

Indian Railway Finance

INDIAN RAILWAY FINANCE

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INDIAN RAILWAY FINANCE

BEING

A Revised Reprint of a Series of Articles

CONTRIBUTED BY

Mr. D. E. WACHA

To "The Wednesday Review," 1908.

ON THE REPORT OF

THE INDIAN RAILWAY FINANCE COMMITTEE

Price: Four Annas.

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G. A. NATESAN & CO., MADRAS

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PREFATORY NOTE.

The lengthy debate which took place on the 26th February last, in the Viceregal Legislative Council, at the instance of the Hon'ble Mr. G. K. Gokhale, on the recent informal investigation on Indian Railways made by Lord Inchcape (formerly of the India Council and known as Sir John Mackay) by direction of the Secretary of State, under his sole responsibility, without any previous consultation with the Government of India, has prompted me to issue this brochure which is a revised reprint of the series of articles which I contributed in 1908, to the columns of the *Wednesday Review*, an excellently edited weekly journal published in the Madras Presidency. Those contributions aimed at presenting *from the Indian point of view*, firstly, a general survey of the railway policy of the Government of India and, secondly, a criticism on the recommendations made in their report by the Indian Railway Committee appointed in March 1907, by Lord Morley, the then Secretary of State for India, to inquire and report, after calling witnesses,

- (1) Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade; and, if not, then
- (2) What additional amounts may properly and advantageously be raised for this purpose;
- (3) Within what limits of time, and by what methods they should be raised;
- (4) Towards what objects should they be applied; and

- (5) Whether the system under which the Railway Board now works is satisfactory, or is capable of improvement, and to make recommendations.

Sir John Mackay (now Lord Inchcape) was the Chairman of that Committee. It is not difficult to conjecture, therefore, the selection of the identical gentleman by the present Secretary of State on a recent secret and unofficial "mission," the aim and object of which are at present unrevealed.

But be the secret aim and object what they may, I cannot help thinking that the Hon'ble Mr. Gokhale has rendered useful and distinct service to the Indian public by raising the debate. It serves an useful purpose so far as it rivets the attention of the public not on the immediate subject alone but on the larger and more vital question of the policy of the Indian Government on railway matters, specially railway finance. It is a matter of profound regret that though sixty years have now elapsed since the date of the commencement of the construction of railways in this country, say since 1848, there has not been published hitherto a complete and accurate history of Indian Railway finance. But one important tell-tale or crucial fact of the net financial result of these different railways may be stated here. Of course, there have been paying railways as well as losing ones. There are some which are losing still as may be learned from the Annual Railway Administration Report. But the final result is, that taken as a whole it is of a most disappointing character. Up to 1910, there has been a *net loss* to the State, that is the tax-payer, of fully 40 crores of Rupees! In other words, in the State ledger, there is a *debit* of that amount. It is this colossal amount which has yet to be wiped off. The taxpayer may consider himself fortunate if it could be wiped off in the year of Grace 1925.

But from this one crucial fact of the net financial result of Indian railways, it will be admitted that there is eminent necessity of a complete narrative of railway finance which shall inform us as to what the gain or loss there has been from year to year with the *causes* which have led to it. The necessity is the more obvious when regard is had to the fact of the colossal capital outlay already incurred, namely, 439 crore rupees, and the burden of interest charge entailed on the annual revenues—revenues which on the one hand are threatened with considerable diminution by reason of the impending extinction, or next to extinction, of the opium receipts from the annual budget from 1914, and revenues, which on the other hand, are found to be admittedly inadequate to meet the growing expenditure on education, sanitation and other objects of utility to which the Government are already committed.

It cannot be denied that during the last few years there has been a larger capital outlay on railways owing to the programme of further construction, equipment and extension at a breathless pace, that is to say, at a greater pace than is warranted by the necessities of the country and by the ability of the State. None disputes the utility of extended railways. But that utility in any country must be strictly limited by its financial strength. Utility is one thing and financial ability is another. It is not possible for India, an admittedly backward and poor country, to imitate the example of so progressive and wealthy a country as England or the United States. India's need must be measured by India's financial ability, that is, the ability of the taxpayer to bear the burden of heavy annual interest charge on capital borrowed for public works. A wise State, conscious of its financial condition, would pause and take breath before now and again entering on large enterprises demanding colossal, borrow-

ings. India is certainly one of those States which demands all the financial sagacity that her helmsmen may command. However great the need of new lines or extension of old, or of additional development and equipment, they must cut their coat according to the cloth. And even then, care has to be taken which utilities demand more urgent attention. The Government might well be asked whether a larger sum during the last 20 years might not have been more wisely and economically spent on Irrigation works. Again, there are persons who think that had even half the amount recently borrowed for railway purposes been spent on diminishing to a reasonable extent the illiteracy of the masses and the death rate of the country owing to terribly insanitary conditions, the people would have been infinitely better off than with these new railways the absolute utility or even urgency of which is open to serious challenge. Will it be denied that the Government have done precious little in respect to irrigation, education and sanitation, compared with what it has done for railways. The people at large might have been infinitely better off agriculturally, socially and intellectually by reason of the larger sums which might have been wisely spent on those objects instead of on railways merely which only a microscopic minority of foreign but influential traders have uniformly clamoured and successfully agitated for. It must be ruefully acknowledged that the policy of the Indian Government in the matter of the welfare of the masses has been far from statesmanlike. A powerful and interested class, a minority, has been pampered at the expense of the masses to whom less than proper justice has been done in the matter. Is it a wonder that, under such a deplorable policy of favouring a particular class, there were foreign traders before the Mackay Committee in London in 1907, who hesitated not to urge

on that body the expediency of having as many as a hundred thousand miles of railway in the shortest possible time ! We gasp for breath at this " very large order," so to say. When such an opinion is light-heartedly expressed without any serious thought of the colossal financial capital which would be required for this lakh of mileage we are tempted to question the sanity of those who coolly suggested it to Lord Inchcape and his colleagues. But what do these foreign merchants care whence the monies are to come and how the annual interest charges are to be met. To them sufficient for the day is the construction of a hundred thousand miles of railway at lightning speed. The fact of this very opinion just referred to having been expressed informs the Indian public with what persistency and ability these interested merchants press their views on the Government for building more railways at any cost ! One cannot refrain from observing that it is chiefly owing to the cry of these classes alone that so many railways have been built, never mind whether they pay or do not pay. It was the deputation of these merchants who had waited on Lord Morley in March 1907 which led his Lordship to order the further construction of railways at accelerated speed. Is it not permissible to enquire what success a deputation of Indian merchants would have achieved had it waited on Lord Morley ? There is no need to wait for the answer. But it is notorious how these commercial " agitators," specially the Bengal Chamber of Commerce, and their friends in London ply their suit and succeed with the Government. Is it difficult to conjecture that it is the friends of the different European Chambers, supported by the Indian Railway Companies, Directors in England, who must have been behind the *purdah* in urging Lord Crewe to send down Lord Inchcape on his " mysterious" mission ?

I repeat that it is a matter of profound regret that there is no single authoritative book published on Indian railway finances to make the Indian public acquainted with its history. That history, I venture to say, is of a gruesome character, reflecting little credit on the Indian Government and the different railway companies. In the scattered official literature on the subject, however, there is enough pabulum to ruminate upon for those who would care to investigate it. They will find ample corroboration of the statement just made. But of what use enlarging on this disagreeable theme?

It is high time, however, that the Government thoroughly revised its railway policy, specially the financial branch of it, in harmony with the sentiments and views of the Indian public which has been hitherto deemed a negligible factor more or less. Now that Mr. Gokhale has raised an important preliminary point, it is to be fervently hoped that continued attention will be paid to the imperative necessity of conserving railway finance by him and his able non-official colleagues in the Vice-regal Legislative Council. The time is ripe for urging on Government the wisdom of thoroughly modifying its railway policy. What is wanted is moderation in the pace at which railway development should proceed in the immediate future—moderation compatible with the existing financial situation, the burden laid on the shoulders of the taxpayer and the greater necessity of spending larger and larger sums on education and sanitation than even those advocated in the Budget just published. It may be not unuseful to remind the public that the colossal system of existing railways has entailed a capital outlay up to 1910 of 439 crore rupees. Ten years ago it was 339 crores. So that they have added 100 crores during the interval, say 30 per cent. But just consider the financial opera-

tiens during the same decade. Gross earnings increased by 36·20 per cent. while gross working charges 60 per cent! Interest charge, again, which stood at 4·37 crore rupees in 1901 rose to 6·127 crores in 1910! Thus while the annual average in the first quinquennium came to 4·70 crore rupees, in the second it came to 5·75 as may be worked out from the table appended to the foot of this prefatory note. Is there not a sufficient case, I may inquire, for honourable members to raise a discussion on this question of railway finance at the meeting of the Council at the coming budget debate? It may also be useful to raise the question of the expediency of separating railway revenue account from the general revenue account. I need not say it would result in a better check and control over railway finance than it has ever been during the last 50 years and more. In the past, opium receipts, oftener than not, played the *deus ex-machina* with the annual budget. Opium receipts have now a days given place to railway account. It is this account principally which spells a surplus or deficit in the annual budget. The time has come to lay low this divinity also. It all depends on the public spirit, the courage, and the competence of the honourable non-official members of the Viceregal Council how they tackle this subject. Let us hope the coming debate may witness the first serious campaign of non-official crusade against improvident and uncontrolled Railway Finance. The breathless progress of the Railway Rake demands a strong curb and effective control.

6th March 1912.

D. E. WACHA.

RAILWAYS IN INDIA.

Total Capital Outlay and Interest Charge in Crores of Rupees.

Year.	Total capital outlay.	Interest charge.
1900	329·61	·184
1901	339·17	·316
1902	349·77	4·685
1903	341·11	4·854
1904	347·91	5·059
1905	358·52	5·356
1906	371·27	5·548
1907	391·97	5·770
1908	411·92	6·014
1909	429·83	6·127
1910	439·04	6·348

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INDIAN RAILWAY FINANCE.

I.—General Survey. (1st July 1908).

