

Next in importance to the recovery of sterling stands the question of eliminating the present fluctuations in inter-Empire exchange rates. Any such result would appear to depend upon the establishment of greater uniformity of policy on important financial matters as between the different parts of the Empire. For this purpose, it is suggested that the present opportunity should be taken to ascertain whether a permanent body could be established at which important financial questions affecting the Empire could be raised and discussed with a view to the evolution of a common Empire policy on financial and monetary matters.

STATEMENT BY SIR GEORGE SCHUSTER (INDIA)

I shall confine my remarks to a description of the actual effects on India of the recent fall in prices, leaving to Sir Henry Strakosch the task of more general treatment. It is not necessary to enter into elaborate detail for the main features of our position are similar to those already described for other countries. But there are special features in the case of India. Its mere size makes our problems more serious, while the conditions of the people and the present political situation import considerations which are not present in the case of the other Empire countries.

The position has to be considered in two broad divisions, first, the economic condition throughout the country, that is to say the effects of what has happened on the masses of the people; secondly, the reactions on the budgetary and financial position of the Government.

India has a population of 350,000,000. Although she has achieved important industrial development she is still essentially an agricultural country. Over 70 per cent of her vast population rely directly on the cultivation of the soil for their livelihood, mainly as small cultivators on their own account. They cling to the soil, and the laws of inheritance lead to the division of the land into ever smaller holdings. The average standard of life is, to those accustomed to Western standards, incredibly low. While the people live mainly on their own produce they require money, first, to meet their fixed charges, land revenue to the Government, canal dues in irrigated areas, in some parts rent to private landlords, and, most important of all, interest on their debts to the money lenders, for the ordinary cultivator in India is always heavily indebted; and secondly, to purchase certain absolute necessities, such as cotton piece goods, kerosene, salt. As regards both these requirements for money they have suffered very severely from the fall in prices. In the case of the first—their fixed money obligations—this must obviously be so, while as regards the second, the prices of the necessities which they have to buy have not fallen to anything like the same extent as those of the produce which they have to sell. Our general position in this respect is similar to that of New Zealand, as explained by Mr. Coates in his speech at the opening of this Conference. The index number, based on 100 for 1914, for Indian exports has fallen from an average level of 138 in 1928 to 78 in April, 1932, while the general index figure of internal prices in India for imported commodities had only fallen from 145 to 124. There has thus in the last three years been a fall of about 43 per cent in the prices of exported goods as compared with the fall of 13 per cent in the prices of imported goods. But the position of the poorest classes is really worse than these general figures indicate. It can be most clearly understood by taking typical commodities which the ordinary agriculturist has to buy and sell. Thus in April last the index figures (based on 100 for 1914) were for cereals 66, raw jute 45, hides and skins 52, cotton 89. On the other hand the figure for cotton piece goods was 127 and for kerosene 161. The comparative stability of the internal prices for those goods is partly due to the fact that the basic prices of manufactured and semi-manufactured goods have fallen less than for primary products, and partly to the increase in customs import duties which the necessities of the financial crisis have forced the Government to impose.

The figures sufficiently indicate how difficult the position of the small cultivator has become. For the prices which he is now realizing for his "money crops" are in many cases only about half the pre-war prices, while his fixed charges have probably in most cases increased and the cost of his necessary purchases is much higher. The margin of cash which he can realize is thus totally inadequate to meet his needs. In these circumstances he is forced either to restrict his own consumption of the foodstuffs which he produces, or to part