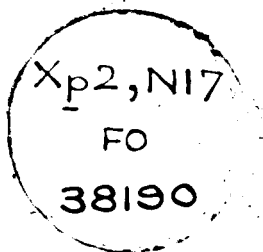


Papers read at the
Third Annual Conference
of the
Indian Economic Association
held in
The Senate House, Madras.
Dec. 31, 1919,
January 1, 2 and 3, 1920



Indian Economic Association.

Executive Committee for 1919.

PROFESSOR PERCY ANSTEY, M.A., Principal, Sydenham College of Commerce and Economics, *Chairman*.

PROFESSOR J. C. COYAJEE, M.A., Presidency College, Calcutta, *Hon. Secretary*.

H. STANLEY JEVONS, M.A., Professor of Indian Economics, University of Allahabad, *Hon. Treasurer*.

GILBERT SLATER, M.A., D.Sc., Professor of Indian Economics, University of Madras, *Hon. Local Secretary*.

PROFESSOR A. R. BURNETT-HURST, B.Sc., Muir Central College, Allahabad.

PROFESSOR C. S. DEOLE, M.A., Servants of India Society, Bombay.

PROFESSOR E. A. HORNE, M.A., Patna College.

PROFESSOR KALE, Fergusson College, Poona.

PROFESSOR H. W. LYONS, M.A., Indore Christian College.

HAROLD H. MANN, D.Sc., Ag. Director of Agriculture for Bombay Presidency.

Executive Committee for 1920.

The above with the addition of:—

PROFESSOR J. C. HAMILTON, M.A., Patna College.

BOY BAHADUR K. V. RANGASWAMI AYYANGAR, M.A., H.H. The Mahārāja's College, Trivandrum.

Chairman.—Dr. GILBERT SLATER.

Hon. Secretary.—PROFESSOR J. C. COYAJEE.

Hon. Treasurer.—PROFESSOR H. STANLEY JEVONS.

Hon. Auditor.—MR. M. K. RAJAGOPALACHARIAR, F.C.I.

Reception Committee for Madras Conference.

President.—HIS EXCELLENCY LORD WILLINGDON, G.C.I.E., G.C.S.I., Governor of Fort St. George.

Vice-President.—THE HON'BLE MR. R. LITTLEHAILES, Director of Public Instruction, Madras.

Chairman.—THE HON'BLE MR. JUSTICE F. DUPRE OLD-FIELD, Vice-Chancellor of the University of Madras.

Hon. Secretary.—GILBERT SLATER, M.A., D.Sc., Professor of Indian Economics, University of Madras.

Constitution

1. The objects of the Indian Economic Association shall be
 - (a) the holding of annual conferences,
 - (b) the publication of the proceedings of the annual conferences,
 - (c) the publication of journal and its free issue to members,
 - (d) such other action to promote Economic Science and the dissemination of economic information as may be deemed advisable.
2. The membership of the Association shall be open to teachers and students of Economics and to other persons interested in Economics in general or in special Economic problems, if duly elected.
3. The government of the Association shall be vested in a Committee of not more than twelve and not less than six members elected at the annual conference.
4. (a) The officers shall be an Honorary Secretary and an Honorary Treasurer, and a local Honorary Secretary.
 - (b) The posts of Honorary Secretary and Honorary Treasurer may be held by the same person.
 - (c) The local Honorary Secretary shall be elected for one year at the annual conference from members resident in the locality selected for the ensuing conference, for which a local Committee shall be formed.
 - (d) The officers shall be *ex-officio* members of the Committee.
 - (e) The tenure of office of the Honorary Secretary and Honorary Treasurer shall be for one year or until their successors be elected.
5. The agenda of the annual conferences shall be drawn up by the Honorary Secretary.
6. In addition to papers from members the Honorary Secretary may arrange for papers from associates and non-members, if thereby valuable contributions can be obtained from experts on particular questions.
7. The annual contribution from members shall be Rs. 12 per annum, and this shall entitle members to attend conferences and to receive copies of such papers read at the annual conferences as may be published, and any other reports of the proceedings and all other publications of the Association unless expressly excepted.

8. The annual contribution for associates shall be Rs. 6 per annum and this shall entitle associates to attend conferences and to receive such reports of the proceedings as are published by the Association, but not to vote on the affairs of the Association.

Members of the general public may be admitted as visitors to the conferences by ticket at the discretion of the local Committee at a charge to be fixed by the General Committee.

9. Candidates for membership shall be proposed and seconded by members and accepted by the Committee by a two-thirds majority.

10. Applications to become associates shall be submitted to the Committee by the local Honorary Secretary.

11. A member on paying a contribution of Rs. 200 shall become a life member, exempt from all further contribution.

12. It shall be the duty of the Committee to arrange for such cordial co-operation as may be found practicable with local Economic Association and with All-India Associations having cognate aims.

13. It shall be the duty of the Committee to arrange for the publication of the proceedings, either through existing journals or independently.

14. Notice of proposed amendments to existing rules and of proposed new rules shall be forwarded in writing, not later than 31st October preceding the meeting to which they are to be submitted and not less than two months before the meeting, to the Honorary Secretary, by whom they shall be circulated to members not later than 25th November and not less than one month before the date of the meeting.

15. A two-thirds majority of the members present and voting at the Annual Meeting shall be required to alter the Constitution of the Association.

16. The annual accounts shall be closed at the end of September and shall be submitted, after audit, to the Annual Meeting by the Honorary Treasurer.

17. One or more Honorary Auditors shall be appointed by the Committee.

Secretary's Report

In submitting the report of the first year's work of the Indian Economic Association it might be pointed out that the first general meeting of Economists in India was held in Calcutta in December 1917, the convener being Professor Hamilton, the Minto Professor of Political Economy in the University of Calcutta. The second meeting was held in Bombay in December 1918, at which Professor Anstey (Principal, Sydenham College) presided. At this meeting the constitution of the Association was drawn up and adopted. Both meetings were attended not only by professional teachers of Economics but by many experts whose names are familiar in circles of business and finance in India.

The membership has more than doubled in the current year and has increased from twenty-five to seventy-three. Besides the members there are three Associates on our list.

On the side of our publishing activities we have printed the proceedings of the Bombay meeting in number of the Indian Journal of Economics. The papers have also been printed separately and are now on sale.

New directions are opening out for the activities of the Association. The Director of Statistics has informed us that the Government of India have under consideration the improvement of statistics relating to Indian prices and he has asked the Association to advise on the ideal method of constructing an all India index number of prices. Suggestions from the Association has also been invited on the improvement of wholesale and retail price statistics generally.

It remains to be noted that various Indian Universities have shown their appreciation of the work of the Association. We meet here on the invitation of the University of Madras. It gives me great pleasure to inform you that the University of Allahabad has invited the Association to hold its fourth Conference in Allahabad and has offered the use of the University buildings for the purpose of the Conference.

J. C. COYAJEE.

*MINUTES of the Meeting of the Indian Economic Association
at the Senate House, Madras, Friday, January 2, 1920.*

Present :—PROFESSOR ANSTEY in the Chair.

Dr. Slater, Professors Hamilton, Lyons, Brown, Coyajee, Pritam Singh, Shahani, Kaji, Antia, Bhattacharya, Nanavati, Burnett-Hurst, Ali Akbar, Kale, Mankar, Saunders and Rangaswami Aiyangar, Father Carty, and Messrs. Kuppusamy Iyengar, Madon, Hanumanta Rau, Gopal Menon, Venkatarangaiyer, Sundara Reddi, Mr. and Mrs. Rajagopalachariar, Dr. Matthai, Messrs. Satyanarayana Murti, Sundara Row, Lakshmana Aiyer, Srinivasachari, Duraiswamy Aiyar, Aravamuthan, Subramanian, Chandrasekharan, and Rao Bahadur Kibe.

The Honorary Secretary's report was read and adopted. In the absence of the Honorary Treasurer, Professor Stanley Jevons, then on his way from England, the Treasurer's report was deferred to the next meeting.

Principal Anstey moved that (a) the Indian Economic Association should renew the present arrangement with the Indian Economic Journal in some form and that (b) the proceedings of the present Conference be printed not in a separate volume but should appear as a number or numbers of the Indian Economic Journal. Professor Pritam Singh seconded the motion.

Professor Hamilton moved an amendment to the effect that (a) this Association should form a Committee for the purpose of ascertaining the probable circulation and income to be derived from an independent volume of proceedings. If the financial prospects appear adequate the arrangement with the Allahabad University should be terminated and an Editorial Board should undertake the publication of the separate volume of proceedings; (b) that as an interim arrangement to facilitate the early publication of the proceedings of the present Conference the offer of the Madras Reception Committee (if forthcoming) to issue the proceedings on its own responsibility, be accepted; it being further understood that this financial liability shall be undertaken by the Association if the financial prospects prove favourable. Professor Burnett-Hurst seconded Professor Hamilton's proposition. Principal Anstey then withdrew the second part of his proposition. Professor Hamilton's proposition was then carried it being understood that the details as well as the choice of the sub-committee should be left to the Executive Committee.

The invitation of the Allahabad University to hold the Conference in Allahabad in 1920 was read by the Secretary. Professors Burnett-Hurst and Pritam Singh also spoke, cordially inviting the Association to Allahabad. Professor Coyajee moved the acceptance of the offer which was seconded by Mr. Sundara Reddi. The proposition was carried unanimously.

Sardar Bahadur Kibe then invited the Association on behalf of His Highness the Holkar's Government to hold a Conference at Indore the year after. It was resolved that this invitation should be recorded and referred to the Conference at Allahabad. The Secretary was requested to acknowledge the invitation.

As to the date of the next Conference it was resolved that it should be held immediately after Christmas.

Professor Anstey moved that Dr. Slater should be appointed Chairman of the Committee for the next year. The proposition was seconded by Mr. Satyanarayana Murti and was carried by acclamation.

Professor Burnett-Hurst proposed that Professor Coyajee should continue to act as Secretary for another year. Professor Saunders seconded the proposition which was carried.

On Professor Coyajee's motion it was resolved that Professor Jevons should continue to act as the Honorary Treasurer.

Dr. Slater moved that Mr. Rajagopalachariar should be the Honorary Auditor for the next year. Mr. Coyajee seconded the proposition which was carried.

Professor Coyajee moved that the work of collaborating with the Department of Statistics for the improvement of Index numbers and price statistics be referred to the Executive Committee. Professor Kale seconded the proposition which was carried.

The new members proposed to be elected were then put up and were elected.

Professor Hamilton proposed that the question of the affiliation of local societies to the Association be submitted for action and report to the Executive Committee. Professor Kaji seconded the motion and it was carried.

Mr. Rajagopalachariar moved that the Executive Committee should enquire into the possibility of a Journal of the Association or of a united Journal for India ; it should report to the next Conference and meantime should collect funds if possible. The motion was carried by nineteen votes to eighteen votes.

Father Carty moved that only two more members should be added this year to the Executive Committee and only from provinces which are least represented. The motion was carried.

Professor Hamilton moved that Madras should have one more representative on the Committee. As Professor Saunders and Father Carty withdrew from candidature Professor Rangaswami Iyengar was elected. Professor Hamilton was then added representing Patna.

Professor Sahani then proposed that the existing members of the Committee be continued for another year. Professor Burnett-Hurst seconded the motion and it was carried. Professor Hamilton proposed that if the members thus appointed could not serve the power of co-option should be given to the Committee. The proposition was carried.

The meeting then adjourned.

MINUTES of the adjourned Meeting of the Indian Economic Association at the Senate House, Madras, Saturday, January 3, 1920.

Professor Coyajee moved a vote of thanks to the University of Madras, to His Excellency Lord Willingdon, to the Reception Committee and to the Local Secretary. Professor Brown seconded the motion and it was carried unanimously. Dr. Slater replied on behalf of Madras University and the Reception Committee. He said that when he approached His Excellency Lord Willingdon on the matter of the Conference he had been received in the most cordial manner. Though His Excellency could not alter his arrangements so as to be present and to preside at the Conference yet he took steps which increased the pleasure and profit derived by the members from their visit to Madras.

Dr. Slater then moved the motion to the effect that 'we, the Madras members of the Indian Economic Association, shall be grateful if the Reception Committee will continue in office a little longer in order to see what can be done for promoting the study of Economics in Madras Presidency and adjoining states.' Professor Saunders seconded and Mr. Chitty Babu supported the proposition and it was carried unanimously.

[N.B.—These minutes will be submitted to the Allahabad Meeting for confirmation.]

Contents

	PAGE
Indian Economic Association; Committees	i
Constitution	iii
Secretary's Report	v
Minutes of Business Meetings	vi
Chairman's Address, Hon'ble R. Littlehailes	1
The Projecting Lantern in the Teaching of Economics, H. W. Lyons	4
The Study of 'Indian Economics,' Percy Anstey	11
The Study and Teaching of Economics in India, John Matthai	18
Organization of the Study and Teaching of Economics in India, G. Satyanarayana Murti	22
<i>Discussion on the Study and Teaching of Economics</i>	25
The Effect of Rise of Prices on Rural Prosperity, Harold H. Mann and N. V. Kanitkar	30
Welfare work in Madras City, Mrs. Whitehead	41
Industrial Betterment and Welfare Work in India, A. R. Burnett-Hurst	51
The Housing of the Poor in the City of Madras, V: Venkatasubbaiya	65
A Madras Paracheri, K. C.' Ramakrishnan	74
Problems relating to Paraiyas in the Tanjore District, D. Arulanandam Pillai	88
The Influence of the War on, and Present Economic Conditions of some of the Sourashtra Community, Madura, A. J. Saunders	94
<i>Discussion on the Effect of Rise of Prices on Rural Pros- perity, Hours of Labour, the Living Wage, Housing in Madras, Tanjore Panchamas and Mirasdars</i>	102
A Plea for the Currencies of the Indian States, Rao Bahadur Sardar M. V. Kibe	106
Our Currency Problems, B. F. Madon	109
The Indian Currency, J. A. Wadia	127
<i>Discussion on the Currency Problem</i>	137
Indent Co-operative Trade by Primary Societies, F. R. Hemingway	142

	PAGE
The Triplicane Urban Co-operative Society, T. K. Hanu- manta Rao	145
The True Sphere of Central Banks, J. C. Coyajee ...	152
The True Sphere of Central Co-operative Banks, P. C. Basu	161
Co-operative Finance and Supervision, C. P. Sundara Rao	169
<i>Discussion on Problems of Co-operation</i> ...	176
British Indian Sea Customs Duties and Indian States, Rao Bahadur Sardar M. V. Kibe ...	180
Problems of our After War Finance, Rao Bahadur K. V. Rangaswami Aiyangar	184
Land Revenue and Provincial Finance, E. V. Sundara Reddi	212
The Adaptation of the Indian Tax System to the need for Increasing Expenditure, T. K. Shahani ...	216
A Note on Post Reform Public Finance in Bengal, K. Bhattacharya	225
<i>Discussion on Future Indian Taxation</i>	226

INDIAN ECONOMIC ASSOCIATION
Third Annual Conference

HELD IN

The Senate House, Madras

December 31, 1919, January 1, 2 and 3, 1920.

First Day

SUBJECT :—The Teaching and Study of Economics

CHAIRMAN'S ADDRESS

The Hon'ble Mr. R. Littlehales, Director of Public Instruction, Vice-President of Reception Committee, in the absence from Madras of the President, His Excellency Lord Willingdon, took the chair at 11 a.m., and said :—

‘ I have very much pleasure in welcoming to the third annual conference of the Indian Economic Association all of you who are present here this morning.

‘ I should like in the first place to read a letter which Dr. Slater has received from His Excellency Lord Willingdon.

‘ DEAR DR. SLATER,

‘ I am very sorry that I am not in Madras to welcome the delegates to the Economic Conference, but I hope you will give them a very warm greeting on my behalf and assure them that it is not want of interest in the very important matters which will be discussed, but the feeling of the necessity for a brief Christmas holiday which has kept me from Madras at this time. I much hope that the discussion will be fruitful of much useful information and practical suggestions to us all. There is no question of more vital importance just now not only to India but to the whole civilized world.’

‘ Yours sincerely,
‘ WILLINGDON.’

'As you probably know, the Indian Economic Association took its origin in a meeting which was held two years ago in Calcutta—a meeting called together by Mr. Hamilton with the object of enabling those engaged in economic studies in India to interchange views and to co-operate in the work they have in hand and in view. Last year the second annual conference was held in Bombay; it owed its success to a very large extent to the energy of Mr. Percy Anstey. This year the third meeting of the conference is held in Madras. This meeting is of special significance inasmuch as it is held in the Senate House at the special invitation of the Syndicate of the University of Madras—an invitation which is an earnest of the special interest that this University is now exhibiting in the Study of Economics.

'A glance at the programme will indicate the increasing number of subjects of importance which come under the purview of the Association at its meetings, while the number of persons present to-day—I notice representatives from places so far apart as Assam and Travancore—and the increasing number of members of the Indian Economic Association indicate the increasing popularity of the subject and the interest which persons connected with the University, with businesses and with industries, are exercising in the work of the Association. It is realized that there is a close interrelation between economic, commercial, industrial and scientific studies, and that a close co-operation between those of us who represent different branches of work is essential for progress in any single branch.

'The programme before us includes a visit to the Buckingham Mills and papers upon the study and teaching of economics, the housing of the poor, currency problems, the sphere of co-operative banks, the Indian tax system, and many other subjects, a range wide enough to interest the most fastidious as well as the most omnivorous student of economic and allied problems.

'We in Madras are particularly fortunate by virtue of the fact that we have among us Dr. Gilbert Slater, the University Professor of Indian Economics, a man of wide interests, unflagging energy and facile pen, a man who by his speeches, lectures and writings has done more than any other person to further the cause and study of economics in South India. It is to him that we owe the success of the University scheme for the award of a diploma in economics. It will probably be to his advice that we shall owe the degree in Economics which, I hope, will shortly be instituted in this University.

'We have not in Madras as in Bombay, a Sydenham College of Commerce and Economics, but we do have

here an Institute of Commerce which, I hope, will ultimately develop into a College which will be affiliated to the University when the University reaches the stage of instituting a special degree in Commerce and Economics. The Institute is at present housed in the Law College buildings, but I hope that before long it will have a habitation of its own, near the centre of the business part of this city. A Sub-Committee of the Senate of this University has already been appointed to consider *inter alia* the institution of a degree in Commerce, and, I think, I speak without fear of a majority contradiction when I state that one of the recommendations of this committee will be that the responsible authorities should set out upon a co-ordination between the work which is now being done by Dr. Slater in connection with the University and that which is now being done in the Government Institute of Commerce, and that ultimately a degree or degrees in Economics and in Commerce should be instituted in this University.

‘There is one view that I should like to hear discussed at this meeting. It is whether a course of study which includes language, economics, and commerce, could not be formulated which would give as excellent a general training as any courses which are now accepted by our Universities in India as qualifying for a degree. We are apt, I think, to consider the study of economics and commerce too much from the vocational aspect and to lose sight of the general educational training which may be obtained from this study—training which should be productive of clear thought, accurate reasoning and careful expression, and those after all are among the essentials which we look for as the result of a University training. But I anticipate probably some of the papers that we hope to listen to this morning. I shall say no more, but merely once again welcome all of you who are present this morning and who will be present at the further meetings of this conference to Madras, members, associates and visitors, and trust that your visit will do much to further the interest and advance in studies in economics and commerce in Madras and in other parts of India and go some way towards the improvement of conditions which such interest brings in its wake, improvement to the individual, improvement in social and economic conditions and improvement to the general population’.

PAPERS

The Projecting Lantern in the Teaching of Economics

BY PROF. H. W. LYONS, INDORE CHRISTIAN COLLEGE

At the last conference of the Indian Economic Association I advocated the use of the projecting lantern, and more especially the cinema, both as a teaching instrument in economics, and as an effective method of the education of the uneducated classes of India by earnest students. Dr. Slater has asked me to develop in greater detail one branch of the subject: the projecting lantern as a teaching instrument in economics. This is fundamental to the other branches, because if the lantern cannot be utilized, much less can the cinema, because of the greater difficulties of operation; if the students themselves cannot be taught in this way, they cannot instruct others.

I shall discuss the topic under three main divisions: the value of the lantern in the economic class-room; the method of teaching with it; the organization necessary to make this method practicable in our Colleges.

Most of us will acknowledge, if we are honest with ourselves, that a great deal of the education we received in the class-room was unrelated to life, and that much of the teaching we are imparting is unrelated to the life about us. This is a disturbing fact, particularly if it is true in those very departments which ought to have the closest possible connection with life. Take history for example. We teach children, says Montessori, of bloody wars, of the clash of dynasties, the glory and the greed of princes, and we tell them this is the history of their country. We send them forth into the world to serve that country with their heads full of superficial shams and unwholesome ideas. It is as though we told them that railways were a blessing to mankind because they provided means of transportation, and then proceeded to make them memorize the names and dates of all the great railway wrecks and strikes, to feed their imaginations with stories of great catastrophes with their attendant stories of bloodshed and suffering.

So in economics. The words of Dr. C. H. Henderson, in his 'Education and the Larger Life', are particularly applicable. 'We please ourselves,' he says, 'by saying that experience is the best teacher, that the world is the best schoolhouse, that travel is the best educator. But in reality we prevent experience, we shut out the world, we disallow travel. We ask students to reflect about a world about which they know very little. We give them small perceptual knowledge—mainly what they get on holidays—and we spend nearly all their time in attempting to build larger structures than we have material for—bricks without straw.' Need I quote any other examples than those of foreign exchanges, or of costs or labour saving devices in production, as ordinarily taught to and understood by the average undergraduate in economics ?

A fundamental need—and the lack of it is a disastrous defect in our present educational system—is sense knowledge in distinction from memory knowledge. Such knowledge is inevitably bound up with concrete teaching in distinction from book teaching.

The difficulties in the way of concrete teaching in economics are obvious. The students have been developed in an educational system where the training has been of the memory rather than of the observation ; where the interests have been confined within the prescribed course, and not broadened into the full life of man as he moves about in the world. The College classes are too large, the work is too extensive, the time too limited to overcome this initial handicap. And there is constantly before the student the nightmare of the examination for which he must be 'letter perfect.' 'We are sure that we must know the theory', one student remarked to me recently ; 'but we must see whether the practical knowledge is of any use to us. We are afraid that our practical knowledge may be wrong, or of no use for the examination.' He is a typical product of the system.

There is, moreover, the limitation imposed by space. Many of the places of economic interest are remote from the Colleges. It is impossible for Allahabad students to study foreign trade at Calcutta ; or for Calcutta students to study the cotton industry in Bombay ; or for the students of the Punjab to understand concretely the industrial development of Madras ; or for the students of Madras to investigate the economics of the Gangetic plain. It is impossible for any of us to see concretely the revolution in ocean transportation from the opening of the Panama canal.

Sense knowledge from concrete teaching of this kind is limited in our field of economics. There is, I submit, a practicable

substitute for it in the use of the projecting lantern under proper conditions. A body of psychologists in the United States, including such men as Professor Angell of Chicago; Dr. Bakewell of Yale; Dr. Judd, Director of the School of Education, University of Chicago; Dr. Wenley of the University of Michigan; and Dr. Titchener of Cornell,—these men have made the following statement:

‘If a stereoscopic photograph’—and this applies equally to the lantern—‘of a place is used with certain accessories (as special maps which show one’s location, direction, and field of vision, etc.) it is possible for a person to lose all consciousness of his immediate bodily surroundings and to gain, for a short time at least, a distinct state of consciousness or experience of location in the place represented. Taking into account certain obvious limitations, such as lack of colour and motion, we can say that the experience a person can get in this way is such as he would get if he were carried unconsciously to the place in question and permitted to look at it. In other words, while this state of consciousness lasts it can truly be said that the person is in the place seen.’

Such an emphatic statement from men of the highest educational standing should lead us somewhat carefully to consider the possibilities of imparting sense knowledge in this manner to our students. In doing so we shall consider the projecting lantern rather than the stereographic photograph, because, while the effect of the two is similar, the lantern is the better teaching instrument. With it the pictures are large, and the attention of every one in the class can be directed by the teacher to the same point at the same time.

Permit me to take the revised B.A. course in Economics in the University of Allahabad as typical of our subject matter in the Arts Colleges of India. Such topics as the following lend themselves at once to this method of teaching:

The physical features of India. Soil erosion, the influence of forests, etc. The distribution of the world’s food crops. Ports and harbours, and ocean transportation. The commodities of commerce, the methods of handling them, etc., together with methods of extending their markets. The growth of towns. The history of money. The making of money. The organization and business of banks in their various departments. Clearing houses. Stock exchanges and their methods. The sale of Council Bills. The life history of a bill of exchange. The industries of India—agriculture, cotton, jute, iron working, mining, forestry, leather and so on. Labour saving devices, and the great inventions of the world. The organization of monopolies.

Welfare work of various kinds for workers. The whole field of health and sanitation, in which the lantern has already proven itself of great value.

This list is not exhaustive; it is only suggestive of the vast range of topics which may be taught in this manner. Let me make myself clearer by outlining two typical lectures with which to illustrate the method of teaching. It should be remembered, in the first place, that visual instruction and the showing of pictures are two different things. It is not sufficient for our purpose to throw a picture on the screen and say: 'Now in this picture you will see. . . . Next picture, please.' The pictures must be accompanied by explanation, it is true, since the students are not entering upon a guessing competition. But the explanation and the pictures must supplement each other. Because the pictures lack motion the connecting threads must be supplied by the teacher. Location must be given. Important details which may not be shown must be supplied. Lessons must be drawn. In fact the lecturer must first have his story, and the pictures must be used to illustrate or make clearer the story.

You may wish to discuss with your students the coal fields of India. The outline of an illustrated discussion might include the following:—

1. The coal areas of India, indicated by maps. This at once gives the location.
2. Coal mining historically in India, illustrated by pictures of the remains of ancient coal workings still seen throughout the coal fields, and of the slag heaps, the cupolas and the weapons made there.
3. The commencement of modern mining at the middle of the last century in the quarry mines. The soft coke industry associated with quarry mining to-day.
4. Tunnel mining with inclines. The development of methods of removing the coal from coolie handling to mechanical haulage. Associated with this is the development of improved lighting and testing for gas.
5. Pit mining, with its most recent development of deep mining. The entire process from the original borings to the filling up of the panels by sand suction is open to pictorial representation, by photographs, and ground and sectional plans.
6. The transportation of coal at the surface.
7. The by-product plants, including charts of the numerous products of coal.
8. Living conditions of the labourers.

9. The organization of coal companies, the various department, responsibilities, wages, etc. The relative position of the coal industry of India with that of the world. This can all be shown by a series of charts.

Within the coal fields to-day all classes of mining can be seen, from the most primitive to the most advanced. The romance of coal in India is waiting for the pen of the writer and for the photographer. Each phase can be so presented to our students that they will have a vivid perception of this industry so essential to the development of the great industries of India.

Or let us take another example in a realm still farther from the experience of the ordinary student, that of banking. Is it possible to make foreign bills of exchange, for instance, more real than most of us do with our best verbal explanations? I submit that the life history of a bill of exchange may be so told with pictures as to do so. The scenario might be somewhat as follows:

1. The original business transaction. The goods being packed for export. The process of transportation. Passing through the customs. Delivery to the importer.
2. The drawing of the draft.
3. The sale of the draft at the bank.
4. The transmission of the draft to the bank's agents abroad.
5. The presentation of the draft and its final payment.

In each case the entries made in the books of the transacting parties could be shown, together with the stampings upon the draft itself, affording a valuable lesson in book-keeping as well as in finance. This simple example may be developed with ever greater details until it includes pictorial illustration of the various settlements of business accounts, and the manifold methods of business which come within the study but not the experience of the student in Arts.

Do not think, however, that I am advocating a millenium in which professors and students alike will put up their pencils and note-books, allow dust to accumulate on their texts, and spend all their time in a dark room imbibing instruction and carbide fumes. If the student has not the opportunity of making notes of what he sees and hears he will be apt in time to forget it. For that reason I believe that the 'lantern lecture' as it is ordinarily understood is not our ideal. Our purpose is not fulfilled by giving a set lecture with all of the slides at one time upon any of the topics. The true method is to teach with the lantern in the class room, using the slides in place of the blackboard. That necessitates, of course, a projection room; but such an arrangement is possible by screening windows and doors and darkening walls

leaving a white square for the picture. It is such an arrangement that we have in our College.

Note making after a lecture is essential. In order that this may not be a few careless jottings but intelligible explanation, note books should be examined, and essays upon the subject matter of the lecture may be asked for; or, better still, the students may be orally examined in the course of a more or less rapid review again with the lantern slides, but with the students themselves explaining the significance of the pictures. If they can do so they are in a fair way of recognizing economic phenomena when they see them and of understanding them. It is a method of review which we have found very successful in history.

The strongest argument against the present adoption of such systematic teaching of economics with the projecting lantern, and an argument which has undoubtedly occurred to you, is the difficulty of securing suitable pictures, except in the branches of agriculture and sanitation and health knowledge. This lack of lantern slides is not so much because of the absence of individual interest, as because of the want of organized effort. Many of us have our own collections of slides, from photographs which we have been fortunate enough to secure at some time, or from English and American manufacturers. Such manufacturers have, naturally enough, made slides of English and American industries from their own standpoint. No Company has as yet endeavoured to develop the wealth of material in the industries, the ports, the markets, the museums and the archives of India, nor to prepare teaching material from the Indian standpoint.

To undertake such a task satisfactorily is beyond the power of individual Colleges, or of a small group of Colleges such as we have organized within our own University. Such efforts depend too much upon individual interests, and the opportunities of individual travel and study. The limitations I pointed to in concrete teaching by actual travel apply equally here. Our own lantern circuit is strong in its history branch where we have been able to draw on the organization of history slides perfected in England. It is comparatively weak in economics where, without organization, I have been endeavouring to accumulate slides and lecture material as time, opportunity and finances have permitted.

Granted that this method of teaching would materially help us to give to our students sense knowledge of their subject, it is surely worth our while to develop an organization in India which is conversant with the needs of the Indian Colleges. It would have to be prepared to undertake the following tasks:

1. The securing of negatives. For an individual this is impossible. But were each College commissioned to secure the negatives and lecture material from their own particular region the result would be a collection of slides valuable for all Colleges and illustrative of all India. Thus the Calcutta Colleges could supply the lectures upon jute; the Punjab Colleges upon irrigation, the Sydenham College of Commerce upon finance, and so on. Government Departments would undoubtedly assist, and manufacturers would grant free access to their factories.

2. Such an organization would have the task of securing the manufacture of positive slides from the negatives, through the agency of the lantern slide makers in India.

3. The preparation of lecture notes, and the cataloguing of slides.

4. The circulation of slides from some central point, or in different districts on a travelling library basis.

How can such an organization, if it be desirable, be effected? Must it be left to private commercial enterprise? Can it be done through a special branch or a committee of the Economic Association, which is more conversant than any other body with the teaching needs of the country; which, through its members, touches all phases of the economic development of the country; which by its permanency would ensure the securing of the material necessary from whatever source, be it private or Government; and which by its prestige and enthusiasm could carry such an educational reform through to success?

I leave that question with you for your serious consideration.

The Study of 'Indian Economics'

BY PROF. PERCY ANSTAY, PRINCIPAL, SYDENHAM
COLLEGE OF COMMERCE AND ECONOMICS, BOMBAY

The higher educational system of India differs fundamentally from that of other civilized countries in that it is not the natural product of the spiritual heritage or of the present genius of the people, but was extraneously imposed on them—no doubt with the best of intentions—by rulers of a race with different traditions behind it and of a very different psychic, ethical, and aesthetic stamp.

We all know the story of Macaulay's famous minute and the resultant displacement of Eastern by Western aims and methods, together with the adoption of English as the medium of instruction. The outcome of the step then taken is the India of to-day, with its scientific equipment, its material progress, and its awakened national self-consciousness. No one not obstinately wedded to the past can desire to put back the hands of the clock. At the same time it is possible, and indeed desirable, I think, to adopt a more critical attitude than did our predecessors towards the wholesale importation of a foreign educational system.

Let me say at once that the consequences, as it appears to me, have been almost wholly to the good in the sphere of the physical sciences; and that for a very simple reason. There is only one Mathematics, one Physics, one Chemistry, one Anatomy and Physiology. These aspects of universal knowledge are independent of place and time, and can therefore—nay *must*—be transplanted in their entirety, if it is a question of superseding the pseudo-sciences at which Macaulay justifiably jeered: a mythical Astronomy, for example, a fairy-land Geography (with its 'seas of treacle and seas of butter') or an art of Medicine involving external applications of pigeons' dung and internal draughts of cows' urine. But when we have to deal with humane studies and social sciences, mere 'importation', as I have ventured to call it, no longer suffices. The intellectual wares in these cases are often unsuitable for foreign consumption.

Why? Because, where man as a spiritual or a social being constitutes the subject of study, divergent national characteristics have to be taken into account. And therefore, for one country slavishly to imitate another in such matters as the teaching of Literature, History, and Economics is almost certain to prove disastrous. It deprives these studies of their application to reality as the student knows and feels it, and consequently emasculates them of their living interest and power to inspire.

Take Literature. There are, no doubt, some writers who make a universal appeal to the elemental emotions common to all mankind, and who thus belong to every age and every cultured country. Such perhaps are Homer and Goethe, Boccaccio and Cervantes, Shakespeare and Scott. But for how many illustrious names can this universal appeal be claimed without reserve, and for how many can it be claimed at all! Keats and Shelley are numbered among our greatest poets; yet on the continent of Europe they are scarcely known, except to the professed specialists in English Literature. Conversely how few Englishmen have even in translation made themselves acquainted with the masterpieces of continental literature! And—this is the significant point!—in the majority of cases even the most famous authors remain untranslated. The truth, of course, is that Literature essentially expresses an individual people's soul. Precisely for this reason it has always been recognized as one of the strongest of national bonds, one of the truest elements in Patriotism. But that very circumstance renders much of the Literature of one people unintelligible, or at any rate indifferent, to another.

Now, how far were the distinctions I have called attention to borne in mind when English Literature was introduced, as one of the chief subjects of study, in our Indian schools and colleges? Let one illustration suffice. The student of Bombay University has prescribed for him works like Milton's *Paradise Regained*, Newman's *Apologia*, Meredith's *Ordeal of Richard Feverel*. Can any one seriously maintain that books such as these, which are the product of a totally foreign spiritual and social evolution, can possibly have for the normal young Indian any genuine educative value?

What I have said about the teaching of Literature applies equally to the teaching of History and of Economics. Our business at this Conference is with the latter only, to which I shall accordingly confine myself.

Here too the mistake has been made of forgetting that we are in India. The accepted English text-books have been prescribed, regardless of the fact that the economic conditions

analysed and explained in them are not in the least those of the students' own environment; where the laws of property, inheritance, and contract entirely differ from those that prevail in England; where division of labour and free exchange are trammelled by custom; where workers' combinations are embryonic; where, in short, hardly any of the assumptions made throughout an English treatise are applicable. Did I say an *English* treatise? The most widely used text-book in India is—or was until recently—a French work, translated by an American, and adapted for the American student by the superposition of American illustrations on the top of the French ones; both of course being equally irrelevant to conditions in this country! Such was the pabulum on which the young Indian was fed.

It may, however, be objected that there are after all universal laws—or, if you prefer the term 'generalizations'—in Economics, and that the Indian student may quite conveniently learn these from Marshall, Nicholson, or Gide. The existence of universal economic laws has been the subject of much controversy, ever since their validity was challenged by the Historical School; and certainly to have one's lot cast in India does not lessen the difficulty of accepting even those fundamental axioms which were supposed to be rooted in human nature itself and from which the older Economists derived all their other propositions: the axiom, for example, that every normal man spontaneously seeks to improve his material position and prospects; that he will therefore be induced to put forth additional efforts by the offer of additional rewards; and that the dread of unemployment and loss of personal independence may be counted on to keep him disciplined to his task. In a society where the attainment of a higher standard of living is subordinated—not exceptionally but habitually—to other considerations, and where the family and caste system enable the individual to face dismissal with comparative equanimity, the great hedonistic principle requires not merely tinkering modifications here and there; it ceases to be serviceable altogether.

However, I do not desire to commit myself one way or the other in the dispute between those who affirm and those who deny that we are warranted in deducing general principles from certain psychological axioms. It is enough for me that these principles manifestly do not operate *in vacuo*. They are conditioned at every turn by the framework of social institutions. The classical Economists themselves fully recognized this. In our own day a purely abstract theory of Economics has indeed

been attempted, in terms of bare mathematical formulæ. But nothing of the kind is found in Adam Smith or Ricardo. On the contrary, few Economists are more obviously moulded by their environment. The greater part of 'The Wealth of Nations' consists of historical and descriptive economics, from which the author draws his generalizations one might almost say 'incidentally'. As for Ricardo, though he is commonly reputed to be the most abstract of thinkers, his interests were essentially of a concrete order. The inflation of the English currency owing to the mistaken policy of Government; the effect of the English corn-laws in artificially keeping up the price of bread and consequently, as was thought, the wages of labour and the cost of production; the undue enhancement of the rents of the English landed class by the extension of cultivation to inferior soils; these were the practical, semi-political questions that engaged his attention and gave an inevitable bias to his theoretical conclusions.

It is in fact an error to imagine that the treatment of Economics from a national point of view originated with Frederic List. In his 'System of a National Economy' certain new points of *state policy* are no doubt set forth and stressed. But the *scope* of his treatise is no more distinctively German than Adam Smith, Ricardo, Malthus or Mill are distinctively English. An Economist may be ever so cosmopolitan-minded; in the nature of things he is compelled to interpret economic phenomena primarily as he finds them in his own surroundings.

Now, if this is so, the study of Economics in India must needs have been radically vitiated by the unqualified adoption of English text-books, prepared for students differently circumstanced, and by the obsequious arrangement of the syllabuses on English models.

No wonder that a protest was at length evoked. To the late Mr. Justice Ranade belongs, I believe, the credit of being the first forcibly to point out that Indian problems, not being identical with European, clearly demand special-treatment. His arguments were so irrefutable that a partial reform was at once introduced. And since his day we have had courses on what is called 'Indian Economics' added to the curriculum of our Universities.

'Indian Economics'! The term sounds passing strange to the European, who has never heard of 'English' or 'German' or 'Italian' Economics. What does it stand for?

Well, if we examine the approved books that bear this odd title, what we find is that they consist of detached discussions on

the land system of India, her currency and banking arrangements, her organization of transport, her finances, and the peculiarities of her labour and capital. The writers are often men of marked ability. They collect much useful information backed by facts and figures from official and other sources, and they eloquently put the case for certain Indian demands—such as a gold coinage or protective duties. But the scientific value of their work is impaired by the fact that neither their descriptions, their data, nor their polemics are correlated with theoretical analysis. Hence the various topics are handled with a curiously uncertain touch. Not seldom the standpoint implied in one chapter seems to be abandoned in another, and even if the inconsistencies are only apparent, the reader is unable to recognize this, because underlying principles are not adequately explained and applied. Frequently therefore it looks as if the author were

‘ still standing on one leg, still sitting without a chair,
 ‘ still feeding, like Tityrus, his steeds in air. ’

The student, on his side, is put to a two-fold disadvantage. He passes in a desultory manner from one topic to another, and is left without any systematic explanation of the general forces underlying the multiple manifestations of economic activity. Thus he misses the conception of national economy as a coherent whole. While studying ordinary economic theory, on the other hand, he fails to grasp the true significance of principles, for want of apposite illustrations that would enable him to apply them to his own experience.

And now consider the effect of introducing Indian Economics as a separate branch of study in the curriculum of some of our Universities. The unfortunate results of this policy can be clearly seen if we take as an instance the procedure followed at Bombay. There the Pass candidates for the B.A. in History and Economics—that is to say, the vast majority of those who go in for Economics at all—have prescribed for them only a single paper on ‘ Political Economy ’, which, since the students are new to the subject, is necessarily of a quite elementary kind. The Honours candidates take an additional paper on ‘ Indian Economics ’. And the M.A. candidates, in addition to yet another paper on Indian Economics, covering the same ground as the one set at the B.A. but presumably supposed to be stiffer, take half a paper on ‘ The History of Economics ’—by which the University, in its confused way, means ‘ The History of Economic Doctrines ’, together with half a paper on ‘ Economic History including the History of Commerce in Europe as outlined by Gibbins ’!

What then does it all come to? In the first place, *the greater number by far of young Indians who study at the University have no occasion to learn anything whatsoever about the economic condition of their own country.* In the second place, *no student, so far as theory is concerned, ever advances beyond the commonest rudiments.* To him the works of Marshall—except for the little volume called ‘The Economics of Industry’—of Pigou, of Irving Fisher, of Clark, of Veblen, of Edgeworth, of Boehm-Bawerk and of all the other genuinely original thinkers in the realm of modern Economic Science who have given us deep and subtle analyses of the complex problems of our time, remain sealed books! It is only in connexion with the degree in Commerce that any paper in Advanced Economic Theory is to be found.

Such then is the state of affairs in regard to the study and teaching of Economics at one of our great centres of learning. And let no one say that in practice teachers or examiners have it in their power to remedy the deficiencies of the curriculum. The teacher is bound in the main to shape his course conformably with the lines laid for him. He may, to be sure, while lecturing on Western economic conditions, here and there, of his own accord, contrast them with those prevalent in India, but the time at his disposal will scarcely permit him to do so on an extensive scale: and in any case mere casual references are no substitute for thorough and methodical study. Even the examiner dare not indulge any propensity he may have to infuse his questions with some ‘local colour’. He is soon reminded—justly enough—by his colleagues that it is unfair to expect even a bowing acquaintance with the facts of Indian economic organization from students who have been definitely told that the little Nicholson will see them through.

‘If Indian Economics’ and ‘Ordinary Economics’ are to continue to be taught in watertight compartments as distinct topics and are to continue to be taken by different classes of students, it would be better to make the former the elementary and the latter the advanced subject. For the proper scientific method is to proceed from the familiar to the unfamiliar. I however venture strongly to urge that Indian Economics as such should disappear altogether, and I am glad to know that the University of Madras has no such subject in its curriculum. Every paper set here postulates a knowledge of Indian conditions, and at the same time a knowledge of economic theory: the dividing line between different types of examination turning, as it ought to do, not on whether the questions have to do with India or not, but simply on whether they are easy or difficult

and are therefore appropriate for Pass or for Honours candidates respectively. I am told that other Universities also are dropping the false antithesis I have been criticising; and I therefore hope that the day may not be far distant when the very name of 'Indian Economics' will sound as uncouth, as infelicitous and as misleading to people in this country as it sounds elsewhere.

If the present paper contributes in some degree to hasten the coming of that day, it will have achieved its object.

The Study and Teaching of Economics in India

BY JOHN MATTHAI

The study of Economics in a University generally covers, or ought to cover, three stages or parts—(1) Post graduate—for training in research, with or without a degree, (2) Under graduate—preparing by instruction and examination for a degree, and (3) Extra graduate—for the benefit of persons who as a rule are not eligible for admission to the University, by the provision of diplomas.

The three are vitally connected with each other. Without a well developed post-graduate department, there will be no real, creative life in the University. It is the post-graduate work of the University which sets the tone of the whole intellectual life of the University. A regular under-graduate course is necessary for equipping teachers and advanced students, and it also keeps alive the importance of the study in the minds of students generally. An extra graduate course helps to extend the scope of the University and it brings into the University a very valuable practical element, which is nowhere of greater importance than in the study of the social sciences.

I. Post Graduate Work

The essentials of post graduate work are—

- (1) Expert direction.
- (2) An atmosphere of fellowship.
- (3) Adequate stipends.
- (4) A well-equipped library.
- (5) Facilities of publication.

(1) Every University should aim at having at least two men of sufficient reputation and experience in research to direct post-graduate work. Where the direction is in the hands of one man, there is apt to be a narrowing of interests—an undue insistence on particular points of view—which is a danger in the case of a many-sided study like economics.

(2) There should be a sufficient number of advanced students to form a real fellowship—not less than half a dozen.

(3) Whether it is possible to have a sufficient number of advanced students will depend largely on the number and amount of stipends available. It is necessary to aim at getting the best men possible. For that stipends should be offered equal in amount at least to the initial salary in the Provincial Civil Service. Also, an advanced student must have a reasonable chance, if he succeeds in doing really good work, of a sufficiently attractive career as a lecturer or professor. This will to a considerable extent depend on whether there is provision for a full under graduate course in Economics in the University. So long as Economics finds no place except as part of a larger course, so long the best men will be turned away from advanced work for want of opportunities of subsequent employment.

(4) An Economic library consists for the greater part of standard books and Government publications. It would be a good idea if in a city like Madras, the University and the Government, especially the Development Departments, such as Agriculture, Industries and Co-operation, could unite in organizing a Central Library of Economics for their common use.

(5) Publication is essential to research partly as a means of diffusing knowledge and attracting criticism and partly to provide the student with the incentive of reputation. Works of purely local interest and of moderate excellence may be published locally. But where a student has done work of at least respectable quality on a subject of general interest or of exceptional quality on a subject of local interest, he should be helped to find an English publisher, or an Indian publisher accustomed to doing business abroad. In the case of an English publisher, arrangement should be made for a cheap Indian edition. This is one of the ways in which we in India might help in the creation of a fraternal feeling among the Universities of the Empire.

II. *Undergraduate Work*

The study of Economics will never come into its own in India until a full undergraduate course is organized leading to a separate degree in Economics. Such a course is necessary (1) to impart an adequate knowledge of Economics and Political Science, in view of the coming industrial and political changes (2) as an evidence of the importance which the University attaches to the study of Economics, (3) to provide men of sufficiently intensive training for advanced work, and (4) to create

suitable openings for men who have done successful work as advanced students.

The difficulty at present is a practical difficulty, namely, the lack of teachers. But as long as the University makes no separate provision for the study of Economics, there will be little inducement for colleges to entertain the necessary staff or for men to train themselves as teachers. We cannot wait for a separate degree till a sufficient staff has been first secured, because in reality they work mutually as cause and effect.

III. *Extra Graduate Work*

A diploma course stands somewhere between a vocational and a liberal course of study. It must bear a definite relation to the particular profession or line of work which the student follows or desires to follow. At the same time it is not intended to train him in the technique of the profession. If this view is right, a diploma course will probably fulfil its object best if it is split up into separate courses dealing with the Economic aspects of particular lines of work instead of being organized as a single general course. The following separate courses may be suggested—(a) Co-operation, (b) Social Service, (c) Commerce—each leading to a certificate of proficiency. This will not necessarily mean a corresponding increase of staff, because some of the subjects will be common to the three courses.

The great danger with regard to the study of Economics not merely in India but in every country is that it is apt to get out of touch with the real life of the country. In Natural Science the student's workshop is the laboratory. In Economics his workshop is the community itself. And nothing is of greater importance than to keep him in close relation to the growing life of the community. The following means may be suggested to secure this end :

(1) Common Seminars for undergraduate and diploma students.

(2) University Clubs for Social Service.

(3) An Economic Society in the city open to senior students, business men and others interested in Economic questions for periodic discussion.

(4) Appointment of business men to the Senate and to the Board of Studies. Heads of the Departments of Agriculture, Industries, Co-operation and Fisheries to be ex-officio on the Board of Studies.

(5) Lectures by business men on matters connected with their business.

(6) Excursions and practical investigations during the long vacation.

It is of the utmost importance for the University to secure the co-operation of leading representatives of industrial and commercial interests. It is not merely their advice and assistance in organizing courses of study, etc., but their financial support that we want. And that support, the University is entitled to claim, if it sets about its work properly, almost as a matter of right.

'Organization of the studies and teaching of Economics in India'

BY G. SATYANARAYANA MURTI, M.A., PROFESSOR OF HISTORY AND ECONOMICS, FINDLAY COLLEGE, MANNARGUDI.

(Abridged)

I. Economic Libraries

After dealing with Economic Libraries in England and America, Mr. Satyanarayana Murti wrote :—

I do not know if in this extensive land of ours there are any economic libraries worth the name except a few hundreds or tens of hundreds of volumes (text-books by standard and minor writers, a few periodicals of both continental and Indian fame and a big unanalysed and ill-classified heap of government publications and commission reports all counted together) even in the University Libraries. A glance at the catalogue of our Madras University Library (both the original and the recent supplement) will show that not more than six or seven pages are devoted to the names of periodicals—not all of economic interest—those of economic interest can be counted on one's finger's ends. The number of standard works on Economics (general and Indian) has perhaps the same tale to tell. As for the other University Economic libraries, I frankly confess I have not seen them or heard much of any special interest about them. The economic libraries of some seven colleges affiliated to our Madras University I personally had the pleasure of seeing, and they do not even approach the ideal of Europe and America either in the matter of the number of standard books and periodicals or in any outward signs of their having been used by any body except perhaps the lecturers and a few others in charge of the subject (though of course in a few cases I have to borrow a penknife and cut the still uncut pages). A government college in the south had not 'the Economic Journal' until very recently and the college from which I come began to import 'the Economic Journal' only since last year. As for private libraries of Professors of Economics, about four years ago I had seen one of a Government College professor and the other of a native state college professor. The library of the latter, though it cannot of course stand com-

parison with that of a Professor Seligman of the Columbia University, is by far the best of the private economic libraries in Southern India and I must acknowledge that I myself and our humble College library, Economic section, at the Findlay College, Mannargudi, have derived not a little inspiration and suggestion from it with regard to an average equipment of books for coaching our B.A. students for the University Examinations. As for the big Madras University library and the other Metropolitan College economic libraries, I am given to understand—I am open to correction if my information is wrong—that very few people use the books and periodicals there and perhaps fewer people know how to make use of the valuable information stored in the few standard works, periodicals and government reports of economic and statistical importance. I shall be glad if the University Economics professor and his able staff would organize a series of special demonstration lectures as to a rational use of economic libraries not simply in the City of Madras to the fortunate few economic students here but even in some select localities in the mofussil.