The full text of the report of the Committee on Indian Railway Finance and Administration is now to hand. Viewing it from the *Indian* standpoint it is most disappointing. At the very outset of our criticism we are bound to protest against the policy which the Government of India has for years adopted in railway matters, whether it be the question of new routes, new rolling stock, additional facilities, mileage rates for goods and passengers or other equally cognate topics. The permanent population of India is *never* thought of. To those responsible for all railway matters, the people are an absolutely *negligible quantity*, aye, so negligible as to lead one to infer that there existed no Indian population at all! Its wants and wishes, its comfort and convenience, its complaints and grievances, its suggestions and proposals, are a minus quantity. These have generally fallen on deaf ears whenever brought to their notice. In exceedingly rare cases they have been listened to, and even then most perfunctorily and after much persistent agitation for years! Just as the taxpayers are supposed to exist for the army, so, too, in the matter of railways, the vast population of three hundred millions, without whom it would be impossible that even the half a dozen of the most paying railways could ever earn a bare one per cent., exist simply in order that the army of railway officials of the "superior" caste may flourish and see to the comforts and conveniences and

the wants and requirements of the foreign exploiters of India' economic products and other trade resources. The interests of these exploiters are paramount. We make this statement in no haphazard way. The whole history of Indian railways plainly tells it. It can be proved from their annual administration report. In no other department of the State is the interest of the white man more sedulously conserved and more actively promoted than in the department of Railways. The white man of trade and commerce has simply to agitate for his wants through his organised Chambers and organs of opinion in order to be able in the long run to get what he wants. If sometimes that agitation proves unsuccessful there are enough of the logrolling and lobbyist class in the House of Commons who would worry and harass to death the Secretary of State for the time being to accede to what has been refused by the Viceregal Government. One of the commonest methods adopted to bring pressure on him and force a consent from him (party interests having to be carefully borne in mind) is a deputation. These white men of commerce never pay a moment's consideration to the rupee and anna aspect of the problem. They simply proclaim on the housetop: "sufficient for the day that we get the railways we want." To them it reckes not how a new railway or a big proposal for rolling stock or other equally gigantic objects, is going to be financed. Aye, it matters little to them who pays the interest charge on the sums that must be borrowed for the purpose of constructing his new railway and how the annual burden in that respect increases. Their sole and exclusive object is to exploit the country far and wide for their own interests without ever so much as staking even a single rupee in the enterprise. This is *the* worst feature of Indian railway policy and administration from

the point of view of the Indian. The population counts for nothing. It only counts like so many dumb driven cattle to earn money for the foreign shareholders who not only eat their cake but call for it again ! Take the most flagrant instances in this respect. Look at the original guaranteed railways now all purchased by the State. How have their shareholders been enriched ? The State guaranteed them a regular interest of 5 per cent. per annum. The deficit had to be made up by the taxpayers, and, according to the official figures submitted in evidence before the Welby Commission, that deficit up till 1896 amounted to 51·84 crore Rs. or an average of over a crore per year ! (*Vide* Appendix A.) But this is not all. The State had entered into the most improvident contracts with these guaranteed companies the underlying principle of which was that the companies were to win while the State was to lose. Their shareholders were to be bought off on this principle. *They have been so bought out.* Such was the want of foresight on the part of the Government that when the time for purchase came *no sinking fund* had been accumulated to pay for the pound of flesh marked in the original bond. Practically, the Government was at the mercy of these guaranteed companies. They had all to be paid for at the market rate of the day—because it was so said in the bond. Their shares stood at a certain premium which would *never* have been the case had not the Indian taxpayer regularly built an income for them, besides paying the annual deficit of a crore per annum ! But the crowning part of those improvident bargains has still to be related. Having never accumulated a sinking fund the Government had had to borrow afresh to pay these guaranteed cormorants the purchase money. So these self-same companies were reformed or reconstructed. The price of the purchase money had to be paid partly in cash and partly in

shares at an inflated value, with the fresh provision that in consideration of the company managing the railway a certain share of the profit would go to them. So, here the reader will be able to understand how the original guaranteed companies after having eaten their cake to the full, and more than full, are now devouring a fresh slice, thanks to the want of foresight and financial statesmanship of the State.

Thus, it is a fact that Indian railway finance from the very first day that the railways were laid out in India has been a series of colossal blunders which would have created a howl in any other civilised country on the face of the globe! Every new departure taken in railway enterprise from 1848 to 1908 has been of a most suicidal character financially to the true interests of India. Railway construction at the outset by private enterprise in India has really led to a huge mill-stone being hung round the neck of the State. It ought never to have been so, but we owe it all to that so-called glorified "statesman," Lord Dalhousie, who rendered such distinct disservice to India in more than one direction. Of course, in justice to the Government, it must be said that it changed its policy after 1868-69 and began to construct railways itself from borrowed monies. Unfortunately, even this policy underwent modification which, from a financial point of view, has not been of a favourable character to the Indian. But it would be a long and sad story to write the history of Indian railway finance, however briefly. Quite a thick volume is required to do justice to the subject.

As to the report of the Railway Committee, we had keenly looked forward despite its far from satisfactory constitution and its circumscribed scope of reference to a well considered and cautious financial policy, consistent with the State's huge liabilities on railways and with an eye to the future burden on the taxpayers

by way of increased borrowings. It is superfluous to observe, as stated at the outset, that we have been grievously disappointed. The Committee was asked to report on the following points :—

- (1) Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade ; and if not, then,
- (2) What additional amounts may properly and advantageously be raised for the purpose ;
- (3) Within what limits of time, and by what methods they should be raised ;
- (4) Towards what objects should they be applied ; and
- (5) Whether the system under which the Railway Board now works is satisfactory or is capable of improvement and to make recommendations.

In reference to all these, we repeat, the report from the Indian point of view is wholly unsatisfactory.

II.—Early Financial Shortsightedness and Heavy Loss to the Taxpayer. (8th July, 1908).

The very second paragraph of the Introductory Report, which relates the history of the guaranteed companies, informs us that "for many years the earnings of the companies fell short of the interest guaranteed, and the *deficit was a charge on the revenues of India.*" But it is rather vague the phrase "many years." It leaves the reader in doubt as to the *definite* period for which these companies continued to be nonpaying. As we stated in our last article, practically it was for fully half a century. The next item of interest to the public is the heavy purchase price which had to be paid to buy up these railways of which the earliest was the East Indian. The price was in the form of "terminable annuities" all of which are still "running." In other cases, "cash payment was made in cash or in India stock." The one great financial omission of a most unbusinesslike character in respect of these railways was a sinking fund. When it was prescribed in the contract of each company that the State would purchase it at its option at the end either of 25 or 50 years, *ordinary* commercial foresight ought to have prompted the Government to institute a sinking fund from the very commencement which would have enabled it at the end of 25 or 50 years to pay off these companies without fresh borrowing in one form or another. True it is that such a fund would have entailed a heavy burden on the Indian revenue, besides that of meeting from time to time the deficit on the guaranteed interest. But we contend that such a burden

would have eventually proved most economical to the taxpayer— at any rate, *a great deal less costly than the burden now entailed* by having to borrow for the purchase money in one form or another. Save the East Indian line, all the other guaranteed railways have been purchased after 50 years. Surely it stands to reason that in 40, if not 50, years since the date of their respective construction sinking funds would have enabled the Government to buy them up *without borrowing and incurring fresh interest charge*. Had that been the case the State to-day would have been the free and unencumbered owner of each of these lines. As things are, it will not be so till 1930 in the case of the East Indian line and 1950 and beyond in the case of those acquired since 1900. None of the hard and fast terms which even under the scheme of the purchase the Government has been obliged to agree to, would have been found necessary. But the companies were the masters of the situation and not slow to drive as stiff a bargain as it was possible to drive. To allege that the taxpayers' interests have been safeguarded is to allege something which is far from the fact. The taxpayer lost *a crore per annum* during the first 55 years, and during the next fifty he will only be able to earn a great deal less of his full net profits than might have been otherwise the case.

In paragraph 4 the Railway Committee give a short resume of railway finance during the five years which ended with 1906-07. Let us give the figures of the fifth year.

		1906-07
Capital outlay	£	253,708,169
Gross Earnings	£	26,834,000
Gross Expenses	£	130,493,522
Net Earnings	£	13,341,338
Percentags of net earnings on capital	£	5.26

- From the above percentage the reader should not jump to the conclusion that this was the *net gain or profit* which the State, the owner of the railways, earned. No. Because to the gross working expenses must necessarily be added all charges for interest on loans borrowed for railway purposes, plus annuities, &c., and the shares of surplus which, owing to the shortsightedness of the State in not having originally instituted sinking funds as already stated, have perforce to be allowed to the old guaranteed companies. When such charges and liabilities are deducted from the "net earnings" so-called, (13·34 Million £) the amount dwindles down to £ 2,313,541. This is the *real net profit*, according to all recognised mercantile principles, which the State, that is the taxpayer, earned on its capital of £ 253,708,169. What is the dividend or percentage? Just 0·91 per cent! Not 5·26 per cent. on *mere net earnings*, without deducting all necessary charges and liabilities of the year. But so perverse are those responsible for railway finance, and so ashamed is the Government of the miserable net gain it secures for the poor taxpayer over its gigantic railway capital, that the misleading percentage of net earnings—that is the *nominal* percentage—is always put forward, while the *true or real* one is entirely omitted to be mentioned! Let then the taxpayer take such comfort as he can from this crucial fact of Indian railway finance, namely, that the State railways are *not yet* able to earn, even after full 60 years (commencing from 1848) more than 0·91 per cent on the colossal capital! *It is not even* 1 per cent! and even that since 1899-1900. This is the *true* paying character of Indian railways as made naked by the Railway Committee. But the Committee at the same time, are obliged to be a bit optimistic and present the figures of net gain to the State in a more favourable light. So they take care to impress the following fact on the

public: "These figures understate the true net revenues derived by the State from the railways, inasmuch as a portion of the charge under the head of "annuities for the purchase of railways represents repayment of capital." This amount of capital also redeemed came in 1906-07 to £752,135. We are perfectly willing to give the benefit of this amount to the net profits of that year. Adding this sum we come to £3,065,676. On this amount the dividend comes to 1·20 per cent. Here then is the whole railway finance in a nutshell. The total capital outlay of 253 millions sterling earned 1·20 per cent. for the taxpayer after 60 years of railways in the country!

