

Dhananjayrao Gadgil Library



GIFE-PUNE-190483

**INDIAN JOURNAL OF  
ECONOMICS.**

Recd. ....

No. ....1093.....

# India in the Crisis

By

BRIJ NARAIN

*Professor of Economics*

*Sanatana Dharma College, Lahore*

ALLAHABAD

THE INDIAN PRESS, LTD.

1934

PRINTED AND PUBLISHED BY K. MITRA  
AT THE INDIAN PRESS, LTD., ALLAHABAD

X.2.N3

G4

190483

## PREFACE

I have written this book not without serious misgiving. About two years ago I wrote a short account of the trade depression in Urdu for the benefit of the business community. The business community completely ignored the book. This is my second attempt to draw the attention of the Indian public to vital problems arising out of the crisis, which affect all of us, whatever our faith, and which require a solution. The English reading public in India is microscopically small—it consists largely of University students who, under the guidance of examiners, take more interest in ancient things like *damdapat* and the origin of the caste system than in what is happening around them. As for the rest, they find the Communal Award and such issues as 'Music before Mosques' or 'Azan and Arti' more exciting than the disruption of old economic systems and the birth of new.

I am glad to take this opportunity of thanking Prof. Chiranjiva Lal Mathur of the Dyal Singh College, Lahore, and Prof. Krishn Datta of the Hailey College of Commerce, Lahore, for kindly reading a great part of the manuscript and criticising it.

BRIJ NARAIN

*Lahore*  
Sept. 9, 1934

# CONTENTS

## Part I—India in the Crisis

	PAGE
<b>CHAPTER I. AGRICULTURE</b> .. . . .	1
Falls of prices, 1; Inelastic expenditure, 7; The land revenue, 13; Water-rates, 27; Landlord and tenant, 32; Landlord rights, 38; Government measures of farm relief in other countries, 42; Rural indebtedness in India, 47.	
<i>Appendix A.</i> Relief of Indebtedness in the Punjab .. . . .	52
<i>Appendix B.</i> The Land Revenue as a Cause of Debt .. . . .	56
<i>Appendix C.</i> Government View of Water-Rates .. . . .	61
<i>Appendix D.</i> Population and Food Supply .. . . .	69
<b>CHAPTER II. FOREIGN TRADE</b> .. . . .	73
General character, 73; Exports and imports, 1924-25 to 1933-34, 76; Manufactured exports, 81; The Ottawa Agreement, 85; Conclusions, 94.	
<b>CHAPTER III. GOLD EXPORTS</b> .. . . .	101
Price of gold, 103; Commodity prices, 105; Advantages claimed for gold exports, 106; Future price of gold, 114; World gold production and demand, 119; Why gold exports should be pro- hibited, 121.	
<b>CHAPTER IV. INDIAN FINANCE</b> .. . . .	124
Budgets, 1929-30 to 1934-35, 125; Expenditure, 132; Railway finance, 134; Income-tax in India and England, 136; Taxable capacity, 141; Federal finance, 146.	

	PAGE
CHAPTER V. EXCHANGE AND PRICES	150
Gold parity and purchasing power parity, 152; Purchasing power parity when the gold standard breaks down, 154; Gold still the regulator, 161; The silver exchanges, 165; The ratio controversy, 166; Sterling exchange standard, 183.	
Part II—The Crisis	
CHAPTER VI. THE CRISIS: INTRODUCTORY	191
The conjunctural explanation, 196; American boom, 199; Debtor and creditor relations, 202; The financial crisis of 1931, 209.	
CHAPTER VII. CAUSES: MONETARY AND NON- MONETARY	212
Mal-distribution of gold: France the culprit, 216; United States the culprit, 219; Non-monetary causes, 220; Over-production, 223; Evidence for over-production, 227; Conjunctural expansion and structural over-production, 239; Silver, 242; Wages, interest and taxes, 245; Rise of national economies, 247; Cartellisation, 249.	
Part III—The Way Out	
CHAPTER VIII. SOME SUGGESTED REMEDIES	253
Public works programme, 254; Stable incomes, 255; "Standard gold" or Devaluation, 258; Silver as currency metal, 262.	
CHAPTER IX. FROM LAISSEZ FAIRE TO ECONOMIC PLANNING	265
Has the capitalist system broken down? 266; Planning, 268; Planning in India, 270; Capitalist planning, 275.	