II. Economics in the University of Madras.

Mr. Satyanarayana Murti recommended as follows:—

(1) The economic research machinery and especially the staff (and duties) of the University Professor of Economics should be enlarged. The system of University lectures should be improved.

(2) The Madras University, with Government aid if necessary, should insist on the method recently adopted by the Mysore University in introducing simple Economics into the high school classes. Some special insistence must be placed on Indian Economic Geography by making it a compulsory and examinable subject in Group A or C; for there is no use of having this useful subject in that all comprehensive but really hollow Group B.

3. Economic History in Group iii Intermediate should be separated from Political History of England and given an independent status along with Economic History of India.

(4) With regard to the B.A. (Pass and Honours course), separate papers, one on General Economics Theory and the other on Indian Economics should be set by the University and suitable syllabuses framed accordingly. The University should take early measures to have suitable text-books produced, text-books written according to the syllabus.

Books in several volumes, two or three like those of a Nicholson or a Taussig or Bastable should be written with special reference to Indian conditions and in a way adapted to meet the real needs of the Indian Universities. The University might depute a Committee of experts having much leisure and freedom from other worry to do this useful work.

(5) The dissertations and researches of University students and University Professors should be collected and bound into volumes to be placed at the disposal of every affiliated institution. A part of this research staff might usefully be asked to be an itinerant body, at least for a fraction of the year going from college to college and making practical demonstrations by delivering lectures on the subjects and results of their research.

DISCUSSION

The use of the Lantern

The HON. and REV. E. M. MACPHAIL said, in relation to Professor Lyons' paper, that if the Indian Economic Association could take the initiative in developing the use of the lantern in the teaching of Economics, it would be conferring a great boon. Indian students were greatly assisted whenever the teacher could give them visual contact with the things discussed, as by the exhibition of actual cheques and bills of exchange. Colleges could not give them the advantages of foreign travel, but they could be provided with good lantern slides and a satisfactory apparatus, and this would be extremely valuable.

PROFESSOR ANSTEY supported the last speaker, but said that care should be taken lest the use of the lantern be regarded as an adequate substitute for actual observation, which, when possible, was the most effective means of studying concrete economic facts. He suggested that the Executive Committee of the Association should be asked to formulate definite recommendations in the direction indicated by Professor Lyons.

PROFESSOR KALE moved and PROFESSOR SHAHANI seconded a resolution to this effect, which was carried unanimously.

The Study of 'Indian Economics'

DR. HAROLD MANN opened the discussion on Professor Anstey's paper. He said that while he was a strong advocate of the separate study of Indian Economics, he did not feel that there was any real difference between his position and Professor Anstey's. He held, with Professor Anstey, that the study should start with the actual life of the people of India, but while Professor Anstey called this 'Economics' he called it 'Indian Economics.'

RAO BAHADUR K. V. RANGASWAMI AYYANGAR, while holding that the study of Economics must start with reality, deplored the tendency in the teaching of Indian Economics to be content with the accumulation of uncoordinated facts, and the lack of endeavour to draw inferences and interpret phenomena.

MR. P. RAMANATHAN urged that the study of Economics should be combined with practical action.

PROFESSOR V. G. KALE said that the prevailing methods of Economic study in India were deplorable. Students passed their examinations by cramming summaries, and the teachers also had prepared themselves for teaching by similar means. The fault was partly in the courses and examination papers of the Universities; and the reform needed was that the course of instruction should train students to draw their own conclusions from facts presented to them.

PROFESSOR ARTHUR BROWN said that the teacher was not a free agent. Much as he might like to teach on the lines advocated by previous speakers, he had to face the fact that what his students wanted was, not to conduct original investigation, but simply to pass their examinations and get their degrees.

Mr. T. K. DORAISWAMI AYYAR said that it was true that the psychological factor was an important one, and that Indian psychology differs from European; but nevertheless there was a distinct tendency in Indian cities to approximate in economic conditions and relations to the West; and in the villages the difference between India and Europe was essentially a difference between medieval and modern conditions. The extra importance to be assigned to the force of custom in India was not so great as some maintain. The special difficulty for the Indian teacher of Economics is that he should be familiar with both sets of conditions.

REV. FATHER CARTY, S.J., expressed the view that the true line of division should not be between General and Indian Economics, but rather between the pure science which was of the higher cultural value, and its more practical and technical applications. He recommended that the former should predominate in pass courses, and that opportunity to specialize in the latter should be provided in Honours courses.

MR. VENKATARANGAYYA supported Professor Anstey's plea for doing away with 'Indian Economics' as a separate course of study.

DR. GILBERT SLATER said that the discussion showed a general agreement among all the speakers with regard to the sort of study to be aimed at, but some difference with regard to the means of reaching the end. He agreed with Professor Anstey in thinking that it is better to have no separate course of 'Indian Economics', but to require that all the teaching should be based on a concrete study of Indian life, and be directed primarily to the interpretation of Indian life. He suggested that possibly the appearance of this curious subject 'Indian Economics' in University Calendars was due to the excessive modesty of the

Indian scholars and professors. When Adam Smith worked upon a French foundation he did not call his book 'The Wealth of Britain', but 'The Wealth of Nations'; when List took up the study of the English economists from a German standpoint he called his book 'National' not 'German' Economics. Similarly in Italy, Russia, U.S.A., and every country *except India*. But the Indian writer has shrunk from challenging comparison with writers of other countries of established reputation. He has looked about for a little sphere of his own, and has produced the numerous text-books of 'Indian Economics', when what is really necessary is that Indians, like writers of other nations, should attempt the re-interpretation of ordinary human life starting from their own experience and observation.

PROFESSOR ANSTEY, in reply, said that the difference between his position and that of Dr. Mann was real, not verbal. He held that the mere study of detailed and uncorrelated facts, in Indian villages or elsewhere, had in itself no value.

Second Day

MORNING SITTING

Problems of Poverty and Methods of Social Betterment.

The chair was taken by the HON. and REV. E. M. MACPHAIL. THE CHAIRMAN in opening the meeting remarked that Political Economy had been declared to be 'a dismal science' which cared nothing for the happiness of the individual. The papers before the Association that morning showed that however justified such an accusation might once have been, it was so no longer; but, on the contrary, its investigations were directed towards promoting the prosperity and happiness of the most unfortunate classes.

PAPERS

The effect of rise of prices on Rural Prosperity

BY HAROLD H. MANN AND N. V. KANITKAR

The effect of a rise in prices on the condition of the rural population in India has been a matter of very serious difference of opinion. Some authorities have held that, seeing that the produce of the land was the source of the prosperity of land holders and village people generally, the fact of their being able to obtain a higher price for it would obviously lead to their general economic advantage. Others, equally well informed, have stated that whatever would happen in theory, in practice every rise in price has meant more difficulty and more poverty in the rural areas. The matter is really of great importance, because, among other reasons, in a country of periodic land settlements such as occur in India, changes in price have always been considered a valid factor in determining changes in land assessment.

There are many methods of making a study of the effect of a rise in prices on rural prosperity. But the series of village studies in Western India which we have made in recent years seems to give us data for tackling the question at close quarters. These studies all relate to villages in Western India, and the first of them was published in 1917 under the title of 'Land and Labour in a Deccan Village.' The method of study in each case has been similar. The people of the village have been studied family by family. The sources of revenue have been ascertained for each family, as well as the necessary expenditure, including the payments of interest on debt which they had incurred. To complete such a balance sheet, family by family, naturally involved a certain number of assumptions as to the gross crop per acre, and hence the gross revenue from land, and also the minimum cost of living and clothing at the time when the study was made and at the prices prevailing. If the assumptions made be correct, then the survey affords a means of ascertaining the economic position of every family in the village, and also of the effect which any change in prices or other conditions would make on this position. It only requires, in fact, a

recalculation of the family data which we already possess, on the basis of a new level of prices, to enable a view to be obtained of the economic effect of any rise which may have occurred.

In attempting to carry out this scheme of utilizing our family data for the study of the present problem it may be stated that we have used the figures in hand for two Deccan villages. One of these is Pimpla Soudagar, an account of which has been already published, and which is situated ten miles west from Poona. The other is Jategaon Budruk, a somewhat larger village about twenty-five miles east from the capital of the Deccan. In the case of nearly every family in these two villages we have considered what would be the effect (1) of a general 50 per cent rise in prices without rise in wages, and (2) of a general fifty per cent rise in prices with a corresponding (50 per cent) increase in wages at the same time.

In determining what meaning was to be attached to the term 'a general rise in prices', we have made it include a rise involving all types of materials used by the village. Two general expenses had, however, to be excluded. On the one hand, land revenue, being fixed by a thirty years' settlement, cannot rise and must be considered to remain constant. On the other hand the interest charged on loans in the village has not altered materially as a result of the rise of price of articles or of money in the great centres. The only reason we can think of for this is that the rate of interest was already so high—the average for the two villages is 19½ and 23 per cent respectively—that it can hardly rise further and is hence independent of moderate rises in the value of money elsewhere. But except for land and money, the price of every commodity was assumed to rise to an equal extent, and to stand at a level 50 per cent higher than that previously occupied. The results have been exceedingly interesting, and we venture to lay them before the conference.

To take the village of Pimpla Soudagar first, we may say that when the original study was made we divided the 103 families in the village for which we had data into three groups. Group I consisted of families which were able to maintain themselves, at a standard of efficiency and respectability which they considered satisfactory, from the income from land and cultivation alone. Group II consisted of those who were, at their own standard, still in a solvent condition, though income from land had to be supplemented by income from their labour to make them so, while Group III included all those families who could not maintain themselves, at their own standard, even from income from land combined with income from labour, without going

into debt. The economic position, in other words, of Groups I and II was sound : that of Group III was unsound.

The economic position of the village families under these groups was as follows in 1916 :—

Group	No. of families.	No. of persons	Income from		Total Income.	Necessary expenditure.	Interest.
			Land.	Labour.			
			RS.	RS.	RS.	RS.	RS.
I ..	8	25	1,699	232	1,931	1,254	54
II ..	28	136	1,740	6,710	8,450	6,890	652
III ..	67	349	4,899	6,169	11,068	16,987	1,809
Total ..	103	510	8,338	13,111	21,449	25,131	2,515

Taken group by group we have in summary :—

1. In Group I (solvent from land only) there was an excess of Rs. 677 per annum on eight families, or Rs. 84·6 per family per annum.
2. In Group II (solvent from land and labour) there was an excess of Rs. 1,560 per annum in twenty-eight families, or Rs. 55·7 per family per annum.
3. In Group III (insolvent) there was a deficit of Rs. 5,919 per annum in sixty-seven families, or Rs. 88·4 per family per annum.

On the whole on the 103 families for which we have data there was a deficit of Rs. 3,682, or Rs. 35·7 per family per annum.

Let us see what would be the effect of a rise in the cost of commodities of 50 per cent. This means, of course, a rise in the income from land, and a rise in expenditure on all items except labour and interest. The immediate effect is, dividing the population into the same groups as before, to give us results as follows :—

Group.	No. of families.	No. of persons.	Income from		Total Income.	Necessary expenditure.	Interest.
			Land.	Labour.			
			RS.	RS.	RS.	RS.	RS.
I ..	10	30	3,233	418	3,651	2,423	318
II ..	6	32	1,683	1,080	2,763	2,303	238
III ..	87	448	7,608	11,667	19,275	31,056	1,959
Total ..	103	510	12,524	13,165	25,689	35,782	2,515

Taken group by group we have in summary—

1. In Group I (solvent from land only) there was an excess of Rs. 1,228 per annum on ten families, or Rs. 122·8 per family per annum.
2. In Group II (solvent from land and labour) there was an excess of Rs. 460 on six families, or Rs. 76·7 per family per annum.
3. In Group III (insolvent) there was a deficit of Rs. 11,781 per annum in eighty-seven families, or Rs. 135·4 per family per annum.

On the whole on the 103 families for which we have data there was a deficit of Rs. 10,093 or Rs. 98 per family per annum.

These results are very striking. The general effect of the rise of prices on the village as a whole is disastrous, but it has benefited a few families, which depend very largely on their own labour on their own land, *and who have very large debts*. The two families which have risen to the first group, show the following figures before and after the rise in prices:—

	Income from		Total.	Necessary expenditure.	Interest.	Excess of income.
	Land.	Labour.				
	RS.	RS.	RS.	RS.	RS.	
Before rise in prices.	457	186	613	540	264	73
After rise in prices. . .	685	186	871	650	264	221

These two families therefore rise from the second to the first group.

But while the effect has been beneficial in these two cases, a very large number of families are driven from the second group into the insolvent class. One family rises from the third to the second group, because nearly 80 per cent of its income is derived from land and also because of large interest commitments. It is curious to find the possession of large debts being a source of economic strength under the changed conditions!

The effect of the rise in prices on the position of the six families now belonging to Group II is shown in the following table:—

Rise in Prices	Income from		Total income.	Necessary expenditure.	Interest.	Excess of Income.
	Land.	Labour.				
	RS.	RS.	RS.	RS.	RS.	RS.
Before	1,122	1,080	2,202	1,674	235	528
After	1,683	1,080	2,763	2,303	235	460

Group III (or the insolvents) becomes very much larger as a result of this rise in prices. If one family leaves this group twenty-one descend to it, and among these twenty-one families a total excess of income in the year of Rs. 1,028 becomes a deficit of Rs. 901. The effect of the rise on the condition of the sixty-six families which originally belonged to this group is equally disastrous, and an original deficit of Rs. 5,914 per annum now becomes Rs. 10,207, being an increase of 72·5 per cent.

Taking the village as a whole, an original deficit of Rs. 3,682 in all the families in the village taken together, has increased in consequence of the rise in prices to Rs. 10,093 or by 174 per cent.

So much for the effect of a rise in prices without a rise in wages. It may enrich a few, but it is disastrous for the village as a whole. But if wages rise also to the same extent as prices, what will be the economic result? The following table shows the figures:—

Group.	No. of families	No. of persons.	Income from		Total income.	Necessary expenditure.	Interest.
			Land.	Labour.			
			RS	RS	RS	RS	RS
I ..	10	30	3,233	627	3,860	2,536	313
II ..	27	140	2,541	9,974	12,515	10,086	508
III ..	66	340	6,735	9,109	15,854	23,871	1,689
Total ..	103	510	12,509	19,710	32,229	36,493	2,515

Taken group by group we have in summary:—

1. In Group I (solvent from land only) there was an excess of Rs. 1,324 per annum on ten families, or Rs. 132·4 per family per annum.

2. In Group II (solvent from land and labour) there was an excess of Rs. 2,429 per annum on twenty-seven families, or Rs. 90 per family per annum.
3. In Group III (insolvents) there was a deficit of Rs. 8,017 per annum on sixty-six families, or Rs. 121·5 per family per annum.

On the whole, in the 103 families for which we have data, there was a deficit of Rs. 4,264, or Rs. 41·4 per family per annum.

The position now reached is, of course, as would be expected, not unlike that originally existing. There were thirty-six families in a sound position originally; now there are thirty-seven. Two rise from the second to the first group on account of increased income from land, and the stationary expenditure on interest; and one family rises from Group III to Group II for the same reasons.

The ten families now in Group I have improved their position. Formerly they had an excess of income of Rs. 750; now this excess is Rs. 1,324. There has, in fact, been a rise of 76 per cent. That is to say the excess has increased in greater proportion than the rise in prices and wages. The twenty-seven families in Group II have also improved their economic position. Formerly they had an excess of income of Rs. 1,586; now this excess is Rs. 2,429. There has, in fact, been a rise in the net profit per annum of 53 per cent, or again, in slightly higher proportion than the rise in prices and wages. The net loss of the sixty-six families now insolvent (Group III) according to our standard has increased from Rs. 5,914 to Rs. 8,017, or by nearly 36 per cent. This is very large, but the increase in loss is not quite in the same proportion as the rise in prices.

Generally, we may draw the following conclusions with regard to the effect of a rise in prices and wages to the extent indicated on the economic condition of the population of the village of Pimpla Soudagar:—

1. If prices rise 50 per cent without a rise in wages we find as follows:—

- (a) The people who depend on land alone, *which they work with their own labour*, and who have sufficient land to maintain them in a sound position before the rise in prices, are much better off.
- (b) Where there is a combined dependence on land (worked by themselves) and on labour, and where there was a sound economic position before the rise in prices, the position depends solely on the proportion

between the income from self-worked land and that from labour.

- (c) The man who benefits most is he who works his land by labourers, in other words, the non-cultivating proprietor.
- (d) The general effect on the village population is disastrous, and the annual deficit of the families belonging to the village, added together, increases enormously.

II. If prices rise 50 per cent, accompanied by a corresponding rise in wages, we find as follows:—

- (a) The people who depend on land alone, which they cultivate with their own labour, and who had sufficient land to maintain them in a sound position before the rise in prices, are again much better off.
- (b) Where there is a combined dependence on land (worked by themselves) and on labour, and where a sound economic position existed before the rise in prices, the position is still improved, and the improvement is slightly greater than the rise in prices.
- (c) The non-cultivating proprietor is not appreciably affected, except in so far as he has large debts.
- (d) The general effect on the village population is to lower their economic position. The annual deficit of the families in the village taken together, has been increased by 16 per cent.

III. With a rise of prices, whether wages increase or no, two general results seem to ensue:—

- (a) The gulf between the solvent and the insolvent classes tends to widen. The vast majority of the people who were solvent, especially if they were solvent from land, seem to become more solvent! the insolvent previously become in most cases more insolvent.
- (b) As interest has not risen with rise in prices, those who had large debts incurred previously have suffered less in proportion than the others.

So much for the results obtained by a study of the families in Pimpla Soudagar. But that village has been described as not typical because a considerable proportion of the population obtain their livelihood by working at Poona or Kirkee, which is close by. It was hence of importance to investigate a place, otherwise of a similar character, but far from any large labour centre. The village of Jategaon Budruk was chosen, being twenty-five miles

from Poona, and having no large non-agricultural demand for labour anywhere near. Here there was a population of 732 in 147 families, and the results of our inquiries were treated in exactly the same way as already described for Pimpla Soudagar.

The economic position of the village families, divided into the same groups as before, was as follows in 1917, that is to say before the recent rapid rise in prices began.

Group.	No. of families.	No. of persons.	Income from		Total income	Necessary expenditure.	Interest
			Land.	Labour.			
			RS	RS	RS	RS	RS
I ..	10	43	3149	1,507	4,656	2,338	210
II ..	12	25	250	1,213	1,463	1,245	66
III ..	125	664	12,408	5,826	18,234	35,393	6,479
Total ..	147	732	15,807	8,546	24,353	38,976	6,755

Taken group by group we have in summary :—

1. In Group I (solvent from land only) there was an excess of Rs. 2,318 per annum on ten families, or Rs. 231·8 per family per annum.
2. In Group II (solvent from land and labour) there was an excess of Rs. 218 per annum on twelve families, or Rs 18·1 per family per annum.
3. In Group III (insolvent) there was a deficit of Rs. 17,164 per annum on 125 families, or Rs. 137·3 per family per annum.

On the whole, on the 147 families for which we have data, there was a deficit of Rs. 14,628, or Rs. 99·5 per family per annum.

It is at once obvious that this is a village where the original difference between the more wealthy classes of the village and the poorer inhabitants is much greater than in the case previously studied, and also that the proportion of insolvent families is much greater also.

Let us see what would be the effect of a rise in the cost of commodities by 50 per cent, without rise in wages or in interest.

This is shown in the following table :—

Group.	No. of families.	No. of persons.	Income from		Total income.	Necessary expenditure.	Interest.
			Land.	Labour.			
			RS	RS	RS	RS	RS
I ..	12	58	6,088	1,507	7,595	4,652	402
II ..	3	4	141	227	368	343	24
III ..	132	670	17,474	6,809	24,283	49,952	6,329
Total ..	147	732	23,703	8,543	32,246	54,947	6,755

Taken group by group we have in summary :—

1. In Group I (solvent from land only) there was an excess of Rs. 2,943 per annum on 12 families, or Rs. 231·8 per family per annum.
2. In Group II (solvent from land and labour) there was an excess of Rs. 25 per annum on three families, or Rs. 8·3 per family per annum.
3. In Group III (insolvent) there was a deficit of Rs. 25,669 on 132 families, or Rs. 194·4 per family per annum.

On the whole, on the 147 families for which we have data, there was a deficit of Rs. 22,701, or Rs. 154·4 per family per annum.

The position revealed by these figures is extraordinarily similar to that shown in the village previously stated. There were twenty-two families in a sound position originally, now there are only fifteen. Two families rise from the third to the first group on account of the increased income from land, and the stationary expenditure on interest, which forms proportionately a very large part of the total expenditure. A very large proportion (75 per cent) of those in Group II fall into the insolvent class; this would perhaps be expected, as they depended for their solvency largely on the income from labour.

The twelve families now in Group I have improved their position. Formerly they had an excess of income of Rs. 2,277; now this excess is Rs. 2,943. There has, in fact been a rise of 29 per cent, which though less proportionately than the actual rise in prices, is substantial. The three families remaining in Group II have actually lost economically by the rise in prices, and barely maintain their solvency. The net loss of the remainder (Group III) or the insolvents according to our standard has increased by 51 per cent—a proportion practically the same as that of the rise in prices.

Taking the village as a whole, the effect of a rise in prices of 50 per cent without a rise in wages has been to convert an original deficit of Rs. 14,628 into a deficit of Rs. 22,701, or an increase of 55 per cent. The proportion is not so large in the case of this village as in that previously studied, on account of the larger proportion of the income due to the self-working of the land, and also on account of the very much greater indebtedness of the village.

So much for the effect of a rise in prices without a rise in wages. If wages rise also to the same extent as prices, the economic result is shown by the following table:—

Group.	No. of families.	No. of persons.	Income from		Total income	Necessary expenditure	Interest
			Land	Labour			
			Rs.	Rs.	Rs.	Rs.	Rs.
I ..	12	58	6,088	2,260	8,348	4,704	402
II ..	13	29	373	2,117	2,490	2,127	90
III ..	122	645	17,242	8,420	25,662	48,231	6,263
Total ..	147	732	23,703	12,797	36,500	55,062	6,655

Taken group by group we have, in summary:—

1. In Group I (solvent from land only) there was an excess of Rs. 3,644 per annum on twelve families, or Rs. 303·7 per family per annum.
2. In Group II (solvent from land and labour) there was an excess of Rs. 363 per annum on 13 families, or Rs. 27·9 per family per annum.
3. In Group III (insolvent) there was a deficit of Rs. 22,569 per annum on 122 families, or Rs. 185 per family per annum.

On the whole, on the 147 families for which we have data, there was a deficit of Rs. 18,562 or Rs. 1,263 per family per annum.

The general conclusions are, therefore, almost identical with those reached in the case of the village previously studied. There were 22 families originally in a sound position; now there are 25, or a slight increase. All those previously solvent remain so, and three are added from the insolvent class. The improvement in the position of the latter is due, as before, to the increased income from land, and to the interest being stationary.

The twelve families now in Group I have improved their position. Formerly they had an excess of income of Rs. 2,277; now this excess is Rs. 3,644. There has been, in fact, a rise of 60 per cent, that is to say the excess has increased in greater proportion than the rise in prices and wages. The 13 families in Group II have also slightly improved their economic position. Formerly they had an excess income of Rs. 195; now this excess is Rs. 363. Though the annual profit in these 13 families small, yet it has risen by 86 per cent, or again in larger proportion than the rise in prices. The net loss of the 122 families now insolvent according to our standard (Group III) has increased from Rs. 17,119 to Rs. 22,569, or by nearly 31 per cent. This is again large, but the increase in loss is not quite in the same proportion as the rise in prices.

The results in the two villages under study are, therefore, exceedingly similar, and the results drawn on a previous page for Pimpla Soudagar seem to be perfectly true for Jategaon Budruk. We would particularly call attention to the general conclusions. These show the mitigating effect of a previously high rate of interest on the results of a rise in prices. And more important still they show how a rise in prices will tend to emphasize economic differences, especially where the change in prices does not connote a corresponding change in the rate of interest.

In general, the evil effects of rise in prices on the general conditions of the rural population can, in the Deccan at any rate, hardly be gainsaid. And if this is clear, the question of the maintenance of low prices by any means may be a matter for much more serious concern on the part of those in authority than has hitherto been realized.

Welfare work in Madras City

BY MRS. WHITEHEAD, C.B.E.

1. Welfare work in India is still in its infancy, so that there is very little information bearing on this subject available in convenient form for reference. Information with regard to the economic history of the labouring classes in Madras is hidden in vast piles of household accounts, acquittance rolls of firms, petitions, letters to and from Government departments and records of Municipal doings. From all these sources much valuable matter will no doubt some day be extracted, but so far the work has not been done. From time to time investigations into actual conditions have been made, the first to be published being a small pamphlet by Mr. Arthur Davies and Mr. Ewing, and workers of all kinds amongst the poor have gradually accumulated a certain amount of knowledge about them. For all that the stock of information available is extremely small and in many cases not altogether trustworthy.

Moreover there are no trained welfare workers in Madras. This is not to say that there are not highly trained people working in different departments. There are doctors, nurses, sanitary inspectors, school teachers and officials of the co-operative movement, but of trained welfare workers in the modern sense of the word there are none.

Social workers in Madras have therefore had to work out their methods in the light of their own experience with such guidance as they have been able to get from the reading of Western literature and from departmental experts.

2. Welfare work has of course been carried on by Government, by missionary agencies and by a few special bodies, mainly under the heads of hospitals, schools, co-operative societies. I do not propose to make an examination into the work which has been accomplished but simply to describe a method which has been evolved in connection with work amongst the labouring classes living in the villages, commonly called Paracheries, which are dotted about the municipal area of the City of Madras.

3. The Paracheries are said to be about 150 in number. They are of different sizes varying from a dozen small huts to

a considerable area, with a number of different streets and houses of many different types. They are inhabited mainly, though not exclusively, by Panchamas. There is often to be found a small number of Mahommedans, Indian Christians and Anglo-Indians. The Kuppums and some of the caste villages are in general description hardly to be distinguished from the paracheries and the methods of work in these places are much the same.

4. *The land.*—In some cases the land on which the paracheri is built belongs to the Municipality but more often it is the property of the non-resident landlord. These landlords are often Mahommedans and their ownership dates far back. The people who have settled on the land generally believe that they have occupied it from time immemorial, that their fathers entered into an agreement with the ancestors of the landlord to clear the ground on condition that they should occupy part of it themselves. There are, however, no records of these transactions and it is possible that the first occupants were merely squatters who were allowed to build leaf shelters from which their present houses have gradually been evolved. A rent is charged by the landlord for the house site. This used to be four or eight annas but in many cases it has now been advanced to a rupee or Rs. 1-8-0. Further the value of land has increased very much since the beginning of the war and there is consequently a tendency on the part of the landlord to sell. He may offer the occupant the first refusal of his house site but at a prohibitive price, rising as high as Rs. 1,500 per ground or Rs. 27,000 an acre. In a single case the people have united to form a Co-operative Building Society and with the help of the Municipality have acquired the land on which their houses stand. Many other groups would like to do the same thing if help could be given them in making the necessary arrangements.

5. *Houses.*—The house itself or superstructure is generally the property of the inhabitant (occasionally we find him also the possessor of the house site but as a rule he pays rent to a landlord). Some of the houses are certainly not worthy of the name. They are mere leaf shelters—a very inadequate protection against sun and rain—others with mud walls are little better. We found one the other day which measured 8 ft. by 4 ft. and was 6 ft. high and in this one room people were cooking, sleeping and giving birth to children. Most of the huts however are somewhat larger and there is often a smaller room which is used as a kitchen. One of the worst features of these huts is the bad quality of the flooring. The houses are built on the ground

without a plinth and in wet weather are never dry. When the ordinary storm water becomes mingled with sewage either from the cesspools or, which sometimes happens, from the drainage pipes themselves, the condition of the house can hardly be imagined by those who have not seen it. It has recently been stated that the death-rate in one roomed houses is 60 per mille, in two roomed houses 19 and in three roomed houses 9 per mille, figures which are more eloquent than any words to describe the evils arising from bad housing.

6. *Sanitation.*—The problem of sanitation in these paracheries is an extremely difficult one. Some of them are furnished with latrines, although this is not always the case. Moreover the accommodation in the latrines, especially on the women's side, is often very deficient. The consequence of this is that the spaces round the latrines and also the lanes themselves are in a very dirty state. Even when new latrines are built on the most approved principle by the Municipality, a reformation is not immediately effected as the habits of the people have to be changed by gradual education.

A very important matter in the sanitation of a paracheri is the disposal of the rubbish. The ordinary paracheri is in a very dirty state. There are heaps of old leaves, paper, broken tiles and dirty rags in odd corners and although the Municipal cart is supposed to visit the locality there are many places where it cannot penetrate and where the rubbish heaps may remain undisturbed for a considerable time. The Health Officer is willing to give dust bins where the people ask for them and if social work is actively carried on the people can be taught to keep the street perfectly clean and to put the rubbish into dust bins. It is in fact much easier to teach paracheri people to dispose of their rubbish properly than caste people, the latter being defiled if they approach too near to dust bins.

7. *Water supply.*—There were a very large number of old wells in Madras but these are now mostly closed and are superseded by taps. In a few cases individual houses in the paracheries have got taps, but in many instances there is single tap for the whole village. The women feel it a great hardship to have to walk five minutes from their door to the tap and five minutes back in order to get a pot full of water, there are often struggles for first place at the tap and many have to wait for a very long time for their turn.

8. *Lighting.*—One of the improvements which the people mostly pray for is the provision of good lighting in the streets. If the expenditure of money were left to them they would probably

spend an undue proportion on lamps compared with that expended on sanitation and yet their standard is not very high and even in the best lit paracheries the light is very insufficient. Compared to the lighting in the paracheries of Bangalore, those in Madras are very badly furnished.

9. *Employment.*—The labouring classes of Madras live in the paracheries. Here we shall find the coolies, rickshaw men, jutka wallahs, peons and domestic servants, with a sprinkling of artisans, fitters, compositors, carpenters and schoolmasters and also a certain number of clerks either in private firms or in Government service. So amongst the poorest of the inhabitants we find men earning 4 or 5 As. a day and that not regularly, domestic servants on Rs. 10 to Rs. 15 a month, Government peons on Rs. 13, while the aristocracy of the place consists of writers, schoolmasters, superior artisans and butlers in service in large houses. It should emphatically be stated that in the Paracheries many families are to be found of high character and real capacity.

10. *Expenditure.*—We have often attempted to find out exactly how much the people receive and how much they spend, and so far our results have not been satisfactory as we have only collected a very small number of family budgets which we can believe to be correct. It is especially difficult to get the people to tell us how much they spend on drink. As a rule the poorer the family the larger the proportion of its income which goes to the toddy shop. The question of food may be approached in the following way. The Jail department may be supposed to have worked out the cheapest dietary under which a man can be kept in health and strength. The rations given in the Madras Jail for one man consist of—

			lb.	oz.
Rice	1 4
Vegetables	0 6
Oil	0 0 $\frac{1}{2}$
Tamarind	0 0 $\frac{1}{2}$
Salt	0 0 $\frac{3}{4}$
Curry powder	0 0 $\frac{1}{4}$
Onions	0 0 $\frac{1}{2}$
Firewood	0 12

The cost to Government is three annas and five pies a day. A woman requires rather less food and the food of a family of five (father, mother and three children) according to the jail standard costs in the bazaar Rs. 23-14-6 a month. To this must be added rent, clothing and also interest on loans which have been taken for

incidental expenses such as marriages, house repairs or funerals. It would seem therefore that a man cannot marry and bring up a family of three children on a smaller income than Rs. 23 a month. How then are we to explain the discrepancy between this sum and the income received by working men? The suggestions which have been made are first that there are sources of income which the people are not willing to acknowledge and secondly that in many days in the month they do not eat enough to satisfy their hunger.

Although as a scientific statement this leaves much to be desired the main fact is clear that both Government and private employers are paying wages at rates under which it is impossible for the people to live up to the standard of necessity, or in other words we are feeding our convicts better than our honest servants. The result of this procedure must be not only a very great loss of infantile life but a low standard of physique which will have a very serious effect in the years to come.

11. *Methods of Social Service.*—We cannot expect to effect any sudden improvement in the conditions of the labouring classes, especially as the conscience of the more educated or wealthier people is not yet awakened. Many people would be prepared to improve the condition of the poor if this improvement could be brought about by speeches at public meetings and the passing of resolutions. But when they find that a real improvement involves increase of taxation or higher rates, as well as a real effort in personal service, their enthusiasm is apt to fade away.

Two improvements which are urgently required are—First that Government and private employers should raise the pay of their servants so that they can afford to get food at least according to the jail standard, and secondly that the Municipality should be willing to spend money on improving the localities in which they live. But in addition to these measures there is room for a very great amount of social service or education in social welfare to be carried on by honorary workers amongst the people themselves.

In considering how this work may best be carried on we are confronted with the fact that the main social evils—poverty, disease, ignorance and intemperance are all interlaced and one can hardly be attacked by itself. Poverty, for instance, is largely due to incompetence which is due to want of education, but it is also due to intemperance and its immediate cause is very often a heavy weight of debt incurred for a marriage or some other special occasion.

And we therefore feel that social service may most effectively be carried on by selecting a group of people and amongst them vigorously attacking the main existing social evils at the same time.

Our first step must be to secure workers and it is necessary to stipulate that if they undertake work they must carry it on regularly, giving one afternoon a week to the area to which they are attached. It will be necessary for them first to make some kind of survey of the area or paracheri which they have selected. Several good questionnaires have been drawn up, varying in elaboration. The following is a simple questionnaire suitable for a beginner.

- (1) Name and address of investigator.
- (2) Name of area or village to be investigated.
- (3) General description of locality and surroundings:— On a hill? on the plain? enclosed by a wall? near a river?
General description of houses: mud? stone? brick? one or more storeys? tiled roofs? Number of houses.
- (4) Number of inhabitants? Names of principal castes and races and approximate number in each? (including Europeans).
- (5) Principal trades and occupations?
- (6) Where do the people get their water-supply? Are the streets lit by lamps at night? Are there any dust bins or rubbish pits? Are there any latrines?
- (7) Medical assistance—Is there a doctor? a hospital? a dispensary? a midwife? Barber women? What is it the habit of the people to do when they are ill? Note especially on the confinements of the women.
- (8) Health—What sickness is most common in the area or village? What is the rate of infantile mortality (i.e., the number per thousand of babies born who die before they are one year old. You can get this figure from a registrar of births and deaths).
- (9) About how many of the people are in debt? How much is the amount of the debt? To whom is it owed? What security is given? What interest is paid?
- (10) Are there any Co-operative societies in the village? Are they successful?
- (11) Are there any schools? How many of the people can read?

- (12) Is there a liquor shop in the area? Do the people drink much?
- (13) How are the affairs of the place conducted? Is there a panchayat which settles disputes? Talk this over with the elder men and if there is no such committee, ask them if it would be possible to form a committee which would,
- (a) encourage the formation of Co-operative societies,
 - (b) improve the sanitation of the place,
 - (c) fight against the drink habit,
 - (d) start and manage primary schools when they are needed.
- (14) Do you consider the social condition of the place satisfactory? If not, in what respects is it unsatisfactory? Can you suggest any practical remedies?

The worker will not be able to make these enquiries all at once. He will first have to establish some kind of relationship with the people, but if he goes out for the first time with an experienced worker this will be easily done as the people are very willing to welcome those who visit them in a friendly spirit.

The young worker will require some guidance in deciding what form of social work to undertake first. Many lads made a beginning at the time of the influenza epidemic and any special need of the people is also a great opportunity for winning their confidence, but whatever be his first step one main object of the worker should be to start a Co-operative Society, as with this as a foundation much may be accomplished, while without it the indebtedness of the people is a constant obstacle to their progress. In early days it was very difficult to interest the people in the idea of a Co-operative Society but there are now so many primary societies in Madras that the people themselves are asking for them and we have need for many more workers than are available for consolidating the work that is already begun. After the Co-operative Society has been formed it requires close supervision, given tactfully and in the nature of advice rather than of discipline, for a long time. Constant little difficulties arise and the worker will have to deal with them one by one, acting often on his own responsibility with only his good feeling and common sense to guide him. But the wonderful results that come from the establishment and good management of a Co-operative Society will

be an ample reward and he will have the pleasure of finding the people grow in sense of responsibility and of seeing new ambitions springing up amongst them. In connection with the Co-operative Societies, the Registrar is anxious to promote buying of supplies on the indent system. Isolated experiments have already been made and are much appreciated by the people. The system recommended is to open what may be called a One Day Store. The use of the school or some suitable building is secured and to this brought on an appointed day as much rice, oil, pepper, chillies, tamarind, salt, and other supplies as is required by the people for a week. They have previously indented for the exact amount required so that there is no possibility of waste. The supplies are then distributed and the cost is entered against them as a loan.

Arrangements have been made for carrying out the same process next Pongal day with regard to cloth.

As we go about we are constantly asked to start a night school or even a day school as the people have come to recognize the value of education. There are over 400 elementary schools in the City of Madras and yet we are asked for more and more. The schools are not all very effective, and there is need of a larger supply of really expert supervision, but this hardly comes within our scope as none of us has the necessary training or leisure to raise the standard of teaching in these schools.

In attacking dirt and disease we have been very successful where we have been able to secure and retain workers. It has been found that the people in a paracheri can be trained to keep their village in a good state, free from the heaps of rubbish which are the worst breeding grounds for disease. There is a growing demand for dust bins and in some cases a number of the inhabitants of the cheri undertake to see that they are properly used. A still further improvement could be effected if the Corporation were willing to spend money on a better provision of latrines and if voluntary workers were willing to educate the people in this respect.

As regards medical work an experiment has been made during the past two years which has been very successful and which the Surgeon-General hopes to continue. The use of a school or other building for a couple of hours each week is obtained and a lady doctor visits the place bringing a box dispensary, which is supplied by Government. The women and children in the village are brought to the building by the honorary workers. The doctor then treats those suffering from minor

ailments and advises those suffering from more serious complaints to go to the hospital. It is the duty of the honorary workers during the week,

- (1) to see that the sick people really do go to hospital,
- (2) to see that the treatment prescribed by the doctor for the minor ailments is carried out.

A course of training in Hygiene for voluntary workers has been organized and opens on January 6. It is hoped that this will be of great assistance to the honorary workers engaged in this form of service.

Under the scheme outlined above there is a great opening for work in the City of Madras. The people are eager for work to be developed in this way. The officials are most ready to help in every way possible and what is needed is a large increase in the number of honorary workers who will regularly give up every week a definite portion of their time and who will submit themselves to a definite training. There is this further encouragement that in a large number of areas it will only be necessary to start the work and to supervise it for a short time. The leaders amongst the people will then be quite able to undertake it themselves and to carry it through successfully with the friendly help upon which they can always depend from the departmental experts.

Little has been said about the moral problems which are involved in all attempts to raise the people. In the course of our work in the City of Madras we find terrible evidence of degradation of life. It is beyond the scope of the present paper to discuss how this should be dealt with but it must be ever before the social worker whatever may be the particular form of work in which he is engaged.

There remains only to discuss the general organization of welfare work in the City. Effort seems usually to take shape in the form of very small organizations each with its own President and Secretary and small handful of workers. There are at least a dozen such organizations in Madras, some of them fairly well established and some of them quite new. Each has its own little sphere of work, each its own little bundle of enthusiasms, and any attempt to drill these organizations and bring them too rapidly into line would have the effect of extinguishing the small spark of true desire for service which animates them. On the other hand, it is necessary for their own sake as well as for the work to co-ordinate them by some general organization, and in 1917 the Madras Council of Social Service was formed to which all Social Service organizations in the Presidency are affiliated. This Council does

not interfere with the internal government of any local organization but it takes action on points which affect several organizations. It discusses policy and advises new leagues and associations when asked to do so. Its latest activity is to arrange for a scheme for training which is to be carried out under the general direction of the Surgeon-General and the Registrar of Co-operative Societies. It should in time be able to collect a library on social subjects and to make its experience available in the form of pamphlets.

But after all our problem is not organization: to spin schemes and reduce them to paper is an easy matter, to acquire knowledge is a question of brains and time, but to raise up the depressed, to set free vast numbers of men and women who are enslaved under the tyranny of poverty, disease and vice requires a real power of sympathy and active love and a constant subduing of selfish aims. As the years go on those of us who have been working together amongst the poor of Madras feel more and more that it is not schemes, however necessary and however good, that are going to raise them, but the power of a simple humble friendliness, in which we shall profit as much as they.

Industrial Betterment and Welfare Work in India

BY A. R. BURNETT-HURST, B.Sc.

(ECON.), F.S.S.,

PROFESSOR OF ECONOMICS, MUIR CENTRAL COLLEGE,
ALLAHABAD.

The suggestions which form the subject matter of this paper are based very largely upon a study for three years of the working of the industrial system in Bombay. Although my remarks apply more especially to that city, yet they hold good for the most part in the other industrial centres of the country.

The physical, moral and intellectual well being of the worker can be promoted partly by the worker himself, partly by his employer, partly by independent agencies (e. g., bodies of social workers), partly by local authorities, and partly by the State. We are here chiefly concerned with the part which the employer and the State can play in improving the welfare of the masses. While the State steps in from time to time to remedy some of the most glaring evils, it has largely been left to individual employers to take action.

Voluntary effort on the part of employers to improve within the existing industrial system the conditions of employment in their own factories is known as Welfare Work.

In a modern factory in England where up-to-date welfare methods are employed, we find attention in the first place given to the environment of the worker—the temperature of the factory, its ventilation, lighting, drainage and general cleanliness. Various safe-guards for protecting the worker are provided. The comfort of the worker receives consideration by the provision of mess-rooms and facilities for getting food and refreshments, rest-rooms, lavatories and bath-rooms. A creche is provided for the infants and children of women workers. Employers also realize the importance of giving attention to recreation, and opportunities for social intercourse. Recreation Clubs are formed, playing fields are provided, cricket, tennis, football, hockey, bowls,

croquet, basket ball, swimming, rowing, cycling and other open-air sports are encouraged. Among in-door exercises are billiards, chess, draughts, dancing and gymnastics. The health of the worker is regarded as a matter of prime importance to the employer. For this reason doctors, trained nurses, dentists, dispensaries, convalescent homes and holiday homes are provided. Frequently beds in hospitals are placed at the disposal of employers in recognition of their subscriptions. Mental development is not overlooked and welfare schemes under this head include factory schools, technical institutions, classes in cookery, needlework and housewifery, libraries, reading clubs, works magazines, bands and singing classes. Insurance schemes and provident funds are also frequently introduced by the employer for the benefit of his workpeople. Since the outbreak of War, a large number of progressive employers have established welfare departments with specially trained men and women known as welfare secretaries in charge. The duties of the welfare secretary are many and varied, and the work is becoming a specialized profession.

CONDITIONS IN INDIA.

At present the efforts of employers in India to improve the well-being of their operatives are isolated, and more or less spasmodic. Much of the initial work in educating employers in their responsibilities has been carried out by bodies of social workers, such as the Social Service League of Bombay. This League by organizing settlement work, lectures on social subjects, night classes, libraries, co-operative societies, fresh air excursions, open-air sports, etc., has pointed out to employers work which could very well be carried out in their mills. With the aid of a journal, the *Social Service Quarterly*, and other forms of propaganda, many employers have been interested in the activities of the League and have lent it their financial support. More recently two large employers of labour offered to finance schemes of welfare work in their mills if the League would undertake the work of administration. The first scheme to be carried out was for the benefit of the operatives working in the mills under the agency of Messrs. Currimbhoy, Ebrahim and Sons, Ltd. A building has been provided to serve as an institute where night schools, music and drill classes, lectures, etc., are held. At the night schools the workmen receive instruction in the three R's, English, Marathi, elementary mechanics and weaving. About a hundred students are on the rolls, but unfortunately attendance is very irregular, and few are found to stay at the school any length of time. The music class had to be discontinued

'owing to the irregular attendance of the teacher,' while the drill class appears to be quite successful though small in numbers. There is a library of over a thousand Marathi and a couple of hundred Gujarati books—over 200 persons have enrolled themselves as members. A reading-room, which is well patronized, is also located in part of the Institute building. In an out-house of the building a club has been started with a view to supply wholesome refreshments of guaranteed quality and cleanliness at moderate rates. Arrangements have also been made for in-door games and recreation. A cricket club has been formed and open-air sports are held annually. In order to assist the workers to free themselves from the clutches of moneylenders, eight Co-operative Credit Societies have been started with a membership of nearly 200. During the influenza epidemic a dispensary was opened, a whole-time doctor was engaged, and milk, medicine, blankets, etc., were freely supplied to those in need. Similar welfare work was started by the League at the instance of Messrs. Tata Sons, Ltd., in November, 1918, for the benefit of the three mills under their agency, viz., the Tata, Standard and David Mills. The work is similar to that carried on at the Currimbhoy Ebrahim Institute except that in addition an electricians' night class is being held as an experiment at the David Mills. If it proves successful, a regular course of training will be instituted. A moral class is also held. At the Sports Club, football is one of the games which are encouraged.

The success attending the efforts of the League in connection with these institutes has encouraged it to prepare a bolder scheme for the establishment of a number of Central Welfare institutes where the work would not be confined to the employees of a particular mill nor the institutes maintained by a single firm, but by the general public. As part of this scheme the League intend renting a house in the suburbs to be used for week-end holiday resorts by workmen and for fresh air excursions for children.

WELFARE WORK AT MADRAS.

Of a different nature is the welfare work which has been carried out by the Buckingham and Carnatic Mills in Madras. Nearly twenty years ago a small school was started for half-timers. It has expanded so greatly that it now includes half-timers, children of workpeople, full-timers and adults who attend the technical classes in the evening. In the technical classes the theory of weaving, sizing and spinning, machine drawing, building construction and practical geometry are taught by skilled

foremen to about fifty men on the average. In the school for half-timers the subjects include English and the vernaculars, arithmetic, hygiene, gardening, general knowledge, hand-work, etc., carpentry, blacksmith work, tailoring, drawing, drill and gymnastics. The school is in the midst of bright and healthy surroundings and is surrounded by extensive playgrounds in the large compound. Other forms of welfare work, no less important, are the Gratuity Fund, a Dispensary, a Creche, a Chatram, which provides a cooking, eating, resting place and shelter for workpeople, an institute with a library and reading room, a gymnasium, etc. Further an extremely interesting housing scheme has been initiated for the benefit of the worst-paid workers and already a large number of very superior houses have been built. These are in great demand.

Welfare work is also being carried out on an extensive scale at the Tata Iron and Steel Works, Jamshedpur, and to a less extent at some of the Calcutta jute mills. Apart from these few exceptional instances, very little in the form of active welfare work is being undertaken in India. Let us see what work could be undertaken by employers in India and how far the existing factory legislation fails in its operation.

VENTILATION, SANITATION, ETC.

There are considerable differences in the standard of lighting and ventilation from factory to factory. While in newly-constructed mills in Bengal and Bombay excellent provisions for good lighting and ventilation are maintained and even in older mills the fitting of fans and distributing air trunks has brought about great improvements, there are still large numbers of factories which are badly lighted and ill-ventilated. Defective lighting and ventilation is common in seasonal factories, while many weaving sheds are over-humidified. No great change can be made until recognized standards of lighting and ventilation are adopted and the Factory Act, accordingly amended. It is seldom realized that where lighting is poor, the risk of accidents is increased.

Similar differences exist in the matter of sanitation. Most of the large textile concerns in Bengal have introduced septic tank latrines, and in Bombay excellent latrines are provided in some works. In one of these, the latrines have been made so comfortable that the employer complains that when his men want a rest they visit the latrine, and here they are to be found smoking and playing cards! While in many mills we find such excellent sanitary arrangements in a large number of others the

insanitary hand service system exists. Further, in the Punjab and other parts of the country, the standard of sanitation is considerably lower than in Calcutta and Bombay. Ginning and pressing factories are, again, some of the worst culprits in carrying out the rules passed under the Indian Factories Act, e.g., the annual lime-washing is neglected by the majority of such factories in Punjab.

The importance of a plentiful supply of good filtered water is very great, and while this appears to have received careful attention in the Presidencies, complaints are made by the factory inspectors in the Punjab that there is inadequate provision by seasonal factories. Further, there is no legal compulsion for the provision of lavatories and bathing tanks. Some of the more up-to-date mills have constructed excellent 'pukka' tanks where the water is changed frequently, while others provide walled-in shower baths. The Act should, however, be amended to make compulsory the provision of bathing facilities, the exact form to be prescribed by rule of the Provincial Government. Under existing conditions in many mills there are no facilities for a bath or for a wash during the midday interval or after-work.

ACCIDENTS.

Many of the accidents in Indian mills are attributed to the long working hours in factories leading to a dazed condition of operatives. The only remedy is a shorter working day which will lead to reduction in the number of accidents. Many accidents are caused by the gross carelessness and ignorance of the workers. The great demand for labour during the recent industrial activity in India has resulted in a number of persons unacquainted with factory life taking up the work, and frequently fall victims through sheer ignorance. On the other hand, several accidents can be attributed to bad lighting in a factory, or, in the case of cotton and jute godowns, attempts to economize space at the expense of safety.