This is *the* most important topic treated by the Committee in their preliminary chapter. The minor topics have reference to the terms of the *existing* contracts with railway companies, to the annual programme of railways, and to the vexed question of obstruction offered to "private enterprise" as alleged by many a mercantile witness. More or less the last is an apology or defence of the Government. The Committee say they "are not aware of any case in which true private enterprise, that is the construction of railways without financial assistance from the State, has ever failed to receive encouragement from the Government of India, provided that the proposed undertaking was one which would not enter into injurious competition with existing lines." The weakness of the defence lies in the proviso. *Who* has been all along the judge of the "injurious" character referred to? The Government itself. Can the Committee aver that it had before it each case of private enterprise? Did it fairly examine the pros and cons of such? Did it hear at all what promoters of private enterprise in Indian railways had to urge in support of their complaint? And did it hear what the Government had to urge? If the opinion now given has been arrived

at *after* such investigation, then we are disposed to agree with it; but not otherwise. It should be remembered that on one side was the State with all its might as the owner of railways—therefore an exceedingly interested party to see that none encroached on its monopoly. On the other hand was the competitor, the man of private enterprise. The decision did not rest with an impartial third party. No. It rested with the powerful monopolist. His judgment must necessarily be biased in his own interests. No wonder that private enterprise had *no chance* to compete. It was shunted off with both hands. "Not here, if you please, you have no business to poach on my preserve." So said the interested party. Under the circumstances it is somewhat amusing to read the *obiter dictum* with which the Railway Committee conclude their introductory remarks. "Any attempts to exploit the country for the benefit of the concessionaire, by means of schemes which would either compete unfairly with railways already in existence or be likely to prove disadvantageous for the taxpayer, has been consistently, and in our opinion, rightly, resisted by the Government of India." We readily subscribe to the principle. But may it be inquired whether the Government has uniformly observed the principle *in practice*? We mean, not in reference to promoters of railways by private enterprise but in reference to its own railways? What are these Chambers of Commerce in the country but so many foreign exploiters? Is it not the case that in many a railway line constructed these were the exploiters who egged on, by their forcible agitation here and in England, the State? Is it not the case that some of such lines owe their origin to *their* interested agitation for their own benefit, and that without the large body of native taxpayers having been at all consulted? How much is it to be wished a thorough and independent investigation

had been instituted in order to let the taxpayer learn the truth—namely, the number of instances in which lines have been constructed during the last 25 years under pressure and agitation of the foreign exploiters for promoting their own trade and exploitation of the resources of the country. It would be also interesting for the taxpayer to know the total amount of capital outlay of such lines, and what *net gain* has accrued to him from those? As things stand it is a notorious fact that apart from huge strategic railways, of a most nonpaying character, the country might have done better but for certain lines of railways which have been constructed at the instance or clamour of the foreign exploiters.

III.—Agitation on Rolling Stock and Neglect of Indian Grievances. (29th July, 1908).

To proceed now with the answers to the several questions on which the Railway Committee were asked to give their opinion. The first one was :

“ Whether the amounts allotted in recent years for railway construction and equipment in India are sufficient for the needs of the country and for the development of its trade”.

As a preliminary to the answer to this question, the Committee give a brief account of the Indian railways at the end of 1906. The length of railways open in India was 29,097 miles on which the total capital expenditure, including outlay on construction, equipment, etc. was 379·20 crore Rupees. Of this open mileage, fully one-fifth and more, say 6,443 miles, were owned by Native States or by companies not guaranteed by Government. For the financing of these the State is in no way responsible. They are, of course, wholly out of the purview, therefore, of the Committee. These are excluded from the scope of reference. “ The lines,” say the Committee, “ which depend for the supply of capital on allotments made in the programme, i.e. lines owned by the Government of India or by guaranteed companies, were 22,654 miles in length on 31st December, 1906.” There were 3,283 miles besides of new lines under construction. So that for purposes of the programme of future railway financing the total mileage, which came under the Committee's consideration, was 25,937.

Between 1900-01 and 1906-07 the amount expended on capital outlay was as follows:—

1. On construction of new lines	..	£	22,836,510
2. On rolling stock, etc. on open lines..		£	27,411,120

Total £ 50,247,630

The annual expenditure, which stood at £ 5,317,768 in 1900-01 rose to £ 8,999,430 in 1905-06. In 1906-07, it mounted up to £ 9,741,000. Thus, in 6 years the growth in capital expenditure amounted to £ 4,423,232, equal to 83 per cent ! But despite this outlay, almost double, the alien exploiters of the country were not satisfied ! Like the harpies, the more they got the more they wanted. They cried aloud that the capital was insufficient and raised the agitation that the rolling stock was insufficient. The complacent Committee have been "satisfied" that such was the case, the reason assigned being the "activity of trade which prevailed in India in coal, grain and manganese ore." This statement may be accepted, but, in our opinion, the Committee do not seem to have taken the trouble to trace the cause or causes which led to the cry of the inadequacy of the rolling stock being raised by the vociferous Chambers of Commerce. The Bengal Chamber, it is notorious, is omnipotent for purposes of bending the State to yield to its trade demands in every direction. The Government of India is not strong enough to resist the pressure and influence it brings to bear on it to carry out its object, good, bad or indifferent, and ill-founded or well-founded. The Bengal Chamber, above all other Provincial Chambers, is the master of the situation. It has known the secret of its success. When we state what that secret is, everything will stand plain. The key to its success lies in the fact of the Chamber's consciousness to make things unplea-

sant for the Government if that entity refuses what it wants. Here, we no doubt touch upon politics. But, it should be firmly borne in mind, that politics and economics go hand in hand. They act and react on each other as the greatest economists have averred. Well, then, it is an open secret that since the days of Lord Dufferin, the "diplomatic" Viceroy, there has been a tacit understanding, equivalent to a solemn league and covenant, that the Chamber should not make common cause with any Indian agitation, however strong, however well-founded and however just. It is well-known how prior to Lord Dufferin's Viceroyalty, for over half a century, the Bengal Chamber, on important occasions, when some unpopular legislation was on the anvil, used to co-operate with the best and most influential Indian representatives. Their combined influence used to have a most salutary effect on the measures of Government. Now, the "diplomatic" Lord Dufferin, as is well-known to the *entire* Indian community in the country, did two things worthy of his "Oriental" diplomacy so well learnt in the school of Constantinople and Cairo. "Divide and rule" was his motto. And he successfully carried it out. He divided the Hindus from the Mahomedans as the columns of our contemporaries of those days, notably in Bengal, would amply testify. And, secondly, he succeeded in separating the Bengal Chamber from the influential Bengal representative organisation.

To revert to the subject proper. Let us see what happened just a little before the hue and cry was raised touching the inadequacy of railway rolling stock? This. The Bengal Chamber mostly consists of owners and managers of a large number of jute mills and coal mines. Bengal coal, by reason of its comparative cheapness, was coming more and more into favour with consumers of the fuel in the country, railways and steam factories of all kinds inclusive.

Naturally, as a result, the activity of the owners of coal mines in Bengal was greatly stimulated. But they thought that railway freight was a factor which partially hampered greater consumption. So, the first line of attack was against the freight demanded by the important railway companies. Of course, the cry was successful. The coal freight was reduced. This gave a great spur to increased output of coal mines. But these coal-mine owners found that they could not realise their golden profits (for, with increased demand, prices rose and rose) as speedily as they wished, because the Railway Companies' rolling stock for the carriage of the coal was inadequate. Simultaneously, there was a furore for manganese exports, owing to Russian manganese having for a time been scarce in England and elsewhere. Being a light metal it required a large number of waggons for its conveyance to the port of export. Thus, the greater output of coal and the stimulus given to manganese found the railway companies short-handed for waggons. Of course, the Bengal European merchants began to cry aloud. The railways did their best to cope with the increased traffic. Still the traders were not satisfied, and, as usual, there was an organised agitation, in which, of course, Bombay, Madras and Cawnpore Chambers, joined and made common cause, to force the hands of the Government for increased rolling stock. This is the real genesis of the affair. The reader will see how, step by step, the Bengal European merchants successfully endeavoured to gain their object. There was at first the agitation for the reduction of the coal freight. No sooner was that reduction given than rose the fresh agitation for inadequate rolling stock till the Government was compelled to yield them in this respect also. The Government, of course, had to yield, specially bearing in mind the ferment in the country for political reforms about which many a non-official

European had silent sympathy. To have stubbornly refused these alien exporters was to have created greater dissatisfaction. To the Indian dissatisfaction would have been added the European one. Thus, politics and economics both conspired to gain for the Chambers what they wanted. This is another aspect of the agitation touching the inadequacy of the rolling stock which the Committee have quietly ignored to relate. But how can the Committee, constituted as it was, do otherwise? It is so far an onesided Committee, that not even a single enlightened and experienced Indian is on it—an Indian who could have urged the *Indian* view of the matter and tried to elicit from the witnesses examined how far the agitation was well-founded and how far exaggerated. But, of course, as we have said, the Chambers knew well that they will be masters of the situation and therefore pressed their claims and squeezed most successfully the Government of India. Could anyone venture to say that a popular *Indian* grievance, for instance, the inadequacy of third and intermediate class carriages for millions of native passengers, who contribute annually 14 crores of revenue, would have ever been so successfully redressed, say within 2 short years, as this one by the interested white men who are so potential with the Government? For how many long years is this grievance a standing one, we mean, in respect of third and intermediate class carriages? Are not passengers travelling in these carriages still packed like a herd of sheep? Is it not sometimes heard that open trucks for carriage of goods or even *cattle trucks* have been used to carry such passengers? But did the Government so sympathetically heed that grievance? And has it yet done all to allay or redress it? Let the conscience of the railway authorities answer the question. This, then, is the difference between the interested agitation of the European mercantile "agita-

tors" and the disinterested agitation of the Congress on behalf of the masses for improved accommodation and convenience for 3rd class passengers.

The Railway Committee, again, has not told us in plain terms whether the rolling stock which existed at the time of its appointment had been "worked with the greatest efficiency." It is, however, constrained to acknowledge the fact as given by some of the witnesses. Here is its oracular pronouncement: "Some of the witnesses have suggested that the existing rolling stock is not worked with the greatest efficiency, and there may be room for improvement in this respect. The attention of the Railway Board should be drawn to the point." Apart from this, the Railway Committee has expressed no opinion whether the increased rolling stock will or will not stand idle for 8 months of the non-busy season. And whether it is right in *blindfoldedly* recommending the large addition of the rolling stock costing crores? What about the *non-paying* character of it while it lies idle? Who will bear this loss, which we need not say will be in addition to the annual interests charge on the fresh capital outlay in this behalf? So far we are constrained to observe that the Railway Committee's report is not only imperfect but unsatisfactory. It is not *impartially* written.

Coming back to finance, the Committee opines that "in three years ending 31st March 1908, nearly £20,000,000 will be spent in increasing the capacity of open lines, and the result of this expenditure will, no doubt, for the time being have given much help towards bringing the existing railways up to a proper standard of efficiency." True. *But efficiency for whom?* For the alien exploiters or for the natives of India? From the following paragraph it appears that all this efficiency is to serve the European merchant. *There is nothing or next to nothing for the*

Indian passenger. "It appears from the Administration Report on Indian Railways for 1906 that 4,316 waggons were added during the year to the stock on the several railways; also that an additional 8,733 waggons were under order at the end of the year, and that the provision of 2,888 more had been authorised, making a total of 11,521 waggons or ten per cent. to the number (115,686) in existence at the end of 1906.** The stock of waggons on Indian railways in the spring of 1908 will probably be far larger by some 13,000 or 11½ per cent. than it was at the end of 1906." But there is not a word about the increase of carriages for 3rd class passengers! Be that as it may, the answer, then, to the first question is that the equipment of the Indian railways has been unequal to the requirements of trade in the last two or three years, and therefore they recommend that the allotment for railway construction and equipment should be increased beyond those of recent years? It remains to be seen what amount the Government of India eventually fixes for the purpose.