	PAGE
<b>CHAPTER X. SOCIALIST PLANNING</b>	<b>278</b>
First Five-Year Plan, 278; Prof. Leontief's criticism, 282; Chief features of socialist planning, 288; Over-production and under-consumption, 290; Socialism and purchasing power, 292; Other aspects of economic planning, 294.	
<b>CHAPTER XI. FASCISM</b>	<b>298</b>
Lack of theory, 300; Italian nationalism, 303; Nationalism and internationalism, 306; The Fascist State, 311; Ethics and religion, 320; The Fascist State a transient State, 330; The Corporate organisation : Syndicates, 332; Federations and confederations, 335; Corporations, 336; Council of Corporations, 337; Italian syndicalism, 338; Anti-strike Law and Labour Courts, 340; Will Fascism come to Britain? 341.	
<i>Appendix.</i> The Italian Charter of Labour, Text in English	347
<b>CHAPTER XII. EDUCATED UNEMPLOYMENT</b>	<b>354</b>
Progress of education and growing unemployment, 356; Bengal, 357; United Provinces, 361; Punjab and Madras, 365; Planning the only solution, 368.	
<b>CHAPTER XIII. CULTURAL PLANNING</b>	<b>372</b>
Consequences of <i>laissez faire</i> in religion, 372; The universe is governed by Law, 373; Meaning of evolution, 374; Religion and economics, 377; Causality, 380.	
<i>Appendix.</i> The Concept of God as Law or the idea of an Impersonal God	387
<b>INDEX</b>	<b>395</b>

The identification of Krishna-Vishnu with Brahman, according to Garbe, took place gradually. In the beginning Shri Krishna was simply the founder of a sect. The first period in the history of the Bhagwata religion came to a close about 300 years before Christ. This period saw the development of monotheism, the strengthening of the religious feeling through *bhakti*, and the transformation of the founder of the religion into God.<sup>5</sup>

In the second period began the assimilation of the new sect by Brahminism. This cannot have proceeded without difficulty, as Shri Krishna's views regarding the authority of the Vedas and sacrifice were not those of the Brahmins. But Shri Krishna was already worshipped as God by a growing sect, and the Brahmins, who were then engaged in fighting Buddhism, thought it prudent to recognise him as the *avatar* of Vishnu. In the Gita Arjuna refers to Shri Krishna as Vishnu in XI, 3, 24, and in X, 21 the Lord declares that of Adityas He is Vishnu. When Megasthenes visited India (302 B.C.) Shri Krishna and Vishnu had become one. The second period in the history of the Bhagwata religion extends from about 300 B.C. to the beginning of the Christian era. Garbe believes that the original Gita (without pantheistic interpolations) was composed in this period.

The third period, which began with the Christian era and lasted till the middle of the 11th century, saw the transformation of the personal God Krishna-Vishnu into the impersonal Brahman. "There remain preserved, however," adds Garbe, "in spite of the Vedantic interpretation of Krishnaism, the old Samkhya-Yoga elements. The Bhagawad, Gita was re-written in the earlier part of this period".<sup>6</sup>

It is natural that Garbe should not regard the Gita as a work of art, or the product of creative genius. It is to him

<sup>5</sup> Garbe, pp. 45-50.