It would appear, then, if any great diminution in the number of accidents is to be expected, the working hours should be reduced, interior lighting of factories, especially ginning factories, should be improved, strict rules for the storing and stacking of bales should be laid down, and more care and supervision should be exercised by the supervising staffs of mills to teach raw and ignorant workers. Further, it should be made compulsory under the Factory Act that each mill should have a rubber-tired ambulance-stretcher which must be kept in a good state of repair. Under the existing Factory Act the rules which have been drawn up by, for example, the Government of Bombay

relate only to the notification of accidents, but no rules are in force which lay down the procedure to be adopted for rendering medical assistance to the injured person. Some mills are situated in remote parts of a city, where gharries are difficult to obtain. I have known of cases where the injured man has had to be conveyed to hospital in a bullock-cart exposed to the scorching heat of an Eastern sun. As the law does not compel provision to be made for immediate medical attendance when required, cases do occur where the injured party is unable to receive skilled first-aid. A number of mills have provided for the part-time services of a doctor or compounder, but frequently they are not on the premises when an accident occurs. It is for this reason that the recommendation of the Government of Madras should be followed by other provincial Governments. The Madras Government has impressed upon factory-owners the importance of making ample provision for rendering aid to workers in case of accidents. Accordingly it is laid down that Chapters 8, 9 and 10 of the Indian Manual of First Aid should be printed and hung up in prominent places in factories, that employers are advised to keep first-aid chests and to encourage the holding of first-aid classes for instructing the more intelligent of the workmen. In the reader's opinion employers of factories throughout India should be compelled by law to make these provisions. They should also be urged to start nursing classes among their women employees as is done in many a factory in England.

Delay in removing the injured party to hospital often occurs through the necessity of a police sepoy accompanying the injured man to secure his admission to hospital. This could be avoided if admission to hospital were made on the authority of the manager or some other responsible officer at the mill.

MESS AND REST-ROOMS.

Owing to the long hours, short intervals and often long distances of factories from the homes of the workers, they cannot return home for the midday meal. Their women-folk bring their food to them at the works, but as no facilities are provided in the form of mess rooms, they have to eat wherever they can. When the midday syren is sounded it is a common sight to see the operatives sitting on the stairs or in the corridors or by their machines, some eating while others are asleep, for no rest-rooms are provided. Surely it is better to have proper rest-rooms than to allow the workers to rest under these conditions or to seek a retreat in the foul atmosphere of the latrine.

No facilities are given for obtaining wholesome food and refreshment within the factory compound. Workers who require to purchase food usually have to do so from the vendors sitting outside the factory gate.

CRECHES

There are many women who work in factories (e.g. 'reelers' and 'winders' in a cotton mill) and who have no relations at home to look after their young children. In many mills, and especially in ginning factories, they bring their children with them to their work.

A factory inspector writing about this says 'it is a common thing to see tiny children playing on the dangerous gins or being nursed by their mothers. The atmosphere is full of dust and cotton waste.' Apart from the dangers of such a practice one can imagine the terrible effects of such conditions on the health of infants, and yet there is nothing in the Factory Act to prevent such young children being brought within the working departments of factories. Even older children who are left by their parents to look after themselves spend their time in their parents' absence either in insanitary dwellings or playing in the streets. To put an end to these evils every factory employing women workers should be compelled by law to provide creches with ayahs to look after the children and babies while their parents are at work. Here they would be cared for and given toys to play with in healthy surroundings.

Such institutions have been established at the Buckingham and Carnatic Mills and at one or two other factories.

RECREATION

Insufficient attention is given by employers to recreation facilities. The long factory hours partly prevent sports being encouraged, but advantage might well be taken of Sundays and other holidays. The Indian working lad and man is very keen on gymnastics and wrestling. These might well be encouraged. The formation of a Sports Club could easily be undertaken by an employer if he would but take interest in his workmen. If playing grounds could not be acquired owing to difficulties of acquiring land, applications for pitches in the public parks and open spaces could well be made and games like cricket, football or hockey encouraged. If these are not found to be popular among the workmen, Indian games like 'kubbadee' might be introduced. It is unlikely that attempts to encourage games or sports on a large scale will be successful until the

hours of labour are reduced, as the workmen are too fatigued at the end of the day or end of the week to take interest in anything.

INSTITUTES

Employers would also do well to follow the example of the Binnys the Tatas and the Currimbhoys by establishing workmen's institutes on the lines already indicated. Such institutes accompanied by the other schemes of welfare work which have been suggested in this paper, would do much to improve the lot of the average mill hand and at the same time would be found to pay the employer. Labour would tend less to migrate from factory to factory and the more contented the lot of the workman could be made the greater likelihood of ensuring an adequate supply of labour and the greater likelihood of labour settling down at the factory. The supply of labour is one of the greatest problems which employers in India have to face and yet they hardly seem to realize that the only method of solving it is to make the conditions of living of their workers so attractive that the labourers will not desire to return to their villages, but will make their permanent residence in or near their employer's mill.

If employers do not take the initiative themselves, their hands will be forced either by the legislature or by the workers themselves, for industrial labour in India is awakening. The contemplated early introduction of compulsory primary education will teach the rising generation of factory workers to read. When once they begin to read, they will begin to think and to demand their rights. Then will commence conflicts between labour and capital similar to those taking place in Europe today. Although the capitalist in India has these lessons before him, yet he appears to be blind to them. Now is the time for him to sympathetically investigate complaints and give opportunities to his workers for voicing their grievances, and at the same time to carry out an active policy of industrial betterment and welfare work. This can most satisfactorily be done by the establishment of a welfare department in the mill where men and women trained in welfare methods will be devoting their whole time and energy to improving the position of the manual worker.

HOURS OF LABOUR

According to the Factories Act, no person shall be employed in a textile factory for more than twelve hours per day. There must be an interval of at least half an hour after every six hours'

labour and no work is permitted on Sundays unless there has been a holiday in one of the three days preceding or succeeding the Sunday. While there are several employers who do not work the full twelve-hour day, yet the majority do so. In actual practice the mill-hand rises in the early hours (at 4.30 a.m. or 5 a.m.) prepares and eats a hasty meal, proceeds to the mill reaching there about 6 a.m. or 6.30 a.m. After a twelve-hour working day with a half-hour interval, he leaves the mill at 6.30 p.m. or 7 p.m. at the earliest. On his way home he generally purchases a few condiments and when he reaches home, has to wash, cook his food and have his evening meal. It is nearly 9 P.M. by the time this is completed. Recreation is not possible. He either goes to bed or spends the next few hours at the drink shop. This is repeated daily for six days at a stretch. It is not surprising then that the factory hand and social worker clamour for a reduction of hours. The employer, while admitting that the hours are long, complains that much time is lost in loitering and that the actual hours spent in work are considerably less than twelve. The answer given in reply to this argument is that if shorter hours are actually worked by the operative it were better that he were employed continuously for these shorter hours and then be allowed leisure.

The advocates for a shorter working day urge an immediate reduction to 10 hours instead of the present 12. This would no doubt result in a considerable diminution of output, for any attempt to 'speed up' very greatly in consequence of the great reduction would probably lead to discontent and strikes. Moreover the piece-worker would probably find at first that he would draw less wages unless piece rates were raised in proportion. While economists as a rule recognize the value of reducing working hours, I feel that it will be generally admitted that reduction by stages would bring about better results and cause less discontent than by a sudden reduction from 12 to 10. By all means make the ten-hour day the ultimate aim of the movement, but if it is carried out by stages, production can be screwed up by stages.

In order to create as little dislocation as possible, the twelve-hour day should be reduced by one hour, and then by a further stage of one hour, or two further stages of half an hour each. These hours should apply to all factories and not only to textile mills.

EMPLOYMENT OF WOMEN

According to the existing legislation no woman is allowed to be employed at a factory for more than 11 hours. In actual

practice there is excessive employment of women especially in seasonal factories. In recent reports of the Factory Inspectors for Bombay Presidency cases are recorded where the ginning factory managers have been convicted of working their women labourers for 24 hours, while in 1917 the manager of a mill in Ahmedabad was convicted for attempting to do the same thing. Detection of such crimes—for they are criminal acts—is extremely difficult, and when prosecutions are instituted, the fines imposed have been slight compared to the gravity of the offence. Ginning factories take advantage of the difficulties of regular and frequent inspection, while Section 27 of the Indian Factories Act (1911) practically amounts to allowing them to work their women employees an unlimited number of hours. The only means to put a stop to these abuses is to repeal this section of the Act, carry out more frequent inspection of these factories, prohibit night work for women, and make it a criminal act heavily punishable by fine and imprisonment for an employer to deliberately work women an excessive number of hours.

Moreover to prevent the sweating of women in ginning factories, the principle of a minimum wage would be a welcome introduction. It would, however, be extremely difficult to carry out such a proposal without a greatly increased inspectorate and without educated work-people, which is too much to expect at present. Better regulations for safe-guarding the health of the worker should be made for all seasonal factories. It is in these factories that the greatest abuses exist in the industrial system of India.

There is also great need for the employment of women factory inspectors and women welfare works in all mills and factories where women are employed. It should be the special duty of these welfare workers to safeguard the interests of women employees and to raise the moral tone of those departments of mills where 'naikins' or women supervisors exercise considerable influence for evil. These naikins are women of low moral standing, who frequently co-operate with the reeling clerk to drive many of the girls and women under their control into degradation.

EMPLOYMENT OF CHILDREN

The Factories Act lays down that no child under fourteen years shall be employed in a factory (1) unless certified to be nine years or more, (2) before 5.30 a.m. or after 7 p.m., and (3) for more than seven hours in any one day.

To evade the law a child will frequently be made to work in a factory from 6 a.m. to 12 noon and then go to a neighbouring mill and work there during the afternoon. In two mills in Ahmedabad, two jobbers were recently convicted and fined for having worked half-time children (by arrangements between themselves) in each of the mills alternately on separate sets of certificates. It is extremely difficult to put a stop to such practices, as the children are enrolled under different names in the two mills. The children are also taught by the jobbers or overseers to fear the Factory Inspector, so when he visits a factory and enters a department where children are employed, they race about screaming and if the Inspector attempted to give chase the children would be likely to run into machinery.

Excessive employment of children is not unusual in ginning factories. In one factory alone fourteen children, including four under nine years of age, were found working illegally long hours. To minimise the risk of detection, ginning factories frequently close up on hearing of the likelihood of an inspection or adopt devices to prevent the muster-roll of the factory being inspected.

In order to put a stop to these abuses, the Collector of Bombay in the Bombay Factories Report for 1918 advocates the raising of the minimum age for employment in mills from nine to twelve and the lowest age for adults from fourteen to sixteen. This recommendation is almost identical with the action of the Washington International Labour Conference, which has passed a resolution favouring the minimum age limit for employment in certain highly organized industries in this country being raised from nine to twelve years.

INSPECTION

A great many of the breaches of provisions of the existing Factory Acts are due to inspections not being sufficiently frequent and punishments not sufficiently severe. Many seasonal factory owners, we are told, count upon a second visit of an Inspector as improbable. Numbers of factories are frequently never visited even once a year. The following statistics are of interest:—

During 1918	Inspected	Uninspected.
Punjab	... 65	111
United Provinces	... 145	48
Bengal	... 219	389
Bihar and Orissa	... 2	40
Assam	... None	15
Madras	... 446	14
Bombay	... 815	20

Inspection appears to be very defective in the Punjab, Bihar and Orissa, and Bengal. It is essential that the staff of Inspectors in these provinces should be increased. Also women inspectors should be appointed to give special attention to those factories where women are employed.

Further, Inspectors should endeavour to arrange conferences between employers, employees, social workers and the inspectorate for the purpose of discussing means of securing the safety and health of persons employed.

PENALTIES

In cases of infringements of the existing laws by the employer, the occupier or manager of a factory is prosecuted. This inevitably results in the manager evading the responsibility by passing off the act as that of a subordinate. It is the Agent of the factory who should be liable to prosecution.

The Chief Inspector of Factories in Bombay advocates much greater publicity of cases of prosecution of mills for offences under the Act. He urges that those mills which break the provisions of the act should be pilloried by having their names published. In the writer's opinion this form of punishment would hardly be adequate to put an end to such offences. Where breaches of the Act, especially in case of the illegal employment of women and children, are not the result of carelessness or neglect but of deliberate infringement of the law, the Agent should be held criminally liable for such acts and the punishments should be exemplary. At the present time the penalties imposed are disproportionate to the offences committed.

INDUSTRIES REQUIRING SPECIAL CONTROL

It will have been noticed in the course of this paper that the greatest abuses are to be found in seasonal factories. These should be rigorously dealt with and strict regulations should be introduced and enforced. There are also small industries, such as bidi-making, which require special regulation. To quote a recent report of the Anti-Tuberculosis League, Bombay, bidis are made in places practically devoid of all ventilation, dark and very thickly crowded. About 100 shops were visited which employ 1,500 hands; two of these shops were found to employ as many as 150 hands in an area of about 400 sq. ft. Even worse than these were the others. These are only 3 to 4 ft. in height and 6 ft. by 6 and generally hold as many as 15 to 20 bidi makers. These shops are the chief centres of disease. The workers sit in or place and in one position for 8 to 10 hours.

They cough and sneeze into other's faces and even upon the bidis, and if any one person is suffering from what is known as an open tubercle, the whole attic is thus likely to be affected within a short time.' Young girls from the age of seven are found to take up the work, even though the hours are long and the labour is sweated.

EDUCATION OF FACTORY CHILDREN

The factory Commission of 1908 recommended the opening of special schools in close proximity to mills, where instruction to half-timers could be given. While this suggestion resulted in a number of such schools being opened and, according to an estimate made in 1913, 17 per cent of the factory children attended school, yet the results have been far from satisfactory. Many of the schools have since been closed owing to irregular attendance; in others the instruction given is of little utility owing to inefficient teaching. Moreover, the presence of children in or near the mills during working hours is open to abuse. Correspondence between Government and employers has resulted in various suggestions for improvement, most of which are unsatisfactory. It would appear, however, that the only sound method of dealing with this problem would be for the Municipality to provide special primary schools in industrial localities for the free and compulsory education of half-timers. The initial cost of construction should be borne by the Municipality aided by the Government. The cost of equipment and maintenance should be shared at first in equal proportions by the employer and the Municipality. Subsequently as primary education is extended, the share of the employer should diminish until such time as complete free and compulsory education is introduced, when the employer would no longer make any contribution.

The Bombay Municipality have framed a scheme for introducing complete compulsory education by the end of ten years. If the Municipality were to give attention to the construction of primary schools for mill hands first, and share the cost of maintenance equally with the Millowners for the first year, then, according to my suggestion, in the second year the Municipality share would be 55 per cent and the Millownerr 45 per cent, in the third year the respective percentages would be 60 and 40 and so on.

The control of the schools could be vested either in the Schools Committee of the Municipality with the addition of representatives from the Millowners' Association or in a joint committee representing the Municipality and the Millowners.

School carts should be provided by the Municipality to convey children employed at mills situated at a distance from the school.

In the event of the proposal to raise the age of employment of children in factories from 9 to 12 being adopted, the need for providing schools for mill-hands will not arise as the proposed schemes of compulsory education cover the ages from 6 to 12 years.

Time has prevented me from dealing with such questions as housing, sanitation, ventilation, etc., all of which are of the utmost importance.

In conclusion, let me appeal to employers and the Government in this country to give attention to the industrial and social conditions of the working classes. If they fail to give attention to these matters, industrial conflicts will arise in this country similar to what we now witness in the West, for labour is awakening, and with the introduction of compulsory education in this country, labour will begin to demand its rights.

The Housing of the Poor in the City of Madras

BY V. VENKATASUBBAIYA, MEMBER SERVANTS OF
INDIA SOCIETY

Some time ago a member of the Madras Co-operative Leather Goods Factory, of which I have the honour to be President, pressed me to go to his house in order to get an idea of the conditions in which he and some others lived. The house is 52 feet by 42 feet with an open space in the centre which occupies about a third of the area. There is a small latrine which is generally not used by the male inmates. No less than nine families are herded together in this house making a total of forty-eight souls, of whom eighteen are children under ten years of age. When I visited the house two women had been recently confined and three more were expecting to be delivered soon, all in that house. Each family has only one room of the average dimensions of 8 feet by 6 feet, which in some cases is also the kitchen. In fair weather the men sleep in the open space. There is a *kootam* or verandah which is shared by four families in common. The member of the Co-operative Factory who took me there has a room 8 feet by 6 feet, which is half full of things including a chair and a table, and a narrow space 8' x 4' inclosed on three sides which is used as kitchen. His old mother and eldest child sleep there, while he, his wife and two children sleep in the room which is half-filled with things and what is worse it has no window at all. For this accommodation he pays a monthly rent of Rs. 3. You will not be surprised to learn that he is absent from work for about ten days in the month on an average owing to fever, boils or some other illness.

All the nine families living in this house are chamars, i.e. of the leather worker caste. They have lived for many years in the neighbourhood and their place of work also is there. About the beginning of this year the Government acquired some houses occupied by these men for building houses for Sub-Inspectors of Police and dishoused twenty-one families. Some, like the

member of the Co-operative Factory mentioned above, were the owners of the houses in which they lived, while others were tenants. Before these families were dishoused, the house now occupied by the nine families was fetching a rent of only Rs. 15. Seeing his opportunity the landlord put it up at once to Rs. 25 and the former tenants vacated the house. The nine families combined and took up the house for the rent demanded. It should be remembered that they being members of the depressed classes it is not all houses that are available for occupation by them and in their social condition they cannot be co-tenants of other castes. It appears that the other dishoused families have not yet been able to find permanent accommodation.

A few days ago I made a rough survey of thirty houses in Perambore occupied by shoe-makers. These and the nine families mentioned above have always sufficient employment and their wages on an average are Re. 1 a day. Out of these thirty houses fourteen were huts, all but two of which had only one room, a small verandah in each case being used as the kitchen. Of the other sixteen houses eight had brick walls and good roofing. The remainder had mud walls with low roofs of common tiles. These latter and the huts were without any windows in almost all cases. The average outer dimension of the tiled houses was 24 feet by 16 feet. I could get full information in the case of only fourteen houses out of sixteen. These had thirty rooms accommodating twenty families consisting of 104 persons. The density per room was three and a half persons, the entire area in the houses including street verandahs available per head was about 50 square feet and each family had on an average one and a half rooms. The fourteen huts had fifteen families in sixteen rooms, i.e. only one family had two rooms, the rest having only one. The average outer dimension of a hut was 15 feet by 12 feet, about a third or fourth of which was generally the kitchen-verandah. The average density per room was three and three-fourths persons and the area available per head including the verandah about 42 square feet. Except in one case no rent was paid, the houses being occupied mostly by owners and sometimes by their relatives. I should say that these thirty houses were not picked ones but were all the houses on either side of a street, which was neither the best nor the worst in the locality, but typical. I may add that the locality is peopled entirely by skilled leather workers, mostly shoe-makers, whose economic condition is much better than that of the average Madras wage-earner and whose women, like those of the middle and upper classes, do no work except house-keeping.

A slum-investigating sub-committee appointed by the social service bodies of this city have reported on a small compact *paracheri*, called the *Motu cheri* the conditions of which may be taken to be more or less typical. There were twenty-eight huts on about one-third of an acre including lanes. Twenty-five of them were occupied by twenty-six families consisting of 126 persons. They all had only one room, but somewhat less than half of them had a small verandah in addition. The average area occupied by each house is 112 sq. ft. (or about 10 feet by 11 feet), the average for an individual 22 sq. ft.

The English standard for overcrowding is more than two persons per room, excluding the kitchen, bath-room, etc. The housing conditions in England have been improved to such an extent that only 1·6 of the population live in one room dwellings and only 6·6 in two rooms dwellings. The corresponding figures for Scotland are very high being 11·1 and 39·5. About one-third of the houses in the City of Madras are valued at an annual rental of Rs. 14 and less and exempted from municipal taxes. Most of them may be taken to be one-room dwellings. Though statistical figures are not available it is matter of common observation that most of the tax-paying houses are occupied by families which generally do not take more than one or two rooms in addition to the kitchen. The majority of the educated middle class, and the entire classes of shop-keepers and artisans can afford to have only that much accommodation. I should therefore think that about 80 per cent of the population of this City live in one or two-roomed dwellings and that nearly 50 per cent live in one-room dwellings. Applying the standard of two persons for a room only 8·9 of the population in England and Wales were living in 1901 in a state of overcrowding. The highest percentage of urban overcrowding was 34·5, that of London being 16·0—considerably more than the average but not among the worst. We have observed that in the thirty houses of working class people mentioned above, the average density per room was not less than 3½ persons, and except in the case of three families living in small huts every family was living in a state of overcrowding. Of the three cases one was a lonely widow and two were childless couples. I venture to think that judged by the English standard about 75 per cent of the population of this City are living in an overcrowded condition. In Austria the urban population of which is living in a highly overcrowded condition—at least it was so before the War—the minimum accommodation prescribed is about *45 sq. ft. per head in sleeping rooms*. The leather-workers already mentioned who are not the poorest

among the working classes, could barely get that minimum area, not in the sleeping rooms but in the entire house—kitchen, verandah and even walls included.

With your permission I will quote some statistics which not only reveal the state of things in this City but also show that it is growing worse year after year. The death-rate for England and Wales in 1913, the year before the War, was 13·7. During the five years 1913-17 the average death-rate for—

Madras Presidency was	...	23·3
The whole of India	...	30·4
Calcutta	...	26·8
Bombay	...	30·8
Madras	...	39·5

Analysed according to communities we find the following average for the four years 1914-17 :—

Europeans	...	17·3
Anglo-Indians	...	26·2
Indian Christians	...	31·0
All Hindus	...	39·3
Brahmins	...	27·3
Pariahs	...	41·9
Muhammadans	...	46·3

The average infantile mortality during 1914-17 for this City was 290 per 1,000 live births and by communities it was among

Anglo-Indians	...	158·5
Indian Christians	...	210·0
All Hindus	...	288·3
Brahmins	...	230·9
Pariahs	...	303·0
Muhammadans	...	313·0

[The rate for Brahmins and Pariahs is for 1914-16, later figures not being available.]

Again, the mortality from respiratory diseases including phthisis rose steadily during the ten years 1908-1917 from 3 to 8·4 per 1,000 inhabitants. In 1918, the year of influenza, it was as high as 13·5. The mortality from phthisis in 1911 was 4 but it steadily rose to 1·9 in 1917 and 2·8 in 1918 which however was an exceptional year owing to influenza. In 1908 the death-rate in England and Wales from this cause was 1·1 being 1·3 among males and 0·9 among females. [*Encyclopaedia Britannica*, Vol. 27]. In 1917 in the worst ward of Madras the rate from phthisis among women was 5·0 and among men 3·7 and in 1918 in the same ward the corresponding figures were 6·2 and 4·4. In

London County in 1908 the death-rate from all forms of tuberculosis was 1·8 per 1,000 inhabitants.

Statistics relating to patients treated in the Government, municipal and aided hospitals throw a lurid light on the conditions of Madras as compared with those of Bombay and Calcutta. During the three years 1915-17 the average number of patients treated was as follows:—

			In-patients	Out-patients
Bombay	...	...	20,000	1,86,000
Calcutta	...	...	28,000	3,47,000
Madras	...	...	28,000	3,49,000

I have only to request you to bear in mind that the population of Madras is about half of that of Bombay or Calcutta.

I will trouble you with only one more set of sad statistics, that relating to the prevalence of phthisis and other forms of tubercle among the out-patients mentioned above.

	Bombay		Calcutta		Madras	
	Phthisis	Other forms	Phthisis	Other forms	Phthisis	Other forms
1915	674	868	1023	535	574	241
1916	746	739	1622	471	1380	586
1917	597	729	1397	519	2339	1176

In Bombay there has been a decrease but in Madras the increase in two years is more than four-fold! I do hope some one will explain these extraordinary figures—and explain them away, if possible.

A year spent in the study of books and statistics is not perhaps so useful as an hour of direct observation. I suggest to such of you as are interested in this question a visit to a locality called *Cox Parachery* which is not very far from here.

The housing of the poor in this city as anywhere else may be considered in three distinct—through necessarily connected aspects—quality, quantity and rent. The quality is exceedingly bad, light and air being practically shut out from the dwellings of the working classes. If the Corporation enforces health regulations vigorously, slow and steady improvement is bound to take place. Local health vigilance societies also will have to come into existence to keep active both the authorities and dwellers. Quality and overcrowding cannot, however, really be improved unless the quantity of housing is greatly increased. This is our greatest need and it is in respect of this that the greatest effort has to be made. There is plenty of ground available, if only suitable action is taken by the Government and the Corporation. While the poor live in crowded patches the surrounding land is generally enclosed in extensive bungalow

compounds many of which are taken up by Government for its offices or officers. The demand for bungalow sites by the well-to-do classes has enormously raised ground values. Land and materials have become so costly that the poor cannot build for themselves new houses. Hutting grounds are mostly owned by private parties who naturally want to drive out the poor people living on them, in order to utilize the sites for more paying purposes, such as building bungalows, good houses or business premises. The municipal authorities have widened streets and demolished houses without providing accommodation for the dishoused families. Meanwhile the Government acquires the cheapest and poorest dwellings for building houses for its servants or locating offices or on behalf of Railway and other Companies. It is content with paying a certain amount of compensation and does not recognize its responsibility for housing the dishoused. Dilapidated houses in poor quarters are allowed to lie unrepaired and unoccupied. All these factors have been steadily making worse the housing conditions of the poor. Too much reliance is placed on the old doctrine of demand and supply. The supply no doubt comes but from an unexpected and undesirable quarter. It comes at the expense of life and health.

Another undesirable result of the operation of the law of demand and supply is the rise in rents. It is impossible for a large section of the working classes to pay economic rent for healthy and suitable dwellings. This has been abundantly proved wherever improved housing of the poor has been attempted. We cannot rest content with commercial housing. Non-commercial housing is an absolute necessity if there should be no waste of human life on account of defective housing. Commercial housing invariably leads to overcrowding so far as the dwellings of the poor are concerned. In housing, food or anything else it is cheapness that matters to them, not quality. Hence when rents are put up, lodgers are taken and overcrowding is made still worse.

It is now too late to begin preaching about the value of human life and the duty of preventing its waste. The budgeted expenditure on sanitation alone for the current year is Rs. 1½ crores for the whole of India and Rs. 24·35 lakhs for this Presidency which is greater than that of any other province. As years go on the expenditure on this head can only expand. Once for all the state should recognize its responsibility for the adequate housing of the poor. The state which in times of famine is prepared to spend any amount of money to save even a single human life, ought not to feel any hesitation in accepting this responsi-

bility. European countries have set us an enlightened example to follow. Even the most individualistic countries now recognize the need for state intervention on behalf of the poor. England has been improving and increasing the dwellings of her working classes for nearly three-quarters of a century by public health, housing, town planning and other legislation on the one hand and the construction of dwellings by philanthropic societies, municipalities, co-operative societies and large employers on the other. The improvement effected has been so great that on the whole the housing conditions in England were held before the war to be more satisfactory than anywhere else. But all that fades into insignificance before the colossal national housing scheme she has undertaken after the war. Half a million houses in two years at a cost of £300 million! And to see it through a Ministry of Reconstruction, with district housing Commissioners and the necessary staff, has been organized. The Government is ready with every kind of assistance—standardized materials, plans, rules, expert advice and not least of all—money. Every agency is to be utilized for the construction of houses, the local bodies, public utility societies, housing trusts and even individuals. In respect of these 500,000 houses the Government is prepared to lose annually £6½ millions.

A word about the Public Utility Societies. They are societies having not less than seven members, registered under the Industrial and Provident Societies Act (under which co-operative societies are registered) the objects of which include the provision of working class houses. They must prohibit by their rules the payment of interest or dividend at a rate exceeding the statutory limit which hitherto was 5 per cent but has now been raised to 6 per cent. They can get financial assistance both from local bodies and Government. From Government they can get two kinds of monetary assistance, loans and subsidies. Loans are given for a period of fifty years to the extent of three-quarters of the cost of land and buildings. Subsidies will be given in half-yearly instalments equal in amount to two-fifths of the charges for interest and gradual repayment of principal on the maximum amount which the society is entitled to borrow from the state. Whether it borrows the amount from the state or not and however cheaply it may be able to borrow from other sources. The subsidies alone will cover one-third of the entire cost of the houses.

You will be glad to know that we have just started a Central Housing Association for this City on the lines of public utility societies and that it is fortunate in having at its head

the Hon'ble Mr. Justice T. V. Seshagiri Aiyar. We want our Government to give us the same kind of generous assistance which the Government is giving in England.

Much good housing was expected in this country from the organization of co-operative building societies. But they have generally been a failure barring a few exceptions, the most notable of which is the Bombay Saraswat Co-operative Housing Society under the able guidance of Rao Bahadur S. Talmaki. There are a few societies in this Presidency, the best of which however are still content with lending money for building or repairing houses. No wonder that they have not been a better success, seeing that they have to borrow money at 7 or $7\frac{1}{2}$ per cent and can lend to their members only at about 2 per cent higher. Unless the members themselves are able to get money at 6 or $6\frac{1}{2}$ per cent these societies cannot be expected to grow or multiply. But at best they can help only the middle classes and only a small proportion of the working classes. The large majority of them can never hope to own good sanitary dwellings. The State either directly or indirectly will have to help them in the interests of the general community. Public utility societies are sufficiently elastic to include working classes and others. Similar societies should be started in hundreds and thousands in this country and liberal State aid should be given to them, either in the shape of subsidies as in England or a particularly low rate of interest, say 3 or $3\frac{1}{2}$ per cent, though the Government may have to borrow at a higher rate. To genuine co-operative societies also the Government should give long term loans but not at a lower rate than that at which it borrows.

Employers of labour should be compelled to provide suitable dwellings for at least a certain proportion of the actual workmen employed by them, as distinct from the well-paid staff. And for that purpose the State should give long term loans to them on the same terms as to co-operative societies. Similarly the State and municipal and local boards should house their lowest paid servants.

To sum up, the housing conditions of the poor in this City are frightfully bad and are a disgrace to the people and the Government. A large increase in the number of dwellings is the most urgent need and the State must see that they come into existence. The most suitable agencies are associations similar to the English public utility societies, co-operative societies and employers of labour, including the State and the municipality. Loans for long terms of from twenty-five to fifty years should be made available for all agencies and in addition public utility socie-

ties should be favoured with subsidies or a particularly low rate of interest. Suitable sites wherever available should be acquired and set apart for the housing of the poor, proximity to their place of employment being a main consideration. A restriction should be placed on extent of bungalow compounds and Government bungalows should be the first to come under the housing hammer. No acquisition of houses should be permitted unless suitable arrangements are previously made for the housing of the dis-housed. Above all, it should be recognized by everybody that the lives and health of the poor are more important than the comforts and luxuries of the rich and more sacred than private property rights.

A Madras Paracheri

By K. C. RAMAKRISHNAN, M.A.

The representatives of the several Social Service organizations working at Madras met three months ago to consider proposals for the conducting of an investigation into the conditions of Paracheries, as it was felt that a detailed knowledge of these localities was essential as a preliminary to any attempt at their reformation. The members that undertook to investigate were divided into several parties of three persons each, to work in different localities. An exhaustive Questionnaire had been drawn up previously and copies of a tabulated form with columns relating to Housing Conditions, Composition and Earnings of Families and Family Budgets were printed for the use of investigators.

The Cheri, which was allotted to my own party* for enquiry, is a block of huts situated on the bank of the Cooum and within two minutes' walk from the busiest part of Mount Road. It contains twenty-six families of 126 individuals inhabiting twenty-five houses, seventy-seven being Christians and forty-nine Hindus. The adults are mostly fishmongers, coolies, cartmen and rickshawallas. It has a few natural advantages in its situation. It faces the river and has no opposite row of houses obstructing light and air, as is the case in most other slums in Madras. The whole Cheri is on a higher level than the Road and so slopes towards the Cooum that this serves as the natural drainage of all rainwater. But smaller quantities of water, used for cooking and washing purposes, cannot find their way to the Cooum across the road, and so collect, in the absence of smaller side drains, in small stagnant pools in front of houses, or at the main entrance to the cheri where much of the washing is done. It is not therefore surprising that the cheri is less dirty after rain than on other days. Though the cheri, on the whole, gets plenty of light and air on account of its facing the broad sheet of water, one is tempted to ask whether the air above the Cooum is not in

* It was my good fortune to have as co-investigators Mr. R. Suryanarayana Rao of the Servants of India Society and Mr. U. Ramachandran, the Convener of the Slum Investigation Committee, Madras. The materials were collected by all of us; but I am entirely responsible for the drawing up of this report.

some parts of the year, more deleterious than any other air. There is also the attendant evil of the people of the cheri using the river bank as latrine at nights, as is usual in our villages. The common latrine is more than a furlong off and it is not common exclusively to this cheri of 126 persons, but it has to serve the whole neighbourhood. This is the case also with the single water tap which is fifty yards off, just at the entrance to the road from the tram line. The women complained to us that on the Dipavali night they kept awake for long hours to get a few potfuls of water from the tap beset by crowds. (The majority of the inhabitants of the paracheri are Christians—Roman Catholics—but they observe the Dipavali festival like Hindus). The Senior Assistant Health Officer of the Corporation reported in 1916: 'There are several slums and Paracheries where one or two public taps on the road side serve the whole area . . . It would be a wholesome rule to construct if possible a public bathing place at every place where a flushout latrine is constructed, perhaps at a short distance from the latter, the sullage from the bathing ghat being used to flush the latrine.'

For about two months we regularly sold Burma rice at four heaped measures per rupee, and this helped us very effectively to get an intimate acquaintance with the people, and to win their confidence.

There are altogether twenty-eight huts in the whole cheri of which one has long been serving as a Roman Catholic shrine, another has been a smithy and all the rest were dwelling places until recently, when one of them, on a tenant quitting it, was converted into a stable. Twelve of these are tiled houses with coarse country tiles, resting on bamboos some of which are in a decaying condition. The rest are thatched with coconut leaves, some on the top alone, some (6) on all sides practically. The walls are all of mud, some only 4 feet high (generally in thatched houses) while at the utmost they rise to $7\frac{1}{2}$ or 8 ft. at the apex and gradually slope down on either side to 4 or 5 ft. No house has a window or skylight, though in some houses light and air, and with them rain, penetrate through many a rent in the thatched roofs. The residents or owners of houses are not anxious to repair such roofs since they are so uncertain now of their tenure in the cheri. Apart from such rents, it is all hideous darkness inside the house which in 13 cases is only a single room of four walls with just a 'slit' for an entrance. The average doorway is 2 ft. by 3 ft. A few houses are divided into two apartments, one a room and the other merely a closed verandah where cooking is generally done. Some houses are provided

with regular wooden doors, while not a few have simply a bamboo *thatti* or screen which shuts up the house when the members are out at work. And what is there inside after all to tempt the thief? Furniture is out of question, the cooking vessels are mostly earthenware, and for many there is no second cloth beyond what they are wearing. Almost all of them purchase their necessaries day by day. If there are children, they make the street their playground.

Except the first two houses, no house can boast of a decent front. Even in the former case, the open yard exists more as an accident, than on purpose, for that too had a house on it which was razed to the ground in a dispute.

There is nothing like method in the arrangement of these houses and it is impossible to describe it unless graphically represented as a plan. The first two huts and the shrine alone face the road; the others are arranged in rows, if they may be so called, of three or four huts each. Between opposite rows of huts are narrow and uneven lanes, some only 5 feet wide, others 10 feet wide. The narrower lanes look dirty with pools of water, while the comparatively broader ones are rendered foul by the drying of fish in a more or less putrid stage. Many of the householders being fish mongers they try to utilize for their own consumption small quantities of fish which do not fetch a good price on two successive days in the market. There are also some spaces occupied by dilapidated houses, heaps of rubbish and broken bricks, crumbled thatched roofs and the thistle plant. On one quarter stands an improvised shed for stabling a horse. Not only does the ground landlord seem to allow the huts to decay and tumble down when owners of huts are not able to reconstruct them, but he has also compelled some owners to remove the superstructures. It is not therefore surprising that while we found the actual living accommodation to be very meagre, the surveyor found out the area of the whole cheri—including the living huts, the dilapidated ones, the lanes, by-lanes and open spaces—to be about six grounds, of 2,400 square feet.

The twenty-five houses accommodate twenty-six families, consisting of 126 persons in all. On an average, therefore, a house harbours five persons. This might seem to connote a comparatively satisfactory state of affairs for superficial readers of the Corporation Health Report which assigns an average of more than eight persons to a house in this city. But as Dr. Newsholme says, the true index of the density of population is the number of persons to each occupied room. More than half the number of houses in our cheri are one roomed and the rest have only a small

verandah in addition. Each hut is, no doubt, occupied by only one family generally—there being only two huts which accommodate two families each, while there is a family which occupies two houses for itself. But the average area occupied by each house, ascertained by individual measurements, is only 112 square feet. The average for an individual comes to only 22 square feet.

We come now to the question of overcrowding. It has been said by Mr. Arthur Davies* that 'there is no definition of overcrowding for India. It would be wrong to apply to India the standard of overcrowding that is a proper one in America or England. There are no buildings of more than one storey in the Paracheri, there are no large factories or chemical works belching forth smoke and noxious gases. . . . There is the possibility or the necessity, rather, for open doors. . . . The sun and rain as cleansing agents have an infinitely greater power in India than in the temperate zone'. But whatever be the standard of overcrowding adopted for India, there need be no hesitation in pronouncing our cheri to be abominably overcrowded; for, who would allot merely 22 square feet as living space for a human being? The extent of overcrowding in our cheri can be gauged from the following analysis of the composition of families and areas of houses:—

No.	Strength of Households.	Composition of Families.	Floor area of Houses.	
1	One Person Household ..	1 man (widower) ..	30	Sq. ft.
4	Two Person Households.	M. and W.	112	"
		M. and W.	80	"
		M. and W.	60	"
		F. and Dr.	60	"
3	Three Person Households.	M. W. and Dr. (ch.) ..	88	"
		F. and 2 Drs.	50	"
		F, Dr. and S. in-Law ..	42	"
3	Four Person Households.	M. 2 Sis. and S (ch.) ..	120	"
		M. W. and 2 S.	88	"
		M. W. and 2 Dr. (1 ch.) ..	120	"
3	Five Person Households.	M. W. 2 Br. and mother ..	88	"
		M. W. Br. and 2 Dr. (ch.) ..	120	"
		M.W.S. D. and Gr. S. (ch.) ..	150	"
7	Six Person Households..	M. W. 3 Drs. (2 ch.) and Mother-in-Law	100	"
		M.W. S. (ch.) and 3 Drs. (ch.)	100	"
		M. W. Father-in-Law, Sis.-in-Law and 2 Ss. of Sis.-in-Law	120	"
		M. W. S. (ch.) mother, Br. and uncle	200	"
		F. Dr. 3 gr. S. (ch.) and 1 gr. Dr. (ch.)	100	"
		F. 2 Ss. Dr. in-Law, Gr. S. (ch.)	90	"
		M. W. 2 S. (ch.) mother and Br.'s Dr. (ch.)	90	"

* 'Three Hundred Anglo-Indian Families'.

No.	Strength of Households.	Composition of Families.	Floor area of Houses.	
2	Seven Person Households.	M. W. 4 Ss. and Dr. .. M. W. 2 Drs. (ch.) mother and 2 Drs. (ch.) of Sis.- in-Law ..	112	Sq. ft.
2	Eight Person Households.	M. W. 4 Drs. (2 ch.) S. (ch.) and Gr. S. (ch.) .. M. W. 3 Ss. Dr., Dr.Dr.-in- Law and Gr. S. (ch.) ..	220	"
1	Nine Person Household ..	M. W. 4 Sons (2 ch.) and 3 Drs. (1 ch.) ..	112	"
			216	"

M = Man.

W = Wife.

F = Female.

Dr. = Daughter.

S. = Son.

Ch. = Child.

Br. = Brother.

Sis. = Sister.

Gr. S. = Grandson.

Gr. Dr. = Grand Daughter.

M. in-Law = Mother-in-Law.

F. in-Law = Father-in-Law.

Sis. in-Law = Sister-in-Law.

According to the standard which regards over-crowding as beginning when there are more than three persons to a room there would be as many as 8 families and 18 persons in this paracheri not living under overcrowded conditions. Even then 86 per cent of the population are overcrowded. But our rooms cannot be regarded as average rooms, and if we take into account the actual area of the huts and the available space for each human being to live and grow, there would appear to be scarcely one house not overcrowded. There is one house inhabited by a single person; this has a floor area of only 30 sq. ft. There is one house of 112 sq. ft. where a couple live. If 40 sq. ft. be admitted to be fairly sufficient for a human being, one more house where also a couple live may be exempted. If 30 sq. ft. should also be conceded as the under limit (taking all children under 15 as half-persons) we have 11 more houses sheltering 35 souls which would pass that standard. After all these deductions, we have still left 12 out of 25 houses with 87 persons wretchedly overcrowded. In these lairs, we find men and women, married and unmarried, and children of both sexes herded together like a pack of animals. We fail even now to comprehend how these houses, where elbow space cannot be said to be available, provide sleeping accommodation for so many souls.

If every inch of the floor of the houses were to serve for sleeping (which is impossible) and if the actual space needed for spreading the bed, which is generally a coarse and dirty mat or a jute sack of the size of 6 by 3 ft. be 18 sq. ft., as many as 36 persons would have not even so much sleeping accommodation. We were told that in the hot summer months and on nights when there was no cold nor rain, male members might lie on the

open spaces, which are neither broad nor even, some might sleep in the shrine which at most can accommodate three persons, leaving the women and children to sleep indoors. But what are they to do in the rainy and wintry nights? Men and women huddle together, just avoid the holes which admit the downpour of rain from above, and allow the children to sleep if they can, the more elderly members keeping awake or sleeping in turns.

There are not in the vicinity of our cheri any big buildings or houses with pials where the overflowing population of the slum might find some sleeping space—as seems to be the case with the homeless folk in some parts of Georgetown.

In the immediate neighbourhood of this cheri on the east there are three brothels. We daily passed by a dozen prostitutes, most of them palpably tainted with foul diseases. Two or three of these call themselves family women and the rest are professional. We know in fact that the two male relatives of these 'family women,' quite accomplished fellows in their own way, are now incapacitated by syphilis and thrown out of work.

On the west side of the cheri is the ubiquitous toddyshop. Drunkenness and debauchery, on either side, beset thus the outlets, for our poor overcrowded population. The physical danger of overcrowding is patent, the moral danger of overcrowding can be estimated by a consideration of the constitution of the population with reference to age, sex and conditions of marriage. We have in all fifty-six males and seventy females, the preponderance of females is in the proportion of 125 to every 100 males. Of the seventy females, twenty are below the age of fifteen, and fifteen are past the age of forty; so within the limits of fifteen and forty we have thirty-five women; and of these as many as fifteen are unmarried. On the other side, of the fifty-six males, twenty-eight are between the ages of eighteen and forty-five, and of these the unmarried are twelve, while seven are past the age of forty-five and twenty-one are below eighteen. Even amongst the married folk, two or three couples have had no regular marriages performed at all—the women having been 'kept' for a long time. These unvarnished figures will tell a tale of themselves concerning the moral danger lurking in such overcrowded houses. We could however actually detect only a few cases of immorality though our suspicions of two or three supposed bad characters were confirmed by what the most respectable of the community had to say of them.

It can be asserted, as a matter of course, that there is not a single adult male who does not drink—at any rate, occasionally.

Among the habitual drunkards are to be found a few women too. The worst drink heavily at the expense of bare necessities—the women and children not only going without food on some nights, as they complained to us, but often receiving blows and insults instead. The worst drunkards are found among Rickshawallahs and Cartmen. Regular but moderate drinkers are amongst coolies and fishmongers, men and women. The occasional drinkers are mostly persons who draw monthly salaries, who drink away part or whole of their extra earnings. As it is, the expenditure on drink, especially in the case of the day labourers, amounts often to fifty per cent of their income while it is rarely below thirty per cent. This is their own estimate. The tendency on their part is in calculating their daily income to deduct the amount spent on drink. In their view, toddy is a necessary expense of production. In the eyes of the Rickshawallah and the Cartman, the Gramani (the toddyshop keeper) has as much a right to exact his toll as the Sowcar, the owner of the Rickshaw or the Cart, the right to demand his stipulated hire.

The causes of Drunkenness—the ubiquity of the toddyshop, the monotony and fatigue of hard labour, the lack of a steady income, the want of wholesome interests for their minds and the want of nourishing food for their bodies—we do not know, and we have not studied to what exact extent each of these is responsible for this most grievous and universal trait of the Paracheries. The few sensible women, who expressed their disgust at this sad feature, very pertinently asked us why on the day of the 'hartal', when all the other shops were closed, the toddyshop was kept open. Was the keeper above control by public opinion? We could give no reply. This is a very large question and unless seriously tackled, we must despair of any moral or economic betterment of these people.

'All living things tend to adapt themselves to their environment.' It is inevitable that such an environment, as sketched above, should exert a coarsening influence, especially on the children, and thus perpetuate degradation from generation to generation.

The counteracting influence of Church and School is not altogether absent, but it is far less than what might be expected in a Christian community. The Hindu Panchamas have not had the remotest chance of being ministered to by anybody, and literacy amongst them is very low. Three out of forty-nine are literate. The Christian males seldom go to the nearest Roman Catholic Church about half a mile distant. They said the women and children used to go or at least tried to go every

Sunday. We ourselves noticed only children going. The women being asked the reason for their staying away replied that with their dirty and insufficient dress, they felt disinclined to go. There is also truth in the remark of the candid man who said that with their vices they fought shy of the priest. And the priest is said to visit the cheri only very occasionally—as in cases of serious illness. But in the Church itself, abstinence from drink and debauchery forms the theme of the sermons. In our opinion, these sermons and the advice of social workers cannot be of much avail, unless pressure from Government is brought to bear on the immoral traffic carried on by the toddyshop and the brothels. And a substratum of education is also essential for any work to bear fruit.

The total number of literates in the cheri is twenty-four, if we include the nine school going children also. While the Hindu literates are only three out of forty-nine, the Christian literates are twenty-one out of a total of seventy-seven. Of the fifteen adult literates, two only are women, and thirteen are men.

We were much gratified to hear of the influence of one of these women over her husband, who from having been an unruly young man has been slowly converted into the most pious and respectable member of the community. He has become a natural leader of the cheri, takes keen interest in the small shrine erected adjacent to his house, and is most solicitous of the welfare of the whole population of the cheri. We do not mean to exaggerate the influence of education in these lowly walks of life, but that in some cases it has morally and in many cases materially benefited the people is a fact that cannot be disputed. And it is a truism that the elevation of these classes by *themselves* which alone can be lasting can be best brought about by educating them. We counted as children of school-going age all those between the ages of six and twelve. Of the thirteen boys and nine girls, only six and three respectively attend the day school, which is within two minutes' walk from the cheri. The rest of the children, with the exception of a single bright and brisk boy who works in the smithy, are idling away their time.

What struck us most in this connection was not the smallness of the number of children going to school, but of the smallness of the total number of children themselves surviving in the cheri. Either the children born were too few for the population especially for the number of women in child-bearing age, or the children surviving long after birth were rare. We could detect not more than a single case of illegitimate birth. We have our

own doubts concerning statements of births and deaths within the last five years. But taking theirs as correct, they have had within the past five years, twenty-two births and twenty deaths. The death-rate for children is, as usual in such localities, very high. Half the total number of deaths was of children. Ten of the children born (i.e., 45 per cent) are dead; three children died of fever, two of fits, three of small-pox and two of cholera. Of the ten elders, only three died of old age, and one was murdered, and one young woman died soon after delivery, the other five, three men and two women, all of them earning members, died of fever. We are struck at the cases of preventible diseases, which took hold of so many lives. Our wonder, however, was not that so many died, but that, under the circumstances and when influenza was raging in the city, more did not die. It indicates perhaps that this is not after all the most unhealthy of slums in Madras. The free air and the natural drainage of the cheri might give it a partial immunity.

No wonder then that the people cling to the cheri with a tenacity which is most annoying to the landlord. Almost all the Christians and some of the Hindus have been living here for generations and some of the elders among the Christians do not remember when their ancestors settled down in the cheri, while they all remember the occasion in 1904 when this plot was purchased by the present Muhammadan landlord. Only one house in the cheri is owned by the landlord and another Muhammadan owns eight houses. All the other nineteen huts are erected and owned by eight members of the cheri, nine of these huts are occupied by their own families and the other ten are rented out to other families who pay rents for superstructures alone, the land rent being paid by the owners of superstructures to the landlord. The families living in rented houses or tenements are seventeen. House-rent or superstructure rent varies from 10 As. to Rs. 1-8 per mensem. The house owned by the landlord himself fetches Rs. 2-4, and this is the highest rent in the cheri. On an average it may be put down as Re. 1 for which we may roughly say that a tiled house of the area of 80 sq. ft. can be had or a thatched house of little more than 100 sq. ft. The land rent or ground rent—paid by owners of superstructures, nearly seventy per cent of whom are members of the cheri—ranges from 6 As. to 10 As. per plot covered by a single house. The average may be put down as 8 As. per plot. The big ground landlord gets only about Rs. 1² per mensem for all the land and the house that he owns in the cheri which covers an area of five grounds.