IV.—Construction at Breathless Pace! Expenditure of 12½ Millions Sterling per annum. (5 August, 1908.)

The next question treated by the Railway Committee is in reference to the additional amounts, beyond those annually budgetted, for railway construction and equipment. Their answer is that "no definite limit could be assigned." The reply is founded on the statement, based on the opinion of many a witness, of course all European, with their own "enlightened self-interest" to satisfy, that there is such a wide scope for fresh development that even a modest mileage of 1 lakh against the existing 30,000 would not be overmuch! It is not surprising that this class of witnesses should have been of the opinion just stated. Their sole aim and object being the exploitation of all available resources of India for acquiring the largest wealth possible in the shortest conceivable time, it is perfectly intelligible they should put forward their views in the manner they have done. In substance, they meant to convey to the Railway Committee, which largely was representative of their own interests, with not a single one on behalf of the mass of the Indian taxpayers, who on railway matters are a negligible quantity with the Government itself, that whatever mileage was annually resolved upon would not be enough to satisfy their wants! The Indian peninsula was so enormously large, while the raw materials to be drawn away from the country were so abundant and tempting. What was the Indian taxpayer to them or they to him? It was sufficient if they succeeded in calling for the tune while the taxpayer paid the piper. Had there been even a single Indian representative of the tax-

payers on the Committee, he might have put the pertinent question how unlimited mileage was to be financed? He might have asked for a detailed return of each and existing line and queried the witnesses whether they were all productive and whether they were all needed for the requirements of the Indian population. Indeed, he might have run the gamut of the entire Indian railway system and its finances from the date of their respective construction and opening of each line and elicited categorical replies as to the utility and productiveness of each. But, of course, that was not the case. The Committee was a packed Committee to register the foregone conclusions of the Government of India forced on it by the "agitation" of the influential commercial "agitators" of the land. Aye, not even a single Indian witness was called to offer his evidence from the point of view of the Indian taxpayer, namely, whether increased railway construction at the rate of 15 and 20 crores per annum was a blessing or a curse. It is all very well for these foreign exploiters of India to magniloquently talk about every yard of railway being a benefit as if a railway was something like rain from heaven every inch of the fall of which was certainly a benefit to agriculture. To these keen advocates of breathless railway construction railways are, from their interested point of view, a golden harvest. But is it such a harvest to the agriculturist, to the artisan, to the poor population of the area or tract through which a railway has to be made? Is it always the case that in the trail of a railway line there is gold to be gathered by the poor? Or, is it generally the case that the poor is made poorer because of the deprivation of his means of livelihood by a railway passing through the tract where he is living? Can it be honestly asseverated that the railways have uniformly brought benefits commensurate with the previous economic advantages which vast numbers of the poor masses enjoyed,—the agriculturist,

the artisan, the bullock carrier, the cartsmen and so on. One should like to have on record the economic facts of each tract whence a railway has been made *prior* to the railway era, and compare the benefits which the railway era since 1848 has brought in its train. In short, let us have *the necessary economic equation*, the plus and minus of the pre-railway period and the plus and minus of the post-railway period. Let us strike the balance and see how far the true economic prosperity of the masses has been maintained, advanced or woefully diminished. It is a most arduous and uphill task, but he would be a benefactor of his country who could successfully undertake it and bring out the true results. We know well that what is good for one country is not necessarily good for another. Because Free Trade has enriched England it cannot be categorically predicated that it has enriched India also. So, too, in the matter of railways, hither and thither,—railways paying and railways non-paying, railways military and railways commercial. The reader should not be so hasty as to infer that we condemn railways wholesale. Far from it. In the economy of the world railways, thanks to the material civilisation of the West, have become essential. But we do say that they are *not indispensable*. Admitting that for so vast a peninsula as India a certain amount of facility of communication, leading to opening up of tracts which really bring in wealth in one form or another, is necessary, we venture to say that *the pace* at which railways have been hitherto constructed, and are going to be constructed, in the immediate future, *is open to serious question, economically and financially*. The railway policy hitherto pursued by the Indian Government cannot be said to be an unmixed “blessing” to the poorest masses. Its benefits to this class are next to nothing. Just as the protective policy of the East India Company and its

early successors, in matters of British goods, destroyed certain Indian industries so has the railway policy destroyed many humble but remunerative industries, professions and trades. The result of that policy is to be seen at present in all its gruesome nakedness in the condition of the day labourer who seldom gets his one full meal a day. These precious railways have swept away hundreds of thousands of men who eked out a fairly contented and prosperous existence prior to the era of railways. The destruction has been nearly as complete as possible. The railways have *never replaced* this old order of men. A few hundreds in each area may have found employment on the railways themselves. But the rest were first driven to land thus pressing on the means of subsistence, and afterwards thrown out of land by thousands to become mere day labourers on the field with a most precarious subsistence. So that even railways are not such unmixed blessings to a people as our Western rulers, with wholly Western notions, seem to imagine. Again, the railways have imported quite an inordinate army of Europeans in their service who are drawing extravagant salaries not warranted by the country's finances or ability. The salaries earned come to a crore and more per annum. We are of those who believe that railway construction in a country is limited by its own peculiar environments and resources. The economic conditions have to be first closely considered; next, also the physical. In fact, the two are inter-related. Periodically afflicted as India is with famines, mild or severe, it is notorious that agriculture suffers, while agriculture is the staple industry of the country for centuries past. People prospered on it. Those, a fraction, who depended on other industries, were able to live well and thrive. The home demand for other articles, of which cloth was, of course, the principal stimulated those industries

and thus kept the non-agricultural population well engaged. Aye, even beyond home trade, there was the foreign trade in calicoes, in sugar, and in spices which brought profits to the country. So far as to the physical conditions. These in turn necessarily evolved fair economic conditions. No heed seemed to have been paid by the pioneers of railways to the environments of the people and the agricultural conditions of the country. But, if the pioneers erred there is no reason why their successors with the experience of half a century should persist in perpetuating those errors, aye, even aggravating them by yielding to the pressure of the vociferous and influential commercial "agitators" and go on blindly building railways at breathless pace when the condition of the country first demands an amelioration of the indigent masses of the people. All these and many other relevant matters might have been brought to the surface had competent Indian witnesses been invited to give evidence before the Railway Committee from the *Indian* point of view. But in their complacency the governing authorities seem to fancy that in all India there are not even half a dozen experienced Indians who could give such evidence!! What a delusion! But it is of no use now prolonging this wail. We have been obliged to say so much because of the singularly short sighted but oracular pronouncement of the Railway Committee itself, namely, that "witnesses look forward to a time when the 30,000 miles of railways now open will have been increased to 100,000. That even this estimate of mileage is short of that which will ultimately be found to be necessary in India"! Aye, these infallible Popes go a step further and epine as their conviction that "there will be fruitful fields for large reproductive expenditure on railways in the country for many years to come." When such false prophets proclaim on the housetop their

prophecy, what hope is there for the Indian taxpayer to arrest this extravagant and blind "progress" forward in railway construction? On the one hand, are the witnesses whose interest is to amass wealth without putting their hands in their pockets for a single Rupee; on the other, there are their own interested kith and kin, specially the iron and steel manufacturers, equally prone to encourage and promote their interests! Thus, the Committee has proved itself a sham. It never went into the root of the matter. How can it give any other verdict than the one it has given—a verdict which was agreed to *before* even the investigation began?

After this we need not be surprised at the following oracular utterance: "It is, therefore, in our opinion very desirable that the steady, and even rapid, development of the railway system of India *should be regarded by the Government as one of its most important duties.*" But the Committee at once became conscious of the extravagance of their own recommendation. Its economic conscience touched there. So it qualified the recommendation as follows: "but at the same time *we recognise the financial difficulties that may be experienced when the Government commits itself to new and expensive schemes on a large scale.* The danger which attends a policy of rapid development is that large projects, involving heavy annual expenditure over a long series of years may be begun at a time when capital can be easily obtained, and may be still far from completion when capital has become comparatively scarce and dear. In such circumstances it is necessary to choose between two alternatives, *viz.*, retardation of the work, and borrowing at unfavourable rates, so as to allow a speedy completion. The former alternative entails loss owing to the dispersal of labour

that has been collected for the works, to the difficulty of making sudden reductions in the higher tariff of trained engineers, of whom the majority are permanent Government employees, while the remainder are engaged for a term of years, and to the prolongation of the period during which capital remains unproductive. *The latter alternative involves the risk of a fall in Indian securities relatively to others, which may lessen their popularity and prejudice the success of future loans.*" How careful here is the Committee to safeguard the railway investors who are almost all British! Various witnesses very airily opined that it would be easy to provide annually from 15 to 21 millions sterling. But the Committee recommends that "for a good many years to come, the amount that might with advantage be spent on railways in India will exceed the funds which will on the average be available, so that the effective limit of the amount to be spent in any year will be the amount that can be provided." So here the Committee wisely left to the Government to fix the amount, though, not without quoting Lord Rothschild's opinion. He was asked: "That in regard to the amount of money the Secretary of State can raise in any one year in London you are inclined to think that an average of 8 or 10 millions would be about the figure." Lord Rothschild replied: "I think he might get it, *especially if it were distinctly stated it was for railway purposes.*" So here one of the greatest financial authorities in the world opines that India can at the utmost borrow no more than 8 to 10 millions, and even that much when the lending public is informed that the loan is wanted *for railway purposes* the significance of which is obvious. It is difficult for India to borrow in London as much as 8 to 10 crores though other impecunious or bankrupt, Continental and American States, can obtain double and treble that amount.

But probably it might get that *if it was announced that the borrowing was for railways*. The inference is that no bigger loan can ever be floated for India in the greatest monetary centre of the world. This opens up another financial question, namely, how may India borrow in India at 4 per cent. for "reproductive" public works, railways and irrigation included? But we will not expatiate on this question at the present stage. It demands a separate and exhaustive treatment by itself. So the Committee further remarks that "it would not be imprudent for the Secretary of State to contemplate raising in London, in normal years as much as 9 millions sterling." These 9 millions are to be supplemented by another 5 millions as follows:—

	Lakhs.
From Revenue surplus	.. 100
Annual appropriation from Revenue	
for reduction or avoidance of debt	.. 75
Savings Bank Deposits	.. 100
Rupee Loan	.. 325
Moiety of profits of Coinage	.. 150

Rs. 750 = 5 million £

After further observations the Committee at last, after many wriggings, "recommend an annual rate of expenditure on railways which there is a reasonable hope of maintaining even in difficult times, and we accordingly advise that the Government of India be authorised to prepare their annual railway programme on the basis of a capital expenditure of £ 12,500,000." So, here at last after many gropings and searchings of the financial conscience, the Committee have touched dryland—namely, 12 millions, against an average annual expen-

diture from 1898-99 to 1906-07 of nearly 7 millions, and against the allotted grant of 10 millions in 1907-08! But the story of the future of railway finance is not over. There is the third question: "Within what limits and by what methods should additional funds be raised?" That is another exhilarating story of railway finance related by the Railway Committee.