<sup>6</sup> "Verses from the Upanishads have been reproduced word for word in the Bhagwad Gita, which no truly inspired Prose would have done". Garbe, p. 16.



a work prepared to propagate certain religious and philosophical doctrines.<sup>7</sup>

Garbe's views have found little acceptance among more recent writers. Hill calls his criticism 'drastic and superficial' and endeavours to prove that 'the poem is less a medley than a reconciliation of beliefs'.<sup>8</sup> The 'inconsistencies' are more apparent than real, and are due to 'a misapprehension of their significance'. Lamotte shows that most of the verses which Garbe excludes as interpolations 'suitably occupy their place in the context, and fit in perfectly with the doctrines developed elsewhere in the poem'.<sup>9</sup> Lamotte accepts the Gita as a homogeneous work, and is convinced of its unity of composition. He rejects Garbe's chronology of religious sentiments.

Most of us will be inclined to agree with Hill and Lamotte in regarding the Gita as a homogeneous work. And yet theism and pantheism are mutually irreconcilable. They represent two essentially different conceptions of the relation of God to the universe. God cannot both be personal and impersonal. A personal God loves and is loved; He is the source of the Moral Law; He is good, intelligent and forgiving. The impersonal God of pantheism is completely identified with Natural Laws, which possess neither intelligence nor any moral significance.

#### IMPERSONAL GOD OF THE GITA

Let us consider the Impersonal God of the Bhagwad Gita. He is imperishable and eternal (XI, 18), unborn and immutable (IV, 6) all-pervading (VI, 30) and unmanifest (VIII, 21). In the 11th Adhyaya the Lord shows His Vishv-rupa to Arjuna. Arjuna saw concentrated in the body of

<sup>7</sup> Garbe, p. 18.

<sup>8</sup> *The Bhagwad Gita* by W. Douglas P. Hill (Oxford University Press, 1928). p. 15

<sup>9</sup> *Notes sur la Bhagwad Gita* by Etienne Lamotte (Paul Guethner, Paris, 1929) p. 8.

the Lord the whole universe (XI, 13). The Lord had many arms, bellies, mouths and eyes (XI, 16), thighs and feet (XI, 23). He filled the earth, Heaven and the inter-spaces of Heaven and earth. Arjuna saw him licking up all the worlds around, devouring them with flaming mouths (XI, 30). According to this view, God is not something apart from the universe. He is the universe itself. He embodies in His own person the laws of birth and growth, as well as those of decay, dissolution and death.

The conception of God as the All or the universe is not easy. How can a person have every where hands and feet eyes, heads and mouths? How can a person be all-hearing, and how can he dwell in the world enveloping all (XIII, 13)? In this sense the Lord is incomprehensible—*mam tu ved na kaschana* (no one knows me, VII, 26). He who is everywhere is necessarily *achintya*, (unthinkable, XII, 3), of *achintyarupa*, or of inconceivable form (VIII, 9).

#### UPANISHADS

We next turn to the Upanishads. Deussen calls the Svetasvatara the leading example of the theistic teaching of the Upanishads,<sup>10</sup> but idealism and pantheism exist side by side even in this Upanishad. "Hence it follows," says Deussen, "that Svetasvatara is a work brimful of contradictions".<sup>11</sup>

The impersonal nature of the Brahman of the Upanishads may be illustrated by a few examples.

(a) The symbols used for Brahman are *prana*, *vayu* and *akasha*. *Prana* is the breath of life pervading both the human body and the entire universe. Brahman is *akasavat sarvagatastbcha nitya* (omnipresent like space and eternal).<sup>12</sup> *Brihadaranyaka* 5. 1. 1. says: 'Om! the firmament is Brahman, the permanent air-filled firmament' (*Om kham Brahma*,

<sup>10</sup> *Philosophy of the Upanishads* by Deussen, p. 177.

<sup>11</sup> *Ibid*, p. 178.

<sup>12</sup> *Ibid*, p. 112.

*kham puranam, vayuram kham*). God as a Person is not conceived as breath, air or firmament.