There is little rackrenting and the tenants admit that they would have to pay twice as much rent for the same space elsewhere in the city. The chief reason for the low and stationary amount of rent is the long tenure of the residents in this cheri. The moral obligation that the landlord seems to observe of seldom raising rents when a tenant continues to stay in the house is indeed praiseworthy. But every one of us is aware of the universal practice in Madras for the landlords to raise rents on every occasion of a change in tenants, and such a change is often brought about by the landlords with that very motive. Our landlord is actuated by no such motive in giving notice to quit to these poor folk *en masse*. For, so long as it is a Paracheri and the huts remain unimproved, though rents may be increased to double the present amount they can by no means be made to come up to the Economic rent the landlord might expect to get by razing the huts to the ground and building in their stead stables and garages. He himself gets a round sum of Rs. 25 per month as rent for a tiled building adjacent to the cheri which has four or five stables and which occupies only an area of 1200 sq. ft.

The tenants themselves are not a little to blame for this move of the landlord. There appear to be considerable arrears in ground rent due to the landlord by owners of houses (who in their turn have not been duly paid their house rents by the occupants of houses) while the landlord is liable to be called upon by the municipality to provide better sanitary arrangements. The tenants do not seem sufficiently to realize that besides having practically to lose the value of their superstructures (for what can the old bamboos, tiles or thatches fetch?), they will have to pay much higher rents if they go elsewhere. The twenty-five families cannot all together find accommodation in any one place unless it be a new Paracheri specially created for them. Most of them for the first time would get dispersed in different parts. They must get into other overcrowded Paracheries as the caste people will not readily admit them amidst themselves. They are despised as Pariahs, and dreaded, after the Influenza-regime, as insanitary beings.

From the point of view of the occupations of the people this cheri seems to be the most convenient place for them to live in. There are a dozen fish mongers (five women) who sell fish either at the Moore market or the Chintadripet market. There are sixteen persons employed by firms, if we include the four Line Coolies of Madras Electric Corporation, who work mostly in Mount Road or Egmore. Of these eight are boys

below eighteen. Besides these there are the daily labourers—fourteen coolies, four rickshaw wallahs and four cartmen, who could not have chosen a more central place for their work. . . . Unless far cheaper and quicker transport facilities are provided it is no use asking these people to go and live in suburbs far away from the City.

If the Housing problem is to be solved properly, not only has stability of tenure to be ensured to the tenants, but better houses should necessarily be provided, though on this point the ignorant people are not so insistent. The whole site should be purchased and built upon. The surveyor says that land in the vicinity fetches Rs. 400 per ground. It would be difficult to get similar piece of land adequate for our cheri people elsewhere in Madras at this price. This cheri is, moreover, on comparatively elevated ground, while generally the open spaces available are marshy and low and need considerable raising which is a costly affair in Madras. We have also to take into account their great longing to stay in this cheri their ancient home.

We regret we are not still in a position to speak with any authority or precision on Earnings and Expenses. Information on these heads is ever apt to be, if not purposely misleading, meagre and inaccurate. . . We rely, for the present, solely on their vague estimates, and our inferences are purely provisional. Still we venture to give them below for what they are worth.

Of the 126 persons in the cheri the adults who could earn if all of them devoted themselves to work are eighty-five, of whom fifty-three (thirty-eight men and fifteen women) are actually earning. The adults who do not earn are, with the exception of two men, one of whom has been only recently thrown out of employment, all women. Many of these are housewives, who cannot spare time to attend to other than their household duties; and some are young women between the ages of sixteen and twenty-five who are not allowed to go out to work by their elders. The reason is obvious, and we have no quarrel with any of these dependent adults. But the fact that many heads of households have too large a number of dependents to support from their small earnings arrests our attention. The total earnings according to their estimate amount to about Rs. 600 per month, an average of Rs. 22½ per family or Rs. 4½ per individual. The expenses for their necessities (in which is included only one conventional necessary, coffee) comes to Rs. 5½ per head—according to their standard of living. There are thirteen families who get below Rs. 22½, the average earnings. During our rice sale we detected twelve families in chronic want.

Judging from the earnings and necessary expenses of each family, the families that are apparently above want—if we mean by this that they earn enough to live up to their standard—are twelve in number. There are fourteen families who cannot make both ends meet, and of these six are very badly off. Of the apparently self-supporting families, we cannot assure with regard to four of them safe and steady habits of living since they contain bad drunkards. In fact, with regard to no family can we estimate the waste thus involved. It may be that some take away a share even from the alleged petty incomes to indulge in what they have come to regard as their conventional necessary. The terrible consequences of such wasteful expenditure coupled with meagre incomes are semi-starvation especially of women and children and hopeless indebtedness to the marwari and the grocer. The total debts of the cheri—as stated by them—amount to nearly Rs. 1,000, borrowed at varying rates of interest—the more common being : 1 anna per Re. per month and 1 anna per Varagan or Rs. $3\frac{1}{2}$ per month. The rates differ according to the solvency of the debtor or the trinkets and brass vessels that he pawns. Most of the articles pawned cannot be redeemed, since the debts are many months or years old, and interest has been accumulating. Our people, however, do not feel particularly despondent since they have become inured to such a life; and *fatalism* is by no means the exclusive possession of the Hindu higher castes. It serves even the lowliest of the Hindus; nay it even clings to those who have abjured that religion.

How, then, are we to rely upon the capacity of our people to pay higher rents for remodelled houses, if the housing scheme is to be a business proposition and not a philanthropic affair? The most striking feature about the income of these people is its absolute uncertainty. There are only three families with members receiving fixed monthly salaries. All the others are composed of either fish mongers or casual workers. The effects of such occupations, with the most uncertain incomes, on the habits of life of the people are best depicted in Booth's *Life and Labour in London*, with reference to Dock labour. 'Physically, they suffer from the alternation of heavy work for long hours and the unfed and uninterested leisure of slack seasons, and the time during which they are out of work hangs heavily on their hands. A large wage one week and none the next, six months' work and six months' leisure, are not favourable conditions for thrift, temperance and good management. Payment by the hour, with the uncertainty as to whether a job will last two or twenty-four hours, and the incalculable nature of their daily

income encourage wasteful habits of expenditure. In their forlorn helplessness they make the pawnbroker their banker and the publican their friend.' A far greater work therefore awaits us, greater than the Housing of such people, and that is, so to systematize and organize casual labour as to make it more steady and sober.

We are not sure if 'Co-operation' is really the panacea that it is claimed to be, if it is the magic wand that drives away intemperance and indebtedness; but it is most certainly worth a trial; if it cannot eradicate the evils, it can at least minimise them considerably. Some of the people too expressed their anxiety to deposit 2 or 4 As. out of their earnings every day if there were a Savings Bank. Before a Housing scheme is set on foot, we are of opinion that a Co-operative Bank should be opened. But it is urgent, however, in view of the present difficulties to buy up the land from the ground landlord at once and secure to the long standing tenants permanent tenure in the cheri. We hope that this will not be beyond the means of any Social Service Organization or at least of some of them combined.

I give below the enquiry form used in this investigation.

HOUSING CONDITIONS.

COMPOSITION OF FAMILIES AND EARNINGS.

Street and No.
 Head of Family.
 Religion. Caste.
 No. of Members.
 Births and Deaths during last 5 Yrs.
 Terraced, Tiled or Thatched.
 Area.
 Rooms.
 Kudams.
 Thavarams.
 Open spaces.
 Drainage.
 Water-supply.
 Closet.
 Owner of Land with occupation.
 Superstructure
 Municipal Valuation of { Land.
 Superstructure.
 Rent Paid { Land.
 Superstructure.
 No. of Literates.

Dependants				No. of School-going children	Earning Members					Subsidiary Sources of Income	REMARKS
Sex	Age	Relationship to Head of Family	Why non-earning.		Sex	Age	Occupation & Hours of work	Distance of place of work	Amount earned		
FAMILY BUDGETS											
Food				Clothing	Drink	Ceremonies	Debts and Rates of Interest	Remarks			
Nature	Quantity	Prices									

Remarks

Date

Investigator.

Problems relating to Paraiyas in the Tanjore District

BY D. ARULANANDAM PILLAI, B.A., B.L.,

Deputy Collector on special duty, Tanjore.

1. The Paraiyas in the Tanjore District like their brethren elsewhere are at the bottom of the social scale. Rather they are *outside* the social system of the Hindus which recognizes only four castes. On the recommendation of the Director of Public Instruction in 1902 the terms Paraiya, low-caste and out-caste, carrying with them as they do a derogatory meaning, were replaced by the term Panchama, i.e. fifth caste. The term Panchama is practically used as synonymous with the expression 'depressed classes' and includes Chaccadies, Godaries, Pallas, Paraiyas, Totties and Valluvas. The Panchamas in the Tanjore District number 507,642 out of a total population of 2,245,029. If the Valluvas and Chukkiliars are excluded, the Paraiyas and Pallas total 495,866, being more than one-fifth of the population, the Paraiya population being 336,208 and Pallas amounting to 159,658.

2. That the Panchamas are untouchable is well known; but the Panchama pollutes not merely by contact but by his neighbourhood and his being within the range of vision. He may not enter a Brahmin street and the theoretical distance at which he must hold himself from the Brahmin—a theory which is happily not so strictly carried into practice in the Tanjore District as on the west coast—is 64 feet. In the case of the other castes, Panchamas pollute them by touch or by entering their houses. Of course, Panchamas cannot enter temples. The village barbers and washermen will not serve Panchamas. They have therefore barbers and washermen of their own caste. In places where there is no Panchama barber, they shave one another. They have no access to public wells, drinking water ponds, schools, etc. Theoretically every well, choultry and school established out of public funds is open to all classes, including Panchamas, but as Government recently admitted in the Legislative Council, there is very severe discrimination even in public institutions, not excepting the great majority of schools, against Panchamas.

3. The problem of relieving Panchamas in the Tanjore District may be conveniently dealt with under two heads, namely the general problem of relieving the Tanjore Panchamas from hardships which they have in common with their brethren elsewhere, and the special problem of relieving the Tanjore District Panchamas. As it is impossible in the course of a short paper to deal exhaustively with both these problems, I shall content myself with considering only the special problem of relieving Panchamas in the Tanjore District.

4. The most pressing question of relief for the Panchamas in the Tanjore District is the question of providing them with *manaikats* or house-sites of their own. Unlike their brethren in the other parts of the Presidency, the Tanjore Panchamas do not as a general rule own the sites of their houses and are at any moment liable to be turned out of their dwellings by an offended mirasdar. This feeling of helplessness reacts on the Panchama and makes him as a rule reckless of the future and only too ready to find his one comfort in the toddy shop where he may drown his miseries in deep potations. He feels he has nothing to live for. Eviction by the offended mirasdar is not the slow process in the course of which the landlord and tenant are pitted against each other with varying fortunes in the arena of the Civil Court; for in some cases, the mirasdar takes the law into his own hands by setting fire to the Panchama's hut, covering it with prickly-pear; or unroofing it, pitching his moveables into the open air.

5. Under the pernicious system of *swanthai* which is prevalent throughout the district and which the mirasdar is anxious to perpetuate, the Panchama receives from his mirasdar (i.e. landlord), an advance ranging from Rs. 10 to Rs. 100 and binds himself to work for him until the advance is paid off. The advance bears no interest and is seldom expected to be repaid. *The loan is the bait for perpetual service.* The debt continues from father to son, and hangs like a mill stone round the neck of the Panchama which no effort of his own has hitherto been able to shake off. Generations of thralldom have had the effect of extinguishing in him all sense of independence and have left him no other resource to better his condition except emigration from the land of his birth. Among the emigrants to the Straits Settlements, to Fiji and the West Indies, the Tanjore Panchamas have been conspicuous in point of number. Though in a few cases the change may have been from the frying pan to the fire, still the freedom to emigrate has had in the past a very beneficent effect not only in raising wages in the district but also by ensuring

better treatment for the Panchamas as a whole. It is an open secret that the Panchamas are anxious that nothing should be done to restrict free emigration. Of course the land-owning classes are against emigration. Although farm servants and field labourers in the Tanjore District, including caste labourers, form only 17.9 per cent of the total population against 23.1 per cent in South Arcot and 20 per cent in Chingleput, yet it is significant that there is far more emigration from Tanjore than from any other district. No doubt facilities for emigration are greater in Tanjore than in South Arcot; but the root cause of emigration is probably the fact that the general economic condition of the Tanjore Panchama is much worse than that of his fellows in South Arcot. In South Arcot the Panchama who owns his house-site can easily become a small land-holder and gradually improve his position. This is scarcely possible in Tanjore. In South Arcot or Chingleput, for instance, a thrifty Panchama can buy some land close to his habitation and slowly emerge from his servile position to that of a petty pattadar. In Tanjore the Panchama who does not own a house site has no inducement to save and can never hope to become a pattadar. There are, however, cases of Panchamas even in the Tanjore District who own their house sites and then manage to save the wherewithal necessary to purchase some lands.

6. If, therefore, the Tanjore Panchama labourer is not to emigrate in future on a scale as large as that hitherto permitted, special means for his relief must be devised at home. It must be conceded that unlimited emigration of labourers is prejudicial to the agricultural interests of the district, but if the mirasdar really understand their interests in the long run they must accept the elementary principle of give and take. Indeed, if there is any one who has to be educated in this matter more than another, I have not the slight hesitation in saying that it is the mirasdar, who must be made to understand that for him the elevation of the Panchama is not merely a question of pure altruism but that his interests demand it. He must remember that it is after all better to have independent, honest, self-relying and self-respecting labourers who have a stake in the paracheri than the Panchamas who in many respects are at present little better than animals.

7. Most of the paracheries in the district are a disgrace to the country and it is high time something is done to better the housing conditions. The anxiety of the Panchamas and other labourers, even at the risk of offending their mirasdar, to become owners of house sites can be easily gauged by the fact that in spite

of the condition of scarcity prevailing last year more than 2,500 men from 140 villages in the delta taluks have deposited with me during the last twelve months the enormous sum of Rs. 40,000 at the rate of Rs. 10, 15 or 20 per head, being one-fifth of the estimated cost of acquisition of each site with a pledge to pay Rs. 2,00,000 in instalments. There has been a steady flow of these deposits in spite of the fact that in a few villages where the Panchamas have applied for house sites, the mirasdars have either boycotted the Panchamas by refusing to give them work or begun to harass them in all sorts of ways. This attitude on the part of mirasdars has no doubt scared away intending applicants in a few cases, but on the whole it has had a most beneficent effect on the character of the Panchamas in their readiness to accept the situation.

8. That the Panchama is discontented with his lot in the matter of house sites is no secret. If he alleges to a casual enquirer that he is happy under existing conditions, it is because he is afraid of the consequences of offending the mirasdar. The mirasdar fears that if the Panchama becomes the owner of his house site he may not work for him. That this fear is groundless will be evident from the fact that in the Tanjore District there are hundreds of villages where the Panchamas do own their house sites, and still work for the mirasdar, and in those villages where house sites have been acquired for Panchamas under the scheme recently sanctioned by Government, the relationship between the mirasdar and the Panchama has not materially changed to the detriment of the mirasdars. This statement is true of all the thirty villages except two where house sites have been acquired, and of the 28 villages except three where acquisition proceedings are in several stages of progress. Granting that the Panchamas in their bid for freedom have to run the gauntlet of a certain amount of resentment on the part of the mirasdar, it is undeniable that the moral and the material advantages accruing to them from the changed outlook infinitely outweigh the disadvantages. Drink has been completely given up in seven villages operated on by the special staff; in some the Panchamas have given up eating carrion. There is no doubt that the Panchama who has become the owner of his house site has learned to be self-reliant, self-respectful, neat and thrifty. The effect of the policy of the Government in respect of acquisition of house sites has not so far been to send away the labourers from their villages. If the Panchamas are made the owners of their house sites, they will certainly be happier and in a more hopeful frame of mind and we may be certain they will produce more wealth for the country. I may

say in one word, the mirasdar's fears are rather exaggerated. Enough has been said on the problem of *manaikats*.

9. Next to the problem of *manaikats* or house sites is the problem of approach roads to paracheries and pallacheries which are almost invariably in the midst of wet fields. The only way to and out of these cheries is by means of the small ridges scarcely two feet wide between the wet fields. The absence of roads connecting paracheries with public thoroughfares and the entire dependence of the Panchamas on the good will of the mirasdar even for the use of this customary field path are weapons which an unscrupulous mirasdar is not slow to wield.

10. But there are many other hardships which the Tanjore Panchama shares in common with his brethren elsewhere. Even if the Panchama is made the owner of his house-site and roads are constructed to afford the Panchama both living and dead an exit from the paracheries and pallacheries, this will scarcely elevate this class unless it is educated and some system is devised for the sanitary improvement of the surroundings of paracheries and pallacheries. In most cases these cheries are very damp and their level requires to be raised. Unless this is attended to promptly the agricultural labour of the district is bound to suffer. What with the drainage caused by emigration and what with the periodical toll levied by epidemics, the agricultural labour of the district which is not over plentiful at the present moment will become daily thinner and thinner and the best interests of the district will suffer if the mirasdars do not rise to the occasion, enter more fully into the feelings of the Panchamas and other labourers and do everything in their power to raise their status. Quite recently, there has been a healthy public move in the capital of the Presidency for the uplift of the Panchamas and a number of public spirited men have in the face of difficulties begun to work in earnest to procure the amelioration of these classes. My hope is that this movement will shortly filter down to the Tanjore District.

11. A good deal can be done by popularizing co-operative ideals among Panchamas not only to procure them cheap credit but to help them in procuring the necessaries of life which in their case were procurable only at war prices long before the war was in sight and which now that the dire effects of the war weigh heavily on all people threaten to make life impossible for the Panchama at present. They are cheated not only over the quality and quantity of their purchases in buying the necessaries of life but also over their sales of agricultural produce. If by means of co-operation the Panchamas can be rescued from the

clutches of the petty bazaar man, the 'Gombeem' man of the Indian village, and if we can arrange to bulk the surplus produce of the Panchamas and sell it wholesale to respectable merchants, a very large profit can be ensured for the Panchamas. No good will result if this profit is to go to the toddy shop; methods will have to be devised to make this saving a real asset by introducing home-safes and other co-operative saving appliances and the Panchamas must be trained in principles of thrift and economy. As observed by the Registrar of Co-operative Societies Mr. Hemingway 'men of this class if given a chance and properly looked after will make excellent co-operators.' 'While Government may' as remarked by His Excellency Lord Willingdon quite recently in a memorable speech, 'do their best by legislation, by grant in aid and by encouraging the co-operative spirit to improve the present condition of our workers, we can do really little unless we can create and stimulate an active public opinion on this subject, a readiness on the part of all communities to help to solve the problem.' The task is tremendous but I for one do not despair.

12. Experiments have actually been made in a few villages in the directions just indicated. Household stuff is purchased in bulk, according to estimates furnished by the Panchamas themselves, and the result of selling the articles so purchased to the members of Co-operative Societies at co-operative prices is a saving of 30 per cent. Homesafes of the homeliest description, in fact made of clay, have been distributed among members of Co-operative Societies and the savings are periodically taken in deposit to the credit of the members in accordance with well-known co-operative methods. Cornbins of country make have been provided for Panchama villages where the paddy to be sold by producers is collected and the stock will be disposed of to respectable merchants instead of being bartered in small driblets which afford the buyer a ready means of swindling the Panchama. The time at the disposal of the special staff in the Tanjore District which I have the pleasure of supervising has not permitted of any serious attempt being made to impart even a rudimentary literary education to the Panchamas; but these and kindred measures of reformation are no doubt in the womb of, let us hope, a not very distant future.

The Influence of the war on, and Present Economic Conditions of some of the Sourashtra Community, Madura, South India

BY ALBERT JAMES SAUNDERS, M.A., F.R.ECON.S.,
AMERICAN COLLEGE, MADURA

The present study is a section of a larger work on an Economic Survey of the interesting Sourashtra Community of Madura, which the writer has made, and deals with war influences and present economic conditions.

In normal times the dyeing and weaving industries of the Sourashtras have just been able to make a bare living, but when famine has come or any great national crisis, the Sourashtras of Madura have always had an anxious time of distress and actual want.

When the Community was overtaken by the great famine in 1876-77, its resources were crippled to such an extent that its trade was considerably affected, and its people suffered want. But the paternal Government gave it looms, and took other steps to see that it was not wholly impoverished.

The Sourashtra Community in Madura had another trying time in 1898, when it was forced to make application for Government relief. At that time out of about 15,000 persons who were engaged in weaving or dyeing half of them were suffering from want and loss of their usual employment. In their memorandum to Government they state that the distress under which they suffer has been caused by :

(a) the existence of famine in the northern districts, i.e. Ganjam, Vizagapatam, Godavari, Kistna, Cuddapah, and Bellary, and the fall in the export of cloths from Madura in consequence.

(b) the substitution of machine-made cloths in lieu of those locally made.

(c) the fall in the prices of yarns.

(d) the substitution of aniline-dye-powders for the more durable dyes locally manufactured, and the elaborate method of country dyeing.

Take the export trade of Madura Weavers about that time. Venkatachalapathi exported Madura cloths to Guntur as follows:—

		Rs.
1896	export reached	44,384
1897	„	15,699
1898	a famine year	nothing.

Ramaiah Bagavather exported Madura made cloths to Rangoon as follows:—

		Rs.
1896	exports reached	22,987
1897	„	17,544
1898	„	12,838

Similarly, the exports of the Somalinga family fell from:—

Rs. 32,369 in 1896, to
„ 24,224 „ 1897, „
„ 1,958 „ 1898

Take the details of wages in 1898 in Madura as the result of famine conditions in the North:

1. Process of oiling-mixing with oomari ashes previous to dyeing:—

Wages for such work 2 to 2½ As. per day in 1898. Five years previous, the wages were 4 As.

2. Dyeing:—

Wages in 1898 were 4 As. Five years previous they were 6 or 7 As.

3. Weaving superior counts:—

Wages in 1898 were 5 As. Five years before they were 10 As.

4. Ordinary weaving:—

1898 wages were 3 to 4 As. Five years before 8 As.

5. Process of Sungudi done by women:—

1898 wages were 1 Anna or 9 pies, five years before 2 or 3 As. were paid.

From the above, it will be seen that famine wages are only half of what people get in normal times. On account of these things, together with the lack of technical training and the lack of adaptations to modern improvements, weaving and dyeing have lately become unprofitable trades and in consequence many members of the community have given up their hereditary occupation.

The last and hardest shock which came to these people was in 1914 when suddenly and almost without warning the whole

world was thrown into confusion by the beginning of the Great War. The Sourashtras, having become accustomed to German synthetic dyes, and having lost the art of manufacturing their own dyes, with the prohibition of foreign enemy imports found themselves absolutely without dyes. The price of the small quantity of dyes which happened to be in stock jumped immediately from Rs. 60 to Rs. 600 and more. Even that supply soon became exhausted and the dyeing factories were closed, the dyeing yards were vacated, the people had to do cooly work for a bare living, and to this day we do not know how the people managed to exist. For the duration of the war, the dyeing and weaving trade in Madura was practically killed.

In 1918, the Indian Government was able to secure small quantities of dyes from the British Dyes Company and these pittances were sold out to *bonafide* Madura dyers in seven pounds parcels under the direction of the Collector and the Dye Expert. Even as late as June, 1919, things were not much better and a meeting of the dyers of Madura was called to consider and decide on a larger and more impartial distribution of alizarine dyes to the dyers. The dyers complained that only a few, not more than four or five, had been given tickets for 56 lbs. of dye stuff, another four or five had been given tickets for 28 lbs., but the generality had only 7 lbs. and 14 lbs. a month. The people were very disappointed at being given so small a supply, and said they cannot earn a living wage with this quantity. Most of them have a stock of mordanted piece goods and by the time that they get enough dyes to dye they feared the mordanted goods will waste away, if they do not actually catch fire.

But more dyes are being obtained, and it is a pleasant sight to see the dyeing houses being re-opened, the yards being filled with drying yarn, and the returning activity of an industry which has been for many years a closed business. Mr. Tulsiram in June, 1919, went to England among other things to see if he could obtain a much larger grant of dyes for Madura. The Madura dyers need 300 tons of alizarine every month, and Mr. Tulsiram promised to try and secure that amount from the Board of Trade.

The period for reconstruction will undoubtedly bring with it many problems and difficulties, but if the Sourashtras of Madura will realize that we have entered into a new world after the war and will determine to train themselves for their industry and adjust themselves to the new conditions in this new age then I

firmly believe that there is a future for the hand weaving industry in the city of Madura for many years to come.

Mr. (now Sir Alfred Chatterton) amply bears out this conclusion. He says* :

The Revival of Native Industries

‘ In the meantime the evils arising from the lack of suitable employment must be checked, and a system of industrial development devised to deal with the existing state of things. Enterprise on a grand scale can be left to grow in the manner it has done during the last half century and at present need not concern us. Our attention should be concentrated on the decaying indigenous industries; hand-weaving, working in metals, tanning and leather manufactures and all the petty industries which supply the simple needs of the people. Labour must be trained to work more efficiently, there must be less of brute force and more of skill, the primitive tools of the artisan must be superseded by better implements; sub-division of labour must be introduced and from the crude simplicity of each family as a unit of productive effort strong combinations must be evolved either by co-operative working, or by the concentration of manufacture in small factories. That this can be done there is not the least reason for doubt.’

The Indian Industrial Commission’s Report likewise comes to the same conclusion. It says† :

‘ There is no likelihood of cottage industries becoming extinct; but improvement in the condition of the workers is not probable, unless better tools and plant are employed and an intelligent sub-division of industrial processes introduced. There is a tendency, which will probably be accentuated, to organize small factories, and this should be encouraged.’

In order to arrive at more or less accurate information of the present economic condition of the Sourashtra community, I prepared a questionnaire on the subject. This questionnaire was submitted to Mr. L. K. Tulsiram, one of the leaders of the Sourashtra community in Madura, and he very kindly gave his sanction to its being carried out. He also promised to help me in the economic survey, and his Head Clerk has actually helped in the gathering of the information required. Then the Chairman of the Municipality, Mr. V. Srinivasachariar, was asked for permission to be allowed to undertake an economic survey of

* ‘ Industrial Evolution in India,’ by Alfred Chatterton, Madras, 1912, page 15.

† Indian Industrial Commission Report, 1916-18, page 196.

some Sourashtra families in the First Ward of the city. Permission was readily given, and the work was begun.

The questions were grouped around the following subjects about which information was especially desired: education, wages, prices now and before the war, the influence of the war, family budgets, and needs in order to improve economic conditions.

The average number in the family is five (5). Many families have no children in school, a few families had only one child at school. The reason is the parents have no great appreciation of education, and the work of the children is required to swell the family income. Do you favour technical training? A few said—No. Some did not know what technical training meant. The majority however said—Yes. One man said—‘Yes, I want to educate my sons on that basis to a great extent.’ What is your occupation? the large majority said—Dyeing, Weaving. Women tie knots in cloth for dyeing purposes. Several said their occupation was ‘dyeing’, and from their economic condition one could easily conclude that might be true.

Have you changed your occupation, and why did you change? The purpose of these questions was to find out if any had been forced out of their hereditary work on account of economic conditions. It was found that a number had changed, but very few to any work which is considered beneath their dignity, though they could make far more money at it. Many would sooner eke out a miserable existence than make a change. One man said however—‘Yes, from weaving to dyeing. Because in weaving I will have to work from morning to late in the evening and the wages I get from such work can scarcely maintain the livelihood of my family. I cannot save anything and if any sudden expenditure comes I will have to borrow money from others at high interest and mortgage my house.’ Another man said: ‘Yes, from weaving to selling rice, bringals, oil, salt, and other household requirements. I found out that I could save nothing by weaving, so I opened a small shop to sell sundry articles. But later, seeing that this business is somewhat troublesome and I will have to sit in the shop from morning six o’clock to ten or eleven in the night, I again undertook weaving business which requires less time, from 8 a.m. to 5 or 6 p.m.’

Some are doing cooly work, and during the war many were forced to do cooly work or starve.

The wages of weavers of course vary according to the speed of the weavers and the quality of work turned out. Some make Rs. 15 per month, others Rs. 18; at turban cloth weaving, which

requires two men, each earns Rs. 22 or 23 per month. Dyers make not less than Rs. 20 per month.

Present daily wages		Before the war	
		A.	P.
Cooly man	... 8 to 12 as.	6	0
Cooly woman	... 4 to 5 as.	2	6
Cooly child	... 2 to 3 as.	1	9

Yarn is procured from Madura dealers. A common practice is for a merchant to advance the yarn and receive the finished cloth, for which he pays the weaver a regular rate for cloths furnished. As one man says: 'From the merchant under whom I am only a weaver.' There is a great and needy field here for co-operative effort. Dyes are obtained from Madras or Madura dealers, except during the war when the scant supplies were under Government control and distribution. German dyes are generally regarded as better than English, because the supplies were regular and cheap before the war. One answer was 'because in the German days the chemicals added are better and it is fast and more shiny.'

The price paid for yarn to-day is—Madura Mill yarn No. 20 Rs. 13, dyed yarns Rs. 19. Before the war the price was Rs. 4. The price of dyes to-day is: one rupee nine pies per lb., or Rs. 475 per cask; before the war the price paid was six annas per lb., or Rs. 120 per cask.

The very important question—would a large weaving factory establish in Madura hurt your business? brought out the general answer 'undoubtedly it would', and one man said, 'we would not be able to do any other work.'

There is a Madura Sourashtra Co-operative Society, but it is spending its energy mostly in connection with the problem of dyes supply. The protection and organization of the weavers is urgently needed, or they will not be able to compete with the factory. What do you wish in order to improve your cottage industry? Some of the answers reveal the fact that some people at least realize what their business needs in these new days of reorganization and competition. We need technical training; higher wages; assured supplies of thread, silver and gold thread and dyes. The war affected their business by withholding the supply of dyes, by the very high cost of production, and by the failure of the export trade. There were very few clear ideas as to the future prospects of their business. One man was anxious 'to save something and thus to open a small weaving factory of my own.'

Rice to-day is down or has been to $1\frac{1}{2}$ measures the rupee; before the war it was selling at about six measures for one rupee.

Ten years ago the price was twelve measures the rupee. Kerosene oil second quality has risen from Rs. 2-8-0 to 4-6-0 per tin; and best quality from Rs. 3-3-0 to Rs. 6 per tin.

Family budgets of course differ with each family, and I shall report here only one or two typical budgets :

A		RS.
Monthly income of the head of the family	...	75
Contributed by other members of the family	...	10
		85
Monthly expenditure :		
For rent of house	... ..	12
For clothing	... ..	8
For food	... ..	45
For other expenses	... ..	4
		69
	Difference	... 16

This family saves on the average Rs. 16 per mensem. They use their savings for marriages, or to spend otherwise whenever occasion arises.

B		RS.	A.
Monthly income from all sources	... ..	7	0
Monthly expenditure :			
For rent of house	... ..	1	0
For clothing	... ..	0	8
For food	... ..	5	0
		6	8
	Difference	... 0	8

This As. 8 is put as a 'Chit' to a merchant. This is a poor widow woman, whose husband died some years back, and she has no children. Her future is pathetic. She says: 'I have to adopt some one just to help me by his earnings and support me when I grow old.'

C		RS.
Monthly income of the head of the family	...	40
Contributed by other members of the family	...	5
		45
	Total	... 45

Monthly expenditure :				Rs.
For rent of house	...	...	...	5
For clothing	...	...	...	2
For food	...	...	...	24
For other expenses	...	...	...	4
				—
			Total	35
				—
			Difference	10

This man says : ' Can save with the greatest difficulty Rs. 10. I give it to some relative or rich man just to clear off my debts.'

Of course there are many wealthy men, large employers of labour, among the Sourashtras of Madura ; but from the above budgets, which are typical, we must conclude that the great majority of their community are living a hand to mouth existence. It simply means that economic conditions must be improved.

To the last question, these are some of the answers given. What is your greatest need in order to improve your economic condition ? ' Education on technical lines is needed, and also capital to improve the weaving industry.' ' Education is needed. Want of union and capital retard much of our progress.' ' No sufficient capital, which is the primary defect, and I cannot work longer being physically weak.'

From the foregoing evidence it seems to me that the three greatest needs of the community to bring about economic improvement are :

More general education for the children ; technical training and modern methods in the conduct of the dyeing and weaving industries ; and the practice of co-operation for the purposes of credit, and buying and selling.

DISCUSSION

The Effect of Rise of Prices on Rural Prosperity

MR. K. BHATTACHARYA said that in Bengal there was a far greater rise of prices in the commodities the ryot bought than in those he sold, and hence any supposed 'war time prosperity' was fictitious.

MR. T. K. DORAI SWAMI AIYAR asked how it was that according to Dr. Harold Mann's figures the necessary expenditure per family in the insolvent class was greater than in the solvent class.

DR. HAROLD MANN replied that the reason was that the number of members of the insolvent families was greater. In fact one of the chief conditions determining whether a family was prosperous or the reverse was the number in family. In the Deccan villages, generally, the more numerous the family, the more it was impoverished.

DR. GILBERT SLATER said that it appeared to him that Dr. Mann's figures led to a different conclusion from that which he had drawn. If he himself had to dispense with a motor car, which was necessary according to a certain standard of comfort, according to Dr. Mann's method of calculation, his deficit might be Rs. 100 per month at one time, and Rs. 200 at another time when the cost of keeping a car was doubled. But really it was the use of a car all the time. If you go without things all the time, the price of them does not matter to you. Similarly with regard to the Deccan villagers who had to go short of some of the things necessary to live up to Dr. Mann's standard. If while prices rose 50 per cent their deficit in rupees increased 25 per cent only, this meant that they could now buy about half the things they had previously been obliged to go without.

DR. HAROLD MANN replied that this was so, and that the correction was valid in so far as villagers met the calculated deficit by going without. But if they met it by borrowing they incurred a greater debt, and their economic condition deteriorated even in the cases referred to.

HOURS OF LABOUR

Several speakers challenged Mr. Burnett Hurst's view that the hours of labour in factories should only gradually be reduced from twelve to ten per day, and advocated either an immediate reduction to that extent, or a reduction to nine or eight hours.

DR. GILBERT SLATER said that there was a world-movement for the reduction of hours to eight per day in Europe and America in which Asia was asked to join, and he believed the chief obstacle to India's coming into line was the fear of unfair Japanese competition. In such a case as this he thought free-trade principles should not be pushed too far, and if after India reduced hours together with the rest of the civilized world, Japanese manufacturers endeavoured to use excessive hours of labour as a means of under selling their Indian rivals, India should impose sufficiently heavy duties on raw cotton and other raw materials exported to Japan, and on imported Japanese manufactures.

THE LIVING WAGE

THE BISHOP OF MADRAS drew attention to an important point raised in Mrs. Whitehead's paper with regard to the rate of wages. He quoted the figures given by her for feeding a family of five people, father, mother and three children, according to the standard laid down for prisoners in jails. It appeared, he said, that the food of a family of five people according to that standard would cost about Rs. 20 a month in South India. In addition to this, clothes, house rent, dhoby, barber and other minor expenses come to at least Rs. 5 per mensem, so that, as Mrs. Whitehead showed, a minimum wage for a family should not be less than Rs. 25 a month, it is notorious that both in Government employ and in private employ a large number of men are paid considerably less than this, and it seemed clear that either the jail standard of food was extravagantly high or the minimum rate of wages in Madras was unfairly low. He appealed to the members of the Economic Conference to make careful investigations on this point and to make their results public.

RAO BAHADUR K. V. RANGASWAMI AIYANGAR said that the Bishop's question could not be answered confidently either by economists or doctors. The exact quantity and calorific value of the food necessary for an adult in any given conditions was still a matter of dispute among specialists, and the older estimates had recently been much altered on revision. On what experiments or observations was the prison scale based?

DR. HAROLD MANN, replying for Mrs. Whitehead, said that the prison scale was based on a series of experiments extending

over ten years by Captain McCoy, of the I.M.S., in jails of the United Provinces and Bengal, published in the Scientific Memoirs of Medical Officers of the Army in India. He obtained very clear and definite results, and the present jail diet therefore rests on a scientific basis, and may be taken as a pretty safe guide in calculating necessary quantities of food.

HOUSING IN MADRAS

MRS. WHITEHEAD advocated the taxation of unoccupied land within the City of Madras, and drew attention to the very large compounds attached to many single houses, with overcrowded areas in the immediate neighbourhood, and advocated the taxation of these also. Other speakers supported this proposal.

TANJORE PANCHAMAS AND MIRASDARS

MR. G. F. PADDISON said that it had been suggested that question of Mirasdars and Panchamas was a moral question like the removal of slavery in the days of the American war. Now, he wished it to be looked upon as an economic question not only here but also in Tanjore. The *mirasi* rights in Tanjore were still being discussed in law courts and the *mirasi* right as claimed was that any man, however high his caste, who had no *miras*, had no right to take any land if the mirasdar wished to have it. The mirasdar claimed to be the owner of the village and if the labourer could not get on with his mirasdar he had no other alternative but to leave the village and his home. It was contended by some mirasdars that if Panchamas secured house-sites, they would go away to a neighbouring village and would not work under their masters. It might be so in certain cases, but the fact that they had to pay down money for a term of years to live in that house would attach them to that village. Who would want to go five miles when he could get employment at his very door? Who would go to Fiji if he could get fair wages in his own place? Though the problem was a difficult one, if mirasdars and field labourers worked together in future years, the smiling fields of Tanjore would continue to smile.

Second Day

Afternoon Sitting

The Chair was taken by Prof. J. C. COYAJEE.

PAPERS

A Plea for the Currencies of the Indian States

BY RAO BAHADUR SARDAR M. V. KIBE, M.A.

Much water has run under the bridges since the rupee stood at two shillings last. In the year of grace 1919, the wheel of fortune has brought it to that figure or a little more. The causes for the fall and rise of the rupee are too well known to need narration.

When the rupee began to depreciate, the first to suffer was the Government of India, and the people also suffered. The former had to pay more of its revenue towards meeting the Home charges and the latter had to export more goods for less money, and the foreign manufactures, which had become a necessity, became dearer. So all interests combined in clamouring for the arrest of the depreciation of the rupee.

The present year has perhaps witnessed the culmination of the appreciation of the rupee. There is now only a section of the community which wishes for an easier rate of exchange, but, owing to the advance in industries made by the country, and the change in the world position, which makes Indian goods a necessity to them, the natives of India do not fear the cheapening of the foreign goods or the becoming dearer of the Indian exports. The Government of India naturally stands to benefit.

There is, therefore, a general cry to stabilize the rupee, irrespective of the rate of exchange. One of the suggestions made to achieve this end is to the effect that British currency notes should be made legal tender in India. The idea which perhaps lies at the root of it is that if there were one currency in all the countries of the world the exchange trouble would disappear. The only obstacle in the way is a political one. In the meanwhile there is the question whether the unification of the currency in almost all the States of India has tended to the benefit of the country.

In India the right of coinage, although a monopoly of the State, was sometimes farmed out to individuals for a consideration. Thus not only currencies were prevalent according to the political divisions of the country, but there were licensed private

mints as well. Over the latter no check seems to have been exercised.

With the establishment of the British Indian Mints, private mints, even in Native States, seem to have disappeared. Only the Governments of these States continued or even established their own coinage. Its exchange value depended upon its intrinsic value. It did not circulate as currency beyond the borders of the State, but it circulated and was stored as silver or gold, as the case might be. Some currencies had a reputation.

Many of the 600 and odd States had thus their own coinage. Out of these now only thirteen have their own mints, others have either amalgamated with the British Indian currency or have closed theirs. The last straw which broke the back of the currencies of the Indian States was the last fall of the rupee, which caused the greatest upheaval in external no less than in internal exchange.

As far back as the last half of the last century, the Government of India passed an act permitting the Indian States to amalgamate their coinage with theirs. The concession was that on one side there was to be the effigy of Her late Majesty the Queen-Empress and on the other the name of the State. The currency of the State was taken over at par. Only a few States took advantage of this offer and the act became a dead letter.

The Governments of Indian States were frightened when their currencies naturally fell as compared with the British Indian currency. Its result naturally was that in dealings outside the States more local currency had to be paid. The class which was most affected by this state of things was the most articulate class and it carried the day. The easiest solution was to abolish the debased currency and it was followed at the sacrifice of the political rights of the States.

Apart from them, however, the economic advantages of the separate currency were overlooked. Some attempt could have been made to maintain it. It would have been possible to adopt the device which the British Indian Government did, viz. making the rupee a token coin, without adopting a gold exchange standard, as the States had no direct dealings with countries having a gold coinage. But the Indian Government adopted this measure after most of the States had abolished their coinage.

The existence of separate currencies had at least three economic advantages. In the first place it prevented the augmentation of the British Indian currency. It is now a well-

established doctrine that inflation of the currency raises prices. The existence of different currencies in the country acted as a check on it.

In the second place a currency of its own enables a State to regulate its economic life. In States which still maintain their currency it has been possible by stopping the export of food grains and other necessaries produced within it to diminish the effect of the high prices prevailing elsewhere. It is obvious that in order to achieve a perfect success in this matter, a State must be either self-contained or primitive, yet in any State a currency of its own must offer facilities in this respect.

Lastly, the existence of different currencies maintained a business in the country of the nature of that which is conducted by the exchange banks. A roaring trade was carried on by Shroffs or indigenous bankers. In the already few openings for trade in India, a gap has been caused by the abolition of the currencies of the Indian States.

Our Currency Problems

BY B. F. MADON

I. In a paper read before this conference in its first session in Calcutta at the end of 1917, I had tried to expound our Currency Problems as they then existed, and the remedies that to me appeared the most suitable.

II. Two years have since passed by, and our situation instead of having been improved, has become very much worse owing to the neglect of our Currency authorities to take what I conceive to be the right measures at the right time. Not only have they failed to take the right measures at the right time, but they have even contributed to make the situation what it is by their own action. The one principle that ought, I think, to have guided them in all their measures was to see how they could do *without* more silver. Instead of this, all they tried to do was to acquire as much silver as they could from anywhere, and at almost any price, so much so that they have exhausted the only important reserves of silver the world had—I mean the silver Dollars in the American Treasury—and have thus finally brought us to a pass where this country is absolutely at the mercy of the American Silver Ring, unless we have the courage even now to show a bold front, and to stand out of the silver market, and to let it be known that we are going to do *without* more silver unless we can get it on our own terms. The misguided action of our Currency Authorities has already helped this Silver Ring immensely, as it has led to what is practically the fixing of a minimum price for silver for several years to come of \$1 per oz., because this is the price at which the American Government is bound under the Pittman Act to buy fresh silver to replace the dollars now melted down. This minimum price has greatly fortified the position of the Silver Ring, and to that extent made it more difficult to get silver back to reasonable levels in the near future.

III. But, bad though the situation now is, so overwhelmingly strong is the position of India as a purchaser in the silver market, that, if our Currency Authorities resolutely set themselves to use the power which this position gives them in the

right way, we can still get the situation under control, and gradually get back to sound conditions.

IV. The principle, which I think ought to guide us, is still the same, viz. *to do without more silver*. The remedies also are the same as were advocated in my paper on the subject two years ago. Only, as the situation has grown worse, the application of these remedies has grown much more difficult. However, if properly applied, even now, there can be no doubt of the ultimate success of such measures. These are

1. A much freer use of the one-rupee note.
2. Temporary suspension of the cashing of currency notes.
3. Issue of plenty of fractional currency to insure the one-rupee note being cashed in such subsidiary coinage without discount.

The second measure advocated above is being cried down in many presumably well-informed quarters. It is called INCONVERTIBILITY, and we are told all eminent authorities were agreed on the extreme undesirability of such a step in any country, as it practically meant the financial insolvency of that country. All these objections are really based on a superficial knowledge of the subject of currency in general and of the Gold Exchange Standard in particular. I shall take the subject up again in a later part of this paper, and meanwhile will note here two other remedies that will go to some extent to meet these misconceived objections, and will at the same time help to ameliorate our currency situation. These are

4. Instead of total temporary suspension of the cashing of notes, the cashing be continued to a limited extent, by making the rupee legal tender only up to Rs. 15. (Much of the outcry against suspension of cashing—I purposely avoid the word CONVERTIBILITY, for which the reasons will appear lower down—is based on the ignorance and the illiteracy of the masses but looking to their average income, and their average disbursements, no individual unit of the masses here can possibly want to cash more than Rs. 15 at any one time, and so their requirements would be met by the facility to cash up to Rs. 15 at a time).

If even this is not considered advisable, and it is thought necessary to continue the cashing of all notes presented at our Currency offices, then we should

5. Reduce the proportion of pure silver in the rupee and bring the silver contents down sufficiently to prevent the temptation to the melting down of the coin.

This last proposal is also strongly deprecated in quarters that should be better informed. It is called 'debasement,' and we are told Gresham's Law would at once operate, etc., which again shows a very superficial knowledge of currency in general and the Gold Exchange Standard in particular. We shall go into this point also at greater length later on in this paper.

V. Of the five proposals above set forth, the fourth and fifth would become unnecessary if the first, second and third were efficiently put into practice. They are also less scientific than the other three proposals and are merely put forward as a sop to prejudice.

VI. The first proposal, viz. a much freer use of the one-rupee note, has fortunately very few opponents now. When this note was about to be introduced, we had all sorts of predictions of its failure from reputed authoritative quarters, but the fears that the masses would not accept notes in payment, and would insist on coins (rupees) have proved to be largely imaginary. We have remarkable testimony of the fact from no less an authority than the Chairman of the Bank of Bombay. At the general meeting of shareholders of this Bank, held on the 7th August, 1919, the Chairman, referring to notes, said :

'It was then (i.e. a few years ago) generally supposed that the ryot would under no circumstances accept payment for his produce in currency notes. *The unexpected has however happened*, as we find, in places like Berar, where the ryots *had never seen currency notes until last year*, that these were taken freely after a few months trial.

'The ryots were very unwilling at first to accept notes, and to give them confidence, it was decided to exchange them for rupees from the currency chests at our branches up to Rs. 100 to each individual ryot, a process which gave them their first lesson in currency.

'The second was when they discovered they could pay their land revenue to Government in currency notes.

'The result was that the discount on notes, which was anything from one to ten per cent at the beginning of the cotton season *disappeared altogether* before the season was finished.'

The italics are mine. This testimony should be convincing enough for the Bombay side. Let us see what they have to say

on the Calcutta side. In their representation to the Indian Currency and Exchange Committee, the Bengal Chamber of Commerce say

‘However reluctantly, the people of India are being gradually educated into the use of Notes as a form of currency.

‘This is particularly noticeable from the readiness with which, in many parts of India, but particularly in the big towns, one-rupee notes have passed into circulation.’

They say again

‘As has been shown above, the use of notes has rapidly developed in the Jute Districts of Eastern Bengal.’

and they give the following very interesting figures of notes and rupees remitted by the Bank of Bengal to the Jute centres of Dacca, Naraingunge and Chandpur for the busy season August to October:

	1913	1918
total remitted during period	680 lacs	618 lacs
of which amount in notes was	2 „	568 „

It will be seen that while in 1913 the percentage of notes was negligible, in 1918 it was as much as over ninety per cent. The figures are highly instructive. When such wholesale introduction of the Note Currency is possible in Bengal where it was comparatively unknown up to two or three years ago, it is clear that the ryots do not object to Note Currency as such, but because they are made to suffer losses whenever they have to change a note. There is no further warrant for the hesitation shown by our currency authorities in the pushing of the Note Currency. What they should now do is to do their best to make it take the premier place in our circulation, and to remove such disabilities as now exist in the way of its being even more freely welcomed by the masses.

VII. Some of the disabilities complained of refer to the form of the note or the texture of the paper used, and we are told the matter is having the close attention of the authorities. But the principal disability that stands in the way of the small note to-day is the discount that has to be paid on changing it. The fundamental fact to be here borne in mind is that it is the wants of the ryot that we have to cater to, and that he has, individually, very few rupees or one-rupee notes to dispose of at any one time. We have to remember that the change the ryot wants is *annas* not *rupees* and that what is wanted is plenty of *fractional* currency. Oblivious of this fundamental fact, the currency authori-

ties have devoted all their energies night and day to the coining of whole rupees, and allowed the subsidiary coinage to be scarce so much so that in some districts postage stamps had to be made to serve the purpose of such subsidiary currency. What should be done is

- (a) to provide as much of this fractional currency as possible, and
- (b) to change the one-rupee note into such fractional currency free of charge to the extent of two rupees at a time.

The bulk of the disbursements of the ryot are in *annas* particularly in rural areas. If the ryot can get by the above arrangement *full sixteen annas* for his one-rupee note, he will be able to do his marketing without any loss by discount on the note, and his confidence in it will very much increase. The *free of charge* changing facility should *not* be extended to the metal rupees, but confined only to the notes.

VIII. This issuing of plenty of fractional currency is the third of the proposals, put forward at the beginning of this paper. But it is a most important adjunct of the second, viz. the suspension of the cashing of currency notes. In fact, to make such suspension work smoothly, plenty of fractional currency is absolutely essential. The melting of rupees is to-day a very profitable operation, and if the issue of rupees is stopped, the cute village bania will raise a great hue and cry in the name of the ryot. If, however, the ryot finds that he is able to get full sixteen annas for his note, the manœuvres of the bania will fail.