V.—Political and Economic Expediency of Borrowing for Railways in India. (12th August, 1908.)

The third question dealt with by the Committee has reference to the limit of time within which additional funds should be raised and the ways and means of raising them. The answer is that from 10 to 12 millions should be raised. But the Committee make the very sensible and businesslike suggestion that no fixed sum, sufficient for expenditure in a year be raised. The amount should lie at the discretion of the Secretary of State who would take care when the money market is easy to raise in excess of his wants and to borrow less when there is a stringency. Thus the principal object would not be defeated, and the risk of having to reduce expenditure at a time of stringency will be considerably minimised.

As to the method of raising the 7½ millions in London, the Committee suggest four ways :

1. Direct Government borrowing ;
2. The issue of short dated debenture bonds by companies with the guarantee of Government ;
3. The issue of debenture stock by companies, guaranteed also, but redeemable after a long period and at the option of the borrower ;
4. The issue of share capital by companies with a Government guarantee of interest and a share in surplus profits.

The first method hitherto in vogue, at least for the last twenty years, is deemed the simplest and the most economical.

Lord Rothschild had expressed his opinion that the Government would not find any difficulty in raising annually 8 to 10 million pounds as a maximum. The authority of so experienced a financier must be held to be conclusive and should be followed. But if in case of emergency, military specially, a larger amount has inevitably to be borrowed, then short bills may be issued by the India Council after the manner of Treasury bills. But the Committee are of opinion that it should be put into practice only as a last resort. Another method suggested by a witness is to issue a 4 per cent. stock on the hypothecation of a portion of the Indian revenues. But this would be altogether illegal, bearing in mind the existing obligations of India. The issue of debenture stocks by companies but guaranteed by the State is deemed expensive and less popular than the ordinary Government stock. At the same time in certain circumstances the method might with advantage be employed and thus popularise somewhat such debentures. Again, short term debentures are supported as another mode of raising the funds. But having regard to the fact that there are already large outstanding debentures of this character, to the amount of well nigh 17 millions sterling, and to the consensus of opinion among financial witnesses that this method of borrowing should be used most sparingly, the Committee put aside this method also. Lastly, there is the raising of capital by the working railway companies by new issue of shares. The Committee are greatly in favour of it, albeit that this method which was in vogue before has been held in suspense these last ten years. The only trouble will be to make some modifications in the existing contracts of the companies.

It may be observed here that as far as railway financing is concerned the Railway Committee seem to have been greatly carried away by the *purely English aspect*. In other words,

they have implicitly relied on the English financiers. Of course, they are entitled to the greatest weight, for nobody can deny the value to be attached to opinions pronounced by such world-financiers as Lord Rothschild and others. At the same time is it not worth while giving India a fair trial? Of course, in a country like India large capital at a rate of 3 or $3\frac{1}{2}$ per cent. interest may not be forthcoming. Even if there be large capital, more or less it is "hoarded" according to the authorities themselves. Is it altogether impossible to coax this Indian capital, which is so shy now, at a higher rate? In years gone by, with no State currency and an exceedingly restricted foreign trade, the Government used to borrow what it wanted at the rate of 5 and $5\frac{1}{2}$ per cent. and more. As the resources of the country began to be developed and as the means of communication were greatly facilitated and as the empire began to be fully consolidated the credit of the Government improved. It improved vastly with its revenue, and its auxiliary, the State currency. Hence the rate of borrowing was reduced to $4\frac{1}{2}$ per cent. then 4 per cent. till for some years past it has been steadily maintained at $3\frac{1}{2}$ per cent. It endeavoured to borrow at a still lower rate, namely, 3 per cent. but has found to its cost that it was a great mistake and holders of this paper have for sometime past been urging the expediency of paying it after converting into $3\frac{1}{2}$ per cent. for they have been greatly prejudiced by the low rate at which it is quoted in the market. Aye, it is even unsaleable, nobody but some Trustees touch it.

It is clear that for Indians to invest their monies in public work loans, like railways and irrigation works, a rate of interest ought to be allowed which may be deemed fairly reasonable and in harmony with the ordinary rate prevalent in the open markets of Calcutta, Madras and Bombay. It may be asked

why is it that at $4\frac{1}{2}$ or $4\frac{3}{4}$ the best managed cotton mills in Bombay are able to command unlimited borrowing? There is no accurate estimate of the actual loan capital in circulation among these; but at a guess it could not be less than 10 crores for all Bombay mills. If we take the cotton mills alone of all India 13 to 14 crores would not be an exaggerated estimate. There are then, again, the jute mills and the coal-mines which partly carry on their enterprise with borrowed capital. Our own suggestion to the authorities is that a full and fair trial for at least three years be given to borrowing more largely for public works in India at the rate of 4 per cent. When we find that such minor organisations as Municipalities, Port Trusts and Improvement Trusts are able regularly to borrow at 4 per cent. and that without any Government guarantee, except in some cases, we do not see what could prevent the Government itself to borrow likewise. *The economic advantages are enormous from the Indian point of view. They say capital begets capital. So that with a larger amount of borrowing in India, the country will earn the interest which, in its turn will remain in India. This is what is now badly wanted. At present it is superfluous to state that there is an enormous "drain" by way of interest charge on capital outlay on account of railways to England. It cannot be denied that this interest comes out of the annual income of the country. It goes clean out of the country. There is no return, because the investors of railway shares and debentures are mostly in England. It does not return to fructify in the pockets of the taxpayers of the country. Is there a doubt that were even a part, if not the whole, of this interest were retained in the country, the country and its people could be greatly benefited? It would be so much capital available for the State to borrow. This is a very large subject on which much could be*

written. All that we would say in the compass of this short article is this. That we are of conviction *that the time has come when the economics of railway finance in all its bearings should be carefully examined* in order that the Government may take a new departure called for by the material advancement of the country. *No country can enrich itself where some crores are actually drained away without any hope of return.* It is, no doubt, at present one of the great economic evils which has arisen from the foreign rule. Those evils ought to be greatly minimised, aye, so minimised that by a slow and steady change in the policy of borrowing we might reduce them to the irreducible minimum. Financial statesmanship of the highest order is requisite—a statesmanship which, besides, shall not be onesided and look through the *selfish interests of British capitalists alone.* If the Government were to raise annually an internal loan for public works of 8 to 10 crores at 4 per cent. we are sure it would *put heart* into the people of this country and every year would see a larger and larger borrowing, say to the extent of 10 to 13 crores. At present the Government only seems to have *one* eye, namely, the eye to *nurse the British capitalists and his interests.* It should *open its other eye also and try to understand the enormous economic evils* of its present borrowing policy, and gradually alter it so as to bring about that healthy and *economic benefit* which *internal* borrowing must inevitably bring in its train. There is also a serious *political aspect* of this financing which should not be forgotten. The greater the stake of the people in such loans is increased, the greater will be the security and permanence of British rule. Constitutional reforms of the administration are no doubt well and good. But our people in agitating for these reforms seem to become hopelessly blind to the *financial reforms which are more called for.* For it should

be remembered that a great deal of India's future political regeneration will depend on its *material* salvation. If political evils are to be remedied, it is not the less essential that the economic evils should *pari passu* be removed. In fact as economists of the highest repute have observed, economics and politics go hand in hand. They are inseparable and interdependent on each other. It is a matter of profound regret to notice that this important aspect of the existing situation is almost wholly neglected. It is much to be wished that our far-sighted and sober Indian politicians will now turn their greater attention to the problem of the *economic salvation* of the country. At present *India is the slave of British capitalists*. Is this slavery to last for ever ?

VI.—Profit of Coinage—The Grave Injustice of Reserving it for the Gold Standard Reserve. (2 Sept., 1908.)

Pursuing our criticism in reference to the reply given by the Railway Committee to question No. 3 of the Secretary of State, we might first point to the exceedingly businesslike and sound suggestion made by Lord Rothschild with regard to railway borrowing, not according to the actual needs of a single year, but according to the opportunities afforded by the London money market where a larger part of the loans would have to be raised. His Lordship said: "When the moment arrives for appealing for further funds, then will be the time to decide in what form borrowing is to take place. The only advice I think I am entitled to give to the Indian Government is *to make no fixed and unchangeable law for future policy. It is always best to have more than one string to one's bow, and if, when the time comes, it is found impracticable or impolitic to act in a certain way, recourse can be had to any one of the methods sketched out in the memorandum which has been given to me.* * * I should be excessively sorry to tie the Secretary of State down to raising money in any particular way." This is, indeed, the language of a truly disinterested and friendly adviser. Mr. Alexander Wallace, late Governor of the Bank of England, expressed views similar to those of Lord Rothschild on this point.

We now come to another suggestion, but of serious import to the taxpayer, made in the 23rd paragraph of the Committee's Report. It is thought that, "in view of the direct and immediate benefit conferred by railway extension on the

Indian producers, from whom a very large part of the Government revenue is obtained, and also having regard to the importance of checking the growth of the external debt of India, it would be greatly to the ultimate advantage of the taxpayers, and sound policy for the Government of India, to endeavour to realise a larger average annual surplus than 100 lakhs (667000£) to be applied to supplement the other sources available for capital expenditure on railways. (2) It may also be found possible to issue Rupee loans of a larger annual amount on the average than 325 lakhs (2,167,000£). (3) Finally, we anticipate that it may ultimately be possible to use the whole of the profits on coinage for capital expenditure." As regards No. 2 we are in accord with the recommendations of the Committee. We are strongly of opinion that were the Government to take courage and raise the rate of public works loan to 4 per cent. and borrow almost wholly *in the country*, a large number of *bonâ fide Indian* investors would be always ready and willing to invest their loanable capital in railways. This is a matter to be encouraged, for, it is productive of a double advantage. As we have already pointed out every Rupee of capital *raised in India* for which interest will be *paid in India* is a step in the right direction. The economic condition of the country sorely demands that there ought to be now, as a beginning, *some stoppage* in the annual *drain* of that part of the country's wealth which goes to foreign parts, without any hope of return, by way of interest on capital borrowed. Secondly, if there is a large hoarded capital, as is the general belief, the more the State endeavours to coax it from the largest number so as to turn it to a beneficent purpose the better. Indeed, *the* most successful and automatic way of coaxing it is to offer a

higher rate of interest. If lesser public organisations, with only a limited credit, such as Municipalities, Port and Improvement Trusts, can borrow easily at 4 per cent., why should not the State offer the same rate for its loans? It will be said that of what use paying a higher rate? Well, the higher rate is indirectly *a tax unseen* on the taxpayer. But we are of conviction that were a plebiscite taken *there will not be found a single taxpayer who would not willingly* undergo this small sacrifice *to attain the larger good* which must follow in the works of the stoppage, in however limited a degree, namely, prevention of the ceaseless drain on account of interest charge going on at present and increasing capital in the country itself.