(b) Brahman is Being and Not-Being (*sat and asat*), Reality and not-Reality (*satyam and asatyam*). Similarly in the Bhagwad Gita the Lord says: 'Being and Not Being am I, O Arjuna' (IX, 19, XI, 37 and XIII, 12) Brahman, conceived thus, is indefinable. It is neither thick nor thin, neither short nor long, neither red (like fire) nor fluid (like water), neither shadowy nor dark, neither wind nor ether (space), not adhesive (like gum), without taste or smell, without eye or ear, without speech, without understanding (*amana*), without vital force and without breath, without mouth or size, without inner or outer; never consuming anything nor consumed by any (*Brihad*, 3. 8. 8.). *Neti, neti* (it is not so, it is not so) expresses the impossibility of knowing Brahman.

Like the Vedantist the Sufi exclaims:

*An zaman ko ra 'ayan joi niban*  
*Van zaman ko ra niban joi 'ayan*  
*Gar 'ayan joi niban angeh buad*  
*Van niban joi 'ayan angeh buad.*

How can one describe in words such an elusive being? The best course to follow, therefore, is silence:—

*Chun mago chun dar isharat naydat*  
*Dam mazan chun dar 'ibarat nayadat*  
*Na 'ibarat me fazirad ne bayan*  
*Na kase zan 'ilm darad ne bayan*

(Attar, *Mantaq-ut-Tair*)

When Vashkali said to Bhava: 'Teach me, most reverent sir, the nature of Brahman,' Bhava remained silent. But when the question was put for the second or third time he answered: 'I teach you indeed, but you do not understand; the Atman is silence'. A beautiful story, which emphasizes the unknowableness of Brahman.<sup>13</sup>

<sup>13</sup> Deussen, *loc. cit.* p. 156.

(c) The complete identification of God with the universe is taught in *Bṛihad.* 1. 4. 7. which declares that the Atman has entered into the universe 'up to the finger-nails (*a nakhagrebhya*), as a razor is hidden in its sheath, or the all-sustaining fire in the fire-preserving (wood)'. Another illustration used to bring out the same idea is that of salt dissolved in water (*Bṛihad* 2. 4. 12.). It would be easy to multiply such instances.

From pantheism to idealism is but a step. The great Maulana Rum says:

*Jumla m'ashbuq ast o 'ashaq parda-e,*  
*Zinda m'ashbuq ast o 'ashaq murda-e.*

This is the famous doctrine of *vahdat-ul-vajud* or *hama oet* which does not find favour with the orthodox Mussalman. There is little difference between *hama ost* and *Vasudeva sarvam* or *idam sarvam Brahma* of Vedanta.

Science supports idealistic philosophy. If we are governed by laws, and not by the fiat of a Personal God, every thing is pre-determined by the relation of cause and effect (Determinism). The illusion of freedom is preserved, but it is an illusion. Things and events, which we take to be real, are not more real than things and events on the screen.

*Jehan ra nest basti juz majazi*  
*Sarasar kar-i-o lehv ast o bazi.*

(*Gulshan-i-raz*)

We are told in the Bhagwad Gita that "The Lord, by His *maya*, causes all things to revolve, as if set on a machine' (XVIII, 61). Science calls this machine causality. The Gita again declares: "All actions are wrought by Prakirti's gunas, but the Self deluded by *ahamkara* thinketh 'I am the doer'"—words of infinite wisdom. The message of *modern* science is summarised in this single verse though it was composed about 2,000 years ago.

The existence of the crudest theism in our sacred books side by side with the highest idealism can only be explained by supposing that our ancient teachers thought that everyone

was incapable of understanding Truth and Reality. The result of this has been that the intellectual level of our masses has not only not risen but is probably lower to-day than two or three thousand years ago. The message of science is for all. It is the message of the Rishis; the only difference is that, being founded on observation and experiment, it carries its verification with it. And this message creates unity, instead of disunity and discord created by common religion.