IX. I will now come to the charge of INCONVERTIBILITY and all that it implies that is levelled against the second proposal. What is convertibility? Why is it so much prized? Convertibility is the ability of a country to pay its creditors in specie. It is the counter-part in the case of a merchant of his ability to pay his creditors in cash. In each case it means the solvency of the country or the merchant concerned. The contrary of this state of things—INCONVERTIBILITY—is the inability of a country to pay its creditors in specie, and is the counterpart in the case of a merchant of his inability to meet his creditors' claims in cash. In each case it means insolvency of the country or the merchant concerned. It is on this account that all authorities have most severely condemned and rightly condemned Inconvertibility. However, let us take our simile further. The merchant would not be solvent if he offered payment in faked coins. The country that offered to pay in tokens would not be considered solvent either. The real payment by India that counts in international markets is in Gold.

X. In ordinary Gold Standard countries Convertibility is prized because that is the only way in which to get Gold for foreign payments. The currency authority in such countries does not concern itself to see where the Gold goes once it has been paid across the counter of the currency office.

XI. In Gold Exchange standard countries, Gold is not issued across the counter of the Currency office. The Government undertakes to find the Gold for foreign payments in change for an equivalent in token currency presented to it for the purpose.

XII. India has been on the Gold Exchange standard for the past twenty years. Ever since we threw up the silver standard we have never had true convertibility in this country. Our notes have not been convertible into Gold but into *tokens*. When a man presented Rs. 1,500 in currency notes at our currency offices, he got 1,500 metal rupees, it is true, but they were no good to him for payment to any of his creditors abroad as the equivalent of £100 as these 1,500 rupees, as bullion, were worth only about £60 all over the world. To make his payment good, he had to again convert these 1,500 metal rupees—these 1,500 tokens for 16*d.* worth of Gold—into £100 in Gold. The man-in-the-street might be excused for innocently believing that we had full convertibility here because he could get these *tokens* against his currency notes, but we should have expected better from leading commercial bodies like Chambers of Commerce and Mill-Owners' Associations that have come forward to express an authoritative opinion on our currency problems. If our Convertibility is not in Gold as it should be but in tokens, then it is a sham, and there is no sense in upholding such a sham in the name of sound currency, particularly when the keeping up of such a sham is extremely harmful to the interests of this country.

XIII. The various bodies and individuals that have recorded their protests against the suspension of the cashing facility have done it on text-book precedents, but they have either not understood, or have overlooked the fact that ever since we threw over the silver standard and changed over to gold, our rupee is no longer the standard coin but is only a token, and the need of safeguarding convertibility as taught in text books is not meant to apply to convertibility into tokens.

XIV. Many people in India seem to think that our rupee cannot be a token because it is unlimited legal tender in this country, but being unlimited legal tender does not necessarily make a coin the standard coin. The fundamental quality of a standard coin is that its face-value should correspond to its

bullion value. In tokens, the face-value is on the contrary much higher than the bullion value. In all the pre-war years since the memorable changes of 1894, our rupee has always been worth much more than its bullion value, i.e. it has always been a token ever since we changed over to Gold.

XV. In ordinary Gold Standard countries, gold is allowed to pass into internal circulation, and so Gold coins alone (i.e. standard coins alone) are unlimited legal tender. On the other hand, in Gold Exchange Standard countries, where the very object of the system is to save gold from being dissipated in internal circulation, there are no gold coins in circulation, and therefore necessarily, tokens are unlimited legal tender, but they are none the less tokens.

XVI. It is want of appreciation of the fact that under the Gold Exchange System, our rupee, although retaining its old name, has fundamentally changed in character, and is now only a token, that is responsible for the protests against the suspension of cashing of the Notes. If it were but properly grasped that under the Gold Exchange System, the rupee is now only a currency note printed on silver, the futility of insisting on convertibility of one kind of *note* into another kind of *note* would be at once seen and people here would begin to understand that our so-called convertibility is a sham, and that in fighting to uphold it, we were fighting, not for the substance, but for the shadow of Convertibility.

XVII. We shall now consider the effects of such a suspension of the cashing of the note. One of the most important will be an immediate rise in the price of bar silver in this country, unless we forestall it by suitable measures. As is well-known during all the rise from forty-eight to sixty-four pence the price of country bar silver has remained here very steady @ Rs. 113-114 per 100 tolas. When we remember that no fresh silver has been allowed to come in on private account, and that a considerable quantity must be daily going into consumption for ornaments, the steadiness of the local price is extremely significant. To my mind it clearly points to a fresh stream of silver supplies steadily coming on the market at this level, and points to the rupee being largely melted down for ornaments. Nor is it anything to be surprised at, when we remember that it would require the melting down of only 110 rupees to get 100 tolas of silver instead of the 113-114 that it costs in the market.

XVIII. It therefore seems to me that if the stream of silver supplies from the Mints is dried up owing to suspension of cashing of notes, the demand for more silver for ornaments will

run up the price of silver, unless supplies are provided in some other way. My suggestion would be that the Government should supply this silver to the market as they are now supplying gold. There will be no danger of London prices running away, as the purchase in London (or New York) would be made by the Government as it is now being done. Only, instead of passing *through* the Mint into the melting pot, this silver will hereafter go direct to the melting pot, and save the time and labour of the Mints for the very necessary work of turning out large quantities of fractional coinage. To discourage the melting of the rupee, this silver might be supplied @ Rs. 109 or less per 100 tolas, as the Government can very well afford to do even at present London prices for silver.

XIX. After the suspension of cashing of the note has been established for some time, and found to work smoothly, as I feel convinced it will be, I would go one step further, and

(a) suspend the import duty on silver

(b) remove the embargo on private imports of silver.

Once our internal circulation has been based on currency notes that are inconvertible for *internal* requirements, I see no objection to, and even think it will be an advantage, to allow both metals to freely come in and go out as *Commodities*.

XX. Here it might be advantageous to point out the need of clearly distinguishing between the functions of Gold as a commodity and gold as money of international trade, because such distinction is important to properly follow the working of the Gold Exchange Standard System. As students of the subject know, the main object of this system is to concentrate gold in a central reserve from which international payments are to be met, and to abolish the waste of money and energy involved in shipments of gold to and fro which is the practice under the orthodox Gold Standard System for the settlement of international balances. Gold has frequently in the past been diverted from India to the London Central Reserve and for want of a proper appreciation of the above distinction, people in India have loudly clamoured against what they call this great iniquity of depriving India of the gold that it had a right to.

XXI. The fact is that two kinds of gold have to be imported into Gold Standard countries. These are

1. Gold to be used in the arts or for ornaments, etc.
2. Gold to be brought in in settlement of the balance of trade.

The former is imported as a *commodity* and to that extent swells our import balance, just as Manchester cloth or Birmingham

hardware would do, and has nothing to do with the balance of trade. It comes in like any other commodity if India is willing to pay for it at the current rate of exchange, as then it is profitable for gold dealers to order it out. When the dealers do not care to pay for this gold the price required at the current rate of exchange, it ceases to be bought for account of the Indian market, and then, if a sufficient quantity of other commodities has not been bought to equal our export balance, the amount remaining in our favour has to be brought in *in cash*. Then the bankers procure the cash (sovereigns, dollars, yens, etc.) and ship them to India in settlement of the trade balance. If the Secretary of State is willing to do it, they hand this gold over to him and get the equivalent in local money from the Treasuries in India. The Secretary of State charges for such service a certain amount which is the difference between the par of Exchange and the Gold Point, and the country is to this extent the gainer. But, and it is this that I want to emphasise, this action of the Secretary of State does not divert a single ounce of Gold that India wants to use in *the arts*. Provided, and this is a most important proviso, provided he sells his bills against such diverted gold at the *full Gold Point Rate*. It is this that India should really insist on.

XXII. We shall now turn to the fourth and fifth proposals named at the beginning of this paper. The fourth proposal is that if complete refusal to cash notes is not deemed advisable in view of the illiteracy of the masses, we might arrange to give rupees for notes to the extent of Rs. 15 at a time, as this amount will amply cover the needs of any individual unit of the masses. Limiting the legal tender quality of the rupee will give a *quasi* legal sanction to the refusal to cash more than Rs. 15 at a time, but it is not going to satisfy the profiteers in gold and silver who see they could make very large and very safe profits for every gold or silver coin that they could induce the Government to part with in exchange for currency notes. Therefore, this measure is sure to be met with a great hue and cry about the rights of the ryot by these profiteers. I would personally prefer that no more rupees be given out now, as all *bona fide* requirements for currency purposes can be amply met by notes and by fractional currency.

XXIII. The next proposal—reducing the proportion of pure silver in the rupee and bringing down the silver contents sufficiently to prevent the temptation to melting—is the next in importance to suspension of the cashing of the notes, and failing this last mentioned remedy, is in fact the only possible solution of our present difficulties. Because if our export trade is given a

fair chance, there is a certainty, in view of very favourable harvests and high prices in foreign countries, of a heavy favourable balance of trade again next year. Large amounts of note currency will issue here in payment of these exports, and if the cashing of the notes has not been suspended, a very large quantity of rupee coin will have to be found to meet the encashment of the notes. If the full 165-grn. rupee is continued to be issued, much of it will continue to find its way into the melting pot, as it pays so handsomely to do it, and the situation will continue to grow worse. If, therefore, our efforts at providing the necessary coinage are not to be stultified, the only way is to turn out a coin that *will not pay to melt*. This again is no new or untried measure. It has been tried over and over again since 1906 by other countries that run on a Gold Exchange System. However, here again owing to want of a proper understanding of the position of the rupee under our Gold Exchange Standard system, we find strong opposition from various quarters to this proposal. It is called 'debasing' and we are again told it is against all sound currency doctrine. Yes, debasing is wrong and that because by putting less metal into a coin than had been agreed upon, you really deceive the man who has to get payment in such coin. Thus if payment of say £100 is due to any one, it is tantamount to 12,344 grns. of standard gold being due to him, and reducing the pure gold contents of the sovereign would be trying to cheat him of his due, and would be a fraud. Similarly, when we were on a silver standard in India, i.e. previous to the closing of the Mints in 1894, if Rs. 100 was due to any one, it was tantamount to 100 tolas of standard silver being due to him, and reducing the pure silver contents would be cheating him also of his due, and would be a fraud.

XXIV. After 1894, our rupee of yore has remained a rupee only in name. When a man sells anything to me for Rs. 100 he has a right, not to 100 tolas of standard silver as was the case before 1894, but to 1600*d.* worth of *gold*. (I speak of the pre-war period.) With silver at 24*d.* as it frequently was between 1894 and 1914, the Rs. 100 would have actually bought more than 150 tolas of standard silver in the open market if my man had so wished it. In other words, since 1894 a rupee has *ceased to represent* a tola of standard silver. It has on the contrary represented a certain quantity—one-fifteenth of a sovereign worth—of standard gold. Since its character has been so changed, and it has become a mere *token* for a certain quantity of standard *gold*, it is clearly immaterial how much *silver* it is made of, because it is not the *silver* in it that enabled us all these years to get 16*d.*

worth of gold for it. It was the guarantee of the Government under the Gold Exchange System that really did it. To talk of debasing in connection with our rupee is therefore totally to misunderstand its present character. To those who do it, I may ask ' If it was right to have only nine annas worth of silver in the rupee in 1914, why is it wrong to have the same nine annas worth of silver in the same rupee to-day ? '

XXV. There is another set of opponents of this measure who base their opposition on the illiteracy of our masses, and claim that such a step will create great distrust in the Government if not actual disaffection. It is not easy to reply to this criticism from past experience in India itself, but we have experience of similar reduction of the silver contents of the principal coin of the masses in the Straits and elsewhere. The populations there are equally illiterate, and yet repeated reductions have met with comparatively little opposition. As pointed out in an earlier part of this paper, the individual unit of the labouring and agricultural classes cannot at any one time be the holder of more than a few coins, and he does not understand, and will not care, for weights and finenesses of coins so long as the *purchasing power* remains unaffected and the masses find they can procure the same quantity of other commodities with the new coin as with the old. If the masses can be satisfied on this point and they would soon be so satisfied from their transactions with the Railways, Post Offices, etc., there will be no fear of the new coin being rejected to any appreciable extent.

XXVI. Here, again, proposal No. 3, viz. an ample supply of fractional coins and facilities for cashing in such fractional currency will prove a most powerful help, because the masses would then find that they were getting without trouble *full sixteen annas* for the new coin, and this would at once give them confidence in such new issue.

XXVII. The next most important objection to this proposal comes from people who base it on so-called scientific grounds. They learnedly speak of Gresham's Law, and tell us that it has been established that when two coins of different weight are made to circulate simultaneously, the lighter one inevitably drives out the heavier. What they forget is that Gresham's Law is merely a statement of the very human fact that where the existence of two such coins gives merchants or bankers the chance of making a profit, they will make it. Thus, if there were by some accident sovereigns of 124 grns. issued instead of the regulation 123·44, people would soon begin to discriminate, pick out the heavier coins, turn them into bullion, and exchange 123·44 grns.

of it for another regulation coin, and pocket the profit of about half a grain. This process will continue until all the heavy weight coins had been sought out, and profited by. But, what we should remember is that the impelling force is not merely the fact of heavier weight, but the certainty of *profiting* by such extra weight. If there was no profit, nobody would bother about seeking out the heavier weight coins. Now, it is only in standard coins, that have their face value equal to their bullion value, that this can happen. In tokens, the face value is already much higher than the bullion value, and it does not pay to break up a token coin that happens to have a higher bullion content than a similar other coin. Thus, to take our nickel two-anna pieces, if we happened to have side by side coins containing 75 per cent pure nickel and 90 per cent pure nickel, the last would not disappear, because even 100 per cent pure nickel of the weight of our two-anna piece would not be worth two annas *as bullion* (as metal.)

XXVIII. Now, under our Gold Exchange Standard system our rupee is also a token coin, depending for its value not on its bullion contents, but on the guaranteed gold price fixed for it by Government. We all know that bar silver has frequently sold in the Indian markets at Rs. 65 to 70 per 100 tolas pure. This means that the rupee, which is only *one* tola of standard silver, has been able to buy *more than one-and-a-half* tolas of such silver in the open market. Now, if, when silver was quoted at such prices, we had two kinds of rupees, in circulation simultaneously, one our present 165-pure rupee and the other the proposed 105-grn. pure rupee, *Gresham's Law could not have operated*. Merchants, etc., would know that even with the 165-grn pure rupee they could buy more than 200 grains of pure silver in the open market, and they would therefore use it *as coin* in order to procure this *larger* quantity of silver with it. What surprises me is that these people who talk of Gresham's Law without understanding what it is fail to see that *at present this Law is actually in operation amongst us for the past two years*. At the price for country bar silver that obtains here for the past two years it has proved profitable to melt down the rupee, and therefore Gresham's Law has already been operating with the result that the rupee coin is disappearing from circulation even faster than we can mint it.

XXIX. I have already said in the beginning of this paper that our situation has become very much worse to-day owing to the neglect of our Currency Authorities to take the right measures at the right time. If a new coin of the kind proposed had been issued by our authorities when silver was under Rs. 100 in our Indian markets, as it was even two years ago, it would have

kept circulating simultaneously with the old coin, because the *purchasing power* of the latter would still have been greater than its melting value. To-day with country bar silver @ 113, the problem is much more difficult, but it is not yet past remedy, and it is not statesmanship to helplessly look on, and allow matters to grow worse. We shall now consider how to set about this reform.

XXX. *The key to the problem lies, as will be perceived from the preceding paragraphs, in devising means to lower the Indian price of silver to just below the point at which it would pay to melt down the rupee for ornaments.* The village silversmith, a very cute and calculating person, will do the rest.

XXXI. What is this paying point? Our coin being 11/12 fine, it takes just 109 1/11 rupees melted down to give 100 tolas of pure silver. There is further the cost of the operation, and the risk of doing it as melting has been made penal. Therefore, no one in his senses will care to melt down the old rupee, if there is not an *appreciable profit* on such operation.

XXXII. Our first step therefore should be to *provide silver direct to the market* at Rs. 109 or less per 100 tolas, as suggested in para XVIII. Some people will say that when the very source of our troubles is the difficulty of getting sufficient silver for coinage, this proposal to apply silver to the public is an absurdity. I would point out in reply that what we are actually doing is something still more absurd. Government is at great pains to buy silver in London and New York, it makes gigantic efforts to mint it into coin, and then—all this coin disappears and all the labour is wasted. This may seem an exaggeration, but in a very informing article in the *London Times* of July 21, 1919, believed to be from the pen of some one high up in the Indian Finance Department, we find the following :

'From the last rupee Census, and from the coinage returns, 'the active circulation in 1918 may be taken to be 2190 million 'rupees. . . . Despite the year's large coinage, this figure was 'actually 80 million less than that of 1917.'

This means in plain English that all the minting of the year 1918 had been sheer waste of energy and had not added a single coin to the effective circulation. It was like pouring water into a sieve.

XXXIII. Instead of wasting time and energy in this way, would not the Mints be far better employed in turning out subsidiary coins, which are so badly wanted, and the presence of which would greatly help to keep our small notes at par? Would it not be more sensible to pass the silver on to the trade

as bullion, and thus prevent further encroachments on the supply of coin in circulation ?

XXXIV. What we should therefore do is to place such silver as India is hereafter able to acquire on reasonable terms on the market here at Rs. 109 or less. For coinage, we have for the present all we need in the fifty-six crores that the Currency Treasuries now hold in the shape of coined and uncoined silver. The figures are on the basis of $11/12$ ths fine coin. If the new coin is only $7/12$ ths fine, as I think it should be, there is enough to give us 88 crores of the new coin, which will be ample for all requirements over the next twelve months, supplemented as it will be by some imports of Gold.

XXXV. It might be said that minting all this new coin is a very large order, but failing suspension of encashment of notes, this is the only sound and *tried* remedy for our currency difficulties. The problem of minting is also not as tremendous as it might appear at first sight, because the situation will automatically grow easier and easier as the coining proceeds, as these new coins will not disappear from circulation as the present coins do, there being no inducement to put away these new coins, and the state of the circulation will therefore steadily improve, and make further coinages less urgent.

XXXVI. The next step is to withdraw the legal tender qualification from all rupees coined before 1919 from a certain date to be notified, say six months from date of notification. After such date, the old rupee is to cease to be legal tender but is to be exchangeable into the new coin, or into currency notes at the Government Treasuries for a further period of eighteen months.

XXXVII. If the thing is efficiently handled, and a supply of new coin is made ready before the new system is inaugurated, I believe it will be found that after some initial hesitation, the new coin will circulate freely, and if silver prices are lowered here by providing supplies of fresh bullion as suggested above, the old rupee will be rapidly returned to the Treasuries before it ceases to be legal tender, and thus loses its full sixteen-anna purchasing power.

XXXVIII. I need not repeat here again that in my opinion this means of remedying our currency situation is but a poor next best. The best and soundest remedy is the suspension of encashing facilities, and as representative bodies and even an authority like the Bank of Bombay now agree that in view of the reception given to the small note, the question of inconvertibility as they call it was now looked upon with less apprehension than formerly, our Currency Authorities should now lose

no further time in adopting this very necessary measure. They should not delay because silver is still obtainable at a price. If silver is obtainable at reasonable levels, they might buy it and keep it in the reserves, thus strengthening the backing of the notes.

XXXIX. There are apprehensions in certain quarters that the present coin (165-grn. pure silver) would all disappear in case encashment was suspended. I have explained above that it will so disappear, and that into the melting pot, but only if silver is unobtainable in any other way. However, even assuming that the old rupee disappears, it will only be what has already been happening to it during the past two years, in spite of the great efforts made to maintain the so-called convertibility by enormous fresh coinages. Suspension of cashing of the notes will at least prevent this process going further, and preserve the fifty-six crores now in the Treasuries, and more that we might hereafter acquire, from being dispersed in the circulation, and disappearing. In view of the extremely strained situation of the silver market, any further delays in adopting this measure will be highly ill-advised.

XL. Another thing that the Authorities might seriously take in hand is the import of securities here to supplement the present very inadequate imports of commodities and of treasure. This might at first sight appear to be a matter for private initiative in which Government need not interfere, but I would urge upon them the necessity of this step *as an urgent currency measure*.

XLI. When Government Sterling Loans were being placed in England @ 3½ per cent, Railway Debentures of Indian Railways have been issued even @ 4 per cent. My suggestion is that Government issue here Railway Debentures @ 5½ to 6 per cent and with the proceeds buy up the Debentures now held at Home. It should not be difficult to do so, as these are mainly held by big Insurance Companies, and these Companies can at once reinvest in other Home securities without loss of interest yield. The British Government has previously commandeered securities in order to redress the balance of their indebtedness to America and with some exertion on their part, it should be possible to get hold of these Sterling Debentures for us, and replace them by Debentures in *rupees* floated here, and thus help to redress our trade balance.

XLII. Another thing that we might very profitably do is to take advantage of the speculative fever now seen in Bombay and Calcutta, and other important centres, and guide it into

the right channels, i.e. into sound investments, while greatly helping at the same time to ease our currency situation. The public here has now got plenty of cash to invest, and is looking for something more tempting than a safe 6 per cent as is evidenced by the great avidity with which the ordinary shares of new companies are taken up. The Government might consult the leaders of the Calcutta and Bombay stock markets and devise means of bringing over to India, and converting into rupee-companies, the many tea, rubber, etc., companies now operating in India itself, and in Ceylon and the Straits. Shares of these companies are already bought and traded in by the knowing few, but the general public holds aloof, as the difficulties of buying shares in England and having them transferred to one's name here are very great, and these same difficulties stand in the way of rapid realization of one's holdings. Special facilities are provided by a few companies by having an Indian register, but even these facilities are far from satisfactory, and if wholesale investment in such securities is desired,—and it must be wholesale if it is to exert any beneficial influence on our currency situation,—the Companies must be brought bodily over here. A stray company here and there is already doing this on its own initiative, as at the present rate of exchange the conversion can be arranged on terms very profitable to the English holders. But what is wanted is systematic action by Government to get many more companies to do the same, and the removal of any technical difficulties that might delay the operation.

XLIII. While these lines are being penned, the recommendations of the Indian Currency Committee are yet to be formulated, and I would in conclusion urge upon the authorities the very great necessity of action in at least one direction at the earliest possible moment. It is in the direction of reassuring the public that the rate will not be allowed to go beyond a given figure, say *24d.*

XLIV. During the first upwards movements of the rate, the export trade was clamouring at the losses it was incurring but the import trade was in great glee, because wholesale dealers who had bought in sterling thought they were going to make great profits. These importers have been disillusioned. They find that the upcountry buyer also knows that exchange is daily going up, and that he is therefore postponing his purchases. Consequently, purchases from Home that had promised to show good profits now show losses, as the demand remains weak. That a big demand must be there is undoubted, because the crops this year are all reported to be very good. What the

upcountry buyer wants before he will place his orders is an assurance that the price will not go down the next day owing to another turn in exchange.

XLV. I urge that the Currency Authorities should now give this assurance even in their own interests. They want India to buy heavily of foreign goods to reduce our need to import gold or silver. India is ready now to buy heavily if Government but gives the word. That word is an assurance to the upcountry buyer that *Exchange will not be allowed to go higher*. The other side of the question, i.e. whether exchange will go lower should be left open. This does not in any way bind down the Government, as the lower side of the rate is entirely under their control through offers of Reverse Councils. What I suggest is that while an assurance should be given that exchange will not be allowed to go beyond a named figure, (which should be the current figure at the time such action is taken), nothing should be said as to the possibilities on the other side. This will be considered to be an advocacy of instability in Exchange, but under present circumstances, it is highly desirable to leave a certain amount of uncertainty on the lower side, because the object to be aimed at is to make the upcountry buyer lay in stocks freely and while guaranteeing that the rate will not further advance will embolden him to come into the market, a bit of uncertainty as to the lower side of the Rate will prove a great incentive to active purchases on his part, as with any signs of weakness in the Rate, he will be induced to hurry up his purchases, before the price of imported goods rises under an unfavourable movement of exchange.

XLVI. Such a measure will, on the other hand, discourage exports, because the foreign buyer will be afraid of our rate going down, and making his to-day's purchase too dear, and will hesitate, and book sparingly, hoping to do better later on. The result will be a tendency to *decreased* orders for our goods from *foreign* countries, and *increased* orders for *imported goods* from our upcountry centres, and thus the totals of our exports and our imports will tend to come closer together than they are to-day.

XLVII. Before closing this paper, I would like to once again emphasise the great need of promptly devising measures to enable us to do without silver before it is too late. We should be warned by the situation lately reported from France, where the silver coin has practically disappeared. Another penny or two rise in the price of silver, and the subsidiary coinage of other important countries will be exposed to the same risk, and the efforts made by these countries to safeguard their own

position will powerfully affect our own currency situation. The impression seems to prevail that if our rate of sterling exchange goes up sufficiently high, India's demand for silver will automatically cease. Those who think so appear to overlook the fact that our real difficulty is the absorption of silver by the masses for ornaments, etc., and this absorption will go on so long as their condition remains fairly prosperous (and good rains this year ensure this prosperity for another twelve months). As the Mints are to-day the only source through which fresh supplies of silver can be had for ornaments, this source will continue to be drawn upon. In other words, rupees will continue to disappear from circulation, unless we *make the operation unprofitable*, or *supply fresh silver* direct to the market *at a lower rate* than what the melted down rupee would cost.

The Indian Currency

BY J. A. WADIA

The recent rise in silver to 64*d.* per ounce has once more forced this question upon the notice of the Indian Government and the Indian public. After the closing of the mints in 1893, silver fell at one time to 24*d.* an ounce. The Government of India long before 1893 had set its heart on a gold standard, and they repeatedly moved the Home Government to come to their rescue. The Home Government was evidently better informed than the Indian Government, and declined to move in the matter for a long time ; and it did its very best to throw cold water on the efforts of the Government of India in the direction of a gold standard and a high fixity of exchange. I will quote here from a letter, dated November 24, 1879, which was addressed by the Lords Commissioners of the Treasury to the Secretary of State for India in Council. It runs as follows: 'The Government of India propose that the free coinage of silver shall be restricted so that the rupee shall no longer remain, as at present, simply a piece of silver of a given weight and fineness, but shall in addition to these qualities bear a fixed relative value to the English sovereign. The proposal appears open to those objections to a token currency which have long been recognized by all civilized nations, viz., that instead of being automatic, it must be managed by the Government, and that any such management not only fails to keep a token currency at par, but exposes the Government which undertakes it, to very serious difficulties and *temptations*. It appears, too, that the Government of India in making the present proposal, lay themselves open to the same criticisms as are made upon Governments which have depreciated their Currencies. In general, the object of such Government has been to diminish the amount they have to pay to their creditors. In the present case, the object of the Indian Government appears to be to increase the amount they have to receive from their tax-payers. My Lords fail to see any real difference in the character of the two transactions. If the present level of exchange be due to the depreciation of silver, the Government scheme, if it succeeds, may relieve the Indian Government and others who desire to remit money to

England, but this relief will be given at the expense of the taxpayer and with the effect of increasing every debt or fixed payment in India, including debts due by the ryots to the money-lenders.' Every one of the things mentioned in the above quotation has come to pass. The Herschell Committee most reluctantly consented to close the mints in 1893 and fixed the rupee at 1s. 4d. or Rs. 15 to the sovereign, although the Government of India desired the fixity at 1s. 6d. to the rupee. It was declared before the Herschell Committee by our Government that if the mints were not closed, India would be bankrupt. India was not bankrupt, although exchange fell to 13d. in 1895. Since then exchange began to rise and by the year 1898-9, 1s. 4d. for the rupee was firmly established with glorious results to the Government and with dire results to the people. We had two severe famines in 1897 and 1900, and yet the Treasury was overflowing. The expenditure on the two famines was estimated by the then Secretary of State at millions of pounds. I will quote an extract from the Indian Spectator, December 15, 1901, 'no doubt we are told that the heavy expenditure was met from the revenue. This expenditure has been computed by the Secretary of State at £15,000,000 during the last two famines, to say nothing of the growing surpluses which are now obtained from year to year.' The losses in crops were computed by the same Secretary of State, Lord George Hamilton, at Rs. 75 crores. This was the result achieved by the artificial rupee, whilst the starving peasantry when it went to the 'Bania' with its saved silver to buy food grains, received only Rs. 60 for every 100 tolas of silver for which it had paid something like Rs. 105. It is not fair to lay the entire blame on the Government of India for the closing of the mints, since about 8,000 educated Indians joined about 8,000 Anglo-Indians in petitioning our Government in 1892 to close the mints and thus save the country from heavy losses entailed by the fall in exchange as regards our remittances to England in payment of home charges. Now the fall in exchange was a gain to the country and not a loss from every point of view, and the Government of India knew it and in its lucid moments acknowledged it. I will quote from a letter from the Indian Government to the Secretary of State in 1886: 'Whilst impressing upon the Secretary of State, the very serious inconveniences suffered by the financial department of the Government and by the Anglo-Indian official community, owing to the fall in the gold price of the rupee, the Government of India freely admitted that so far from this fall having proved injurious to the people of India, the Indian cultivator appeared to have actually

gained.' And this is self-evident. Before the year 1873, when your exchange was 24*d.* to the rupee, your exporter for his one sovereign worth of produce got Rs. 10; in 1895, with exchange down to 13*d.* to the rupee, he got about Rs. 19. What harm had he suffered by a heavy fall in exchange? None whatever. He got Rs. 9 more on every sovereign worth of produce sold. It was said that there was no good in getting Rs. 19 for the sovereign as the rupees were depreciated rupees. There was no such thing. The rupee had a much better purchasing power at 13*d.* than the debased rupee at 16*d.* as I will presently show. The late Sir Robert Giffin, K.C.S.I., in his evidence before the Currency Commission in 1898, said that, from an economist's point of view, the rupee was for the purposes of currency a superior coin to a gold sovereign, as its purchasing power was far more steady than that of the gold sovereign. The rupee was divorced from the metal and was screwed up to 1*s.* 4*d.* in 1898-99, and since then its purchasing power fell enormously, since the country was flooded with token coin. I have no desire to give war figures and prices. I will therefore give you the figures up to 1912. I take the following figures from the Commercial Intelligence Department of India.

Year.	Food Grains (Retail) India.	Silver Prices Atkinson's Silver Prices.	Gold Prices Sauerbeck's index number England.	Exchange.
1873	100	100	100	23 <i>d.</i> to the Re.
1885	100	106	65	18 <i>d.</i> " "
1894	114	123	57	13 <i>d.</i> " "
1910	168	151	70	16 <i>d.</i> " "
1911	161	156	70	16 <i>d.</i> " "
1912	189	175	77	16 <i>d.</i> " "

You will thus see that between 1873 and 1894 the silver rupee fluctuated fourteen points, or if you take Atkinson's prices, twenty-three points; but gold prices fluctuated forty-three points. Take the figures now between 1873 and 1912, and you will find the following fluctuations: Food grains, eighty-nine points; silver prices, seventy-five points; gold prices, twenty-three points. In plain language, in 1873 if you had to pay Rs. 100 for a certain quantity of food grains, in 1912 you had to pay Rs. 189. On the other hand, in 1873 if you paid £100 for certain articles in England, the same could be purchased for £77 in 1912.

When you have a token currency, the temptation of manipulations and inflations are very great, and our prices in my

opinion had been inflated long before the war owing to the inflation of currency. The mints were closed in 1893; exchange fell to 13*d.* in 1894 and it was firmly established at 16*d.* in 1899, and our rupee became a token coin. Sir David Barbour, K.C.S.I., K.C.M.G., in his book called, 'The Influence of the Gold supply on Prices and Profits' on page 58, says as follows: 'Token coins, whether of copper, bronze, nickel, or silver, are maintained at their rupee level in relation to gold by limiting their quantity. No more of such coins can be safely issued than are just sufficient to meet the wants of the public at the level of prices existing for the time being.' Our currency in active circulation in 1893 was computed by the Herschell Committee at 130 crores of rupees and about twenty-eight crores in Currency notes. In 1912 our Currency was computed at 180 crores of rupees, sixty crores of notes, and sixty crores in gold in active circulation. The latter figures are taken from the Moral and Material Progress of India published in 1912. Our population in 1893 was 287 millions; in 1912, 315 millions. To-day our population may be estimated at about 327 millions and the Currency in active circulation to-day is computed at 400 crores of silver rupees and about 174 crores of currency notes. The result of all this inflation of token currency has been an artificial rise in prices and wide-spread distress in 1912, long before the war. It is said by the 'Statist' of June 7 last that the Indian Government during the war bought 60 crore ounces of silver or three years world production of that metal, whilst 120 crores of rupees have been added during the war period to the Currency of the country. Instead of gold which was due to us from England and her allies for the purchase of our raw material, we were flooded with silver and token coin. In a note by the Bengal Chamber of Commerce on Currency, published by the Statesman of July 16 last, the Chamber says as follows: 'Thus although the visible cause of the rise in exchange is the rise in the price of silver, the main cause is without doubt the refusal of the gold standard purchasers of India's produce to pay for this produce in gold, thus compelling the Government of India to import silver in order to meet trade requirements.' The mints ought never to have been closed in 1893, and if closed, in common fairness to India, we ought to have had an effective gold currency. It must be remembered that the Herschell Committee reluctantly gave its consent, since the Indian Government threatened bankruptcy, and the Indian people were told and childishly believed that the closing of the mints and the overvaluation of the rupee would cause a saving to India in Home Charges. This is merely a

delusion and the Herschell Committee knew it. If we have £20 millions to remit to England annually as Home Charges, we have to produce £20 millions of goods which will be sold in the neutral markets of the world. To-day our exchange is 2s. to the rupee; will India save a half-penny in Home Charges? Not a cent. India will have to produce goods which will realize £20 millions in the neutral markets of the world. It is true that the Government of India will save some ten crores of rupees; instead of finding thirty crores of rupees at 1s. 4d. to the rupee, it will have find only twenty crores at 2s. to the rupee in remitting £20 millions for Home Charges; but this little saving of ten crores to the Government will bleed the producer, since for his every sovereign worth of produce for which he was receiving Rs. 15 at 1s. 4d., he will get only Rs. 10 now at 2s. Take the imports and exports of merchandise for 1917-18.

Imports.	Exports at 1s. 4d. to the rupee.
Rs. 150 crores = £10 crores.	Rs. 233 crores = £15.55 crores.

The same figures on 2s. to the rupee basis would work out as follows:—

Imports	Exports
Rs. 100 crores.	Rs. 155 crores.

You will thus see that we have gained by a higher exchange fifty crores in imports which are the results of foreign capital, labour, and skill, we have lost seventy-eight crores on exports, the result of Indian capital labour, and skill. And this is not the only loss since all export produce like cotton, wheat, etc., which may be consumed by the country itself will be governed by export prices. Very often people think that the producer will be able to raise his prices. You can only do so if you have got a monopoly of an article like jute, but price of cotton, wheat and other articles of export will have to be guided and controlled by the world prices of these commodities. The Herschell Committee thought of raising more revenue by further taxation to meet the so-called loss in exchange. It acknowledged that import duties would be very popular in India, but Lancashire would not allow it and direct taxation it could not think of, since it would give a handle to the agitator who was already vigorously preaching the doctrine of 'tribute' paid by India to England. We all know how vigorously this annual drain theory was preached by the late Dr. Dadabhoj Naoroji, Sir Dinshaw Wacha, and many others of our public men. Lord Sydenham called it a murderous doctrine. At any rate it was a highly erroneous one, but the Herschell Committee was therefore naturally disinclined to recommend a higher direct taxation. The late Dr. Dadabhoj Naoroji in a

speech delivered to the electors of North Lambeth said as follows, 'India was being selfishly exploited for the sole benefit of Englishmen. It was slowly but surely being drained of its wealth, for no country in the world could withstand a drain of thirty to forty millions sterling, annually, such as India was now subjected to; its power of production was diminishing and its people were dying of hunger by the million.' The above is taken from the Bombay Chronicle of July 4, 1917. Lord Curzon told us in 1900 that since 1835 India had received 825 crores worth of silver and gold; and I believe we must have since imported another 825 crores of gold and silver. Instead of an annual drain of thirty to forty million pounds from India to England as mentioned by Dr. Dadabhoy Naoroji, the complaint is that we are draining the gold and silver of the world to that extent annually. And there is no mistake about it. The reason why we are so poor is that we do not know how to make a good use of this wealth annually, and we have never been taught by our rulers how to utilize our surplus wealth in industrial expansion. The Secretary of State only recently found out that he and his country have neglected us for their selfish benefit. Let me quote from a speech in Parliament recently delivered by him. I take the following from his speech reported by the Advocate of India of June 25, 1919. 'Hitherto by a fiscal system, imposed from this country suited to us but not suited to or welcomed by India, we have refrained both on the part of the Government of India from spending the revenues of India in the development of native industries and technical education. We have left untapped and undeveloped the resources of India which ought to be developed at the earliest possible moment. We have heard this afternoon that £24,000,000 of this budget is for railway expansion in India. Practically all the railway plant ought to be and could be produced in India itself.' What an awakening, although late in the day! We starved and we died by the millions owing to free trade of which the late Dr. Dadabhoy Naoroji and Sir Dinshaw Wacha have been the misguided exponents. The latter, a 'staunch' free-trader, supported an export duty of fifteen per cent recently imposed on hides and skins for the benefit of the tanning industry. Is there any country in the world which imposes a export duty on its raw material to protect its home industry? You can do so with impunity if you have a monopoly of that article like jute, not otherwise. Sir Dinshaw Wacha in a paper read before the Royal Society of Arts in 1918 under the presidency of the Secretary of State, said that the prosperity of the cotton

industry in India dates from 1882 when all import duties were abolished on Lancashire goods. Did you ever hear of such an absurdity? Removal of these duties was denounced by the *London Times* in its columns and Gladstone in the House called it a crime against helpless India. Sir Dinshaw also advocated an export duty on cotton to Japan which was most adversely criticized by Sir Charles Armstrong and Mr. Basu, who were present and who took part in the discussion. When such men honestly but ignorantly preach the doctrine of the drain theory, no wonder the Indians believed it and felt resentment at their imaginary wrongs. Prof. Jevons of Allahabad wrote a letter to the Pioneer during the recent Currency controversy in which he said that if India had gone in for a gold standard and a gold currency in 1873, all our subsequent trouble would have disappeared. We would have saved in home charges by millions and in every other way, this would have been a happy land. I have before me a journal of the Society of Arts, March 22, 1903. A paper on Indian Currency was read by Mr. J. Barr Robertson, Sir D. A. Sassoon, Bart., M. P., presiding. Mr. Robertson was a very enthusiastic admirer of the closing of the mints, but this is what he said, 'It is in the highest degree necessary to emphasise the fact, that up to 1890, India's financial troubles were due almost entirely to gold. The silver standard gave India in the twenty years from 1873 to 1892 a remarkable degree of prosperity, whereas if India had been on the gold standard with exchange at 1s. 11d. and prices in 1892 on a gold basis of sixty-eight instead of on a silver basis of ninety-six, it is needless to say that there would have been wide-spread adversity all over India.' As I have said before we discharged our gold debt by the export and sale of produce, and if we had been put on a gold standard as Prof. Jevons recommended, we would have had to pay more in produce which on a gold basis fell from 100 in 1873 to 68 in 1892. That is the meaning of Mr. Robertson. Our present difficulties were predicted by Sir James Begbie, a member of the Chamberlain Currency Committee of 1912. He was for many years the Secretary and Treasurer of the Bank of Bombay. In his minute of dissent he said, 'At least there is not such general confidence in the rupee as would in my opinion alone warrant further large extensions of the token currency. For a country which takes gold in great quantities, an extensive token currency is not suitable. The statistics show that great progress has been made in attracting the cash reserves of the people into useful and profitable channels such as investments and deposits with banks. But they also show this latter reversion to hoarding on an

extended scale which is thus a retrograde movement, indicating a greater and not *unnatural desire* for solid security than for profitable returns or investments in a currency medium which does not provide the kind of security now clearly preferred. It seems to me that it is not to the interest of India to have its rapidly accumulating wealth diverted into idle hoards by this token currency policy. But as future additions to the currency become necessary by reason of favourable trade balance, the additions should take the form of gold which will be imported in settlement of the balance of trade.' Instead of giving us gold, our Government bought sixty crore ounces of silver during the war or three years world production of the metal and added 120 crores of token rupees to the active circulation of the currency, and yet the Government is surprised at the inflation of prices and the high price of silver. Whatever may be the effect of a 2s. rupee on the destinies of the producer, the Government is bound to roll in wealth. Scarcity and famines will not prevent the overflowing of the Treasury. When exchange was at 13*d.* in 1895, we had a surplus. When it rose to 1s. 4*d.* in 1889, the year of the greatest famine of the century, the Government Treasury was bursting with surpluses, since there was a rise of 3*d.* in the rupee,' or 18 $\frac{3}{4}$ per cent rise in indirect taxation. On the 16th September, 1901, Reuter made us familiar with the utterances of Lord George Hamilton, our then Secretary of State, who spoke in the House as follows: 'I doubt since India was first under the jurisdiction of the Crown, if any Secretary of State had been able to make such a satisfactory statement. The surpluses have been large, continuous and progressive notwithstanding the drought, and India as a whole has been prosperous. This is a conclusive evidence that the economic movement of India was on the up-grade. The agency which next to railways and irrigation had helped in fighting the famine was the currency policy. Lord Curzon is doing everything tending to the internal prosperity of India, and he uses his rare power of sympathetic eloquence to bring home to the native communities the beneficence and unselfishness of British intentions.' In 1919 during the Budget Debate in the House of Commons our present Secretary of State, the Rt. Hon'ble Mr. Montague deplored the poverty of the people and their want of stamina owing to our want of reserve which made us an easy prey to epidemic diseases, such as plague, malaria, and influenza, 6 million people having died during the course of the year owing to the ravages of the latter disease. Once more a high exchange will give the Government an overflowing treasury in spite of the recent famine and wars.

I trust Mr. Montague will be better informed than Lord George Hamilton was in 1901 about the causes of an overflowing Treasury. Now that silver is high, and exchange being 2s. to the rupee if not higher, what is to be done? It is sometimes asked that if the mints had remained open, exchange would have been 2s. to the rupee as it is to-day, and the producer and the taxpayer would have suffered just as much. No doubt, that is true, but then they would have had no grounds to complain. They would have been on a natural silver basis; they would have derived the full benefit of a fall in exchange. They would have received Rs. 20 for their one sovereign worth of produce, assuming the exchange to have fallen to 1s. to the rupee. Imports would have been handicapped, exports would have been stimulated more than ever, and industries would have multiplied far more rapidly than they did during the last twenty years. A low exchange is as good as heavy import duties which all countries are free to levy for the development of their industries except India. Having benefited by a low exchange, we would have had no ground to grumble, if under the operations of natural laws, silver rose as it has risen now and handicapped our export trade and penalized the taxpayer. It should be remembered that from an economic point of view, the rupee was a superior coin, since its purchasing power remained fairly steady between 1873 and 1895 although exchange fell from 23*d.* to the rupee in 1873 to 13*d.* in 1895. What is the remedy now? To my mind, nothing else but an open mint. Fluctuations of exchange are an inconvenience to the trader but nothing more. We have traded with China all these years with a fluctuating exchange, why should we not do the same with Europe and wait patiently till silver falls again? It may be years before it does, but still with an open mint we have a chance of doing better. If however, it is resolved to link up our currency with that of England on the basis of Rs. 10 to the sovereign, which would no doubt be injurious to our producers and manufacturers, the least England could do is to give India complete fiscal freedom, so that we can develop our industries by levying import duties at a faster rate than we are doing to-day. India is rich in raw material, why should we not use it as much as possible? But to do that in double quick time, fiscal freedom is absolutely essential. England has conferred on India many blessings and advantages she never knew before. We have, on the other hand, given her a free market in India which has enriched her beyond measure. Will she now forego the advantages of an open door in India? Will she give us fiscal freedom to save us

from starvation in the midst of our opulence which is testified to by our heavy annual imports of treasure? Will, above all, Lancashire allow it? Sir William Meyer, our late Finance Minister, in a recent speech delivered at the Phillipines, said that India wanted protection, but English merchants and manufacturers do not like the idea. Whilst America consumes 95 per cent of the output of her spindles and looms, Lancashire has to export 80 per cent of her products. She is immensely rich, and as a spinner and weaver, she is extremely skilful; but with a moderate tariff in India, say, to the extent of 15 per cent on her goods, she would go under. We are in a position to replace her to-day by 80 per cent. Lancashire lives on and by India. Japan which has no cotton either long or short has ousted her completely through tariffs. The Secretary of State has recently in more than one speech, expressed a desire for granting fiscal freedom to us, and if that is done, the evil effects of a 2s. rupee and a ten-rupee sovereign could be largely mitigated.

Discussion

PROFESSOR V. G. KALE advocated the adoption for India of a true gold standard, with a gold mint and gold currency. Failing this, he considered bimetallism the best system; but he was opposed to the gold exchange standard system.

MR. G. SATYANARAYANAMURTI held, in opposition to Mr. B. F. Madon, that the rupee had at the present time ceased to be a token coin. He considered that the gold exchange standard could only be justified as a temporary makeshift suitable for the period of transition from a silver to a gold currency. He recommended, in the present currency crisis, that (1) gold should be imported freely (2) £1 notes should be used and popularized, and facilities provided for their conversion into gold, (3) the rupee should be legal tender only to a limited amount, (4) the portion of the Gold Standard Reserve not needed for maintaining exchange should be located in India, and lent to Indian producers, (5) the sterling debt in India should be converted into rupee debt, advantage being thus taken of the high rate of exchange, and (6) exchange should be stabilized.

MR. T. G. ARAVAMUTHAM agreed with Mr. Madon that it was necessary for India to endeavour to do without more silver, but he disagreed with the Mr. Madon's methods of achieving this result. He preferred that the habit of paying by cheques should be cultivated, rather than more paper money issued; and instead of diminishing the quantity of silver in the rupee he advocated the addition of more alloy to the sovereign, while still keeping the gold content unaltered. He thought this would prevent gold coins from finding their way into the goldsmiths' crucible.

DR. HAROLD MANN pointed out that it was necessary to distinguish between the internal and external aspects of the currency question. The present difficulty sprang from the fact that India has been having a monthly excess of some eight millions sterling of exports over imports of commodities. This excess of exports must be paid for somehow, either by imports of silver, or of gold, or of securities. If it could possibly be arranged that the payment was made by imports of securities the currency

difficulty would be obviated ; but unfortunately India insisted on having gold or silver.

MR. G. V. SUNDARA REDDI and MR. T. K. DORAISWAMI AIYAR deprecated a further increase in issues of paper money, and all approaches towards a condition of inconvertibility.

MR. VENKATACHARIYA advocated the issue of distinctive Indian gold coins with rather a heavy seignorage to prevent their being melted down ; later on the legal tender of the silver rupee should be limited and the seignorage on the gold coins removed.

DR. GILBERT SLATER said that in the whole of this discussion it must be remembered that Indian currency difficulties had not arisen from any defect or weakness in Indian money, but entirely from the fact that many of the belligerent countries had issued enormous quantities of inconvertible paper money which had fallen to varying but very heavy discounts. This applied even, to some extent, to British currency. India must maintain a sound currency and help to restore a sound currency elsewhere. It was a mistake to say that the rupee was now a token coin. It never was *merely* a token coin. When the mints were closed and the rupee was stabilised at 1s. 4d., it was given a value as a token coin in excess of its bullion value. But with the outbreak of war its convertibility into gold ceased ; it became convertible only into British Treasury notes, a very different matter. Since then, by the rise of the value of silver, its bullion value had become the determinant of its exchange value. Ultimately the rupee must be put on a gold basis ; but he would deprecate its silver basis being interfered with until after steps were taken to make rupee paper convertible into gold.

PROFESSOR HAMILTON, in reply, deprecated the importation into the discussion of any but purely economic considerations. They must not, for example, be moved by any mistaken notions to the effect that the national prestige was concerned, or that the gold exchange standard bore with it any stigma of inferiority.

MR. MADON, in summing up the discussion, remarked that Professor Kale had said that while he could not think of resorting to inconvertibility as a permanent measure he was prepared to accept it as a temporary measure for the solution of our present difficulties. Mr. Madon said he was glad to hear this and was willing that we should resort to inconvertibility for two or three years only and at the end of that period reconsider the whole position. Professor Kale had further insisted on our having the true gold standard and not the Gold Exchange Standard, but the only real difference between the two was that in

one the gold was brought together into a central reserve, while in the other it was allowed to be dispersed and was thus not readily available when most wanted. One of the speakers had alluded to the location of the Gold Standard Reserve. There seemed to be an idea that if this reserve was in India it would help Indian Trade and Industry, but if the principle of the Gold Exchange Standard was properly understood, it would be at once seen that we could not touch it at all even if it was in India. If Indian sentiment wanted this reserve to be in India Mr. Madon saw no objection except that the country would lose the profits that we now made by preventing unnecessary gold movements to and fro. Another speaker had spoken of our resorting to the printing press here. This was altogether a misconception. The term could only be applied to note issues without any assets to back them. In our case we had sterling assets in England for every note issued here. Then again one of the gentleman had spoken of the increase of price owing to large issues of paper money. This again was a misconception. The notes issued here represented gold credits that could not be brought over to-day owing to difficulties in procuring gold and silver. If gold and silver could have been imported we would have had a larger circulation of coins in place of the notes. Mr. Madon said he could not reply to remarks of Dr. Slater as the time was up, but he would say that he did not agree with them.

