to students of international finance. When Europe had a metallic standard it was possible and easy to adjust the balance of trade by the movement of the precious metals. Following the blind example of Great Britain the Continental Powers one and all adopted gold as their monetary standard; and since then the exchanges were corrected by the periodical movement of gold. But the war has rendered gold a "barbarous relic" and inconvertible paper has taken its place. The attempts made by certain countries to revert to the gold standard after a time failed and it is now surmised that President Roosevelt's gold policy has for its motive the forcing of the remnant of the gold bloc countries off gold. The chances of precious metals ever becoming the monetary standard of any country are becoming daily more and more remote. Thought is veering round a managed paper currency inconvertible internally but valued at a percentage of the old ratio in gold; and if Mr. Keynes's scheme is to receive support, the future international money will be gold notes to be issued to each country for interest-bearing bonds. But so far Mr. Keynes has not had much support, and one by one nations are going off the gold standard and adopting inconvertible paper money of their own. President Roosevelt is experimenting with the dollar and seek-

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ing to raise prices by depreciating its external value, without at the same time taking any risk in inflation. Whether by merely operating upon the exchanges internal prices can be increased is a point upon which experience has not pronounced a definite opinion and "The Economist" in a recent issue told us that internal prices in the United Kingdom have not proved sensitive to the external value of the sterling.

It is not possible for me to-day to discuss the comparative merits of a metallic currency and a paper currency managed by some authority. If the function of money is to keep values constant, as I think it is, gold has proved itself incapable of doing it. With a gold standard values have changed to an extent which has baffled all efforts to arrest the variation. A managed paper currency is believed to have virtues not possessed by gold. For one thing we are told it will not cause unemployment. Nine Oxford Economists have recently discussed the question in a book planned by Mr. G. D. H. Cole wherein emphasis is made on the great advantage of free exchanges. "If a country were on the gold standard or on some similar international standard effectively pegging the exchanges within narrow limits," says Mr. Cole, "its internal policy in the issue of the credit would clearly have to conform to the requirements of this international standard. It would be in a position to manipulate the supply of credit only to the extent to which it could do this without upsetting the exchanges. This is the ultimate condition which applies to any country which adopts a metallic standard for its currency and allows free conversion of its currency and metal." "If, on the other hand, countries are off gold and their exchanges are left free to fluctuate in accordance with the policies pursued by their own and other central banks this limitation disappears. The freedom of the Central Bank to expand or contract credit is then conditioned not by the effects of credit policy on move-

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ments of gold, but by the considerations of the internal price level and its relation to the price-levels prevailing in other countries, and also of the effects of relative currency fluctuations on international debts of every sort and kind." "My own view," he said, "is that it will be best for each country—or perhaps in some cases group of countries—to manage its own currency without relation to a common standard, and to allow its rates of exchange to fluctuate in order to adjust its supply of money to its own needs." Cambridge has spoken equally clearly and in his essay on "Remedies for Fluctuations of General Prices," Alfred Marshall said, "Every plan for regulating the supply of currency, so that its value shall be constant, must, I think, be national and not international." Both Oxford and Cambridge therefore agree in that money should be national if constancy in values is to be its aim.

The consensus of opinion from both Oxford and Cambridge Economists, from men like Alfred Marshall and G. D. H. Cole, whose views on other questions are like poles asunder, that money at all events should be national, is a valuable concession to the view-point of those who are working out a policy of national economics. The international monetary standard has not only failed to keep the relative values of things constant, but has brought in its wake periodic depressions as regular in their appearance as the sun-spots. The unprecedented depression of the last three years has provoked a closer examination into the virtues of national currencies as opposed to international money. The devaluation of respective currencies by the European Powers and their attempt to fix their value in some relation to gold is not merely an indication of the economic consequences of the war, but evidence of the perennial need to nationalise their currencies. President Roosevelt has resolved that the dollar shall maintain a constant value, after prices have been raised to the desired level.