Then, as to the suggestion for utilising the *whole* profits of coinage for railway capital. Here, too, we can see no objection though the interested Chambers of Commerce will scream aloud and bully the Government to keep the profits intact for giving stability to their exchange operations. But it should be borne in mind that the *internal* trade of India is vastly more valuable than its sea-borne trade. That this trade is bound to expand with the growing expansion of railways goes without saying. Therefore, it ought to be the duty of the State to see how that internal trade is promoted. It will not do to favour a limited class of foreign exploiters at the expense of the vast mass of the indigenous producers and distributors. Such partiality is fraught with the gravest political injustice. The solemn declaration made times out of number that the sole aim and object of the Government is to govern India in the interests of India alone would hardly be justified. Indeed, even now the Government is openly reproached for backing out of this declaration in practical politics, as people see how Indian interests, specially in matters of trade, are not infrequent-

ly subordinated to the interests of British exporters and their counterpart who are importers here. It is, indeed, a most glaring and disagreeable anomaly that the different Chambers of Commerce should have an upper hand in the matter of extended railways without having *any stake* whatever to speak of in this country. Members of these organisations come on their own hook to enrich themselves; but they want everything to be done for the promotion of their own interests *at the expense of the Indian taxpayers*. Why should it be so? Are we to be told that the different private railway companies in England listen to every interested cry of the Englishmen of Commerce? Each railway is a *private* concern limited by its capital. And it is for the Company itself to have the last word whether it will build or not any line. It may or may not according as it sees the advantage or disadvantage of doing so. But here these Chambers of Commerce seem to think that they are the lords of India and that whatever they demand should be granted unto them irrespective of the taxpayer? No English railway capitalist company would listen to such a demand without the shareholders having a potent voice in the matter. *The taxpayers of India are in reality the shareholders in our State railways*. But the State has been so far culpable in its responsibility to the taxpayers that *it never consults* them whenever a new line, supported by the interested Chambers, has to be built. It does the very contrary, and that to the prejudice of the taxpayers, namely, yielding to the interested cry of this microscopic minority of foreign merchants.

Now, it cannot be denied for a moment that the profits of the private coinage of silver prior to the closure of the mints, belonged to the taxpayers, not to the Chambers of Commerce. If the State alone now coins silver, it is with the *monies of the*

public. So that the profits still belong to the public, speaking logically. And we, for one, contend that the Government of India is guilty of the gravest financial injustice when it utilises the whole of the coinage profits for the purpose of satisfying the demands of an omnipotent but fractional clique of foreign traders who absolutely should have no voice in the disposal of the revenues of the country, that is to say, the funds contributed by the taxpayers. Just consider for a moment the *genesis* of this coinage profit. Prior to the closure of the mints, silver was permitted to be presented by private owners to the mints in order to be coined. And according to the mint rules and the standard of coinage, the equivalent of the bullion in Rupees was given back to the owners. It did not matter one iota to the Government the *rate of* bullion. That was simply the business of the owner. Whether it cost whether 60 shillings an ounce or 25, it was for the owner to count the loss or gain. If it was a loss he suffered. If it was a gain it was his profit. But the owners of bullion were none else than the *public*. Their gains, whenever there were *gains*, went into their pockets, not to the mint or the Treasury. But mark now the change which took place *after* the closure of the mints. Private coinage ceased. The State alone became the purchaser of bullion and its coiner also into Rupees. The standard of coinage is the same, that is to say, *it is still the case that an ounce of silver produces so many Rupees*. But the price of silver has gone down a great deal. So that an ounce of silver now costs less. The saving in that cost is really the profit, because the same number of Rupees are still coined out of an ounce of silver. *Had the mints never been closed these profits would naturally have belonged to the public who could have still presented its bullion to the mint. It will be*

thus seen that after all the profits belong to the public. Aye, more so, for, after all, the purchases made of the bullion come from the monies contributed by the taxpayers. Why then such a profit should be *earmarked not for a public purpose*, but for keeping exchange stable for the fractional clique of foreign merchants who come to India to make money. Here is *another serious* evil arising from the closure of the mints beyond the evils which are so well-known, and yet the Government yields to the cry of this interested minority and carries the profits to that artificial device known as the Gold Standard Reserve! Had our silver currency never been tampered with and had Government never yielded to the cry of these Chambers, India to-day would have been in a more prosperous position than it is and, therefore, we are at one with those who have designated the closure of the mints as a "crime." Yes. It is a crime and a most inexcusable one. That crime has led to this other crime which has for its object the Gold Standard Reserve to keep pleased a small minority at the expense of millions of His Majesty's Indian subjects. It is a monstrous economic injustice and the less we now say on this part of the subject the better. We think, therefore, it is indeed a most sensible proposal of the Railway Committee to recommend the utilisation of the annual coinage profits towards fresh capital outlay on railways which, of course, are for the public.

We regret, however, we cannot endorse the recommendation of the Committee that the Government should have a larger annual surplus from revenue. That is only possible by two means: (1) By the natural growth of all the important sources of revenue, and (2) by means of enhanced or new taxation or both. As to the first, the Government annually

reaps automatically the benefits necessary from the natural growth of revenue. But it is a matter of serious consideration whether taxation can be further levied. If it comes to that, why, it is well known that the principal revenue, apart from land, stamps, excise, comes from customs duties. Why should not the import duty on piece-goods be raised to 5 per-cent. and so on sugar and metals. The country will joyfully acclaim such enhancement *if it is really to be earmarked for fresh capital on public works alone and no other.* Swadeshim also will be helped. But it goes without saying that the very first people who will denounce the proposed increased import duty on the three principal articles of imports will be those identical Chambers of Commerce who are crying out for more railways, more funds for Gold Standard Reserves, more everything for the promotion of their trade as if they were the salt of India and the 300 millions counted for nothing! The Free Traders would also scream aloud. But even apart from Free Trade it might happen, and there could be no doubt about it, that as Swadeshi activities in all directions multiplied the imports of these commodities might undergo serious diminution. *Pro tanto* the duties derivable therefrom at the present rate of $3\frac{1}{2}$ per cent. would be diminished. The only other tax which might be well increased would be the Income Tax. But that would also make these identical bodies vociferate and scream aloud, *and the Government would never find the necessary courage to stand fast by its own taxation.* Thus, it is very easy for the Railway Committee to talk with a light heart about raising taxation for purposes of having a larger railway capital. But we go a step further and challenge their premises. *Why* there should at all be such a large outlay of borrowed capital? It is not a sound or wise financial policy

to act that way. If private individuals have to cut their coat according to their cloth, States also have to do the same. And having regard to the comparative poverty of this country it would be a crying injustice to raise taxation simply for the purpose of finding extra railway capital. The fact is that the entire financial policy in respect of railways hitherto pursued by the Government is unscound and not at all conducive to the true interests of the taxpayers who are never consulted and uniformly neglected. To us it is a matter of grievous disappointment that the Railway Committee did not go into the *policy* itself; but, perhaps, it was not its fault seeing that its scope was framed cut and dry.

VII.—Losing Railways and Separation of Railway Finance from the General Finances of the Empire. (7th October, 1908.)

We may now deal with the other suggestions formulated by the Railway Committee in the remaining paras of answer No. 3. In paragraph 24 it is observed that the development of the Indian railway system would be expedited were arrangements made that some lines now dependent on Government for their capital in future met their requirements without Government intervention or assistance. There are at present four lines directly worked by Government, namely :—

North-Western	3,569 miles
Eastern Bengal	1,271 „
Oudh and Rohilkhand	1,292 „
Jorhat	32 „
	<hr/>
	6,164 miles

It should be remembered that the total capital outlay on the North-West railway, up to the end of 1907, was 62 crores ! No railway in India has cost such a gigantic sum and no railway had been till very late a complete *loss* to the State, at any rate, till 1904. It had managed to lose 25 crores ! It is a kind of harpy in Public Works ; for the more you spend upon it, the more it demands ! It is ever hungry of capital, all for the blessed purpose of its “further development” as the astute but irresponsible managers of our precious State railways for the time

being continually say. Having cost 62 crores already and having burdened the taxpayer with 25 crores more by way of loss in its operations throughout its whole existence, it has just made a *net gain* of 2½ crores in 4 years. And this whilom White Elephant of the Indian Railway system, which reflected no credit on its past management, is still sought to be developed by the sapient Committee by feeding it with fresh capital of Heaven knows how many crores more! Is there no one in the Viceregal Legislative Council or Parliament to obtain a full and complete statement of the financial history of this shark of a railway which has eaten away so long the substance of the State? It would be well before its further development is taken on hand to interpellate the Secretary of State on the following points:—

(a) How much has been spent on the *Military* part of the railway to date? and how much loss it has incurred to the State from its commencement?

(b) How many more miles of this railway the State intends to construct for strategical and military purposes? How much more capital will be required for such extension? When such extension may be completed? When completed, will finality be reached? *Indeed, is there to be any finality at all as far as this railway is concerned?* Or, is the State to continue pushing the line further and further until it has reached "the Durand Line," aye, Kabul itself?

(c) What has the Commercial Section of the Railways cost up to date? What gain has it made for the State? What are its future prospects? Is it likely that it will leave to Government a substantial profit annually?

(d) Does the Government contemplate further extension of the Commercial Section? If so, how many miles and at what cost? Has it been carefully computed that the outlay will bring

in more grist, by way of net gain, to the State mill? Indeed, is the extension worth going into at all? Or will it be the case that with increased capital outlay the law of diminishing return will assert itself.

We should be delighted to see the India Office honestly answering the questions without its customary equivocation. There should be no vague or delphic response. Our own conviction, which is growing more and more confirmed every year as we carefully go through railway finance, such as is manufactured for the public by its astute accountants, is that nobody in India, outside the Railway Board, knows anything with absolute accuracy about the Indian railways in their financial branch. *There is a studied effort to keep the public in a condition of chaotic darkness which is night only too visible.* Imagine, when such is the want of knowledge, in India, what must be the "colossal" ignorance of the British public, aye, even of that *limited* public, mostly retired Anglo-Indians and some Trustees, who have their monies invested in Indian railways, State or any other managed by companies. There seems to be a regular guild, a close freemasonry who alone have the *inner knowledge* and are the repositories of the dark secrets of railway finance. Such being the fact, and we would stand corrected if it is not, we must entirely disapprove of the glib suggestion breezily made by the Railway Committee, that one or more of the four railways above mentioned "might be leased to companies on the basis" described in para. 24.