Third Day

I. Co-operative Purchase and Sale

II. The Sphere of Central Banks

The chair was taken by PROF. C. J. HAMILTON.

PAPERS

Indent Co-operative Trade by Primary Societies

BY F. R. HEMINGWAY, I.C.S.,

REGISTRAR OF CO-OPERATIVE SOCIETIES FOR MADRAS¹

The intrinsic difficulties of keeping a regular co-operative retail shop have prevented much progress on these lines in villages. An alternative has been tried in some provinces on the lines sometimes followed in the early stages of distributive societies in Ireland and Germany, namely, by joint wholesale purchases by village societies of the requirements of their members, each member purchasing his share outright and removing it from the society's custody at once on its receipt by the society. In such an operation, the society does not attempt to store the articles nor to sell retail, and does not even accept the risk of loss, acting merely as the agent for its members. It, moreover, demands payment in cash or else grants a loan to the member for the purchase and secures the loan in the same way as any other loan. For some years past, improved seed has been purchased on a system of this kind by the village credit societies in the Central Provinces, and attempts have been made for some time to popularise co-operative purchase on these lines by Co-operative Credit Societies in Madras.

The most attractive points about this kind of trade are its complete safety as far as the society is concerned, and the enormous capacity for its expansion. Be it noted that trade of this kind possesses the essential advantages of co-operative purchase—namely, that by joint purchase the member secures good quality, cheap prices, and full measure. Yet the operation is so simple that it can be done with safety by any intelligent village panchayat. There is no risk of wastage or theft or fall of price or of having things left on the hands of the society unsold. Nor is there any elaborate account-keeping. In fact, the worst

¹This paper has been published in the *Bombay Co-operative Quarterly*, December, 1919. It was read by Dr. Gilbert Slater in Mr. Hemingway's unavoidable absence.

pit-falls of a co-operative shop are eliminated. Indeed, when the distribution has been made, the society has completed the transaction as far as the trade is concerned, and is merely left with the duty of collecting at the proper time a certain number of short term loans given for these purchases—an ordinary credit operation with which it is perfectly familiar. The disadvantage of the system is that it is not so convenient to a member to have to estimate his requirements for several weeks or months ahead, to pay for them in advance, and to store them in his home; and that a co-operative shop is actually a much greater convenience. The answer seems to be that half a loaf is better than no bread.

Secondly, it is obvious that if you can use existing credit societies for this trade, you are at once provided with a vast clientele, scattered all over the province, consisting of men trained already in joint action and mutual service, through whom the trade can be rapidly expanded. Indeed, it is likely that the expansion of co-operative trade in Indian villages will be many times more rapid if the ordinary credit societies are utilized for the purpose than if reliance is exclusively placed on other channels.

The method followed in Madras in doing this trade has been based on a system of indents. When a co-operative purchase of any commodity is contemplated in a village, it is the business of the panchayat to obtain from each member an indent as to how much he wants and an understanding or an undertaking that he will take over from the society on its arrival the quantity indented for by him and pay for it, either in cash or by taking a loan from the society for the purpose. Payment or the issue of loans can, of course, be concluded in advance, if thought necessary. The amount is then ordered wholesale; and payment is made by arrangement with the central bank; and the supply when received is distributed immediately on arrival. These operations are often facilitated by several societies combining their indents so secured for a larger joint purchase. This is sometimes done by an informal arrangement with the local supervising union to which the societies belong. More often, the societies in a given area combine permanently in a trading union, in which they take shares, and to which they look to do this business. These trading unions have a substantial paid-up share capital contributed by the societies alone, or by a joint membership of societies and individuals. Sometimes, they are constituted out of ordinary urban co-operative stores, which are prepared to admit credit societies as members and to do an agency business for them. It is the duty of these trading unions

to get periodical indents from their affiliated societies and buy their requirements in a large joint purchase. They can afford an establishment and are naturally able to command the services of men more experienced in business than those available in a village panchayat, and the work is actually more efficiently done by such unions than by the unaided credit society.

The co-operative year 1918-19 saw a considerable development of this kind of business in the Madras Presidency. It was, especially stimulated by the high prices of domestic requirements, in spite of the difficulties in transport and supply. Some 200 village societies did a trade of about three lakhs of rupees, and the estimated profit derived by the members was nearly Rs. 60,000 or 20 per cent. The chief articles dealt in were rice, salt, seed, manure, and kerosene oil. The trade continues and is rapidly increasing. The possibilities of its expansion may be roughly estimated by the following calculation. In the village societies in the Madras Presidency, there are over 1,70,000 members, and it is not an extravagant estimate to suppose that, on the average, each member purchases, from outside the village, articles capable of being purchased co-operatively worth Rs. 200 a year. If each member obtained these requirements by co-operative purchase, and if the business was done so as to secure a saving of no more than 10 per cent (not an extravagant figure) the sum taken from the pockets of unnecessary middlemen and placed into the pockets of the village co-operator would amount to no less than Rs. 34 lakhs per annum. There would seem to be no great inherent difficulty in securing a substantial measure of this result within a not very distant future. And if we imagine all the credit societies grouped under a network of trading unions, and the latter grouped under one or more wholesale trading societies, a rapidly increasing efficiency might well be expected.

The Triplicane Urban Co-operative Society

BY T. K. HANUMANTA RAU, LECTURER IN CHEMISTRY
GOVERNMENT COLLEGE, KUMBARONAM

Mr. President, Members of the Indian Economic Association,
and Gentlemen,

By the kindness of Dr. Gilbert Slater I appear in this place to lay before you what I consider to be the salient features of the 'Purchase and Sale' side of Co-operation from the point of view of the 'Triplicane Stores' with which I had the privilege of being associated in the early days of its struggle for a place in the Co-operative movement, a place which it was no easy matter to secure; because the Act X of 1904 had no reference to Distributing Co-operative Societies which aimed at the amelioration of the condition of the 'workers in urban' areas by inculcating principles of *self-help, moral help, honesty and equity* in business, in the same manner as the Co-operative Credit Societies focussed their beneficent influences on the *rural* agricultural workers. The Registrar of Co-operative Societies, could not at first find his way to register our 'store' which always insisted on 'Cash down' in its business transactions, under an Act meant for the creation and development of Co-operative *Credit* Societies. To some of us who had received our inspiration from the British form of Co-operation, it was a great surprise to be told that a Co-operative store could not be registered under a Co-operative Act. It may be mentioned here that among the preliminaries towards the formation of the Triplicane Store were two lectures under the auspices of the Triplicane Literary Society, one on 'History of Rochdale Pioneers' by myself and another on 'some aspects of Co-operation' by my friend Mr. S. Venkataramanier. Thus our Store was to be the now so well-known—'Rochdale type'. We had learnt that many prosperous British Co-operative Distributing Societies owed their origin to the reading of the story of 'Rochdale Pioneers' by some enthusiastic co-operator to an audience of his fellowworkers. Our Triplicane Store was also the outcome of the interest created in us by the soul-stirring narrative of the poor flannel weavers of Rochdale by Mr. G. J. Holyoake.

2. *Commencement of the Store and its early struggles.*

We commenced business, *as an experiment* on April 4, 1904, with a membership of fourteen and share capital of Rs. 310 with the hope created in us by the Pioneers' Story that '*Like a good chronometer co-operation is unaffected by change of climate and goes well in every land*'. The first few months of our activity were discouraging in the extreme owing to a combination of causes among which may be mentioned our smallness of capital, want of experience in purchasing, ignorance of the members and their indifference to their own best interests; and the only recognition that the management received at the hands of the generality of the members was in the form of pungent adverse criticism on the bad quality and high prices of our commodities. In spite of these difficulties 'we knew that co-operation had come to stay with us; we saw before our vision a slow but steady progress, and felt that the movement had gone on far enough to be no longer the concern of an interested few, but the property of the public.'

3. *Registration of the Society and slow but steady progress.*

We then made bold to approach the Registrar of Co-operative Societies with a view to obtain Registration under the Act of 1904; and it was easy now to convince the sympathetic Registrar of the genuineness of our co-operative spirit; and our society was registered on September 20, 1905, under the special authority of Government according to section 29 of the above Act, and with the altered designation of 'the Triplicane Urban Co-operative Society' which however did not succeed in replacing the old name of 'the Triplicane Store' in daily use. The one condition that was tacked on to our Registration was that we should add a '*credit branch*' to the 'store'. The slow but steady progress in the business of our society is seen from the statement at the end of this paper.

4. *This measure of success is due to our closely following the Rochdale model.*

This measure of success, small though it may be, compared with the normal progress made by a British Co-operative Store, was due mainly to our closely following the Rochdale model in every detail of its work. Some of the principal features are:—

- (a) Sales for cash only: Purchases also for ready money.
- (b) Sale not at the cost price, but at the customary retail price, thus bringing a '*profit*'.
- (c) The distribution of a large share of the profits among members, not according to the capital held by each member, for

which a small fixed interest is paid, but according to the purchases made by each member.

(d) The use of a certain portion of the profits for social and educational purposes.

These are the four pillars on which our structure is supported. The fall of any one of these will weaken our structure and finally reduce it to a 'mere shop.'

As a means of developing the social and educational side of our co-operative work, reading rooms were started, co-operative tracts, journals and books were purchased for use by the members and last but not least, an annual celebration of the *Co-operators' Day* was instituted from 1908, when a social gathering is held of all the members, and papers read by people who are interested in the spread of the movement, on matters of general interest to co-operators. A perusal of the several annual 'proceedings of the co-operators' day' which are all published, will give a fair idea of the humble efforts of the Triplicane co-operators to do propagandist and educational work. To these meetings, mofussil co-operators were invited, who not only readily responded to the invitation, but actually contributed to the success of those proceedings by reading valuable papers at the meetings.

5. *Spread of Distributive Co-operation outside Triplicane.*

The institution of the *Co-operators' Day* celebrations gave the society a greater publicity through newspapers than before, and public attention was focussed on the affairs of the society and the manner in which it was carrying on in its own humble way the great aims of the co-operative movement. Many visitors from the mofussil came in search of the society thirsting to know the mysterious causes of what it had so far achieved. Some of these 'tourists' after going round the 'store' on inspection have returned home disappointed at finding no visible proof of anything to distinguish it from a common bazaar; and yet others with a desire to make a more searching inspection, have called for copies of By-Laws, half-yearly Reports, the various printed forms, those inevitable accessories to every kind of business. Could one find in these anything which would reveal to an enquiring visitor, *the aims, the causes and conditions of success of the society*, and the extent to which it had achieved them? Many among such visitors have returned home and started some distributing co-operative societies and got themselves registered under the co-operative Act. But very few of them have a pleasant tale to tell. The Registrar of co-operative societies referring to such societies has in one of the recent reports observed:— '*The history of distributive co-operation in this Presidency, with the*

single brilliant exception of the Triplicane Store, has been such that its results far from encouraging, tend actually to discourage and prevent the rapid spread of distributive and productive work . . . whatever may be the cause or causes of failure and howsoever one may estimate the ill success of such good societies as those of Coimbatore and Madura, it must be admitted that the "stores" are the weak point of co-operation in this Presidency. The leading article of the *Madras Mail* of February 19, 1912, concludes thus:—

'While the management of the societies for financing agriculturists has been successful on the whole, in the case of productive and distributive societies, it has almost been a failure. It is curious why in one case unpaid and voluntary management should produce such good results and in another it should fail so utterly.'

Thus officials and non-officials have proclaimed that distributive and productive societies are failures. My observation of the few societies that I have visited goes to show that the cause of the ill-success of many distributive societies is in the want of a *definite social and moral aim or ideal*; they may be said to be mere shops aiming only at '*money profit*' made by '*buying cheap and selling dear*.' They say that their object is to sell to their members *pure* articles at a *cheap* rate. The Pioneers of co-operation never aimed at that; their aim in shop-keeping was to *create capital* for those who had none; why should they create capital? To *carry on production*. Why should they carry on production? To create *employment for the unemployed, i.e.*, the aim of distributive co-operation is to bring about a democratic system of Industry with the capital created by the thrift taught by the store. Thus self-trading was a stepping stone to self-employment to each worker, *i.e.*, independence and competence, so deplorably lacking to the average worker in the present *competitive capitalistic* regime.

6. *Distributive Co-operation leads to Co-operative Production.*

To any one familiar with the story of the Rochdale Pioneers it must be amusing to read that a class of persons who in 1844 had had to scrape and borrow in order to raise a few pounds, by 1875 were seriously troubled to know how to employ their accumulations of capital. The dividend and the practice by which members allowed it to remain in the society as in a Savings Bank taught the co-operators of Great Britain the value of thrift and gave them the means of building up the large co-operative Industrial system as it exists to-day.

In Triplicane, on a small scale, as far as a solitary society in its present environment can accomplish it, it has created its own capital, *the share capital, the common good fund, the Reserve Fund*, all of which put together is more than enough for its trade purposes, and hence its spare capital has been lent out to several co-operative Central Banks for the benefit of rural societies who in turn lend to the individual members of the rural society for productive purposes. Here we see the faint beginnings between Urban Distributive co-operation and Rural or Agricultural co-operation. May we not hope that at no distant date organizations will arise in our midst of a co-operative character which will effect that relation between the *rural producer* and the *urban consumer* which will ultimately put an end to that of middlemen who stand between us and those who produce our necessaries each levying his own toll at his sweet will and pleasure. Such institutions are the '*wholesale societies*' which ought to be formed for large areas to absorb the surplus capital of big stores, and undertake the work of wholesale purchase and then production first on a small scale, and finally on a large scale. But before a wholesale society can be thought of there must be a large number of real co-operative distributive societies with the lofty aims of the Pioneers, doing trade, creating capital, federating into wholesales and thus paving the way for the new co-operative Industrial system to supplant the old capitalistic and competitive system of Industry which modern economics and ethics have condemned as outrageous to a large section of humanity.

7. *What do we want to democratise Industry?*

The Government has enacted a new Act (Act II of 1912) enabling Distributive societies to be formed, and also to form combinations among themselves for accomplishing what they cannot accomplish singly.

We have in this Presidency as Registrar, a gentleman whose zeal for Distributive co-operation has made itself manifest in his articles to the Press, in his lectures to the public and his circulars to the several societies whose keeping he has in his hands. There is a Provincial co-operative union, and a Bulletin of co-operation at its service. Cannot all these forces combine to bring about in our country the growth and development of a large number of big distributive societies taking under their wings the smaller rural societies also, which will lead to that desirable goal of Commerce and Industry on a Co-operative or Democratic basis?

8. *The part to be played by the Triplicane Store.*

The Triplicane Store, as the Pioneer Store in South India, is in a position to lead in bringing about the spread of co-operation all over the Presidency. It can pioneer the wholesale movement, it can bring about conferences of similar societies to secure a unity of aim and purpose. The times are ripe for a large change, men's minds are prepared to accept large changes in the existing state of affairs.

9. *The Hour is come but not the man. The Leader.*

'We may have any number of guide books on co-operation, we may have free and unlimited lectures, pamphlets, bulletins, etc., describing the advantages of co-operation and yet if one thing is lacking, we can do nothing. That one thing is Leadership. Knowledge, Faith and Leadership, this is the trinity of essentials in co-operation.'

May I not urge, in conclusion, every one of my hearers to set out to make himself a leader in rebuilding his neighbourhood, finding for himself the inner joy and happiness that comes only through service to one's fellows and some ideal?

'Oh it is great, and there is no other greatness, to make some nook of God's creation more fruitful, better, more worthy of God'. . . . To the man who has an ideal of a richer and fuller life for his community, and who unselfishly sets to work to bring about this ideal, the glorious reward is usually seen with the material eye long before age has dimmed his vision. But to the triumphant spirit of every man who seeks to hasten the '*Good day coming*', it is enough if only with the eye of faith 'he shall see the travail of his soul and shall be satisfied' and dying,

'Join the choir invisible
Of those immortal dead who live again
In minds made better by their presence . . .
Whose music is the gladness of the world.'

To such tasks and to such spiritual adventures are the leaders of young India called. In fact the bye products of co-operation, comradeship, fellowship, these are much more important than even the striking material rewards. For as a matter of fact, important as are the dividends in cash, the dividends in brotherhood are greater.

Statement showing the Progress in Business of the Triplicane Urban Co-operative Society, Limited, 1904—1919

PERIOD		No. of members	Places of Business	Share capital	Total distribution of goods	Reserve Fund	Common good Fund	Amount paid away as dividends	Rent paid by the Society for Houses	Establishment charges	No. of employees
				RS	RS	RS	RS	RS	RS	RS	
1	The opening day 9th April 1904	14	1	810	..	..	..	..	..	..	..
2	Year ending 31st March 1905	184	1	1,160	19,942	259	193	360	37	213	6
3	Do. 31st March 1906	408	3	3,153	1,04,826	1,045	800	1,114	156	449	..
4	Period ending 30th June 1907	637	4	4,945	1,79,527	2,554	2,007	2,170	856	2,455	..
5	Year ending 30th June 1908	797	4	6,692	2,41,469	4,373	3,688	3,077	937	3,103	..
6	Do. 30th June 1909	1375	8	11,969	4,41,473	6,439	5,407	3,318	1,705	4,826	..
7	Do. 30th June 1910	1430	9	13,253	4,15,959	8,659	7,550	3,472	2,816	9,163	52
8	Do. 30th June 1911	1649	9	16,677	4,46,711	12,692	9,741	7,402	2,742	8,232	56
9	Do. 30th June 1912	2024	10	23,546	5,37,211	13,188	14,469	10,338	3,016	10,028	66
10	Do. 30th June 1913	2335	13	29,271	6,16,772	23,799	17,015	9,996	3,191	11,148	83
11	Do. 30th June 1914	2739	14	37,343	6,40,644	24,926	14,904	8,189	3,598	12,771	86
12	Do. 30th June 1915	2795	14	37,274	5,63,004	26,694	15,510	7,934	4,039	13,565	90
13	Do. 30th June 1916	2806	14	41,161	5,04,587	29,241	16,878	4,436	4,583	15,260	86
14	Do. 30th June 1917	2798	14	42,554	4,74,049	39,484	20,656	6,748	3,841	14,843	..
15	Do. 30th June 1918	2899	14	48,799	5,37,073	44,932	23,017	9,879	4,026	15,148	87
15	Do. 30th June 1919	3559	15	54,566	9,34,099	51,555	26,484	11,404	4,719	15,287	106
							Total ..	89,737			

The True Sphere of Central Banks

BY PROF. J. C. COYAJEE, PRESIDENCY COLLEGE, CALCUTTA

A controversy of absorbing interest to Indian co-operators has been going on for some time on the topic of the true sphere of Central Banks. Mr. Ewbank opened the debate by drawing attention to the fact that 'during the last few years there has been a distinct tendency in several Indian provinces to make the District Central Bank the pivot of co-operative administration.' Mr. Darling, writing in the pages of the Bombay Co-operative Quarterly a little later, enunciated the problem thus:—'At the outset, primary societies necessarily depended on the Central Bank for money but not for control; that remained in official hands. But now that official control is being slowly relaxed, it is commonly assumed that the Central Bank will take its place.' Meanwhile that great co-operative classic—Mr. Wolff—had laid down the dictum that 'the Central Bank is, when all has been put shipshape, to serve, not be tutor to, the local banks.' Later still he has argued in the Bengal Co-operative Journal that 'even Central Banks should stick to their credit business only.' On the other hand, Mr. Kelkar has stepped forward to champion the new departure and has obliged the public by putting forward all that can be said in its favour. His is a double-barrelled argument; on the one hand, he urges, that this sphere of Central Banks should be extended beyond finance, because the individual shareholder of those banks is giving place to primary societies; on the other hand, he argues that control is being exercised by the directors of the Central Banks only as agents of the Federation. The controversy has very properly drawn a great deal of attention because, although it relates in the first place only to the functions of Central Banks, yet the question of the organization of our co-operative system in its entirety lies in the background; and still further back looms the problem of the agency which is to work our whole co-operative organization.

One of the main points under discussion is whether in the provinces concerned 'the Central Bank has become the pivot of the co-operative system.' In order to decide this matter we must compare the system prevailing in those provinces with the

co-operative system observed elsewhere and the relative position occupied by the Central Banks in each. The comparison undoubtedly shows that in the provinces in question the Central Bank has been given an exceptionally dominant position. To take example, in the Imperial Federation in Germany, the membership is open to all unions of agricultural societies and their Central organizations. The general Committee of that Federation is composed of the Director-General, the managers of the Unions and of six representatives of the co-operative banks. Similarly in the case of the General Federation of Germany the Committee is composed of certain officials, managers of Unions and of the Directors of the Central Agricultural Bank. What should be particularly noted here is that in the case of both great German Federations the *members representing the Unions and the Banks meet on an equal footing in the Council of the Federation*. Now this is far from being the case in the co-operative organization of the Central Provinces; for there the Federation Congress consists of one delegate from each Central Bank and the unions are not directly represented in the Congress at all. This shows that in the Central Provinces the Banks do occupy a predominantly important position with reference to the unions.

Carrying our comparison further, let us discuss the functions of the Central Banks in the Central Provinces and in Germany. In Germany supervision, inspection, advice, and propaganda are functions of the union. The sole function of the Central Bank is that it carries on banking and credit business, more particularly as a means of equalizing temporary shortness or oversupply of cash in the primary societies. The only other function ever possessed by the Central Banks in Germany was in the matter of joint sale and purchase which has been transferred latterly to district organisations. On the other hand, as regards the Central Provinces, Mr. Crosthwaite informs us that 'a Co-operative Central Bank is not merely a link in the financial chain which connects the primary society with the open money market but it is an institution intended to spread and foster co-operative knowledge and practice. At the outset of its career, as we have already noted, co-operative control is not a feature of the working of a Central Bank.' But after primary societies have become shareholders in them 'the Central Banks must look upon inspection, supervision and guidance of the primary societies under them as duties which are indispensable to efficiency and safety.' These dicta are to be found at pages 307 and 312 of Mr. Crosthwaite's work on 'Co-operative Studies' and show

that in the new system projected in India far more functions are being assigned to Central Banks than has been the practice on the Continent.

We shall arrive at the same result if we contrast the system proposed with that prevailing elsewhere in India. In Bombay the functions of training and supervision are entrusted to guaranteeing unions which have the power to enforce their orders by the stoppage of credit to refractory societies. In Madras, as in the Central Provinces, primary societies are being admitted as shareholders of Central Banks and society delegates are being elected to the Boards of Directors. Yet it does not seem to follow as Mr. Kelkar observes that 'it becomes impossible and undesirable to dissociate the members of the Central Bank from controlling and regulating the primary societies.' Far from insisting on such association, the Central Banks in Madras are according to the last co-operative report 'consenting to relinquish the exercise of their control over their affiliated societies and to leave the work of supervision very largely to local unions.' The report adds that these local unions are doing very good work as a means of supervision. The comparisons instituted above leave no doubt that in some provinces of India an exceptionally dominant position has been secured for Central Banks which goes far to make them the pivots of the local co-operative systems.

The more one looks into the new system the more completely does one find that all power is in Central Banks. Apart from every individual member being requested to take shares in Central Banks, and every society to deposit their reserve funds in Central Banks, one finds that every society belonging to a Guaranteeing Union affiliated to a Central Bank is prohibited from accepting any deposits at all from non-members and is compelled to borrow all its capital from the Central Bank. No system can possibly be devised which would be so efficacious in strengthening the powers of the Central Bank and in depriving primary societies of all initiative.

There has been a good deal of discussion on the question of fact whether in the provinces in question the Central Banks do exercise control over the primary societies. But there is not much room for doubt as regards that matter if we consult the most authoritative exposition of the new system—Mr. Crowthwaite's admirable 'Co-operative Studies.' We have already quoted from it the proposition that 'Central Banks must look upon inspection, supervision and guidance of the primary societies under them as duties which are indispensable to

efficiency and safety.' Further at page 308 we read that 'the area assigned to the Bank should not be too large; for it would tend towards looseness of supervision and of control.' In these places the existence of controlling powers in the Central Banks is asserted in the most explicit terms.

On the other hand, as regards this point, Mr. Kelkar's reasoning, though able, is open to a suspicion of inconsistency. He observes in one place that when Central Banks are owned by primary societies 'it becomes impossible and undesirable to dissociate members of the Central Bank from controlling and regulating the primary societies, for those members are merely representatives of the societies and *their control is not an outside control.*' This proposition implies that since the Central Banks are owned by the primary societies themselves it is quite legitimate to add to the financial function of the Central Banks the work of controlling the societies. But in another place Mr. Kelkar tells us that 'the local control of this (Auditing) Staff is entrusted frequently, though not necessarily to the Honorary Secretary of the Central Bank, and this appears to have given rise to *the idea that the whole control of primary societies is centred in the Bank.* But it should be remembered that the control of this staff is entrusted by the Governor of the Federation to the Honorary Secretary of the Bank as the agent and local representative of the Federation. It is not essential that it should be so entrusted.' It should be noted that in the first dictum the function of control exercised by the Bank is justified by the circumstance that the Bank is owned by the societies themselves; in the second dictum, the control is said to be not in the Bank at all, but in the Governor of the Federation who might delegate it to any one whom he considered suitable for the work. In any case, it is admitted that habitually the control is entrusted to and exercised by the Honorary Secretary of the Central Bank.

We might now pass to the allied question, whether the Central Banks *should* exercise such control over the primary societies. There are plentiful reasons for the view that control should not be a function of these Banks except under certain temporary circumstances which we shall notice later. In the first place, the control of the Central Banks is not the control of the agriculturists, but that of the expert officials or managers of the banks who must be financiers first and co-operators afterwards. A Central Bank—however constituted—is a large financial machine which is worked and managed not by the numerous representatives of the constituent societies but by a few financial experts. Again the

'individual' shareholders and the bank officers are townsmen with far more education and skill than their confrères from the country. In dealing with such members of the Central Bank the rural representative is at a great disadvantage since there is a great gulf fixed between the representatives of the town and the country. On this point it might be permissible to quote a couple of sentences from the excellent article of Mr. Darling. He observes that with the acquisition of shares in Central Banks, 'the ryot's voice hitherto dumb, begins at last to be heard, but not often at a meeting of the Central Bank, for there the town prevails and the town's ways, however good, are not the ryots' ways; nor, in the town, can he speak his mind freely about the official who is mostly a product of the town'. He observes further that it is not possible for a Central Bank to exercise proper control over primary societies. 'Its area, embracing a whole Tahsil or District, is too wide and its clients too scattered for close mutual knowledge, while its control is too urban for that feeling of proprietorship which societies have in their union'. Mr. Darling is not alone in holding this opinion and there are a great many co-operators who doubt the possibility of a sufficiently intimate contact between the directorate of a Central Bank and the rural population, as also the likelihood of the representatives of the constituent societies directing and watching the administration of the Central Bank. On these grounds proposals have been brought forward to restrict the area of operation of the Central Banks and to introduce Taluka Banks of which the area of operation should be much smaller than that of the District Central Banks.

But, further, one might ask what is to be gained by combining different functions requiring very different capacities in a single organ? The proper working of a bank requires great financial skill, capacity for handling large scale operations and expert knowledge of the money market. The work of control requires very different qualifications—among others, an accurate knowledge of the affairs, conditions and susceptibilities of the agricultural people in a limited area. Any enforced union of such diverse functions in a single authority would lead to inefficiency.

Mr. Kelkar has argued that in his own province it is the Federation which exercises the control by delegating its powers to the Honorary Secretary of the Central Bank. He says, indeed later that power might as well be delegated to the chairman of unions and will be so delegated if abuses appear as the result of the present procedure. But why should the Federation exercise

such control at all through an official who has already more than enough to do to carry out his proper banking business? and why should the power be delegated to the chief official of an institution of which the business should be confined to finance? Instead of entrusting the control habitually to the Secretaries of Central Banks and only in exceptional cases to the Chairman of the unions, the proper procedure should be the other way about.

Reasoning from analogy is often dangerous, and neither political nor philosophical analogies should be allowed to induce us to deflect co-operation from its right course. This is the day of representative institutions and the co-operative system in the Central Provinces has been admired on the ground that under it the societies are controlled by persons responsible to them and deriving their powers from representative institutions. But there is no necessary connection between the attainment of the representative ideal in co-operation and the aggrandisement of the Central Banks. The ideal of representative Government in the co-operative field can best be attained by a representation of unions and Central Banks on an equal footing in the Council of the Federation. The educative influence of representative institutions can be fully secured in this way, as is proved by the successful working of the system on the Continent.

Mr. Kelkar relies on an organic conception of the co-operative body to justify the relations that prevail in the Central Province between Central Banks and Societies. He quotes the view that

‘ If the foot shall say, Because I am not the hand

‘ I am not of the body ; is he therefore not of the body?’

But it is just at this point that his powerful advocacy appears to be not at its best. According to all biological analogies, as an organism develops it should develop specialized organs for each of its functions. On that principle the co-operative body should have one set of organs—the unions for control, and another set of organs—Central and Provincial Bank—for financial work. Any scheme which combines diverse functions in one organ must be of the nature of a temporary makeshift and implies a rudimentary stage in the growth of the organism. In practice the organic conception of provincial co-operation, might lead to grave anomalies unless one is very careful. The habit of looking at the organization in its entirety might be developed to such an extent that the individual parts come to be neglected. Thus, in the province which has led the way in the introduction of the new system, we find that while immense labour has been lavished on strengthening the upper portions of the edifice the material of the foundations is not proportionately strong. The average

membership of the primary societies is only sixteen and far too great a proportion of the resources of the societies is locked up in shares of central banks and in reserve funds placed with these same banks for outside investment. Mr. Ewbank has warned co-operators against making a fetish of the general credit of the system as a whole, and results show that he was perfectly right. In the province concerned vast fluid resources have been accumulated at the top; while the standard of 33 per cent recommended by the Maclagan Committee for fluid resources was itself criticized as impracticably high, that particular province has raised its fluid resources to the unheard-of proportion of 68 per cent. This locking up of such great resources necessitated greater efforts to obtain capital for the ordinary needs for the societies; consequently the rate of interest on deposits was raised, and as a further result the rate of interest for members of societies newly registered had to be fixed at 15 per cent. The corollary of this rise of interest was the discouragement of the formation of new societies. As a result of the policy of draining away the resources of primary societies for the purchase of shares of Central Banks, the deposits of members have shown a considerable decline. The deposits of non-members have declined at a still greater rate. On the other hand, the societies have become dependent for their finance to a much larger extent on the Provincial and Central Banks. The organic theory of co-operation has evidently not conduced to the financial or general strength of the primary societies.

The critic of the new system cannot however deny the existence of reasons which have in various provinces of India made it necessary to entrust powers of control to Central Banks as a temporary measure. In those places where primary societies are educationally very backward they cannot be entrusted with the freedom which they can legitimately enjoy in more fortunate provinces. For example, most agriculturists in the Central Provinces are so fearfully backward and poor that it is doubtful if any practical alternative to the Central Bank system is yet in sight there. Another tendency which favours the assumption of functions of control by Central Banks is the small size of our primary societies. As Mr. Wolff says, 'there seems a rather dangerous tendency in India to overdo the smallness of societies. It is that overdoing, which among other effects, concentrates business in the hands of Central Banks and makes these the "pivot"—that is a mistake'. It must also be admitted that guaranteeing unions have not yet been acclimatized in all parts of India; and in those provinces where they are not yet in existence we must needs en-

trust the Central Banks with some measure of the function of control over the primaries. There was undoubtedly a period of transition before Indian co-operation had been equipped with the full equipment of propaganda, supervision and control, viz., the Co-operative Organization Societies, Central Institutes and Guaranteeing Unions, when Central Banks had to be furnished with more than their normal powers. Mr. Wolff himself wisely acknowledged that this was for the time being the best course. He observes in an article in the Bengal, Behar and Orissa Co-operative Journal :—‘ You have in India tried control by Central Banks. And under the circumstances that is *for the time* probably the most advisable solution of the problem.’ But he emphatically says that the Central Banks are only temporarily to be endowed with this additional function of control. ‘ The Central Bank is, *when all has been got ship-shape*, to serve, not to be tutor to, the local Banks’. No blame need be attached to those who during such a period of transition sought or seek to enlarge the powers of the Central Banks. But objection must be taken when the temporary situation is attempted to be crystallized as an ideal one for all time to come.

The chief reason why organization on the new lines has become so popular is the great and immediate scope which by its means can be afforded to non-official agency in co-operation. Through Central Banks the non-official element has been able, in the first place, to take up the work of co-operative finance. Further, as this element is strong on the directorates of these banks, the dominant position now given to these banks as regards control can be utilized to gather in non-official hands the controlling function as well. It is undoubtedly true that this result can be attained by means of the new form of organization; but a big price has to be paid for thus proceeding by a short cut—the weakness of primary societies and the dangerous accumulation of the functions of finance and control at a premature stage. No one can or does want to delay by a single day the time when non-official agencies will take up both the control and the finance of the co-operative movement. But that can be best achieved, as on the continent, where non-official representatives of unions, central banks and other co-operative organizations meet on a footing of equality in the chief co-operative council. Is it worthwhile to distort the organization of our system in order to transfer the control to non-official hands a little earlier? Co-operation moves forward by means of its two organs of finance and control; and in order that the progress may be sure and rapid, both legs should be strong and sound. If one leg receives an undue

development and the other is atrophied the movement of co-operation will be of a limping character. We have all heard of a 'limping standard' in monetary matters; but a limping standard in co-operation is not a consummation to be desired.

The True Sphere of Central Co-operative Banks

BY PROF. P. C. BASU, ST. COLUMBUS COLLEGE, HAZARIBAGH

In the Agricultural Journal of July 1918 Mr. Ewbank, Registrar, C. S. Bombay, published a very interesting article on the True Sphere of Central Co-operative Banks, in which he wanted to show two things (i) the danger of undue interference with primary societies by Central Banks (ii) the advisability of divorcing the non-banking functions of a Central Co-operative Bank from its banking functions proper. He wanted to point out that it would be better if the non-banking functions were undertaken by a body which could devote its undivided attention to them. What he wanted was a division of functions—a division of labour. The gist of the argument of Mr. Ewbank appears to me very reasonable and sound. Unfortunately the strong language used by him and his sweeping remarks have given rise to a hot discussion on the subject. Vigorous replies have been made by Mr. N. K. Kelkar—the energetic governor of the Co-operative Federation, C. P. and Berar, and by Mr. Collins, the late Registrar, C. S. Bihar and Orissa, who popularized Co-operative movement in Bihar by his sincere zeal and genuine sympathy.

The recent controversy among experts in co-operation makes me not a little embarrassed for taking up this contentious subject. It is only the interest in the subject that induces me to come forward. I have no pretension that I shall be able to throw any new light on the subject, nor do I take my stand as a controversialist to take one side or the other. As a student of Economics, I want to discuss the subject from a general rather than from a local standpoint.

I confess, I find it extremely difficult to point out in one word what should be the true sphere of Central Co-operative banks. It cannot be discussed in the abstract. Sweeping generalizations are not only fallacious but they may be dangerous.

The true Sphere of a Central Co-operative Bank depends not only on the constitution of the bank, so rightly pointed out by Mr. Kelkar (Agricultural Journal, January, 1919), but it depends

to a great extent on local environments. What may be the true sphere of a Central Bank in Germany, may not properly be the true sphere of it in India. The nature of the activities of a Central Co-operative Bank will vary according to the nature of the people concerned, their state of education, level of intelligence; and even material conditions should be taken into consideration. The stage of Co-operative movement may also be an important factor to be duly considered.

Before proceeding to discuss the nature of the sphere of a Central Co-operative Bank, let me point out the circumstances which gave rise to the necessity of such banks. In Europe, it was found out that many Co-operative Credit Societies had more cash in their hands than they could utilize for their own use, while a great many societies were suffering for want of funds. It was found out that if by some agency the surplus cash of the former banks could be utilized by the latter, the difficulty could be solved in a simple way. This need of balancing made the growth of some central institutions inevitable, and the Central Co-operative Banks came into existence in Europe to serve as 'the common cash box equalizing excess and want.'

In India, the need of Central Co-operative Banks was felt not so much for balancing as for supplying capital. When the Co-operative Credit Societies Act of 1904 was passed, the formation of Central Societies was not contemplated. It was believed that the capital of rural societies would be supplied by Urban banks. But soon the need of a special financing agency was felt. This need became very urgent, as the Co-operative Societies began to increase in number. The Fatehpur bank in U.P. and the Madras Central Urban Bank, probably the first Central Co-operative banks in India, were started in the year 1905 apparently to finance societies.

But to exercise the function of financing, the Central Banks have necessarily to undertake as they had to undertake in India, inspection, supervision and assessment of credit. A loan involves inspection. A money lender who is advancing money on tangible securities like gold ornaments, wants to test with the help of a touch-stone whether the gold of the ornaments is of good quality or not. He then assesses the credit of the borrower. In case of mortgage loans, the scrutiny of a lawyer is found essential to know for certain that the land has got good titles and that the mortgagor has right to the land. Even after careful examination, the creditor finds it necessary to charge a high rate of interest as a sort of insurance charge against possible lawsuits. In these cases, the creditor has not to enquire whether

the debtor is a bad character or an extravagant man, (the greater is the extravagance of the debtor—of course the better it is for the creditor). If minute inspection and scrutiny are necessary in case of tangible securities, how much more necessary they must be for the Central Co-operative Banks, when they finance Co-operative societies, the basic security of which is personal; character of the members of the Societies is the real factor in these transactions, while the loans are recoverable generally not in a month or two, but in several years.

The need of supervision, inspection and assessment of societies' credit by Central Co-operative Banks was fully recognized by the Committee on Co-operation. In their report we find the following recommendations:—

'In assessing a Society's Credit there are many factors which a Central Bank must not overlook. The data on which a primary Society fixes the maximum normal credit of each of its members and the reasonableness of the total borrowing power fixed by the Society for itself, should be carefully examined and tested by the union or if there is no union by the staff of the Central Bank and these data should, after verification, serve as the basis of credit, permissible to the society. It is then for the bank to decide, after considering the needs of the society and the funds at its disposal at what figure to assess the actual credit of the society for the year.

'In assessing the credit of a society, the degree to which the Society as a whole has developed its co-operative capacities, and the sense of mutual obligation among its members, is of the most valuable consideration.'

The view of Mr. Ewbank that the true sphere of Central Banks is 'finance and not administration and control' cannot be accepted in all cases. Perhaps he has used the expression 'Control' for domination; for if it means any form of influence, then he is open to objection. Whatever may be the nature or the constitution of Central Co-operative Banks, financial control is inevitable and 'control to be worth anything must be effective.' Mr. Ewbank himself admits that in matters of finance, 'centralization is not only unobjectionable but highly desirable.'

It is not too much to say that sometimes mere finance may be relatively unimportant and supervision is more urgent. This is specially the case when the people are habitually reckless in their expenditure or when they are very poor and there is an artificial limitation imposed by law, upon the transfer of their only property—land. I know the cases of many societies which had to be closed not for want of finance, but for want of scrutiny

and supervision which could only be effected, if there had been a Central Co-operative Bank to watch their movement. In Chitarpore area of the Chotanagpur Division of Bihar and Orissa, 112 societies had to be closed not for lack of funds, but simply because there was no central agency to scrutinize their action.

Central Banks were started in India at first to finance societies but it was soon found out that the opportunities of co-operation were immense in many localities and still for paucity of trained co-operators the movement could not be started in those places and that if a Central Co-operative Bank was started to undertake organization and propaganda work, not actuated by a spirit of dividend-hunting, but simply to foster co-operative movement by being the chief instrument of spreading co-operative education, then the co-operative movement could advance satisfactorily. So in different parts of India, Central Co-operative Banks were started later on, with a few societies only under their jurisdiction to undertake organization of societies and thereby further co-operative movement.

In these cases the true sphere of a Central Co-operative Bank was not finance as such, but to become the nucleus of Co-operative movement. Here finance became the secondary function; organization, propaganda and teaching became the primary functions. In backward tracts where mass education is very unsatisfactory or where the people are intellectually low and are slaves to custom, the Central Co-operative Banks had necessarily to undertake these things. Even in more advanced localities, in the early stage of co-operative movement, the primary societies are scarcely ripe for carrying out their own transactions satisfactorily; so the Central Banks have necessarily to undertake many things besides finance. In course of time when the societies learn to stand on their own legs, the Central Banks may be relieved of some of these functions. But in the early stage they have to play the role of friends, philosophers and guides. One might call this spoon-feeding but 'this artificial leading and feeding from above' will be necessary unless and until mass education spreads satisfactorily.

The controversy has been very keen on the question of propaganda work. The solution of the question depends partly as has already been pointed out, on the nature of the people concerned and partly on the nature of the constitution of the Central Bank itself. If the Central Co-operative Bank consists of individuals only, then one might take objection to its undertaking propaganda work because it may give rise naturally to a suspicion that it is anxious for the artificial creation of societies

with a selfish motive ; but when a Central Co-operative Bank is fairly representative of societies and is not actuated by any sordid motive of getting dividend only, I see no objection to its undertaking propaganda work. Our motto should be expediency. Peculiar circumstances themselves should be sufficient justification. We need not go to Europe or Japan in search after precedents to justify our action, though everybody acquainted with the history of Co-operative movement in Europe, knows that the Central Co-operative Banks in some parts of Europe (e.g. Netherlands) had to undertake propaganda work with banking. Experience shows that the result has not been unsatisfactory. Every locality may have its own problem to solve. Uniformity is dangerous. Because the Central Banks have undertaken a particular function in Europe, it does not necessarily follow that it will be desirable for the Central Banks to undertake the very same function in India, without special regard to Indian conditions. Mr. Wolff himself seems to be conscious of the peculiar conditions of India and in his Co-operative Banking we find the following remark.

‘In India they (Central Banks) are rather intended as propagandist seed plants placed in certain districts to scatter their seed abroad in order by such means to raise up a growth of village banks which latter become rather branches or agencies of the Central Banks. Circumstances in India are in various respects very peculiar, but generally helpful to the organization of local banks. Accordingly in that country this new method may be found of advantage or even necessary. Elsewhere however it is to be feared that the advantages gained would be very dearly purchased by the sacrifice of that strict local control independence and self-containedness which are by all Co-operative Banks, held to be of the first importance and indispensable to successful existence.’ (Co-operative Banking, Henry W. Wolff, foot-note pages 188, 189).

Mr. Collins has also shown illustrating with facts that there may be no objection if the propaganda work is undertaken by Central Co-operative Banks.

India has enormous potentialities in manufacture and agriculture, yet for want of organization and capital there has not been very substantial progress. We want banks not of the ordinary type, but industrial banks ready to undertake organization of industry and at the same time to provide necessary finance.

Besides organization, finance, and propaganda work, Central Co-operative Banks in some parts of India have to undertake

many other functions. They supply manure, seeds and agricultural implements, etc., start primary schools, provide cheap medicines and perform many other similar functions. In the absence of appropriate agencies for these things there cannot be any objection to the undertaking of such things by the Central Co-operative Banks. If the Central Banks did not undertake these functions, the people could not get the advantage of them. When special arrangements would be made for the provision of these things by other agencies, then the Central Banks may be relieved, till then there cannot be any harm if they are undertaken by the Central Banks.

I thank Mr. Ewbank for sounding the note of warning against excessive centralization. There can be no denying of the fact that after the passing of the Co-operative Societies' Act of 1912 there had been a distinct tendency for several years towards centralization in many places and so far as a district or a sub-division was concerned the Central Bank had been in some places practically 'the axis round which the Co-operative movement' within the district or sub-division 'turned;' for the sake of argument one might call this a tendency towards unification or better discipline, but it was nothing but centralization though a necessity in many cases.

The process of decentralization has already commenced and many of the functions undertaken previously by Central Banks are being delegated to different bodies. Honorary organizers have been introduced to undertake the organization of societies, though in some places the organizer happens to be some office bearer of a Central Bank. Federations have been formed for audit work and unions are being introduced for supervision and inspection, etc.

It may not be out of place to mention that the process of decentralization must not be very rapid. Centralization is bad, but too rapid a process of decentralization without special regard to local peculiarities may be worse. The success of guarantee unions in Burmah has given rise to an eagerness to increase very fast the number of such unions in different provinces. But we should not forget that in matter of elementary education Burma holds the first place. This is due to free instruction imparted in the monasteries. In Burma out of every 1,000 males, 376 can read and write, while in Bengal which comes next, only 77 out of 1,000 are literate and the number of the literate persons is still lower in other provinces. The view of Mr. Wolff that 'of all dangers, that to be most carefully guarded against, is the inter-connection of liability among various banks' is particularly true

when education is most unsatisfactory. There may be some force in the remark of the critics that to introduce co-operation before mass education is to put the cart before the horse. Unless mass education advance *pari-passu* with co-operative movement, the superstructure of co-operation may be on sandy soil. In this connection, I beg to propose that some very elementary text-books on co-operation in vernacular should be taught in primary schools. This alone can ensure the success of co-operative movement in future and if this is continued for a few years the Central Co-operative Banks may be relieved of the functions of teaching and organization which may be undertaken by the villagers themselves.

I want to close this paper after speaking a few words on the constitution of the Central Co-operative Banks. As has been pointed out by Mr. Kelkar, there are three types of Central Banks in India. In the first group only individual shareholders form the members. In the second group the membership is confined to the societies only, while in the third group membership is open to individuals and societies. The number of banks in the first group is relatively small and in future similar banks may not be registered at all. There is a tendency in some quarters to consider the banks of the second group as the ideal. Because 'the antagonism of interest between the shareholders and the borrowing societies is eliminated by the identification of the two parties.' But in my humble opinion the best form of constitution which a Central Co-operative Bank may have, is one in which the membership is open to societies as well as to individuals. Not only because the latter can supply business capacity and better credit but also because it can serve the purpose of co-operation in a better way. It will create an interest in gentlemen of leisure and rest for the welfare of societies, it will suppress any tendency of antagonism between the class and mass, between the urban and rural parts of Indian population. The meeting place of the directorate of the Central Bank will serve as the common forum, in which the gentry and the common people will meet side by side for the interchange of sympathy and deliberation on matters affecting both.

In future, what will be the true sphere of a Central Co-operative Bank in India only the future circumstances will decide but for the immediate future its function is not simply 'to say yes or no to loan applications' but to foster co-operation by dissemination of co-operative principles. If the sole function of the Central Co-operative Bank is finance and not anything else then I believe their existence becomes unnecessary, because that

function can, with greater economy and less trouble, be undertaken by branches of provincial banks.

The Co-operative movement in India was introduced not simply to supply money to the people but to encourage thrift, self-help and co-operation; grant of money may be necessary to accomplish these objects but that is not an end in itself but only a means to an end.

To sum up, the true sphere of a Central Co-operative Bank cannot and should not be discussed in the abstract. It must depend upon circumstances and it cannot be the same in all cases. When the co-operative movement has advanced satisfactorily and the societies are competent to manage their own affairs, then its true sphere may be finance but when these conditions are not present and the people are backward in education and are not familiar with the principle of co-operation thoroughly, the true sphere of a Central Co-operative Bank is not only finance but administration and control as well. As the circumstances exist in India to-day, I think for the immediate future in many places the Central Co-operative Banks should provide not only money but also guidance, searching examination and inspection and above all 'they should keep the societies straight.'

I cannot do better than close this paper with a quotation from Mr. Collins' Hints on the starting of the Central Banks. 'If the co-operative movement is to succeed in India, it is clear that Central Co-operative Banks have a great responsibility upon them, mere provision of money at a cheap rate would not free the cultivator from his bondage.'

Co-operative Finance and Supervision

BY. C. P. SUNDARA RAO, KAMBAINALLUR

[ABRIDGED]

This paper bespeaks your attention to two of the chief problems that go to the root of the great co-operative movement, viz. Finance and Supervision. Do they go hand in hand? Can the same agency effectively do both? These are questions that have been anxiously asked and variously answered.

According to one view the Central Banks are the pivot of co-operative administration, originally intended to provide capital to the societies and to balance surplus funds, if any, they felt that in discharge of their duty to safeguard the interests of the shareholders, they should judge independently of the real needs of the societies the value of the security they offer and the soundness of their methods of work. So far they were right, but when they went on to direct propaganda, organization, supervision and training, they undertook much more than they could do usefully and well.

Effective supervision requires a competent and full staff entailing considerable expense. Can the Central Banks afford it? Some made it a grievance that they had to pay towards the Supervision Fund; and they had indeed a real grievance. The learned Registrar of Madras in Para '39 of his Administration Report for 1915-16 draws attention to their 'Life-struggle with dividends, honoraria and supervision', and points out that supervision being weakest will go to the wall.

Again are the Directors of Central Banks the best persons to undertake the control of the Supervisors and Inspectors? Have they the time, have they even the inclination, to study the practical problems that confront and puzzle the co-operative worker at every turn? Drawn generally from the professions they know little of these and care less. In the absence of intelligent interest and well-informed criticism their control would be at the best mechanical and lifeless.

Even in the case of Central Banks with society shareholders we do not think that there is a community of interest to such a degree as to justify the assumption of supervision. Central Banks cannot indeed 'lend money with advantage or safety to individual ryots whom they have not seen nor ever met and whose credit they cannot gauge through a staff they cannot check or control.' But if such a valuation of assets is placed at their disposal by a reliable organization which assumes full responsibility short of guarantee, the Directors ought to be content and feel safe. Rather than overstrain the machinery with the fear of an ultimate break-down, they can concentrate more effectively on their primary function of finding adequate and ready finance for the wide range of co-operative activity and relegate the subsidiary work to other agencies specially designed therefor.