## INDEX

### A

- Agriculture, Ch. I.
- Anti-strike Law, Italian, 340.
- Attar*, Persian poet, 392.

### B

- Balance of payments, 163.
- Barnes, Major, 322, 325.
- Batai, 33.
- Beveridge, Sir Wm., 216.
- Bhagwadgita, 388.
- Blackett, Sir Basil, 269.
- Boom, American, 199.
- Budgets, Indian, 1929-30, 1934-35, 125.
- Byschelberg, U. H., 249.

### C

- Calvert, H., 56.
- Canals, Punjab, profit from, 64.
- Capitalism, 266-67.
- Cartellisation, 249.
- Cassel, Gustav, 155, 215-16, 220-21, 222, etc.
- Causality, 380.
- Charques and Ewen, 344.
- Cole, G. D. H., 255, 342.
- Confederations, Italian, 336.
- Corporate State in Italy, 332.
- Corporations, Italian, 337.
- Corporations, Council of, 337.
- Costs and prices, question of adjustment of, 185.
- Credit and states of mind, 192.
- Crises, 191.
- Crisis, financial of 1931, 209.
- Crisis, Conjunctural expansion of, 239.

### D

- Darling, M., 48.
- Debtor and creditor relations, 202.

Depreciation of paper in relation to gold, 160.  
 Devaluation, 184, 258.  
 Drennan, James, 341.  
 Durbin, M., 256—58.

## E

Eckert, Christian, 266.  
 Economics and Will of God, 377.  
 Eddington, Sir Arthur, 381, 383-84.  
 Education, progress of, in India, 356-57.  
 Einzig, Paul, 299.  
 Evolution, meaning of, 375.  
 Exchange controversy, 166.  
 Exchange and prices, Ch. V.  
 Excise, sugar, 129, matches, 131.  
 Expenditure, agricultural, its inelasticity, 7.  
 Expenditure of Indian Government, 132.  
 Exports and imports of goods, 76.  
 Exports of gold, Ch. III.

## F

*Farm Accounts in the Punjab*, 1, 2, etc.  
 Farm Relief in India in other countries, 42.  
 Fascism, Ch. XI.  
 Fascism, Educational ideals of, 356-57.  
 Federations, Italian, 336.  
 Finance, Ch. IV; Federal, 146.  
 Five Year Plan, First, 278; criticism by Leontief, 282.  
 Food supply in relation to population, 69.

## G

Gandhi, Mahatma, 373-74.  
 Garbe, Orientalist, 388.  
 Gentile, Giovanni, 354.  
 God as Law, Ch. XIII.  
 Gold, exports, Ch. III; price of, 103, 114; production and demand, 119; regulator of exchanges, 161; gold exchange index of sterling, 178, mal-distribution of, 213.  
 Gruntzel, J., 153.  
 Gulshan Rae, 29 *n.*

## H

Heinrich, W., 334.  
 Hill, W. Douglas, P., 390.  
 History and Will of God, 377.

- Hitler, Herr Adolf, 310.  
 Hobson, J. A., 142.  
 Holtzmann, Orientalist, 388.  
 H. W. B., *Handwoerterbuch der Staatswissenschaften*, 33.

## I

- Income-tax in India and England, 136.  
 Indebtedness, rural, in India, 47; relief of, in the Punjab,  
 13, 52.  
 Infant mortality in the Punjab, 383.  
 Industrialisation, why needed in India, 295.  
 Industries, Indian, 272-73.  
 Industrial production, world, 236.  
 Industry, changes in world, 233.  
 Internationalism, meaning of, 308.

## J

- Jeans, Sir James, 382.

## K

- Kartar Singh, 23.  
 Kemmerrer, 200.  
 Keiser, G., 240, 276.  
 Keynes, J. M., 253-54.