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over long periods and that the debtor and the creditor, the buyer and the seller, shall have their obligations and rights unaltered by the passage of time. The President is certainly right in his view that the external value of the dollar is not a matter of any great consequence; and what matters is internal value. Two thousand financiers, statesmen and economists that gathered in London were aghast when the President threw this bomb-shell, that the internal value of every country's currency was of more importance than the value at which it stood in respect of foreign currencies; but the President stuck to his guns with a courage which we can only expect from one who comes from the home of the Niagara Falls. If the President is trying to enhance the dollar value of goods and stabilise it at a particular level, the British Empire is trying to do the same with the sterling. With the help of the Exchange Equalisation Fund, Great Britain is trying to keep the value of sterling constant. Whether she will devalue the sterling at the present level, we have no means of knowing, nor are the currency authorities in England sure of their own mind; but that British Imperialism is after forming a group of countries which shall have sterling as their standard is increasingly clear. The failure of the various attempts at rehabilitating gold can only end in the formation of national currencies with some sort of connection with gold.

If economic nationalism can succeed in this, it will have been one of its best and singular achievements. By adopting international money nations have been lying in a sort of Procrustean bed; and the release must be supremely welcome to them. I venture respectfully to submit to you that the present world impasse is the result of the folly of international financiers and statesmen in vain and purposeless attempts at sticking to an impossible monetary standard and the measure of the escape from it is the measure of their intellectual freedom from

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the iron grip of old time prejudices. Their minds have refused to work and are caught as fish in a stagnant pool. Their obstinacy has produced baneful results in no country more propitiously than in India where an intransigent body of experts have produced results too shocking for belief, if they but be false. An excellent national currency in the form of silver rupees, to which the people were accustomed by reason of its phenomenal steadiness in value, was forced off our country by the pertinacity of a number of alien interests and the Finance Department has been struggling to link it to paper sterling causing untold miseries to the people. I am not enamoured of a particular price level and if a forced shrinkage of the currency by more than fifty per cent is accompanied by a corresponding fall in the cost of production, in wages, in taxation and in debtor's liabilities, no great harm would result. But these are not likely to respond as quickly to the deflated value of the currency; and especially long term debts. The pressure of the agricultural indebtedness of the country estimated at nine hundred crores is doubled by the simple process of deflation and when you enhance taxes and rents, you are simply driving the agriculturists to starvation. The acme of heartlessness is reached when you levy heavy import duties to make the cost of living dear. Have you heard of the plight of our evolutionary ancestor, the monkey, which was drunk, bitten by a scorpion and, to crown its restless misery, also became possessed of the devil? That is the situation of the Indian agriculturists to-day and the peasants, the dumb millions, are the special wards of the Government! What of the general wards? It is too deep for tears. I know there are some in Bengal who seem to revel in the cheapness of commodities at present. To them I would refer the answer of Dr. Johnson who while visiting the island of Skye was told that eggs were so cheap that twenty can be had for a penny.

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The Doctor replied, " Sir, I do not gather from this that eggs are plenty in your miserable island, but that pence are few."

If I am charged with being a partisan, I confess, I must plead guilty to the charge; but I have consistently advocated a national currency in the form of the honest rupee for over a quarter of a century, and I am only fortified in the general soundness of my views by the experience of the recent times. No greater cataclysm fell on civilised mankind since the pre-historic floods than the last Great War, and which do you think stood the strain so nobly and heroically, the mighty Leviathan of gold or the small river craft of silver? The relative stability of internal prices in India inspite of a fluctuating exchange—it deviated from 16d. to 32d. the rupee—was so unique that in "A tract on Monetary Reform" Professor Keynes was forced to admit that "if the Government of India had been successful in stabilising the rupee-sterling exchange, they would necessarily have subjected India to a disastrous price fluctuation comparable to that in England. Thus the unthinking assumption in favour of the restoration of a fixed exchange as the one thing to aim at, requires more examination than it sometimes receives." During the boom of 1919-20, when world prices were soaring and the exchange value of the rupee was allowed to rise by successive stages, the highest level reached by the Indian index number in 1920 exceeded by only 12 per cent the average figure for 1919 whereas for England the figure was 29 per cent. And when world prices collapsed, the rupee exchange was allowed to fall with them, again with the result that the lowest point touched by the Indian index number in 1921 was only 16 per cent below the highest in 1920 whereas for England the figure was 50 per cent. The variation in Indian prices was 28 points whereas in English prices it was 79 points. Comment upon this is needless.