The Central Banks would therefore be well advised to limit their activities to the sphere of Finance.

We have then to consider what agency can attend to the important work of supervision, what should be its composition and character. The fundamental maxim of supervision may again be briefly noticed. The movement being a People's 'Movement, the ultimate authority rests with the people themselves. So, for the sort of intimate and constant interference that efficient supervision implies we must secure the maximum of Local Responsibility and the minimum of Delegation. Decentralization and Devolution must rather be the rule. Supervision aims at not only audit and inspection but education as well. It necessarily includes a thorough examination of the exact state of affairs not only as evidenced in the books of the Society but also as will become evident by a free talk with the members. Publicity is the panacea for all chicanery. An efficient supervision will have to put the society's executive in the way of doing things correctly, aid them in any special or difficult work and occasionally pull them out of any tight corner they get into.

All the existing agencies for local action are wanting in coherence and homogeneity to be of much use to us. Individuals may occasionally lend weight and influence to local work. But for the systematic and sustained work that an intelligent control over efficient supervision calls for, we must create our own organizations. Such supervision is best done by a local union with representatives of all constituent societies, the general assembly working through a Governing Body, and controlling a specially trained staff.

We must not, however, forget that even here the real work actually turned out is limited in various ways and by diverse

causes. The supervisor—paid or honorary—has scarcely enough time to thoroughly attend to each institution. The union cannot always evoke a satisfactory response from the Punch-ajets of societies. The varying ability and enthusiasm of the staff, the intelligence, interest and capacity of the Executive Committee, the personality of the President, the Secretary's driving powers and his capacity to infect others with his enlightened enthusiasm, are all factors that go to make or mar the union.

There are again many dangers to guard against, such as their degeneration into 'one-man' control, the evils of coddling and patronage, and more than all the overdoing of the work by putting on too much curb. There looms also the bane of exclusiveness, of vested interests, of coteries even in these small bodies designed though they be for common work and service.

But much of these may be guarded against if small, contiguous and close areas are selected for work, if the governing body members are chosen wisely and well from a wide field and if a proper division of work is insisted on, each being entrusted with a well-defined work with a definite responsibility. Capable young men, active and wide awake, of fair educational attainments with an elementary knowledge of Banking and Commerce should be selected and after a proper training and probation started on a decent salary with fair prospects. More than all the union should strive in every way to stimulate the energy of constituent societies and encourage them to develop on their own initiative. They must be let to work their own way out with experiments, expedients and even eccentricities so long as they do not militate against the chief canons of co-operation.

The finance of these bodies may come out of the affiliation fees and supervision fund contributed by the Central Banks and the societies with special subsidies when necessary.

These Councils may again be brought together in a Central Provincial Federation which will study special problems, give authoritative advice, systematize the work in the districts and carry on a vigorous propaganda in backward areas and among backward classes. They will educate and train co-operative workers—official and non-official. They will spread wide the cult of co-operation and advance its ideals.

Along with the co-operative wholesale society and the Provincial Bank this Federation will crown the edifice of non-official co-operative agencies built up from the bottom.

We shall proceed to consider how best the Central Banks can discharge their proper and primary function of fully and freely financing co-operative concerns.

The crying needs of city life are a pure milk and ghee supply, wholesome victuals at reasonable and certain prices, decent and sanitary dwellings, good medicine at fair rates, and small but opportune advances for short terms. There are besides problems peculiar to labour conditions which require prompt and tactful handling. We can therefore help them by the organization of milk supply with subsidiary dairy activities, by co-operative purchase stores, Building Societies, and co-operative Dispensaries. We can promote the cause of healthy Industry by stimulating small and cottage Industries on co-operative lines and by encouraging Trades Union Societies of workmen and mill hands. Special classes like Municipal or Railway Employees and Elementary Teachers and special Communities like the Fisherman and the Chuckler call for well informed and well studied effort on suitable lines. Co-operative contracts, co-operative cultivation of waste lands, are also practicable and beneficial; we would also commend the idea of co-operative settlement for disabled soldiers. Co-operation has also been found to help in making useful citizens out of criminal tribes. Grain supply, joint purchase and sale, seed selection, manuring and breeding are rural problems we can help to solve. Adaptation of new methods and machinery and adoption of new crops are greatly facilitated by the societies. Add to these the various purposes for which money is even now borrowed in credit societies and we will readily acknowledge that an adequate and ready financing of this wide range of beneficent activities would demand a vast addition to the resources of Central Banks.

At present these Central Banks depend mostly on the deposits and over drafts. There is always the danger in both of a sudden demand which necessitates the maintenance of a fluid resource at a high ratio to the transactions.

We shall proceed to indicate some new sources of capital. At present the Deposits, Earnest Advances and securities and such like investments in the Public Works Department, Local Fund Department, Railways and many mercantile firms are held either in Government securities at three and a half per cent or in the Savings Bank. They are not liable to be called in at least for one year. They generally run from April 1 to March 31. The short term needs of Agricultural and many non-Agricultural Societies are from July to November, and the repayments will be about the middle of February, so that allowing

a margin of twenty-five per cent we may be sure that seventy-five per cent of our advances will be repaid before March 31, so as to be available to meet the demands of the depositors. We can therefore safely use these deposits for short term loans. Moreover most of the Public Works Department or Local Fund or Railway Deposits will run from year to year. Such investments may be had at six per cent at most and may be lent out at $9\frac{3}{8}$ per cent for short term advances. The larger margin will go to strengthen the reserve and make up for the narrower margins elsewhere.

Provident Fund Deposits of Government and quasi Government Departments can also be made available for investment in Central Banks and Loans may be directly given to the Depositors on the security of these Deposits. Here also the margin of profit will be 6 per cent - $3\frac{1}{2}$ per cent, i.e. $2\frac{1}{2}$ per cent, and as the Deposits are payable every month it will incidentally add to the fluid resources of the Bank.

Again it is the experience of many Joint Stock Banks that there is a vast quantity of 'idle' till money in certain seasons of the year. Such funds may be made available for very short advances.

We may now consider the desirability of the Societies being entrusted with the disbursement of loans under the agricultural loans Act XIX of 1883 and the Land Improvement loans Act XII of 1884. We would point out at the very outset that even now the Societies do lend extensively for purposes identical with and cognate to those mentioned in Section 4 of these Acts. Figures for the last three years show that such advances come up to about 50 per cent of the loans for Productive purposes. Government could surely place at our disposal the funds they allot to Takavi Advances at 5 per cent. Here is a good source of capital both for short and long terms at easy rate.

We next come to trust funds. In this land of charity huge sums of money are endowed for religious and charitable purposes. There are also occasional secular endowments for educational and other purposes of social welfare. There are again Public and Private Trusts where a wide discretion is left to the trustees. The rich hoards of money in Dewasthanams and mutts are being slowly brought under wholesome control. Now all these moneys except when otherwise specifically directed in the instruments of trust must be invested if at all, only in the ways mentioned in Section 20 of Act II of 1882 and Section 4 of Act VI of 1890. The Trustee has to see that he runs no risks and does not endanger the safety of the corpus of the fund. The

interest he earns is not considered very material and nowhere exceeds four per cent. Government Securities are liable to great depreciation. Stocks, shares and debentures fluctuate in value. The causes that go to increase or decrease value of real property are many and various. Yet these are considered proper investments. With the annual official Audit, its accessibility to the public, the special priorities that the Societies' debts enjoy, with the formalities necessary before money is lent out, with the least taint of speculation in its business, with the continuing liability of the members and above all with the bedrock of unlimited liability, the business of the Society affords an unparalleled security. It is to be hoped that the Legislature or the High Courts will soon see their way to amend the Act or rules thereunder to make this source available to the movement.

We have next to discuss the possibility and practicability of the Issue of Debenture Loans. It is scarcely necessary to detail here the necessary conditions for the issue of such stock except to point out at the very outset our greatest difficulty in that we have scarcely any definite income apart from our general transactions to earmark towards the interest and Sinking Fund. The ultimate security on which the whole system will be based is the unlimited liability of members constituting our Primary Societies. It would not, I conceive, matter very much that the bonds of our Primary Societies are not mortgage bonds because they are always backed by their full responsibility. All legal difficulties may perhaps be obviated by making the loan an express charge on the property statement supporting each application. The reserve funds of societies amount to 15 lakhs. If these are invested in gilt-edged securities or other stock with Government guarantee they will form a sufficient fluid basis for transactions of at least eight times the face value.

We now come to the last of sources we suggest, viz., the utilization in India of a part of the Gold Standard Reserve and the Paper Currency Reserve. The time seems to be rather favourable for such a measure. The exchange will we trust be more steady than it has been of late. The price of silver is rising and a free import of gold into India as recommended by Sir John Wilson and the adoption of a Gold Standard with Gold Currency as recommended by the Fowler Committee will tend to make the exchange quite steady.

We can therefore presume that the purposes for which the Gold Standard Reserve is maintained in England will hereafter

demand less attention and the needs of Indian agricultural and Industrial development will meet with more sympathetic response.

It is in every sense the peoples' money and it can be best utilized in a movement in which it is open to the lowest tax-payer to participate to his real benefit.

Discussion

PROF. C. J. HAMILTON said that there was no doubt that the people in Indian villages suffered enormously from the defective organization for the collection and marketing of their produce, and for the distribution of the commodities which they purchased. He knew by his own observation that this was so in Bengal, and it must be so also in other parts of India. If the objects aimed at in Mr. Hemingway's scheme could be attained the gain would be enormous. With regard to the method Mr. Hemingway raised a very important issue. Writers on co-operation in India had generally been of opinion that co-operative trading, if started, should be kept separate and distinct from the whole organized system of Co-operative Credit Societies. His own impression was that that was also at the present time the prevailing official view. But Mr. Hemingway advocated the contrary view, that co-operative purchase and sale should be regarded as a natural activity of credit societies.

MR. C. V. CHANDRASEKHARAN said that it appeared to him that most of the objections raised by Professor Coyajee against the expansion of the functions of the Central Banks apply to their existing constitution. When the Central Banks come to be constituted almost wholly out of the representatives of Primary societies these objections should disappear. That the latter constitution is the ideal to be worked up to is clearly stated in the Maclagan report. By the limitation of dividends, and of the proportion of individual shareholders in the Central Banks we have already begun to take the first steps.

Central Banks thus constituted could well cease to be mere financing bodies. They could become the organizing centres of the co-operative movement as regards purchase and sale and for educational propaganda. A genuine federal organization could be built up. It seemed to him that the lack of vitality of the movement is due to excessive officialization in the matter of control and supervision on the one hand and the policy of starvation in the matter of finance on the other. They should either completely officialize the movement, finance and all, or completely unofficialize it.

Ultimately they had to face the question whether the educated classes could be trusted to work for the interests of the people in a disinterested spirit. It was a matter of faith and he had faith in the educated classes.

Pessimists said that the movement would collapse if it were unofficialized. He was even willing to face that risk because he was confident that the movement would be born again and grow up on sounder lines. Dr. Wolff in his latest book had clearly stated the ideal of the movement, namely that the Registrars of Co-operative Societies in India should be divested of the functions and powers which they exercise now and should become like the Registrars of Friendly Societies in England.

Many other speakers took part in the discussion.

DR. GILBERT SLATER, in replying on behalf of Mr. Hemingway, pointed out that British experience confirmed the view that Co-operative Banking, and Co-operative Purchase and Sale may advantageously be carried on by one and the same society. The British Societies on the Rochdale type practically always had their banking departments, which were run with extraordinary efficiency and economy, and the Banking department of the Co-operative Wholesale Society was one of the most notable co-operative banks in the world. British Experience also indicated that the organization of Co-operative Production should largely rest in the hands of societies of the Rochdale type like the Triplicane Urban Co-operative Society.

Fourth Day

**The Adaptation of the Indian Tax System to the
need for Increasing Expenditure**

The Chair was taken by PROF. ANSTEY.

PAPERS

British Indian Sea Customs Duties and Indian States

BY RAO BAHADUR SARDAR M. V. KIBE, M.A.

One of the chief sources from which the Government of India can hope to derive an increased amount of revenue to meet the growing expenditure caused by the war debt and the requirements of civilization, would be the sea customs duty. It is easy to collect and being an indirect tax is not felt.

Under the influence of the free trade doctrines, the sea customs duty, until a few years ago, was levied for revenue purposes only. Even under the stress of the expenditure caused by the war, the object has been adhered to. Although there was an all round enhancement and the levy of the duty on many hitherto free articles, yet, except perhaps in the case of the cotton cloth to only a slight extent, it had no taint of protection. It is only lately that apparently a protectionist policy has been adopted in the case of raw hides. It is, however, more in the interests of the British Empire than of India. But it shows the direction in which the wind is blowing. It is almost certain that this source will be increasingly utilized for the purposes of revenue as well as for protectionist purposes.

Apart from them there is one more reason why this source must be looked to for supporting the increased expenditure of the nation. In all industrially advanced countries, the land revenue bears a progressively less ratio to the revenue from other sources. At present it brings in about one-third of the income to the exchequer and although it is likely to be increased, due to high prices and general prosperity, yet as India progresses industrially its income from other sources will be more increased.

But while British India would be perfectly justified in looking to these sources for meeting its increased wants, yet it should not, and cannot legitimately desire to profit at the cost of others. Such would be the case if it fails, as it has hitherto failed, to take account of the inland Indian States.

By reasons of its geographical, no less than political position, the British Government holds a predominant position in India. But its relations with the numerous Indian States are regulated

by means of treaties or other solemn engagements. Freedom from British taxation is their predominant feature. In that respect they stand on an equality with European States, like, for instance, Switzerland.

This fact, however, is ignored in the case of the sea Customs duties. As at present enforced they operate as transit duties. Recognizing the deleterious effect of transit duties on trade, the Government of India abolished all other transit duties, the last of them disappearing in 1870. But it was not until 1887 that it succeeded in inducing the last of the Indian States to do away with them. While abolishing them some of the states did so unconditionally, while others reserved their right to levy them, in case they wished to revive them. It is unthinkable that they could ever do so in view of the development of the means of communication in the country, but is not the British Government morally bound not to levy any duties in the nature of transit duties?

The trade of the inland Indian States is with the ports. Goods, which are there in the market, have already paid the sea customs duty and they come to the territories of the Indian States burdened with it. Even if their subjects were to arrange for the import or export of goods directly from or to foreign countries, the customs authorities at the ports, as at present guided, will enforce the duty on the arrival of goods there.

The result is that even if the subjects of the States arranged for direct imports or exports, they cannot escape the sea customs duty. The Governments of States are also handicapped by the fear of burdening their subjects too much, as their own duties impose an additional burden, they cannot derive the fullest advantage from their State duties. So neither can these be utilized for revenue purposes and assuredly not for protective objects. Even as it is, the subjects of the States which at all levy a customs duty are doubly taxed. The Indian States, however, on their part, to respect the undertaking of not levying transit duties, grant drawbacks on goods even breaking bulk in their territories.

This situation had arisen in America and Europe, but has been impartially solved. Goods intended for Canada going through the port of New York, when not breaking bulk there and passing in bond, are allowed to pass duty free. The same is the arrangement in the case of Switzerland. In the case of Servia, as it existed before the Balkan War, a strip of land was allowed for its goods at the port of Salonica and they were then carried by rail to Servia.

In India too the British Government has not been unmindful of the claims of some Indian States at least. When the Government of India abolished the last of the transit duties in 1870, it entered into special negotiations with the State of Cashmere not to charge customs duty on goods passing through it. Probably a similar arrangement existed with Afghanistan for goods intended for that country. In the case of the maritime State of Travancore, the Government of India placed no customs barrier on its frontier on the former's undertaking to enforce the latter's tariff at its ports. Recently the same arrangement has been entered into with the maritime States of Kathiawar and Gujrath. It is believed that if the State of Mysore builds its own railway to Bhatkal or Mangalore, it will be allowed the same facilities. In fact the principle adopted in the case of the Indian maritime States has been followed in the case of inland States in the matter of the cloth excise duties. The cloth produced in mills located in such States is allowed to come freely to British India if it has paid the same duty to the State.

Justice demands that the Indian States should get the same relief as regards sea customs. Different methods can be suggested under this head. One method would be to allow the goods coming from other countries by sea to be consigned to a place in the Holkar State, for instance, in bond, without breaking bulk at the port of entry. Special seals would be placed on the parcels, or on the whole railway trucks by the customs officials at the port, and the railway authorities would be required to deliver the consignment with seals unbroken beyond the British territory. Another method would be to allow the Holkar State to have the right to acquire at each port a strip of land at the Docks on which it could erect its own warehouse and customs stations. The State Customs duties would be levied here, and goods would be consigned from here to the State under the seal of the Holkar State customs. This method has the advantage that consignments from abroad could be broken and sub-divided at the port town itself, the British duty being paid only on the part not entered into or retained in the State warehouse. A third method would be for the British Indian Government to collect at British Ports customs rates on all goods consigned direct from abroad to a place within the Holkar State, and conversely an export duty on goods consigned from the Holkar State to a foreign country, and to credit and pay over to the account of the Holkar State the exact amount of such collections. The fourth method would be to allow the collection of customs to continue as at present, but for the British Government to pay over to the Holkar State a share of

the whole customs revenue. Finally the method already prevalent in India in the case of re-exports by sea and by certain specified land routes may be adopted. (This method resembles (1) in certain points). If the re-exports be by sea the British Government allows a drawback of seven-eighth of the import duty.* Reexports by land are allowed a drawback only if the goods* 'in bond' reach Jammu or Cashmere, Muzaffarabad and Alibag † as also on those transmitted under customs seal by the Hoshiarpur route through British India and the territories of His Highness the Maharaja of Cashmere and ‡ Jammu. In the case of the Holkar State, in compliance with sub-section (5) of para 223 of the Calcutta Customs House-Manual or any similar code, the customs authorities may send the duplicate of the invoice direct to the Agent to the Governor-General in Central India.

This last method seems to be the most appropriate for adoption in the case of Indore, since it is already in force in India for which the customs House at the ports of entry are in possession of adequate laws. It has moreover this feature to recommend it that it would secure the distribution of the customs revenue not according to the number of population merely or the income of a State but according to the volume of trade which may be taken as a reliable index of the economic development of a State.

When the British Indian duties were small and the subjects of Indian States had not become cognizant of the drawbacks of purchases at the ports only, the question did not attract much attention. Now the British Indian duties bid fair to be greatly enhanced and extended. The wants of the Governments of the Indian States, which cannot remain aloof from the progress in thought and material prosperity in the surrounding territories, are increasing and they must have expanding finances to meet them. Such a fruitful source of revenue as the customs duty cannot long be cut off from them.

Once the principle of how to meet the legitimate demands of the Indian States is settled, a few other questions of detail will require solution. But they would be matters of detail. If India is to progress and prosper it must do so as a whole. One part of it cannot prosper at the cost of another. The question requires solution at the hands of politicians as well as of Economists.

*See s. 42 of the Sea Customs Act 1878.

† See Calcutta Customs House-Manual standing orders page 85, para 223.

‡ Ibid, page 86, para 224.

Problems of our After War Finance

BY RAO BAHADUR K. V. RANGASWAMI AIYANGAR

Perhaps the most difficult of the economic questions which India will have to solve, now that peace has come, will be that of finding ways and means in her fiscal system, which would prove generally acceptable, for the needs of her inevitable and growing expenditure. Before the war, India had comparative freedom in the choice of sources of revenue, and despite occasional adverse criticism directed against the incidence or the policy of particular taxes, her general scheme of revenue has been usually regarded as simple, unonerous, unwasteful and conservative. The war took India by surprise, and it was only after a year of experience that the pressure of the altered conditions came to be felt in her financial system. Even in the official year following the outbreak, the total expenditure of India (£85·6 millions) barely exceeded that in 1913-14. In 1916-17 and 1917-18, however, the expenditure rose steeply to 98 and 112·6 million sterling, and the revised estimates for 1918-19 had to make provision for an anticipated expense of 125·8 millions. It is significant that the expenditure in 1917-18 was just twice that incurred twenty years previously. The budget of 1919-20 estimates the expenditure of the year at about 123 millions, and it is probable that the figures of the actual expenditure will, when available, show that the first year after the peace has not been much behind the previous year of war. All this increase, implying a corresponding stretching of the revenue, has been rendered possible by the new taxation proposals introduced by Sir William Meyer in March, 1917, involving the straining of some of the existing sources of revenue such as the excise and customs and the income-tax, unrelenting stringency in the collection of all items of income, and recourse to new sources of revenue, such as the export duty on jute, the surcharge on railway traffic and the super-tax introduced in 1917, and the excess profits duty introduced with the last budget. The pressure of taxation would have been more intense but for stinting expenditure in many directions, and the increased income accruing from the prosperity of industries which catered to the needs of the war, and the

increased traffic on railways due to the movement of troops and military stores. Above all, the biggest *direct* contribution made by India to the war, the hundred millions sterling gift, was raised by internal borrowing. A loan of such unprecedented magnitude was rendered possible by the prosperous years preceding the war, and the era of surpluses during which, contrary to academic economic tradition and the popular demands, even railway development had been financed out of the revenue. During the epoch, the redemption of the ordinary or unproductive portion of the Indian Debt had gone on continuously till it had almost entirely been wiped out. (It stood only at £2 millions in 1916). The contribution raised the *total* debt of India by about thirty per cent. and added about £6 millions to her annual recurring expenditure. This addition to the fiscal burden might appear trifling, if only the area and the population of India were considered, or her annual revenue, and if one did not remember that even in recent years, when the Government has been fully alive to its responsibility for social reform, in its widest sense, it was not exceeded by the *aggregate* expenditure on such vital objects as Agriculture, Education, Medical relief, Sanitation and the Scientific departments. The vast internal borrowing was inevitable, since the Indian exchequer could not have provided even a tenth part of the contribution from its existing revenue. It should not, however, be overlooked that this large sum implied, as Dr. Marshall recently pointed out in a similar connection,* not a mere transfer of capital from hand to hand or the utilization of wealth that would else have been merely hoarded, but the destruction of an amount of wealth—(albeit it had been converted into war appliances for destroying the enemy and for helping to save India along with the World)—which would otherwise have been available for production and for economic development. The cry that India suffers from a scarcity of capital is familiar to the Indian Economist. And he at least should not be indisposed to recognize that the sacrifice involved in this contribution was much greater than would appear from the mere amount of the gift.

The conclusion of the war must result in the drying up of the sources of income, directly or indirectly due to the war, such as the income from the excess profits duty, which has been estimated to bring in a *net* revenue of over £6 millions during current official year, the increased revenue from the railways due to the war traffic and the income-tax and super-tax derived

* W. H. Dawson's 'After War Problems', p. 314.

from the prosperity of certain trades, which benefited from the war conditions. It would naturally also lead to an expectation of a reduction of the military expenses. Of this, however, we cannot be so sure. Not only in India, but all over the world, strong armaments will have to be maintained, for some years to come, as a guarantee of peace. The cost of demobilization and of the pension charges added by the war will also have to be reckoned in post-war finance. Improved forces for fighting on the land and the air and on and under the sea and the creation of a special Indian Navy are sure to swell the expenditure still further. The changes which the war has brought about in the balance of power in Asia and recent events both in and out of India, make it also doubtful if we can for many years to come reckon upon the reduction of even that part of the total army of India (usually estimated at 30,000 troops) which Mr. Gokhale used to urge the elimination of, on the ground that it was in excess of India's needs and was kept up only for safeguarding British supremacy in Asia. * And, it is not outside the bounds of possibility that even the left wing of the Indian public opinion may be prepared to accept India's liability to provide for this object out of her revenue, if fuller autonomy than is at present in contemplation is granted to her

Any discussion of the incidence of after-war Indian taxation will be incomplete if it did not include a consideration of the probable course of prices, and the value of money in the loan markets to which India will hereafter have recourse. The great rise of prices during the past five years has been due to a variety of complex causes, some of which, like the destruction of appliances of production and of shipping on an unprecedented scale, have had lasting effects. Even the purely monetary causes of the rise cannot be easily or speedily corrected. Any slump in the wages which had risen during the war, and contributed partially to the rise of prices, is not to be expected. Thus, it is safe to assume that though prices will come down somewhat, it is improbable that they will reach the pre-war levels. India will have to pay more for her purchases of commodities and services than before the war. But her losses in this direction will be balanced by the rise in her customs duties, which are raised *ad valorem*, and in the additional revenue accruing under the head of 'Assessed Taxes', on account of the increase in *money* incomes.

* *Vide* Mr. Gokhale's 'Speeches', pp. 105-107, and his criticism of the views of Sir Edmond Elles and Earl Curzon.

As regards loan-capital, the colossal wastage in the war, and the demands for capital all the world over for recuperation and reconstruction will tend to keep up the rate of interest. Not only will India not have any near chance of any reduction of her annual interest charge, but any capital she may require, hereafter, for her schemes of economic development, will have to be raised in more stringent loan markets than she has hitherto had recourse to.

Two indirect consequences of the war epoch have also to be borne in mind in any forecasting of our after-war finance. These are, first, the increased sense of 'social responsibility' both in the people and in the Government, and secondly, the expansion of the area of responsible government within the country. The spread of political consciousness among the people and constitutional reform generally will tend to make the taxpayer more inquisitive as to why and how he is being taxed and what he gets in return for the sacrifices he undergoes, and to increase the legislative scrutiny of schemes of taxation and of governmental expenditure. The fiscal plans of the future will have to be so devised as to be acceptable to a population whose political consciousness is increasing. In the West, aspirations for social betterment, which had been vivid enough, even before the war, have been quickened and strengthened by the war itself and the community of life it has bred in war work and in the trenches. India, as a whole, has not had this experience directly. But the great moral issues raised by the war are easily translated into terms of social justice, and India must be powerfully influenced thereby in the years to come. The future administrations of India will, therefore, not rest content with mere academic admissions of the State's duty to forward social and economic development by *direct* effort. They will be impelled to include the reclamation of the vast unconquered territory of social and economic reform in the list of their main activities. But 'Social' reform, whether we count it as a necessity or as a luxury, is at any rate expensive. And the synchronousness of such plans of development with the imperative call to raise money therefor by taxation, over and above the pre-war level, will strain largely the patience of the tax-payer and the financial skill and powers of persuasion of our future legislators and ministers. An opportunity also lies temptingly before our academic economists, to wipe out the reproach of sterility often levelled against their class. They might anticipate the dawn of this critical epoch, and might do what they can from now on to obtain popular comprehension of financial plans and financial

difficulties, to suggest schemes for raising the needed revenue with the least hurt and wastefulness, and to create an atmosphere of receptiveness for well-thought out programmes of taxation and State expenditure.

It is difficult to make even an approximately correct forecast of the national revenue that must be raised in the next few years, following the peace. Lord Meston stressed the difficulty in introducing the latest Budget, in which he provided for an anticipated expenditure of 123 millions sterling in 1919-20. The revised estimates of 1918-19 came up to more than 125 millions. A scrutiny of the main elements of these estimates might indicate how far and to what extent the expenditure provided for therein is reducible in future years, and it should afford a basis for reckoning up the *absolute minimum* of our post-war financial requirements. A reference to the appended tabular statement (B) will show how in most directions the expenditure of these years is not abnormal. The increase in Interest charges on the ordinary debt follows naturally on the hundred million gift of 1917. When considered in connection with the increased profits derived therefrom, the increase in Railway expenditure is, if anything, less than one should expect. The figures for Public Works and Irrigation are less than in the first war year, and the year preceding it. The only large increases are under Salaries and Expenses of Civil Departments and Military Charges. The former includes the sums disbursed for development purposes, e.g. the grants to Education, Sanitation, Agriculture and the Scientific departments, and the increase in the general head over and above the 1916-17 figures may to some extent be accounted for by the additions made under some of the sub-heads. It is inevitable that the claims of the Public Services for improved emoluments and pension terms, owing to the rise in the cost of living, will require due attention. The reform of the services, in view of the recommendations of the Public Service Commission, when fully carried out, as well as the pressure of public opinion on the Government to expend more freely on Education, Sanitation, Industrial Development and Agriculture must lead to further and fairly big increases in the allotments made under this head. It has often been urged that the public services in India are on far too costly a scale for the needs of a poor country,* and that the substitution of indigenous for the foreign agency now employed in the higher ranks of the services must conduce to equity, contentment and economy. Apart from the argument

* Lala Lajpat Rai in the *Modern Review*, January, 1916.

that the evil of employing a foreign agency is moral and not merely economic, it is maintainable that the proper criteria of the salaries to be paid are the difficulty of the work to be done, the qualifications of the persons employed, the cost of bringing up fresh supplies of such labour for the normal demands of the services, and the rates of remuneration which alone will ensure a steady supply of qualified recruits. It is therefore manifestly open to objection that any reduction in the remunerations of indigenous employees should be made on racial, sentimental or patriotic grounds, and it is impracticable to count on the possibility of such a discrimination resulting in general satisfaction, administrative harmony and efficiency, or national economy.

Military expenditure, as will be seen from the appended table (B), has usually accounted for about 30 per-cent of the total disbursements, and it has kept pace in a remarkable way with the increase in the aggregate expenditure. In 1898-99 it stood at 17.1 millions, in a total expenditure of 56.2 millions. In 1917-18, the last year for which accounts are now available, it went up to 30.7 millions. (Gross expenditure of the year= 104.5 millions). The estimates for 1918-19 and 1919-20 indicate a further steep rise both in the proportion of the total revenue allotted to this head, and in the actual amounts provided, being 45.6 and 42.7 millions, forming 36.2 and 34.9 per cent respectively of the estimated expenses of the years. The military surprises of the war have been many and serious. We have yet little experience of the standards of military efficiency of the future to help us to forecast accurately the military expenditure of the period. One thing, however, is certain. Modern war is very expensive, and the 'toning' up of the Indian Army, and the provision of suitable Air forces and a Naval service must increase, rather than reduce the military charges hereafter. The creation of a great Indian militia, by imparting military training to larger numbers of the Indian population, the recruitment of the rank and file in India, and the diminution of the non-Indian proportion of the forces, might, if ever effected, lead to a perceptible reduction in our future military expenses. * But even in that contingency, the charges for training this great militia must be added to the existing military charges for some years during which the military expenditure will therefore be swollen, not reduced.

Statement C shows how the allotments for social development have risen in recent years. In 1893-99 the aggregate expenditure for this purpose stood at the very low figure of 1.59

* See Mr. Gokhale's 'Speeches', pp. 132-137.

millions. By 1907-8 it rose to 3·2 millions, and in 1914-15 to 5·8 millions. It was somewhat less in the next two years. In 1917-18 it again rose to about six millions, and the budget provision for it in 1918-19 and 1919-20 mounted up to 7·2 and 8·8 millions. Even the latest grant, which is almost five times that twenty-two years ago, works out only at about 8 annas per head of the population. It is only after the famous British budget of 1909,* which proceeded on the open and unqualified acceptance of the position that taxation might and should be used for social regeneration that a change is discernible in the conservative attitude of Indian financiers. In 1911 Sir Edward Law declared that the question of social development was one in which those responsible for the financial situation were bound to take the keenest interest.† Notwithstanding this admission, the Government continued the old policy of doles to Education, Sanitation, Agriculture, etc. The war-epoch changed all this. The enquiries of the Calcutta University Commission and of the Industrial Commission, which were conducted during the course of the war, and the dawn of a feeling of intense social responsibility among the people themselves must lead, to larger and larger expenditure under these heads in the future. The persistent pressure of public opinion will ensure the continuance of this liberal policy.

Two conclusions are, it is submitted, to be drawn from the above examination. First, it would be unwise to assume any amount below £125 millions as the annual expenditure that normally the Indian Finance Minister should budget for hereafter. The amount may be, and very probably, will be largely exceeded, particularly if those who control the destinies of India recognize the wisdom of launching on a course of liberal subvention to industrial and educational development all round. Secondly, there is great and urgent need to review financial resources, to examine the soundness and the strength of those great props on which they depend, and to discover means of strengthening these supports, in order to enable them to withstand the forces of growing expenditure. It has been noticed that every head of expenditure has shown great elasticity and power to expand, year after year the bigger heads, like Civil and Military expenditure, showing this trend even more markedly than the minor. And it follows that financial disaster must be faced soon, unless the sources of the Indian revenue are so selected, assembled and

* See Bernard Mallet, 'British Budgets', p. 299.

† Financial Statement, 1911-12.

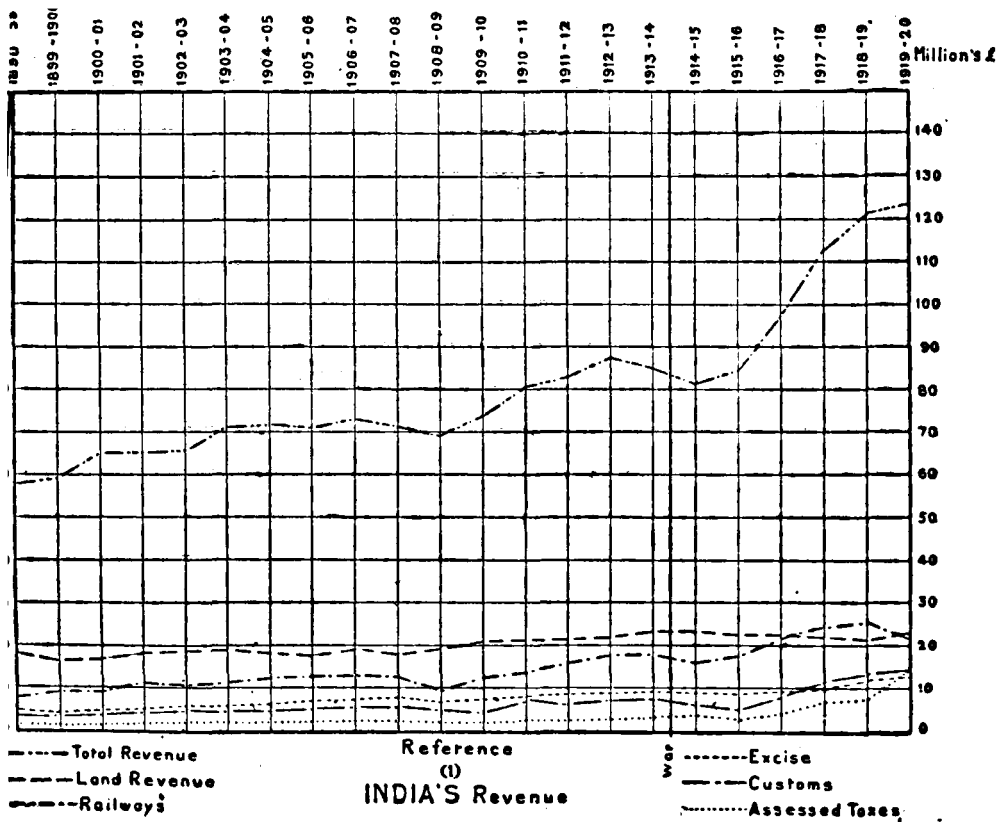
'toned up' as easily to keep up with this continuous expansion of our annual liabilities.

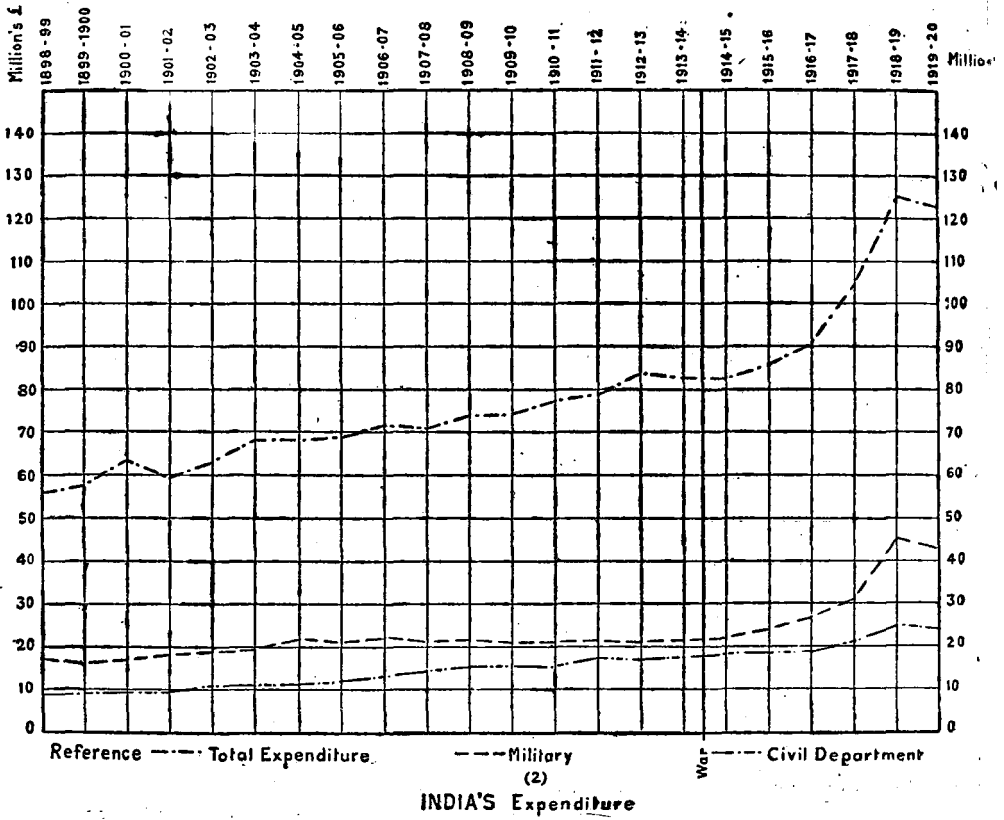
The Indian revenue is derived partly from State properties and commercial undertakings, partly from monopolies, partly from taxation, both direct and indirect, and partly from contributions of a political character. Statement A exhibits the relative strength of each of these heads. One of the weakest among these is represented by the '*Tribute*' from Native States, which being fixed by treaty, has shown practically no elasticity. It has been trifling in amount, having never risen, in the last quarter of a century, to much over one per cent of the total revenue, and having dwindled in the last three years, (through the growth of other items of revenue) to 4 per cent of it. An increase from this source is not to be thought of, as to suggest it might imply the ignoring of solemn engagements, and imperfect appreciation of the magnificent response made by the Native States voluntarily to the appeal of the Empire for help, during the war. Any enhancement of it must also cause hurt to the populations of the Native States, as any additional contribution can only be paid either by an increase in taxation in the Native States or the curtailment of some of the expenses hitherto incurred by them for the benefit of their subjects. The income from the Forests has grown 175 per cent in twenty-two years, and now stands at 3.3 millions. This looks trifling when the extent of the valuable properties is considered. But the conservation of the Forests is undertaken with other aims than the raising of a mere revenue. It has been the tradition of the great service responsible for the working of these valuable estates to develop them to their utmost capacity, and to extract the maximum revenue out of them consistent with their preservation, in unimpaired and progressive efficiency. The total income from this source comes up after all only to about 2½ per cent of the total income, and its elasticity is very small. The income from Registration, the Civil Departments, the Mint, etc., partakes of the same character, only growing slowly with the growth of population. The increasing prosperity of the country is evidenced by the rapid growth of the revenue under Stamps, the Post and the Telegraph, which without any variation from their proportion to the total revenue, have still kept pace with it. The funeral ovation of the 'unholy gain' from Opium was pronounced by Sir Guy Fleetwood Wilson in 1913, * and since then the income from it, and its relative importance as a source of revenue, have

* Financial Statement and Budget, 1913-14.

both dwindled. The increase in the revenue from *Public Works*, and *Interest*, is the normal effect of the additional capital outlay incurred on the former, and, it is out of the question to expect it to be permanent and progressive.

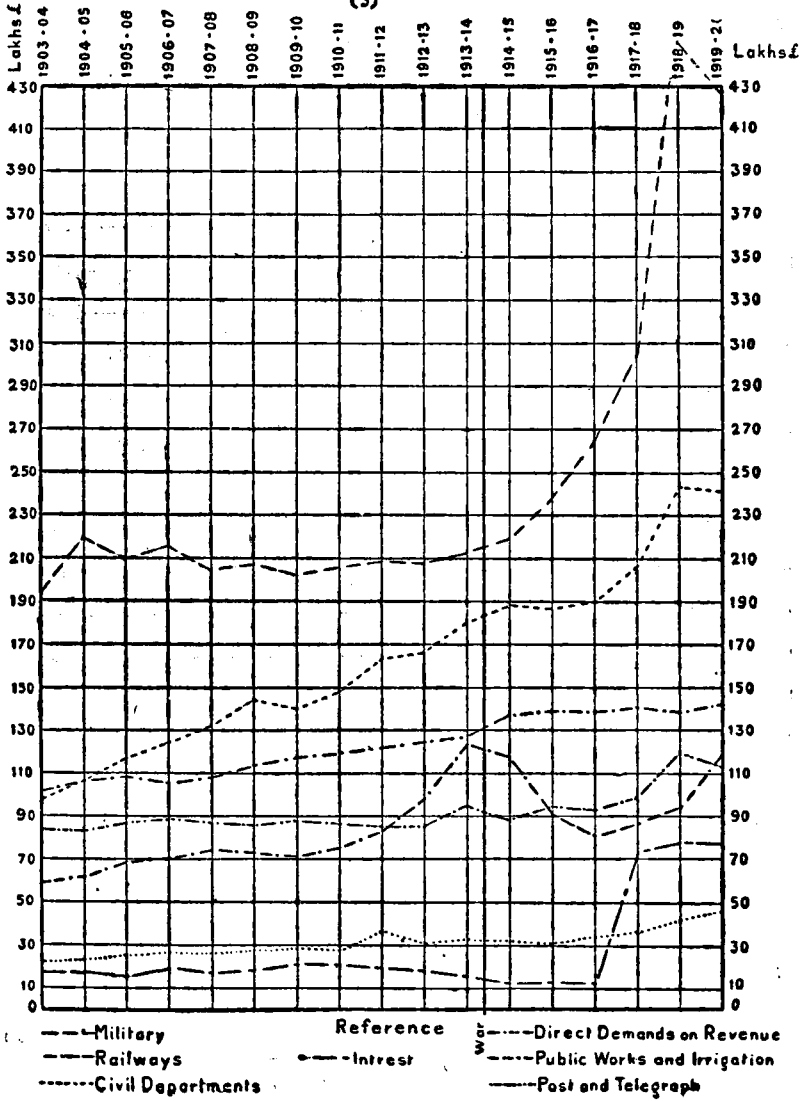
Among the revenue heads that remain, *Railway* receipts have undoubtedly shown great powers of expansion, and that only in recent years. This is natural. We are reaping, as Mr. Gokhale pointed out, the harvest of the epoch in which money was lavished on the Railways, even when they were a losing concern. Part of the recent gains in Railway receipts is also due to the postponement of the yearly renewals and repairs of rolling stock, and part is due to (as already stated) to the carriage of troops and military stores. Nevertheless, it must be admitted that we have in our Railways assets that may be relied on in future years to keep up with the expanding national expenditure. Their nationalization, however, will have to be put off indefinitely. The more or less permanent rise in the rate of interest must render it difficult to carry out, for many years to come, any such plan. The advantages which its advocates have claimed for railway nationalization in India may *all* be conceded, the saving to the State of the share of the profits now paid to private companies, the location of central administration and control in a State department amenable to the influence of Indian opinion, the development of trade on natural lines, the promotion of inter-provincial commerce, and the utilization of the railways in a policy of industrial development. But to realize them, considerable loans will have to be raised. Further expenditure may have also to be incurred in increased annuity payments to railway shareholders. Any money needed for railway purchase will have to be raised at rates of interest the payment of which will effectually wipe out any financial gain that may accrue from the nationalization. In the depleted condition of India's stock of loan capital, it is out of the question to think of raising the amount needed by a loan within the country itself. The competition of Government as a borrower, for this purpose, will prejudice its own chances in the loan market for other purposes, as well as the opportunities of borrowing of our Port Trusts, Municipalities and Local Boards. Lastly, any money raised by public borrowing is more advantageously utilized in furthering either railway expansion in India, where several thousands of miles of railway are still needed, or projects of industrial development, than in schemes for accelerating the natural process by which the existing company-owned lines will also become the property of the Government.





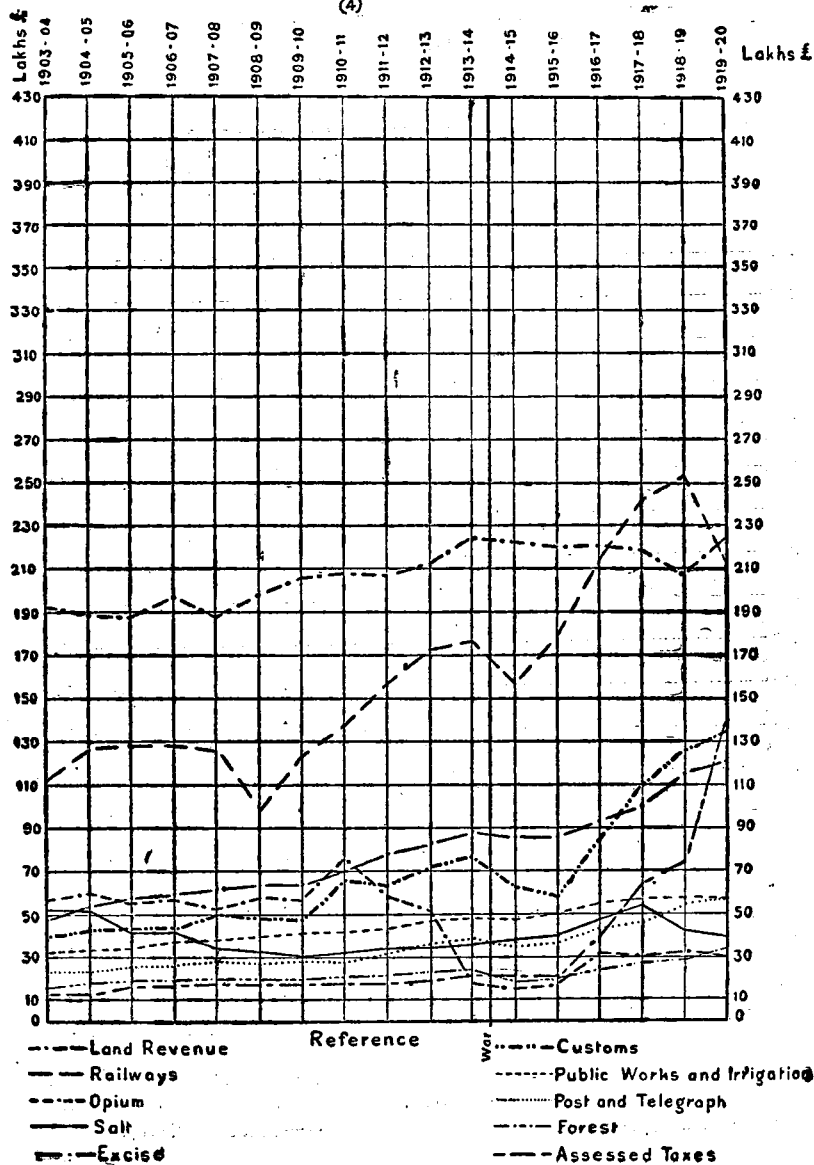
INDIA'S Expenditure Items In £ 100,000

(3)



INDIA'S Revenue Items In £ 100,000

(A)



Of the heads that Remain, Land Revenue is the most conspicuous. By itself, as a single item of revenue, it surpasses all others. And, historically, it has dominated Indian finance, and consequently, the Indian administrative system. In effect, it is a high tax on agricultural incomes, the permanently settled estates, which come up to a fifth of the total area of cultivated land in the Indian empire, being in the position of tax-payers who have been guaranteed a permanent and unalterable composition-rate in regard to the tax. The income from agriculture is exempted from the income-tax though not from the super-tax. As Sir Thomas Holderness observes, in no country in the world is land expected to do so much as in India.* The land has furnished in the last quarter of a century between 18 and 22 millions annually to the exchequer. It maintains over 80 per cent of the population, and it absorbs more of the time and the attention of the administrative services of India than any other single object. The land tax, however, has shown the least elasticity of any of the sources of Indian revenue, having increased by only 25 per cent in a period of as many years. Relatively to other resources, it has diminished in importance. It was 31 per cent of the total income of India in 1898-99, and is now barely 18 per cent of it. The raising of income from the land has always been beset with difficulties. Dependence on it has made Indian finance 'a gamble in rain'. It has led to the enunciation of theories in regard to the nature of the landed property that are galling to the people, and do not carry conviction to historians as well as economists. Its rates have varied from place to place, sometimes irrespective of taxable capacity. Dependence on it, has led to the maintenance of a discrimination which is felt as eminently unfair, in the existence of permanently settled estates, which contribute nothing directly to the *growing* needs of the Government, side by side with the raiyatwari areas (and their analogues) which have, *in effect*, to pay their own share as well as the shares which the permanently settled areas should have paid to increased revenue that is wanted. And, the intimate connection which it establishes between the administrations and the common people, gives a stronger tinge than is necessary to the natural reluctance of people to bear additional assessments, with every revision of the land-settlement. The area under cultivation—i.e. the area capable of contributing the land-tax, has not shown, as Mr. K. L. Datta urged,† a capacity to increase *pari passu*

* 'Peoples and Problems of India,' p. 140.