## L

- Labour, Charter of, Italian, 348-54.  
 Labour Courts, Italian, 341.  
*Laissez faire*, Ch. IX.  
 Lamotte, E., 390.  
 Landlordism, 32.  
 Land-nationalisation in India, suggested, 272-73.  
 Land revenue, tax or rent, 13; a heavy burden, 17, 24; a  
 cause of debt, 13, 56.  
 Landlord rights, 38.  
 Larwood, Harold, 383.  
 Leontief, W., 282.  
 Lescure, J., 226.

## M

- Macchiavelli, 328-29.  
 Mant, Sir Reginald, 214-15.  
 Mickwitz, E. Von, 181.  
 Mosley, Sir Oswald, 341.  
 Mussolini, Signor B., on agriculture, 247-48, on bureaucracy,



317; on democracy, 315-16; on democratic suffrage, 319; on Imperialism, 330-31; on Liberalism, 316; on moral character of Fascism, 322; on Opposition, 317-18; on peace treaties, 304; on population, 306-07; on religion, 321; on socialism, 301 and early views, 300-02; on Italian syndicalism, 339; on war, 329; on votes for women, 318; on universal character of Fascism, 298.

## N

National economies, rise of, 247.  
 Nazi movement and industrialists, 344. /  
 'Net income', from agriculture in the Punjab, 3, 67.

## O

Ottawa Agreement, 85.  
 Over-production, 223, 227, 239.

## P

Planck, Max, 384-85.  
 Planning, capitalist, 275; in India, 270-75; socialist, Ch. X.  
 Pannunzio, S., 312.  
 Population in relation to food supply, 69.  
 Porri, V., 194 *n.*  
 Prices, wholesale in India and other countries, 174; Punjab, harvest, 2.  
 Prices Inquiry Committee, 1910, 69.  
 Protection, 266.  
 Purchasing power parity, 152.  
 Public works programme, 253-54.

## R

Railway finance, 134.  
 Religion, *see* Ch. XIII and Appendix.  
 Revenue of Indian Government, 124.  
 Rist, C., 217-18, 226, 243, 246, 248.  
 Rocco, A., 319-20, 322.  
 Roepke, Wilhelm, 195, 265-66.  
 Rum, Maulana, 393.

## S

Salter, Sir Arthur, 215, 242, 253, 308.  
 Samkhya system, 387.  
 Sarma, S. K., 243, 263.  
 Shirras, F., 142.

- Silver, as currency metal, 262; exchanges, 165; role of, in the crisis, 242; value of Indian hoards of, 263-64.  
 Solmessen, G., 289.  
 Sombart, W., 74, 268, 295.  
 Statistical regularity, law of, 382.  
 Sterling exchange standard, 183.  
 Strakosh, Sir Henry, 214-15, 217, 222.  
 Sufism, 392.

## T

- Tagore, Rabindra Nath, 373.  
 Taxable capacity, 141.  
 Taxation, *see* Ch. IV, 124; of agriculture, *see* Land revenue.  
 Tenant, 32.  
 Theology, conflict of, with science, 379.  
 Thomas, S. E., 165, 291.

## U

- Under Consumption, 290.  
 Unemployment, educated, Ch. XII; Bengal, 357; U. P., 361; Punjab and Madras, 365.  
*Upanishads*, impersonal God in, 391.

## V

- Vedantism*, 392.

## W

- W. A. *Weltwirtschaftliches Archiv* (Kiel), 205 n, 206 n, 221 n, 236-37.  
 Wages, in kind in the Punjab, 11.  
 W. D. *Wirtschaftsdienst* (Hamburg), 181, 240 n, 249.  
 Water-rates, 27; Government view of, 61.  
 Wealth, destruction of, 293.  
 Westermarck, E., 326-28.  
 Wiskenmann, E., 221 n.  
 Withers, Hartley, 217 n, 218.

## Z

- Zucker, E., 259-63.

CHECKED  
2005-04