Then in paras. 26 and 27 the Committee discuss other financial suggestions made by Sir F. Upcott, the Chairman of the Railway Board and by Sir Alexander Henderson, Chairman of the Great Central Railway Company. Both suggestions have their defects and the Committee have wisely rejected them.

The last matter in reference to answer No. 3 dealt with by the Committee is the one about Indian railway finance being kept entirely separate from the general finances of the Government of India. It has been brought to the notice of the Committee "that the capital to be provided for railway purposes should be determined solely with reference to the requirements of State railways, and that the decision should not be influenced by considerations relating to the general financial position of the Government of India". The Committee seem to be alarmed at the suggestion and pronounce it as impracticable. But to us it does not seem to be so impracticable as is tried to be made out on the ground that it is on the *general credit* enjoyed by the finances of the Government of India that railway capital is to be found. "The Government must of necessity regard its obligations as a whole, and in determining to what extent it will allow its credit to be pledged in order to raise capital for railways it must take account of its present and future requirements". This argument is not convincing. No doubt, the Government regards its obligations as a whole and determines what capital it should annually require. Were the Government, in so regarding, to take *all its* other imperative obligations to the taxpayers into *fair consideration*, there would not be so much objection. But what is the fact? This only:—That the Government *does not impartially consider all its obligations*. It receives most favourably all projects for all kinds of extension, ill-considered or well-considered, but *irrespective of the ultimate burden on the taxpayer of the annually growing debt on public works*, as urged by the European Chambers of Commerce *possessing not a pie's worth of stake in the country*. In so listening, the Government, we expect, has *never cared for the interests of the people of India at large*. Its wishes and sentiments, its wants

and requirements, however pressing and however urgent, have been almost uniformly treated most churlishly or not listened to at all. We challenge the Government to publish a list of all the railways constructed, say since 1874, shewing those : (a) which were so built on its own undivided responsibility, (b) which were taken on hand at the instance of the Chambers of Bengal, Bombay and Madras, and (c) which were taken at the suggestion of the *Indian public*. It should also publish for general information the suggestions made to it from time to time by public bodies directly or through the Indian Press or through the Congress for improvements in the *passenger* service, third class specially, and the total cost of such improvements. We make bold to say that when such information is honestly given it will be discovered that there is *no manner* of comparison as to what the Government of India has done at the instance of the Chambers of Commerce and what at the suggestion, prayers and memorials of Indians themselves either directly or through the Indian Press. Therefore, it is wrong to say that the Government considers its *obligations as a whole*. It does nothing of the kind. It only considers its "obligations" so far as it tries to respond to the cry of the foreign Chambers of Commerce, oftener than not *to the great detriment of Indian interests* pure and simple. But the matter does not end there only. There are the large irrigation works recommended by the Irrigation Commission. Almost all are hanging fire save the Godavery and Nera projects. The moment a Chamber agitates for its own pet line, a new or a branch line or an extension, the Government of India obligingly meets its demands. If it is not done the suggesting Chamber pulls the wire from behind. Immediately its organs begin to scream aloud and howl. Then the same kind of wire-pulling is practised in the interested financial

papers in England. Aye, sometimes even a deputation waits on a Secretary of State. If it is a Lord Hamilton or a Lord Midleton or a Viscount Cross immediate instructions are issued to make the agitating body *Khoosh*. Mere: It has happened that when there is a conflict of trade industries or there is immense trade rivalry between the Chambers themselves that Chamber which is the most potent and has the longest ear of Government carries the day. The East Indian Railway is the most influential and pampered one and it has in the past kept away other competing lines poaching on its traffic route, And there is the latest instance of the Nagda Mutra railway, agitated by the Bombay Chamber, which was disallowed for years to be built till the Government was *forced* into building it. Also there is evidence on record that the Bombay Chamber itself bitterly complained that because the Calcutta Chamber had the ear of the Imperial Government by *reason of its being on the spot* that more than one suggestion of its own has been disallowed or held in abeyance indefinitely. But what about the Irrigation works deliberately recommended with the view of avoiding as far as practicable the famine conditions which begin to prevail in many an insecure area the moment a monsoon fails? Who agitates on behalf of the poorest masses? Those who do are never listened to. The Congress for years has passed resolutions urging on Government the construction of large irrigation works. But if the Congress as a body has hitherto been treated with the scantiest of scanty courtesies or no courtesy at all, and when even a reactionary Viceroy refused to receive officially an experienced President of the Congress, who had known more of Indian wants in his lifetime than the most exalted authority ruling here for five years, to place before him the principal demands of the Congress, what are we to say of its specific resolutions on such

topics as the urgency of constructing Irrigation works which yield a profitable return at least of four per cent. on the capital outlay when the combined system of railways, costing well-nigh 400 crores, cannot gain for the State even now more than a miserable one per cent. and that too 58 years after their first introduction into the country! Practically, therefore, it is pure sophistry on the part of the Railway Committee to talk of the "whole obligations" which the Government of India have to take into consideration. In reality it never does.

But there is a *positive advantage* in the recommendation made to keep railway finance separate from the general finances of the country. Take for granted that no railway in India had been a State concern either directly or indirectly. What would have happened then? Is it not clear that there would have been no such thing as "Railways" as a heading in the annual budget as there is none in the English budget. Where then is the objection to keeping it separate even now? As a matter of fact the annual financial position of the country is *at present partly obscured* by the introduction of railway finance in the budgets. Treat it separately and our Finance Ministers will not find it an easy task to balance their estimate of revenue and expenditure and evolve surpluses. The railway account, like what the opium account was in the past, is a kind of *deus ex machina* for manipulating the annual budget. We are now getting rid of the opium receipts, because these now annually yield a diminishing revenue which will soon become extinct. Why not banish this railway bogey? The Government of India will then be put on its mettle how to provide the means for the construction of its railways at breathless pace. Its credit will then not depend on the general condition of Indian finance but *on the actual paying or unpaying condition* of the railways themselves, just like ordinary

railways owned by public companies. Such concerns get capital with ease or difficulty according to their intrinsic, and not *meretricious*, financial position. The Indian railways obtain financial credit by reason of their meretricious position owing to railway finance being merged in the general finances of the country. The suggested separation ought to have been made from the very beginning. We should have then seen railway finance on a sounder and healthier footing, for without it nobody would have given it credit, and it would never have found enough capital to please the Chambers of Commerce who are principally responsible for having plunged the country into this heavy burden of 400 crores of public debt *against which no provision, save in a few instances, is yet made for wiping it off by means of an annual automatic sinking fund.* For these several reasons we, for one, would be glad even now to see railway finance separated from the general finances of the country. The advantage would be immense, while the disadvantages will be next to nothing. The Government will then get the capital it wants according to the true condition of its railway finance. It would hardly get 5 millions a consummation which in the present economic condition is to be devoutly wished for the public works debt will not be increased so fast annually as at present. Of course, the self-opinionated and omniscient railway bureaucracy would treat this argument lightly or with official contempt, but none outside that omniscient and infallible hierarchy save, of course, the screaming Chambers. Every business man of experience would pronounce it as sound and practical. So long, however, as there is no trenchant and efficient outside criticism on Indian railway finances, both here and at home, the railway bureaucracy will be able to indulge in their wild cat schemes of all sorts. What recks it to them. They are not the permanent taxpayers

the country. On the contrary they are the taxeaters. The annual burden of the heavy interest charge on the growing railway public debt will not be borne by them. No wonder these should with a light heart pile Ossa on Pelion of railway debt, earn the kudos of their own caste, have in the bargain a handle or a tail to their names, and smoke for the rest of their lives in their native retirement the hookah of a liberal pension; besides fair fees as Chairmen or Directors of the Railway Companies with which they themselves had a great deal to do in India.

VIII.—Necessity of Firmly Restricting Extensive and Costly Railway Construction at Breathless Pace. (14 October, 1908.)

We now come to the response which the Railway Committee have made to the fourth question, namely, towards what objects should additional funds be applied? The witnesses who were questioned on the point all agreed that the soundest principle was to equip and improve existing lines in priority to constructing new lines. This principle the Committee endorse and emphasise. Having regard to the fact that the colossal sum of 400 crores, if not more, is already locked in all sorts and systems of railways in the country, the whole of which, save an infinitesimal portion, is borrowed, with hardly any statutory or other provision for the repayment of that huge capital by means of an annual sinking fund, the principle laid down is certainly one which commends itself as much to our common sense as to our economic conscience. But the question comes uppermost to our mind, whether this principle will *practically hold sway*? Does past experience in the matter of new railway construction and extension at breathless pace, in response to the agitation of the different foreign Chambers of Commerce, which have made India their "happy hunting ground" for years past, give us any guarantee or assurance that the principle will be faithfully adhered to? *Indian* opinion is unanimous on the point. We must now pause and take a long breath in the matter. What is now wanted, and wanted most urgently, is not railways but irrigation

the works. But, in spite of the Irrigation Commission, and in spite of its own Resolution on the recommendations made in the report of that body, the Government had till late strangely displayed the utmost, we might say, inexcusable, indifference to prosecuting with vigour the several works proposed by the Commission. It can find 10 and 15 millions annually for new railways hither and thither, the utility and expediency of which may be reasonably doubted, but it can hardly afford even 2 millions per annum for irrigation purposes. Take an *Indian plebescite* to-day on the subject whether irrigation works or new railways and extensions are a *first and pressing necessity*, and we say without hesitation, that there will be but *one voice to a man* that the latter were a *first necessity and should be energetically, whole-heartedly and liberally prosecuted*. There are renowned capitalist engineers, who might without the interference of the peddling P. W. Department, be well entrusted with the works, say, at the rate of 5 million, a year. The 44 millions recommended by the Commission could be easily spent in 8 or 10 years at the utmost, but the happy consequences of such a state of affairs would be a complete change in the face of the whole country. Famines would disappear though scarcity may occasionally overtake it. But think of truly "golden harvests" which these links would reap both for the mass of impoverished agriculturists and the State itself in the shape of agricultural crops of the value of crores per annum! More. The State *now hardly earns one per cent., as net gain on all its system of railways costing 400 crores*; but at the lowest it *earns 4 to 5 per cent. net* on a capital outlay of 40 crores on existing irrigation works. Common sense dictates that Irrigation works recommended by the Irrigation Commission should have absolute priority over new

railways and extensions. But there seems to be a culpable indifference at headquarters to rigorously prosecuting these. The foreign exploiters only vociferate to have more railways so that they may have increased "facilities" to export the raw agricultural products, coal and manganese, but they *do not care a two pence* whether or no by means of irrigation works the country should be made in the near future almost wholly free from the evil consequences, physical and economical, of famine! And since they are a potential and influential class, with equally potential and influential organs of their own, to vociferate and agitate on what *they want* absolutely regardless of the *people's own pressing wants*, is it a wonder that the Government blindly follows the lead of these alien Chambers and neglects the true interests of the people of the country at large? *This is the present situation*, and we should like to be challenged if we are incorrect in describing it. If we are right in our presentment of the existing situation, is there *any hope* at all that the Government will withhold all new projects for railway of every kind, and simply spend not more than 5 millions for the purpose of meeting the deficiencies at present to be found in pure equipment? We are strongly of opinion that if no more than 10 millions, which the country can afford *at a maximum*, are annually borrowed, say 5 millions for railway equipment, and 5 millions for new irrigation works, the whole country would be gratified. But the rub is there. At present, the Government is really *spending more than it ought to on railways*. It is *not* cutting its coat according to the cloth it has. At times it finds that even in the very centre of the world's financing establishment it cannot borrow the maximum of 10 millions. So that it will be obvious from what has been just urged above that our query

is pertinent, namely, whether the Government will faithfully follow *in practice* the principle wisely formulated by the Railway Committee in the abstract.