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And yet we find that those responsible for the financial administration of India are suffering from the grim malady of an "unthinking assumption"—the expression is that of Mr. Keynes, pardon me—in favour of a fixed exchange. To the criticism that the chief object of stabilising the exchanges is to strap down Ministers of Finance, as "the general level of economic and financial education amongst statesmen and bankers is hardly such as to render innovations feasible or safe," and that after what we have experienced "prudent people should desiderate a standard of value which is independent of Finance Ministers and State Banks," Mr. Keynes, who certainly knows more about his contemporaries than we in India, expresses a mild dissent. But he may surely be expected to modify his judgment when he feels that the "croakings" of a Cambridge Cassandra persist in falling only on deaf ears. I believe that this fear and suspicion is just, reasonable and fair, and founded upon fact; and that international financiers are no better than international crooks who had best be avoided. No statesman or financier or banker can be trusted with the management of national currencies. Experience does not warrant our belief in their capacity or faithfulness; on the other hand it repels us from any such belief. It were therefore best to devise a scheme of automatic currency; and happily for us in India we have not to travel far for that end. We have only to open the mints to the private coinage of silver and we shall have achieved our object in perhaps the main field of economic activities. Internal prices will be raised and they will keep steady and the supply of currency will be adjusted to our trade requirements. As silver is not used as a standard of value in Europe and America, we secure all the advantages of a free exchange and the value of our silver hoards, estimated to be over a thousand crores, will further have been doubled. To have freed silver from its slavery to

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sterling must be the first and the most essential measure as well in financial liberalism as in economic nationalism.

I can hardly deal with all the aspects of the silver question in this lecture ; but, I think, I have said enough to impress upon you the vital need for a national currency for ensuring a constant money value. If this question is solved, I imagine, we shall have taken a great step forward in reaching a solution for our agricultural and industrial depression. That has also got to be approached from the same national standpoint as opposed to the international or even imperial standpoint. The vital problem of the day is to double the price level and halve the burden of debt and taxation. Acharya Sir P. C. Ray, a great name held in veneration not only in Bengal, but all over India, asks, when it is the intent and purpose of every country to reduce its imports to absolute minimum, due, as he says, to the growth of economic nationalism, how can we expect that there would be an increased demand for our products simply by lowering the price of the same in terms of the currencies of our foreign buyers ? The query is just, but the only mistake he makes is in thinking that the object of currency reform is to stimulate exports and not push up the price level. Even with the recognition of the need for maintaining surplus exports to pay the home charges, and heavy imports for meeting by tariffs the cost of the reforms, one fails to see whether a more equable distribution and consumption of goods internally will not offset the fall in our sea-borne trade. He preaches the gospel of despair when he asks us to wait till the normal condition of the world should be restored before we took any action. Acharya Ray in his venerable old age might have turned fatalist as did his forbears, but surely it is a counsel of perfection that he gives that 'at the present moment, we should concentrate our whole energy for the development of industries in India which alone can remedy the

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present economic distress in our country. " Industrial revival of the kind contemplated by him with no capital to invest in their manufacture, and with no spare funds with the consumer to purchase them when manufactured, may be a miracle for an alchemist to achieve, but not for a professor of Chemistry to talk of.

The restoration of a natural national currency will have solved to a great extent the problem of bounties, quotas, tariffs, subsidies and various other devices which straitened financial circumstances have compelled States to impose. They have been imposed in India mainly to meet budgetary difficulties and they have incidentally served the purpose of protecting our industries. No industry which has received the benefit of protective duties, here as elsewhere, is known to have been satisfied with the measure of protection so far given, but the cry has been still for more. Cotton wants protection, steel wants protection, silk wants protection, sugar wants protection, and who does not want it? I am not aware of any industry which has expressed its gratefulness for the protection given by renouncing it after it has secured a footing by the artificial prop. Where industries have established themselves capable of surviving competitive test, the basis for protection is dumping below the cost of production in the exporting country or with a depreciated currency. And where they cannot establish themselves, but can do so with some amount of preliminary financial help, the basis is the ultimate benefit to the community. As economic nationalism is based upon the raising of the standard of living of the whole people by bringing the productive forces to the utmost play, protection against unfair competition from whatever reason is likely to receive its support. There is bound to be tariff wars between countries whose economic life is dependent upon foreign trade. If the relative importance of foreign trade is insigni-

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ficant, and if the production of social wealth is evenly distributed among the population by the increased consumption of goods, there will be no occasion for tariff disturbances. And economic nationalism is an effective corrective to international misunderstanding by minimising as much as possible foreign trade and stimulating internal trade.

In an article in the summer number of "The Yale Review," Professor Keynes, I am glad to say, expressed himself in the same way. He wrote that he sympathised with those "who would minimise, rather than with those who would maximise economic entanglements among nations. Ideas, knowledge, service, hospitality, travel—these are the things which should of their nature be international. But let goods be home-spun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national." He therefore held that a "greater measure of national self-sufficiency and economic isolation among countries than existed in 1914 may tend to serve the cause of peace, rather than otherwise. At any rate, the age of economic internationalism was not particularly successful in avoiding war; and if it finds retort that the imperfection of its success never gave it a fair chance, it is reasonable to point out that a greater success is scarcely probable in the coming years."

The development of internal trade at the expense of the external trade cannot but have its repercussions on the economic life of the people, upon the producing and the consuming groups, and upon the relative distribution of wealth. "From each according to his powers to each according to his needs," the slogan of the Socialists, may be the ideal to which society may consciously evolve years hence; but that for the present progressive pauperisation of the workers and the unequal accumulation of wealth among the few may gradually be arrested, one may safely venture to predict. For one thing,

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combines and cartels and trusts among large-scale producers in different countries for keeping wages low will receive no encouragement. For us in India the movement if properly handled and wisely guided is calculated to produce untold benefits. We have not a special problem of the unemployed; for everybody more or less is out of employ. We have no inroads to make upon public finance for old age pensions or insurance for the sick, for we do not live long enough to be old; we are gathered to our forefathers much too early. We are not carrying like Atlas on our shoulders any heavy war debt: we need not proclaim bankruptcy on that account. We can conserve our resources such as they are, and limited as they may be, in support of a movement which is capable of relieving to a very great extent the troubled sores of the body politic. Our fears do not arise from a possible reversion to internationalism, despite benevolent souls like Rabindranath Tagore. They arise from our being absorbed in British Imperialism. The spirit of Ottawa sits like a nightmare upon our shoulders and our limbs are benumbed. A parliamentary fiction promises to convert every imperialist incorporated into a British Company into an Indian National. A new kind of protection, protection against commercial discrimination, threatens to thwart every attempt to remove commercial inequalities as they exist. Our own men have fallen victims to the empty blandishments of imperialist glory. We are not to beware

from Europe; from her blasted hopes;

Her fields of carnage, and polluted air,

but from friends nearer home: we have not to marry nationalism with imperialism. It would be a misalliance of a terrible kind, fatal to the weaker party. Let us then guard it and foster it and hand it down to our children as a precious heirloom fraught with untold benefits to the country. Long live Nationalism! Let it be our economic as it already is our political liturgy.

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