The Committee under the head of question No. 4 had also to consider the policy of creating a "Wagon reserve" suggested by the Government of India. On this subject they report as follows: "After giving the matter full consideration we are of opinion, that so long as the individual railways are not fully equipped with rolling stock, it would not be advisable to divert any funds to the establishment by the Government of a reserve of wagons, and it is obvious that, when every railway has been provided with sufficient equipment, the *proposed reserve will be unnecessary*. We consider it desirable that each railway should possess a sufficient stock of wagons of its own to meet all its probable requirements, *and we deprecate a measure which would tend to encourage a railway to hold an inadequate stock and to rely on receiving help from outside at any time of pressure*." This also is a wise recommendation. Only it is to be wished that while endeavouring to have an adequate stock of rolling stock, each individual railway would carefully consider what may be deemed "adequate" so that there may be no improvident or extravagant accumulation of that stock. Past experience and prospective traffic would be a certain guide in this respect. Otherwise there would be a *needless* capital outlay on rolling stock which, in all probability for 8 months of the year, would stand idle in the railway yard "eating" away the interest. The Committee properly conclude their answer to the fourth question by saying that "to set up a wagon department of the Government of India under the management and control of the Railway

Board would involve a separate and costly executive, as apart from the administrative, "branch of the Railway Board, an innovation which we consider that it would be unwise to introduce". We cordially endorse the observation.

**IX.—Wanted Reform of the Railway Board—Scandalous
Neglect of all Indian interests in matters of Railway.
(28th October, 1908.)**

We now conclude this series of articles by referring to the opinion of the Railway Committee on the fifth and last question which is administrative rather than financial. This question is: Whether the system under which the Railway Board now works is satisfactory or is capable of improvement. The reply is that it is *not* satisfactory. The reasons assigned are:— that the Government of India interferes too much in technical matters and matters of detail which are indeed a great hindrance to progress. There is nothing unusual in this complaint. Bureaucratic interference leading to obstruction more or less of a provoking and exasperating character, is the bane of the Indian Administration. It arises out of the vicious system of what is called "Secretariat rule." Under-Secretaries and Secretaries of Departments deem themselves to be authorities whose opinions are unquestionable. These may know nothing or next to nothing of the matters which, comes before them for consideration and disposal, thanks to a vicious and irrational practice. The generality of the people are apt to believe that when a "Resolution" or communique is published in the name of either "The Governor-General in Council" or the "Governor in Council" that the one authority or the other has issued the order after considering the matter to which the Resolution refers in Council. The belief is universal. But it is not a reality save in certain important matters. What the practice generally is that a matter which refers to the

Revenue department goes to the Financial Secretary or the Financial Member; a matter which refers to law and justice goes to the Judicial Secretary and, his chief who is the Law Member; and so on. Papers coming up from Collectors, Commissioners, District Judges and so forth, therefore, go finally for disposal before the Secretary of the particular Department. These precious Secretaries, be they in the Imperial or Provincial Government, are generally appointed not because they are supposed to be experts but simply because they happen to be seniors in service or friends of their patrons, Members of the Council. We think we are not wrong when we say that fully nine-tenths of the papers are thus disposed of by the departmental Secretary of the knowledge of which the Council member is, of course, blissfully innocent. And yet when the all-powerful Secretary issues the Resolution or ukase it is in the name of the Governor-General in Council or the Governor in Council as the case may be. Thus, the fiction is maintained about these Resolutions emanating in the name of the Governor-General or Governor. Of course, in a few minor cases of the greatest importance the member of Council personally goes through the papers and issues his "august decree." So that it not infrequently happens that while the Secretary issues an order he knows next to nothing of the subject to which it relates. Oftener than not the head of the technical department is a veteran in the service and his master of subject. But, by a curious dispensation of the "system" of administration, the veteran has to submit his papers or case to the Secretary, oftener a younger personage with no experience. But the Secretary is the man in authority. He has his own views which necessarily over-ride the views of the veteran. Sparrings take place, and once

sparing has begun, the man in brief authority in the Secretariat, backed up by his chief, carries the day. A more vicious and mischievous system of administration was never seen elsewhere. But in India you have to become acquainted with all sorts of vagaries and caprices, anomalies and autocracy. So that we are not surprised that the ignorant secretariat of a Government sits tight on a technical department and obstructs it, either out of gross ignorance, or sheer perversity. Of course, the public suffers. But, who are the public? The autocratic secretariats know not the public. The secretariats are self-contained, omniscient, omnipotent and infallible. The vice thus filtrates. It permeates from the top to the bottom. The minor departments themselves become self-contained, omnipotent, omniscient and infallible in turn. The different offices of an administration thus become at once autocratic and irresponsible. No wonder insolence of office becomes rather the rule than the exception. Each limb of the administration, minor or major, comes to consider himself as an "authority." Each intoxicated with his own power, fancies the public is made for him and not he for the public. Thus, this vicious "system" of administration moves in concentric circles. Is it a wonder the public suffers and patiently bears all the ills resulting from the practice of such a system?

It is not a matter of surprise that the Railway Board was treated by the Indian Government slightly. No wonder that its suggestions were received either with scant courtesy or carelessly cast aside. No wonder the public, specially merchants, complained. At the same time it must be said that the Railway Board itself is obstructive. Many a witness can bear testimony to the fact. Altogether the more we dive deep into the undercurrents of administration, whether in reference to railways and

irrigation, or any other branch of the public service, it is the same old tale. The "system" requires to be radically overhauled if real national progress, tending to the welfare of the Indian public, is at all to be attained.

After what has been stated above in relation to the "system" the inwardness of the suggestion of the Railway Committee that *the opinions of the Board should be treated, both in substance and in form with special consideration* will be easily understood. To this our own corollary, from the Indian point of view, is that while the Government should treat the opinions of the Railway Board, as now reformed or about to be reformed, with *special consideration*, it ought also to be the paramount duty of that Railway Board in turn to treat all proposals emanating from influential and recognized Indian public bodies and from leading organs of Indian opinion with *equal consideration*, instead of generally ignoring them as has been the case hitherto.

The other suggestions of the Railway Committee are purely of an administrative character to which we attach no importance. Our opinion is that the Government and the Railway Board are six of one and half a dozen of the other. Indian grievances receive cavalier treatment from both the authorities. To Indians, whether it is the Railway Board or any other improved railway machinery or the Government of India, it is all the same. Of course, it would be a different matter were an experienced Indian merchant enjoying the confidence of the Indian public, to be appointed a member of that Board. We are perfectly indifferent to the *constitution* of the Board. Be it anything. We only desire that the Board should be *in reality* a body of *men of business experience* who are in touch with the European and Indian traders and merchants in

matters of railway freights, railway passengers, railway conveniences, and *everything that pertains to the greater welfare of all classes of His Majesty's Indian subjects, without favour*. We want, firstly, a body of such *experienced men*, and not merely Civil Servants or Cooper's Hill College men who have influence to get into fat posts and berths, and, secondly, a body who will be *absolutely impartial* who will judge of all railway matters from a disinterested point of view, men who will make no difference in judging between European and Indian interests. This is the kind of Railway Board which, we Indians, want and not only a replica of autocratic and obstructive officialdom.

And now we bring the parable of Indian railways to a close. We cannot, however, refrain from repeating our emphatic opinion that we attach little value to the Railway Committee's Report inasmuch as *all through they have ignored Indian interests as if they were non-existent*. We do not take the Committee to be a broad-minded, just, and thoroughly disinterested Providence. They had not even *one* Indian of experience in railway matters as their colleague and they did not make the feeblest of feeble attempt to secure even a *single Indian witness* before them! It is the *permanent Indian* population of the country which, directly or indirectly, bears the whole burden of the annually growing charge on railway public debt. If any interests require to be consulted it is the interests of this permanent taxpaying population and not the interests of a handful of foreign exploiters, here to-day and gone to-morrow, who deem India to be their happy hunting ground. It is altogether an inexcusable railway policy which is eager to attend to the interests of this microscopic class but which absolutely ignores the millions of the indigenous population. In short, as in many other matters, so in connexion with railways, it is the foreign exploiter who

calls for the tune but it is the indigenou taxpayer who is called upon to pay the piper. A policy so flagrantly unjust demands complete condemnation. It is another of those minor acts of financial injustice which create dissatisfaction and aggravate the sullenness prevailing in the land.

APPENDIX A.

Net Charge or Loss to the State for Indian Railways from 1849 to 1894-95.

*(From Appendix No. 28 of the Royal Commission on
Indian Expenditure 1896-7 Vol. II p. 225)*

	Crore Rs.
Net Charge or Loss from 1849-50 to 1858-69 ..	2·10
„ 1859-60 to 1874-75 ..	24·39
„ 1875-76 to 1894-95 ..	25·35
Total ..	51·84

APPENDIX B.

Net Loss or Gain from 1895-96 to 1909-10.

(From the Finance Accounts of the Government of India.)

	Crore Rs.
Net Loss from 1895-96 to 1898-99 ..	— 3·85
„ Gain „ 1899-1900 to 1907-08 ..	+ 15·47
„ Loss „ 1908-09 ..	— 1·86
„ Gain „ 1909-10 ..	+ 1·24
Net Gain ..	11·00

SUMMARY.

	Crore Rs.
Net Loss as above	51·84
„ Gain „	11·00
Balance of Net Loss up to end of 1909-10 ..	40·84

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