† See chapter VI of his 'Enquiring in to the Rise of Prices in India,' Vol. I.

with the growth of the population. As a source of income, in the after-war epoch, the land tax has to be recognized as singularly inelastic and unsatisfactory. Its retention in its present form, in an epoch of progressive expenditure, will be possible enough but its importance in relation to other fiscal resources will continue to wane, and it will contribute an ever-diminishing percentage of the national revenue.

Of the other items the Salt Tax has had a chequered history, and though the Government has not at any time admitted that it is an unsuitable form of revenue, it has practically conceded the point by agreeing to successive reductions of the rate of Salt-duty, (the effects of which will be seen in Table A), culminating in the reduction to a rupee per maund in 1906. The Government has also shown unwillingness (*vide* Sir William Meyer's Introduction to the Financial of 1917-18, page 19) to have recourse to its enhancement, when other sources were accessible. While its *prima facie* advantages as a tax easily collected, widely distributed, and of great elasticity will always render it one of the financial reserves of the future, recourse will not be had *in the first instance* to its further increase, owing to the conclusive manner in which it was shown by Sir Edward Baker that its consumption (as a vital necessary of life) showed an increase, *per capita*, when the duty was reduced in 1906. (*Vide* Mr. Gokhale's 'Speeches,' p. 122.)

The Excise and Customs duties have brought in an ever increasing contribution due partly to the economic development of the country, and partly to the revision of the tariff. The experience of the export duty on jute, in which India has a monopoly, might well justify recourse to enhancement of it in the future, should additional revenues be required. On almost the same ground, there would be justification for an enhancement of the tea-duty. The income from these heads may be strengthened by making some of the changes suggested in the course of the criticisms of the new taxation introduced in 1916, and continued since then. The duty on petroleum may be reduced, as it presses on a common necessary of the poor man's life, while that on tobacco may be enhanced. There is no reason why the duty on ale, beer, porter and cider should remain at only $4\frac{1}{2}$ annas per gallon, and not be brought up to the level of 8 annas in England, when the policy has throughout been to equalize the rates in both countries in regard to such articles. And, some accession of revenue may be expected also from imposing export duties on other articles, in which India has a controlling influence, if not actually a producer's monopoly.

The Assessed Taxes (Income-tax, Super-tax and the Excess Profits Duty) accounted for the one source of income which showed the greatest expansibility during the last three years. The tax on non-agricultural incomes which in 1886 took the place of the old licence-taxes and the still older income-tax, exempted only incomes below Rs. 500 per annum. The minimum was raised to Rs. 1,000 by Lord Curzon. During the current year, the taxable minimum has again been raised to Rs. 2,000 on the ground that the people of smaller incomes had been hit hard by the rise of prices due to the war. A loss of half a million sterling was anticipated by Lord Meston as a consequence of this concession, but he showed that the authorities were at the same time relieved from the task of collecting from over 237,000 assesses out of a total of 381,000. The enhanced rates imposed on the larger incomes as well as the Super-tax (1916) have more than made up for this loss. The increases were introduced only as war measures. Apart from the justification to retain them on the ground of social justice, it is certain they *will* be retained permanently in our future budgets, for their own sake and on account of the barrenness of other traditional resources. The Excess Profits Duty (which has been estimated to yield 7½ millions) must go, after a year or two. The rate at which the duty was reckoned (50 per cent of the excess profits to go to the State) raised loud complaints of severity in our country, while in America and elsewhere, economists (*vide* the article by Prof. O. M. W. Sprague in the *Economic Journal* for March 1917) have argued in favour of tax of 95 per cent of the excess income.

The review of our financial resources and obligations has exhibited the inelasticity and narrowness of range of the former, and the expansive and progressive character of the latter. Almost the earliest need in our future budgets will be to make good the loss of the income from the disappearance of the excess profits duty. The inability of our traditional resources to move with equal pace with our expenses has already been noticed. It is inevitable that we should consider both readjustments and improvements in the existing scheme of taxation, and new forms of either obtaining an income or reducing our annual expenditure.

To take the latter first, one way of possibly reducing some part of the civil expenditure is to transform into new Native States (as in the case of the Benares State) the larger Zamindaries, or permanently settled estates, whose history shows the owners to have been Rajas. At the present time, the larger Zamindar is master of all his surplus rental, and has no charges

to meet for the Government of his possessions. His promotion as a ruling chief will give him fuller responsibilities, and a larger interest in his lands and tenants, and necessitate his finding out of his resources the funds for the Government of his territory. To that extent the cost of administration to the Indian Government will tend to diminish, but the income from certain resources such as excise, stamps, customs and assessed taxes, hitherto collected from the Zamindari will go to the new Raj. It is submitted that the idea may also find justification on such social grounds as the fuller utilization of a landed aristocracy, conscious of the rights, and not always of the obligations of great possessions. The transformation of the great estates should also reduce the area which continue the unfair fiscal discrimination due to the existence of the Permanent Revenue Settlements.

Anticipation of the difficulties of after war finance has already resulted elsewhere in a crop of suggestions and measures of unconventional types of taxation. Holland has imposed a tax on Christian names! Mr. McKenna's proposed customs duty on hats and Dr. Marshall's suggestion of a tax on additional servants have been held by a distinguished living authority to recall similar devices to which Pitt had recourse in the stress of the struggle against Napoleon.* Competent authority has not been wanting to back even the suggestion that the encouragement of the national economy and the curtailment of extravagance require the imposition of additional taxation.† A German economist (Prof. Mombert) has formulated a proposal to tax raw materials with a view to encouraging economy in their use.‡

The high authority of Dr. Marshall is behind the proposal to compel economy in the use of paper by a tax on advertisements,§ which, it is argued, would also result in giving a better chance of attracting attention to the small advertiser than he now has. Dr. Marshall also proposes the taxation of patent medicines and of motor cars. These are in line with other suggestions to tax luxury, the taxation of which has already been commenced in France, Germany and Britain, where it has taken the form of a tax on purchases.|| Jewellery, motor cars and motor boats, antiques, billiard tables, perfumes, live game, liqueurs, works of art, furs, costly musical instruments, fire

* Professor F. Y. Edgeworth's 'Currency and Finance in time of War,' p. 21.

† Professor W. R. Scott in the *Economic Journal*, September, 1918, p. 250.

‡ Professor F. Y. Edgeworth's article on 'Some German Economic Writings about the War' in the *Economic Journal*, June, 1917.

§ 'After War Problems,' p. 325.

See the account by R. Lennard in the *Economic Journal*, September, 1918.

arms, and expensive furniture, are among the items which have been included in the list of articles so taxed. Such taxation has been justified partly as tending to discourage luxury and partly as deriving revenue from those persons whose expenditure shows that they have money to spare. The possibility of evading these taxes, especially on account of the difficulty of their collection from *retail* salesmen, the probability of their being shifted back to the producers and the hurt caused by the unforeseen discrimination which may result from their operation have been urged against much taxes. So far as India is concerned, the lesson to be learned from the short experience of such taxes in Europe is the feasibility of taxing on a repressive scale conspicuous articles of luxury such as race horses, motor cars of high horse-power and speed, costly imported articles of consumption, etc.

Among taxes familiar to the economist, some are manifestly unsuitable to the conditions of India, while others may be adopted with great advantage in our fiscal system. In the absence of a large unproductive debt to be wiped out by so drastic a device, and particularly in view of the comparatively small amount of the accumulated capital of India, a Capital Levy is not required now, and will not be called for in the future also in India, unless another crushing war involving India's direct participation in it, occurs hereafter. The General Property Tax has already been condemned in its American home.* The Increment Value Duty, (borrowed from Frankfort), introduced in Great Britain in 1909 as a tax of 20 per cent on increases in the site value † of land may well be imitated in urban localities in India and made a municipal asset. Only, in fairness, 'decrement' will have to be counted and allowed for in rebates, just as increments are reckoned for taxation.

Persons whose property has clearly been increased in market value by an improvement effected by local authorities might be made liable for a portion of the increased value or to the cost of the improvement. This is the principle underlying the 'Betterment Tax'. Its application in India as a local cess might go far not only to increase the resources of local authorities but their power and willingness to undertake improvements.

A universal Inhabited House Duty, such as Dr. Marshall suggests, ‡ may be levied as an Imperial (and not as a local) tax.

* See Seligman's 'Essays in Taxation', p. 61.

† Mallet's 'British Budgets', pp. 306-7. In England the duty was payable only on each occasion on which the property changed hands, whether by sale or death.

‡ 'After War Problems,' p. 324.

If such duties are payable by occupiers and not the owners of houses, they will be collected cheaply and without evasion. If graduated steeply, as they should be, they will serve the same purpose as a graduated income tax; and the imposition of such a tax might also relieve the pressure of taxation on income.

The main reliance of Indian financiers in the future must however be on the introduction of a universal Inheritance Tax, applicable to personality as well as to real property, and graduated on an economic as well as on a consanguinity scale. Such a tax will have to be safeguarded by devices calculated to restrict transfers of real property during life, by gift or by collusive sales. And, in order to ensure economy in the expense of its collection, a limit of value might be provided below which inheritances will be free from the tax. Such an impost may be defended on many grounds,* and the experience of western nations is strongly in favour of its introduction in preference to other new taxes, and even to the enhancement of old taxes such as the income tax, (in so far as it relates to moderate incomes), and the salt tax. The principal objections that may be brought against the tax will be two. It may be argued that, if a Hindu, the inheritor is liable to perform the funeral ceremonies of the person from whom he inherits, and to maintain members of the joint family. These liabilities, however, he *always* has by law or custom. Secondly, it may be urged that when landed property is inherited and is made liable to the inheritance tax, there may be difficulty in raising the money necessary for the payment of the tax except at a disproportionately heavy sacrifice, such as is involved in selling the land or in mortgaging it in a dull market. As in the case of similar difficulties suggested by the critics of the Capital Levy, the remedy to this lies in permitting the payment of the tax in convenient instalments spread over a term of years. †

It is next worth seriously considering whether both in view of the defects of the Land-tax, considered as a form of State income, to which attention has already been drawn, as well as the unequal distribution of the tax and the irritation caused thereby, it may not be possible to do away with it altogether and replace it by some form of revenue more suited to modern State requirements, more elastic in character, and more equitable in its general incidence. It has been often stated that the Bengal tenant pays only 11 per cent of his produce to the landlord,

* See the discussion for instance in Seligman's 'Essays in Taxation,' p. 121 *et. seq.*, and G. Cohn's 'Science of Finance', p. 357 and pp. 560-1.

† cf. Edgeworth, 'A Levy on Capital,' p. 15.

while the Gujarat raiyat, who is in the same position pays 20 per cent to the State.* Instances of such inequalities can be quoted in abundance. When the Permanent Settlement was made in Bengal in 1793, the State's share was assumed to be 91 per cent of the total rental of the estates. As the Government's share has been 360 lakhs of rupees, the rental on which the assessment was made was about 400 lakhs. Now the actual rental in Bengal is about 1,600 lakhs.† It is, therefore, clear that, thanks to the continuance of this fiscal measure, an unearned increment of 1,200 lakhs is shared by the Zamindars, tenure holders and tenants in Bengal, while the margin of profit available to the ordinary raiyat in other parts of India is being further and further encroached on by re-settlements. Practically the entire increase in Bengal is due to the rise of prices, and the development of the province generally. What has been said of Bengal may be said, with nearly the same force, of the area under Permanent Settlement in other parts of India. About a fifth of the taxed land area of India is now permanently exempted from *any* increase in the land-tax, under all circumstances. The injustice has been recognized but not the means of correcting it. The revocation of the engagements made in 1793 and the years following has indeed been suggested. It may not commend itself to the conscience of a nation, which embarked on the most ruinous war in history, to maintain the inviolability of 'a scrap of paper'. Nor will the extension of the principle of Permanent Settlement of the land revenue to all India rectify the inequalities in distribution due to the discrimination of a hundred and twenty years. Such a measure, if carried out, might only accentuate the defects of the Land-tax—its inelasticity and its inadequacy—which have made it an unideal source of public income, for a country with a progressive expenditure. Logically, the only satisfactory course appears to be the abolition of the Land-tax altogether, and the substitution of a *universal* Income-tax levied on *all* incomes, and graduated in amount according to the source, the character and the amount of the income. Such a measure may be less objected to than either of the methods for dealing with the Permanent Settlement that have been proposed. It would appeal to the popular mind as an 'emancipation of the land,' and the freedom from frequent and vexatious interference of land-revenue officials, and the disappear-

* R. C. Dutt, 'India in the Victorian Age,' p. 515.

† S. C. Ray, 'The Permanent Settlement in Bengal', pp. 20-21; and Sir John Strachey's 'India', pp. 416-422.

ance of all fear of having improvements taxed, must sensibly affect the improvement of the land—for the better.

On the other hand, the trend of modern economic opinion is strongly in favour of a graduated tax on personal expenditure, as an ideal. And, 'an Income-tax graduated in amount and on the number of people to be supported by it would achieve', it has been contended by high authority,* 'the apparently impossible task'. The Income-tax is unquestionably the most elastic form of revenue available to the modern financier, by the aid of which it is always possible to balance a budget. It is this merit that has made what was intended at first to be only a temporary measure (even on its revival by Sir Robert Peel in England, in 1842) a permanent and conspicuous item of national finance.† Its technical superiority to the Land-tax is unquestionable. Discrimination in its rates between temporary and permanent incomes, and between earned and unearned incomes will enable it to be easily substituted for the Land-tax. The great experience which has already been acquired by our revenue officials in its assessment and collection can be successfully utilized when its scope is extended. And the release from the work of the assessment and collection of the Land-tax will enable the revenue department to devote more attention to the income-tax than it is now able to bestow, and it will be possible to consider even the large number of minor assesseses, whose exemption from the Income-tax has hitherto been due partially at least to the reluctance of the department to undergo the trouble for the small return expected.

The opportunity of the substitution may be utilized to introduce in the Income-tax, which along with the Inheritance tax, and the indirect taxes will become the chief prop of our future fisc, the various improvements suggested by economic theory and administrative experience. Collection at the source and the grant of abatements to the poorer assesseses will reduce chances of evasion. The angularities of mere graduation, against which J. S. Mill, protested so long ago as in 1861, ‡ may be avoided in framing its scales. The suggestion of Professor Cassell of Stockholm § which, with reserve in minor respects, has been

* Dr. Marshall.

† Sir Stafford Northcote's 'Twenty years of Financial Policy,' pp. 33-37 *et seq*; Sidney Buxton, 'Finance and Politics', I, 55, II, 165-170, and Mallet's 'British Budgets,' *passim*.

‡ 'Political Economy', Bk. V, Ch. ii, § 3, and his evidence before the Select Committee on the Income Tax, 1861, On 3540.

§ Edgeworth's 'Levy on Capital', pp. 25-26.

obtaining increasing academic economic support, that the tax-basis should be not the income, but the income less an abatement (the maximum limit of which will be fixed) for conventional necessities, should be carried out in the revision, and should replace the present system of arbitrary exemption of *all* incomes below a limit, and of the taxation of all incomes above it, irrespective of real taxable capacity. In the formulation of the scales of graduation, the principle of equi-proportional sacrifice, * suggested by such experts as the late Dr. N. G. Pierson and Professor Seligman and generally accepted by modern economists, should be enforced. The reform of the tax will increase its productivity and reduce its defects—two merits of value, when the natural unpopularity that would attach to the extension of the tax to incomes, which it did not touch till then, is considered.

The supreme fitness to Indian conditions of a universal Income-tax, that would embrace every income and vary with the size of the family, has been already recognized by acute administrators. It is the cardinal suggestion of Major J. C. Jack's brilliant study of the economic life of Bengal. As he contends, † such a tax will have two supreme fiscal merits—certainty and elasticity. It will in addition have political merit of showing the taxable capacity of the country accurately and clearly. It will enable the Indian administrator to compile the data he most needs now, namely, accurate information concerning the economic condition of the people. The experience required to administer the tax is already in existence in the country, and it is unlikely that the proposed substitution will either increase the pressure on our present revenue officials, or necessitate any recourse to additional expenditure.

Conservatism is the tradition not merely of Indian life but of Indian finance. It cannot be expected that the suggestions now considered will ever be carried, till resistance has been offered to their effectuation, on every possible ground. It will be urged that the Land-tax is an old tax, and that 'an old tax is no tax'; that the imposition of an 'odious' direct tax like the Income-tax will cause grave popular discontent; that the extension of the Income-tax even to the incomes now free of it, will be felt as burdensome; that the vast experience of the body of existing land-revenue officials will be 'scrapped' and that the fear of the application of the reforming shears to the land revenue establishment will provoke keen official discontent; and that, in

* Edgeworth's 'Currency and Finance', p. 22 and pp. 46-47.

† 'Economic Life of a Bengal District', pp. 136-137.

a country of hide-bound traditions like India, it is unwise to give up a source of state income hallowed by centuries of acceptance, in favour of an imported financial novelty from the West. It is obviously not difficult to answer such objections. The 'old tax' adage refers to taxes on commodities, and not to new as compared with old *direct* taxes. The Land-tax is not less a direct tax than the Income-tax, and the collection of the former has been attended with more friction than the latter. No tax is popular, and even the Liberal party in England which once made it a special war-cry to denounce the Income-tax, has now adopted it as a permanent and distinctive feature of its budget-programmes. Purely indigenous finance (Hindu or Musalman) has regarded it as just to impose State burdens on the poor as much as on the rich. The application of Professor Cassell's principle must cut the ground from under those who might argue that the extension of the Income-tax to all incomes, must trench on the means of subsistence. Far from there being any need to relegate to the rubbish-heap the acquired experience of our great revenue service, such experience will prove invaluable in the assessment and collection of the new tax; and, contrary to natural expectation, it is practically certain that the full existing complement of the service will be required to assess and collect the new revenue. Arguments based on assumed Indian conservatism and the appeal to hallowed traditions may be pressed *too* far, but they can hardly be brought forward by those conversant with the history of Indian finance, and the innumerable fiscal measures and expedients of Hindu and Musalman times, which it has been the merit of modern administrations to sweep away.

The success of administrative policies, however, is not always in proportion to their soundness. Financial reform is never easy, and the difficulties in the way of its acceptance are only likely to be increased, when it is coupled with the aim of raising an enhanced revenue. The elimination of the Land-tax from our fiscal system, and the establishment of a universal Income-tax, constructed on the most approved lines, are individually tasks from which the strongest Governments might quail. But the problem has to be faced. For if the India of the future is to be a more prosperous India than that of to-day and of yesterday, it is vital that it should possess a sound and progressive financial system, which will not stint the necessary expenditure required for schemes of development and social regeneration, on the ground that it would necessitate recourse to additional taxation or even drastic fiscal rearrangements. The suggestions now put

forward are made not only in the belief that they are essential to the attainment of this ideal, but with the confidence that their acceptance by a body of Indian economists will ensure such attainment.

*Statement A.—Revenue of the Government of India in India
individual items of the*

	1898-99	1899-00	1900-01	1901-02	1902-03	1903-04	1904-05	1905-06	1906-07
Land Revenue ..	18.2	17.1	17.4	18.2	18.4	19.2	18.9	18.8	19.7
Do. in proportion to total Revenue %	30.9	28.7	26.8	23.1	28.2	27.1	26.5	26.5	26.7
Opium ..	3.8	4.4	5.1	4.8	4.4	5.7	6.0	5.4	5.6
Do. in proportion to total Revenue %	6.4	7.4	7.9	7.4	6.7	8.0	8.4	7.6	7.6
Salt ..	6.0	5.8	5.9	5.9	6.1	5.2	5.3	4.3	4.3
Do. in proportion to total Revenue %	10.0	9.7	9.1	9.1	9.3	7.3	7.4	6.0	5.9
Stamps ..	3.1	3.2	3.3	3.4	3.4	3.5	3.7	3.9	4.0
Do. in proportion to total Revenue %	5.0	5.3	5.1	5.1	5.2	5.9	5.2	5.5	5.3
Excise ..	3.8	3.8	3.9	4.0	4.4	4.9	5.3	5.6	5.8
Do. in proportion to total Revenue %	6.4	6.5	6.0	6.1	6.7	6.9	7.4	7.9	7.9
Customs ..	3.2	3.1	3.3	3.8	3.9	3.9	4.3	4.3	4.3
Do. in proportion to total Revenue %	5.0	5.2	5.1	5.8	5.9	5.5	6.0	6.0	5.9
Provincial Rates ..	.9	.9	.9	1.0	1.0	1.0	1.0	.9	.5
Do. in proportion to total Revenue %	1.3	1.5	1.3	1.5	1.5	1.4	1.4	1.2	.6
Assessed Taxes ..	1.2	1.3	1.3	1.3	1.4	1.2	1.2	1.3	1.4
Do. in proportion to total Revenue %	2.0	2.0	2.0	2.0	2.1	1.6	1.6	1.8	1.9
Forest ..	1.2	1.2	1.2	1.1	1.2	1.4	1.6	1.7	1.7
Do. in proportion to total Revenue %	2.0	2.0	1.9	1.8	1.9	1.9	2.2	2.4	2.3
Registration ..	.2	.2	.3	.3	.3	.3	.3	.3	.3
Do. in proportion to total Revenue %	.3	.3	.4	.4	.4	.4	.4	.4	.4
Tributes from Native States	.6	.6	.5	.5	.6	.6	.6	.5	.6
Tributes from Native States in proportion to total Revenue %	1.02	1.01	.7	.7	.9	.8	.8	.7	.8
Interest ..	.6	.5	.6	.7	.8	.8	.8	.9	.9
Do. in proportion to total Revenue %	1.02	.8	.9	1.08	1.2	1.1	1.1	1.2	1.2
Post and Telegraphs ..	1.9	2.1	2.1	2.2	2.2	2.3	2.3	2.5	2.6
Do. in proportion to total Revenue %	3.2	3.5	3.2	3.4	3.3	3.2	3.2	3.5	3.5
Mint ..	.05	.3	3.1	.5	.4	2.8	.2	.3	.4
Do. in proportion to total Revenue %	.08	.5	4.7	.7	.6	3.9	.2	.4	.5
Receipts by Civil Department	.9	.9	1.0	1.0	1.0	1.0	1.0	1.1	1.1
Receipts by Civil Department in proportion to total Revenue %	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.5	1.5
Miscellaneous ..	.6	.5	.4	.5	.5	.6	.6	.6	.9
Do. in proportion to total Revenue %	1.02	.8	.6	.7	.7	.8	.8	.8	1.2
Railways Net Receipts ..	8.5	9.4	9.8	10.7	10.2	11.1	12.7	12.9	12.9
Do. in proportion to total Revenue %	14.0	15.8	15.1	16.5	15.6	15.6	17.8	17.6	17.6

and in England in £ Millions, indicating proportion of revenue to the total revenue

1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20
18.7	19.7	21.3	20.8	20.7	21.2	22.3	22.2	22.0	22.0	21.6	20.9	22.6
26.3	28.5	30.2	25.8	25.1	24.4	26.1	27.3	26.1	22.1	19.0	17.2	18.0
5.2	5.8	5.5	7.5	5.9	5.1	1.6	1.5	1.9	3.1	3.0	3.2	3.0
7.3	8.3	7.5	9.3	7.1	5.8	1.9	1.8	2.2	3.1	2.6	2.6	2.0
3.3	3.2	3.0	3.1	3.3	3.3	3.4	3.9	3.6	4.8	5.4	4.1	3.9
4.6	4.5	4.0	3.8	3.9	3.8	3.9	4.8	4.2	4.8	4.7	3.3	3.1
4.25	4.3	4.5	4.8	4.8	5.0	5.3	5.0	5.4	5.7	5.7	5.8	6.0
5.9	6.1	6.04	5.9	5.7	5.7	6.2	6.1	6.3	5.8	5.06	4.7	4.9
6.22	6.3	6.53	7.0	7.6	8.2	8.8	8.5	8.6	9.2	10.1	11.5	12.1
8.7	9.0	8.7	8.6	9.1	9.4	10.3	10.4	10.1	9.3	8.9	9.4	9.8
5.06	4.8	4.96	6.6	6.4	7.1	7.5	6.3	5.8	8.6	11.0	13.6	13.3
7.0	6.7	6.5	8.1	7.7	8.1	8.8	7.7	6.8	8.7	9.7	10.3	10.8
.52	.5	.53	.55	.55	.55	.18	.03	.04	.03	.028	.029	.034
.7	.7	.6	.6	.6	.5	.1	.03	.04	.03	.01	.01	.02
1.5	1.5	1.54	1.59	1.59	1.74	1.95	2.03	2.09	3.77	6.3	7.3	13.5
2.1	2.1	2.01	1.82	1.8	1.9	2.2	2.4	2.3	3.7	5.5	6.0	10.9
1.73	1.7	1.73	1.82	1.8	2.15	2.22	1.98	2.07	2.47	2.73	2.9	3.35
2.3	2.4	2.2	2.2	2.1	2.4	2.5	2.3	2.3	2.4	2.3	2.3	2.6
.41	.4	.43	.4	.4	.48	.51	.48	.51	.54	.52	.55	.56
.5	.5	.5	.4	.4	.4	.5	.5	.5	.5	.4	.4	.4
.68	.58	.58	.6	.6	.62	.61	.6	.6	.61	.59	.60	.61
.7	.7	.6	.7	.7	.6	.7	.7	.7	.6	.4	.4	.4
.9	.9	1.18	1.46	1.4	1.4	1.3	1.0	1.0	1.1	2.1	4.0	3.6
1.2	1.2	1.4	1.7	1.6	1.6	1.5	1.2	1.1	1.1	1.8	3.2	2.9
2.8	2.7	1.92P .90T	2.8	3.1	3.3	3.5	3.5	3.7	4.1	4.6	5.3	5.7
3.9	3.8	3.7	3.4	3.7	3.8	4.0	4.3	4.3	4.1	4.0	4.3	4.6
.4	.1	.12	.19	.3	.4	.3	.06	.1	.6	.5	1.7	1.3
.5	.1	.13	.1	.3	.4	.3	.07	.1	.6	.4	1.3	1.05
1.0	1.1	1.14	1.2	1.2	1.3	1.4	1.5	1.5	1.7	1.9	2.0	1.9
1.4	1.5	1.4	1.4	1.4	1.4	1.6	1.8	1.7	1.7	1.6	1.6	1.5
.7	.5	.7	.67	.8	.7	.7	.6	.6	.8	4.8	5.7	2.5
.9	.7	.9	.7	.9	.8	.8	.7	.7	.8	4.2	4.6	2.03
12.46	9.899	12.44	13.8	15.8	17.3	17.6	15.7	17.9	21.3	24.1	25.3	21.3
17.4	14.05	16.6	17.1	19.08	19.9	20.6	19.3	21.2	21.7	21.4	20.8	17.2

*Statement A.—Revenue of the Government of India in India
individual items of the revenue.*

	1898-99	1899-00	1900-01	1901-02	1902-03	1903-04	1904-05	1905-06	1906-07
Public Works and Irrigation	2.5	2.5	2.7	2.7	2.9	3.1	3.2	3.2	3.75
Public Works and Irrigation in proportion to total Revenue %	4.2	4.2	4.1	4.1	4.4	4.3	4.4	4.5	5.06
Military Receipts ..	.6	.7	.8	1.0	1.2	1.3	1.2	1.3	1.4
Do. in proportion to total Revenue %	1.02	1.1	1.2	1.5	1.8	1.8	1.6	1.8	1.9
Total Revenue ..	58.8	59.4	64.7	64.6	65.2	70.9	71.1	70.8	73.1
Deficit ..	..	..	..	..	..	..	..	..	..
Total ..	58.8	59.4	64.7	64.6	65.2	70.9	71.1	70.8	73.1

and in England in £ Millions, indicating proportion of
to the total revenue—contd.

1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20
3.6	3.7	3.8	3.8	4.2	4.7	4.9	4.8	5.0	5.4	5.3	5.7	5.7
5.07	5.3	5.1	4.7	5.07	5.4	5.7	5.9	5.9	5.5	4.7	4.6	4.6
1.1	1.0	1.13	1.2	1.3	1.3	1.3	1.3	1.2	1.5	1.7	1.7	1.5
1.5	1.0	1.4	1.4	1.5	1.4	1.5	1.6	1.4	1.5	1.5	1.3	1.2
71.0	69.7	74.59	80.68	82.8	86.8	85.2	81.1	84.4	98.05	112.6	121.5	123.19
..	..	..	..	..	..	..	7.7	1.1	..	..	4.3	..
71.0	69.7	74.59	80.68	82.8	86.8	85.2	88.9	85.5	98.05	112.6	125.8	123.19

*Statement B.—Expenditure of the Government of India in India
individual items of expenditure*

Heads of Expenditure	1898-99	1899 00	1900-01	1901-02	1902-03	1903-04	1904-05	1905-06	1906-07
Direct demands on the Revenue £ M.	7·0	7·3	7·5	7·3	7·5	8·5	8·5	8·7	8·9
Do. in proportion to total Expenditure %	12·45	12·8	11·9	12·2	12·05	12·5	12·5	12·6	12·4
Interest £ M. ..	2·0	1·9	2·1	1·9	1·8	1·6	1·6	1·4	1·9
Do. in proportion to total Expenditure %	3·5	3·3	3·3	3·2	2·8	2·3	2·3	2·03	2·6
Post and Telegraphs £ M.	1·7	1·8	1·8	2·1	2·2	2·2	2·3	2·5	2·7
Do. in proportion to total Expenditure %	3·02	3·1	2·8	3·5	3·5	3·2	3·5	3·6	3·7
Mint £ M. ..	·07	·05	3·1	·5	·4	2·7	·1	·12	·16
Do. in proportion to total Expenditure %	·1	·09	4·9	·8	·6	3·9	·1	·1	·1
Salaries Expenditure of Civil Departments £ M.	9·2	9·3	9·5	9·6	10·21	10·22	10·61	11·6	12·6
Do. in proportion to total Expenditure %	16·7	16·4	15·07	16·1	16·3	15·02	15·6	16·8	17·6
Miscellaneous Civil Charges £ M.	3·8	4·0	4·0	4·1	4·6	4·4	4·3	4·4	4·5
Do. in proportion to total Expenditure %	6·7	7·0	6·3	6·8	7·3	6·5	6·3	6·4	6·2
Famine Relief and Insurance £ M.	·7	2·0	4·1	·8	·9	·9	1·0	1·0	1·0
Do. in proportion to total Expenditure %	1·2	3·5	6·5	1·5	1·4	1·3	1·4	1·4	1·3
Railways £ M. ..	9·1	9·3	9·5	9·8	10·0	10·3	10·6	10·9	10·6
Do. in proportion to total Expenditure %	16·1	16·4	15·07	16·4	16·07	15·1	15·6	15·8	14·8
Public Works and Irrigation £ M.	4·2	4·5	4·5	4·8	5·5	6·0	6·2	6·9	7·0
Do. in proportion to total Expenditure %	7·4	7·9	7·1	8·05	8·8	8·8	9·1	10·04	9·7
Military Service £ M. ..	17·1	16·1	16·3	17·2	18·8	19·5	21·9	21·0	21·5
Do. in proportion to total Expenditure %	30·4	28·3	25·8	28·6	30·2	27·2	32·3	30·5	30·07
Total Expenditure, Imperial and Provisional	55·3	56·8	62·9	58·6	62·4	66·8	67·4	68·9	71·2
Provincial Sur- (Add. plus or Deficit. (Subt.	··	··	··	··	··	··	··	··	·4
	·9	·1	·1	·9	·1	1·1	·1	·2	·18
Total Expenditure Charged to Revenue.	56·2	56·7	63·0	59·6	62·2	67·9	67·6	68·7	71·5
Surplus ..	··	··	··	··	··	··	··	··	··
Total ..	56·2	56·7	63·0	59·6	62·2	67·9	67·6	68·7	71·5

and in English in £ Millions, indicating proportion of
to the total expenditure

1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20
8.8	8.7	8.85	8.8	8.67	8.65	9.27	8.9	9.4	9.3	9.8	11.67	11.29
12.4	11.8	11.9	11.4	10.8	10.2	11.1	10.7	10.9	10.2	9.3	9.2	9.1
1.8	1.9	2.11	2.1	2.0	1.8	1.5	1.19	1.19	1.17	7.3	7.73	7.76
2.5	2.5	2.8	2.7	2.5	2.1	1.8	1.3	1.2	1.2	6.9	6.1	6.3
2.7	2.8	1.92P .99T	2.8	3.09	3.1	3.2	3.2	3.1	3.4	3.6	4.1	4.58
3.3	3.8	3.7	3.6	3.8	3.7	3.8	3.8	3.6	3.7	3.4	3.2	3.6
.16	.19	.14	.09	.1	.1	.1	.1	.08	.16	.16	.26	.28
.1	.13	.13	.11	.12	.12	.12	.12	.09	.11	.09	.15	.16
13.09	14.48	14.18	14.9	16.4	16.68	17.9	18.9	18.8	19.0	20.8	24.4	24.3
18.4	19.4	19.03	19.5	20.7	19.8	21.6	22.7	21.9	20.9	19.9	19.3	19.8
4.7	4.9	4.8	4.8	4.8	4.9	5.4	5.3	5.1	5.4	5.9	6.1	6.1
6.6	6.6	6.4	6.2	6.08	5.8	6.5	6.3	5.9	5.9	5.6	4.8	4.9
1.2	1.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
1.6	2.1	1.3	1.3	1.2	1.1	1.2	1.2	1.1	1.1	.9	.8	1.2
10.9	11.2	11.6	11.8	12.1	12.56	12.8	13.6	13.9	13.8	14.2	14.15	14.46
15.4	15.2	15.6	15.3	15.2	14.9	15.4	16.4	16.2	15.2	13.5	11.2	11.8
7.4	7.3	7.1	7.6	8.5	9.3	10.5	10.8	9.1	8.1	8.7	9.4	10.7
10.4	9.9	9.6	9.9	10.7	11.1	12.6	13.02	10.6	8.9	8.3	7.4	8.7
20.4	20.6	20.24	20.48	20.9	20.9	21.2	21.8	23.5	26.5	30.7	45.6	42.78
28.8	28.06	27.3	26.5	26.4	24.9	25.6	26.2	27.4	29.2	29.3	36.2	34.9
71.7	74.1	73.09	74.7	77.9	79.2	83.17	85.1	85.4	88.17	102.5	124.77	123.96
..	.2	.89	1.96	1.4	4.5	.3	..	.3	2.39	2.2	1.16	.01
1.0	.8	..	..	.4	..	.6	2.19	.2	..	.1	.09	1.65
70.6	73.4	73.98	76.7	78.9	83.7	82.89	82.9	85.6	90.57	104.5	125.8	122.3
..	..	.60	3.9	3.9	3.1	2.3	..	..	7.4	8.08	..	.8
70.6	73.4	74.59	80.68	82.83	86.86	85.2	82.9	85.6	98.05	112.6	125.8	123.19

Statement C.—Expenditure of the Government of

Heads	1898-99	1899-00	1900-01	1901-02	1902-03	1903-04	1904-05	1905-06	1906-07
Education ..	·67	·68	·68	·71	·83	·87	·98	1·22	1·34
Medical and Sanitation ..	·82	·70	·71	·60	·71	·68	·70	·76	·81
Scientific Departments including Agriculture.	·34	·35	·44	·47	·47	·51	·50	·50	·69
Total ..	1·89	1·73	1·83	1·78	2·01	2·06	2·18	2·48	2·84
Total Revenue of the year.	58·8	59·4	64·7	64·6	65·2	70·9	71·9	70·8	73·1

India on Heads of Development (in Millions £)

1907-08	1908-09	1909-10	1910-11	1911-12	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19	1919-20
1.48	1.68	..	..	..	..	3.17	3.30	3.11	3.13	3.39	3.97	4.88
.85	1.01	..	..	..	..	1.33	1.51	1.49	1.38	1.56	1.76	2.23
.77	.53	..	..	..	..	1.00	1.02	1.02	1.04	1.21	1.49	1.66
3.16	3.22	..	..	..	..	5.50	5.83	5.62	5.55	6.16	7.22	8.82
71.0	69.7	74.5	80.6	82.8	86.8	85.2	81.1	84.4	28.0	112.6	121.5	125.1

Land Revenue and Provincial Finance

BY E. V. SUNDARA REDDI, M.A., B.L.

Land Revenue is responsible for nearly 55 per cent of the total revenues of this province and the revenue derived from excise for nearly 30 per cent. Together they are responsible for 85 per cent. Land Revenue can therefore be said to be the mainstay of the provincial finance. Two-thirds of the land in this Presidency are held under the ryotwari tenure and the assessment together with the cesses amounts to nearly Rs. 700 lakhs. The rest of the land which is held under the Zamindari tenure contributes only Rs. 50 lakhs (exclusive of cesses) to the Exchequer under the system of permanent settlement. The number of pattas held under the ryotwari tenure is 4,222,543 and these are scattered in 22,321 villages. Of the total number of pattas in 1915-1916 more than two-thirds were assessed at Rs. 10 and less, and the average area of a patta paying Rs. 10 and less was 2.6 acres and the average assessment Rs. 3-3-0, as the bulk of the lands comprised in these petty holdings were dry. There were only 3,798 pattadars paying Rs. 500 and above, and gross assessment paid by these amounted to Rs. 33,80,173. From the above figures it will be readily seen that a majority of the landholders in this Presidency are small raiyats and they will hardly be in a position to raise enough for their own consumption.

Under the system of recurring settlement in this Presidency, the revenues of this province have been steadily growing up and the rate of annual increase is ten or twelve lakhs. The result of this policy has been to compel Madras to contribute a disproportionate share to the Imperial burdens. The new constitution has provided for the development of autonomous provinces. The sources of revenue have been separated and classified as Imperial and Provincial. Land Revenue is a provincial head and the other important heads of provincial revenue are excise, stamps (Court-fees) and irrigation. Powers of taxation and borrowing have been conceded. It is therefore a matter of great impor-

tance for us to consider what possibilities there are of readjusting the basis of our fiscal system and of finding new sources of revenue to meet the increased expenditure which the introduction of a Responsible Government, the initiation of large policies for developing the resources of the province and the promotion of the well-being of its people will necessarily entail.

Land Revenue and excise are the two important heads of provincial revenue. There is considerable discontent among the people with regard to the working of the present land revenue policy, and need for an alteration in the policy and a re-adjustment of burdens so that they may fall more equitably on the smaller landholders whose incomes are barely sufficient to enable them to live in comfort and ease. Equally dissatisfied is a small but intelligent section of the people in this Presidency with the excise policy of the Government. A movement for total prohibition is slowly growing up and in the course of years the force of it will be strongly felt and found almost irresistible. A certain amount of sacrifice of revenue will result and this must be cheerfully borne and met by new sources being tapped to recoup the loss in this direction.

The question of excise only points to the real difficulty to a satisfactory solution of the land revenue problem in this Presidency.

The standard of life among the raiyats is very low and the wages of agricultural labourers has not sufficiently risen, as its level is controlled to some extent by the land revenue policy of the Government. There is one aspect of the present policy which causes serious concern to the officials as well as the raiyats. It is the absence of any differential treatment between the incomes of the smaller and the larger landholders and of any graduated scale of assessment which will be more in conformity with the modern canons of taxation. An equitable distribution of the burden as between the landholders and the different communities in the State is a matter of extreme urgency.

Two aspects of the land problem may be referred to in passing. First, if the State is regarded as the owner of the land then the right of the State to the full economic rent from land must be admitted. If the Government levies this result will be, we are told, that many of the poorer who are unable to maintain themselves will obtain relief. The real difficulty is that the benefits likely to arise from the application of the principle of State ownership of land are of doubtful character. The concentration of land in the hands of a few, which has always served as the strong argument against adopting a policy of nationalization of land

fortunately absent here, as may be judged from the figures given in the early portion of this paper. Besides there is no reason to think that the State as landlord will be an exception in any way to the grabbing tendency of landlords in general, and our experiences under the present system are not very fortunate. The absorption of the whole of the economic rent by the State can only be advocated on one condition—a willing preparedness to completely obliterate our individuality. Our faith in the wisdom and the capacity of the State is not so great as to persuade us to adopt this very doubtful course, even if it were possible. Secondly, the proposal which found favour with some, that the land revenue should be fixed as a proportion of the gross produce, has been rightly rejected as hopelessly unsound and unsuited to the present conditions and it is not necessary for us to consider at this time the objections to such a policy.

We are deeply grateful to the Joint Committee for the recommendation which they have made in connection with the land revenue question. They have expressed the opinion that the time has come to embody in law the main principles by which the land revenue is determined, the methods of valuation, the pitch of assessment, the period of revision, the graduation of enhancement and the other processes which touch the well-being of the revenue payers. The opportunity thus afforded may be availed of by the provincial legislatures to thoroughly examine the principles governing the assessment of land and to lay down a new policy designed to secure a more equitable and fairer distribution of the burden on land. In a lecture by Mr. Montagu delivered before the war on 'Land Revenue Problems in India and England,' he observed with reference to the policy in India that he was 'tempted to wonder whether it would be possible to apply a graduated scale of assessment instead.'

Reference may now be made to the different proposals which have been placed before the public as alternative methods for securing the revenue from land.

(1) The reduction of the percentage of the net income taxed at present by the State and making a distinction between this smaller and larger landholders in the matter of the percentage enhancement at re-settlements.—The ratio of the tax provided for rural incomes to be fixed after deducting a food allowance of the producer and his family and a sufficient sum to and Provincial Councils retain a small margin to fulfil the customary other important needs of his country.—The forecast prepared by (Court-fees) and approved by Government to be dis- have been conceded by Provincial Councils and sanctioned by them.

(2) The abolition of the Land Tax and the adoption of a Universal Income Tax embracing every income and varying with the size of the family as an ideal form of taxation.

(3) The Land Assessment instead of being based on land incomes and supplemented by water charges, to be based on land values, i.e. the selling price of land. The land revenue levied to be a percentage of the land value.

(4) The permanent assessment of land and the levy of super-tax at a certain percentage of the assessment, each year, to meet the ascertained needs of the state to be made with the sanction of the legislature.

(5) To effect a permanent settlement of the land revenue after an equitable re-adjustment of the burden in the several districts at a certain proportion of the existing assessment and to make it a kind of rent charge on land, leaving the proprietorship of it to the raiyat and the income from land which remains over and above that part of it which is allowed for as the basis of this rent charge to be treated as the corpus of a tax on incomes.

I may be permitted to indicate my preference to the last proposal as the most satisfactory under the present circumstances. Any sacrifice that may be involved by the adoption of one or other of these proposals will be more than compensated by the larger contentment and prosperity among the raiyat population which will result therefrom. In view of the powers of taxation and of borrowing given to the provinces and also of new sources of revenue open to them, the financial arrangements for the time being in this direction can easily be made by the Government. Also a more liberal system of provincial contribution to the Exchequer will leave much larger funds in the hands of the Local Government to meet the increased expenditure that may be entailed by the growing needs of the state.

The Adaptation of the Indian Tax System to the Need for Increasing Expenditure

BY T. K. SHAHANI, M.A., PROFESSOR OF HISTORY AND ECONOMICS, SAMALDAS COLLEGE, BHAVNAGAR

'The most interesting side of history is after all the financial side' so said an English author conscious of the fact that much of the social history of England, the records of its progress and development, nay, the very life-struggles of the people were wrapped up in the figures of the annual budget of that country. Although the constitutional progress of India has very little relation with its budget figures, the social and economic condition of the country can easily be read between these figures which ordinarily attract very little attention of the average man. None the less it is expected that with the power of the purse passing gradually into the hands of the legislature, a more intelligent interest of the citizen will be roused in the matter of his pecuniary contributions to the State and the way they are disposed of.

a new the revenue side, the history of Indian Finance up-to-distribution, characterized by its great complexity. Land revenue. Montagu de India, as in the f the countries of the world, the in India of the financier upon the era of Capitalistic Industrialism in India a monopolistic commercial and quasi-commercial possible takings of the State. Briefly told, the finances of the British East India Company after it lost its trade monopoly when the East consisted mainly of land and opium revenue; but as that trading body had never looked upon India with an eye to develop it as a modern State, the Indian Finances in the scientific sense of the term date from 1859 when Mr. Wilson was appointed the first Finance Member of the Government of India. The meagreness of the resources of the State and the correspondingly slight calls for expenditure are illustrated by the fact that the total gross revenues of India were £21,000,000 in 1840 and £40,000,000 in 1860 with expenditure at £23,000,000 in 1840 and £50,000,000 in 1860, the national debt being £30,000,000 and £90,000,000 respectively. After 1860, however, revenues, expenditure and public debt grew apace. Within

fifteen years from that time, questions connected with Indian Finance drew the attention of Parliament under the adverse criticism of Mr. Henry Fawcett who, however, was ably met by brothers Strachey in their most useful book on Indian Finance and Public Works published in 1882. The Indian revenues under proper management had shown a fair amount of elasticity as the figure of 1880 showed an improvement of nearly £25,000,000 in the gross—excise, customs, salt, stamps and registration fees having been gradually added to the list of imposts levied on the country.

In the course of only two decades (1860—1880) the country had made considerable progress in internal development and had been brought in closer touch with European markets and civilization. The demand for Railways and Irrigational Works quickened, and huge sums of money had to be borrowed from the English money market to launch these productive works. The national debt mounted up to £160 millions in 1878. The days of inertia or chaos were no more. An occasional outburst on the North-West Frontier did indeed cause a deviation of funds which would, otherwise, have been utilized for the internal growth; but on the whole the country improved its resources by the mere operation of orderly Government and the quickening of communications. The exchange uncertainty, however, were not let our finances run on a smooth course. The, fully as air, our exports had not yet been reached and the heavy burden of our State we had contracted had to be met by an annual through the vast £20 million in gold. The silver revenues of, as political reasons, India had therefore to be augmented by money is being spent on salt and foreign impositions themselves identified with the revenue of £65 millions in considerations it may not be quite un- only £5 millions at the end of a day of universal consumption and

In the quinquennium, far as possible, a full consciousness passed through a period of upayer. behaved excellently well and India is very lightly taxed, i.e. only net return, our total revenue the course of the year (£44 millions to £86 millions in 1912-13 millions), since a great part of the interval again, beyond a signed out of commercial and quasi- leum and manufactured goods of Government, lose sight of a very imposed on the tax-payers any financial arrangement, viz. that reduction in the rate of is to be viewed as a whole system ment of Lord Minto. ble avenues of revenue. In that system of phenomenal prosperity and the indirect taxes as well as the unproductive national, the various monopolistic fee-bearing overtook us, stood at the ancient and the medieval State which

debt of 415 crores, all the rest being of a productive character yielding a return considerably in excess of the interest we had to pay for the total amount borrowed by us. This element of the financial strength of India stood the country in good stead during the stress of the war period. Our fresh obligations on account of our contribution to the war expenditure caused no entrenchment on our annual national revenue, as our productive works yielded a return sufficient to cover the total interest charges we had to bear and still leave us with a margin of profit amounting to £12½ millions. Our increased military expenditure, however, imposed fresh burdens on the tax-payer to the tune of nearly £9½ millions imposed mainly on the Tariff (an almost all-round 7½ per cent, sugar 10 per cent) including Exports Duties on Jute and Tea, and on the incomes of individuals and Companies under the principle of Super-Tax and 'Excess Profits' Duty. Not to miss the opportunity of convincing everybody that we were in the midst of war times, even the duty on salt was slightly raised. The Imperial Revenue last year stood at nearly £110 millions.

Before proposing how the Indian Tax System should be modified to the need for increasing expenditure, it behoves us to abandon the shibboleths of the two opposing camps:—

(i) That India is a very poor country—already very heavily taxed in proportion to the *per capita* income of the country. India is a very lightly taxed country, since a great portion of his pecuniary revenues is obtained out of commercial or development of Government and out of land revenue and a new revenue States—all of which, it is argued, stand on distribution characterized by taxation. Both of these views must be dismissed, as in the first the question is to be attained. In India the financier upholds the error, Rahimtoola in the course of his India's monopolistic commercial Budget of the Government of possible takings of the State. Briefly the first view when he was with East India Company after it was a tax-payer was contributing when the East consisted mainly of land as *per capita* annual income as that trading body had never looked at his income, the English-to develop it as a modern State, the latter of eight per cent of his scientific sense of the term date from a per capita income of £50 to £60. was appointed the first Finance Member of the Government of India. The meagreness of the resources of a poor country, as correspondingly slight calls for expenditure, is a point which needs fact that the total gross revenues of India in 1840 and £40,000,000 in 1860 with expenditure of £30,000,000 and £90,000,000 respectively. More than 50 years ago we were still where we were revenues, expenditure and public debt given.

when Mr. Fawcett criticized the Government on its financial arrangements or when Doctor Dadabhoj Naoroji wrote his 'Poverty of India'. The vast progress made by the country in its production aided by great facilities of communication in the course of the last thirty years gives room for a very hopeful outlook, and one may reasonably presume that we have left the average of Rs. 30 *per capita* annual income far behind. That the masses are not that helpless miserable lot entirely dependent on the mercy of elements was well borne out by the results of the last Famine conditions in the greater part of India. There is so much work with brisk wages all round that it almost looks as if no one has now any leisure to feel miserable. Besides, in any arrangement of modern tax system the weight of taxes is always distributed according to the capacity of those who are called upon to bear it. The burdens are to be put on the right shoulders. The days of proportional taxation are no more: it is the principle of progressive taxation that rules. The duty of a citizen to support the State increases at a rate more rapid than the increase of his property or his income. But while it is true that the brunt will be borne here, as elsewhere, by the well-to-do, it is devoutly to be wished that the instinct of maintaining the State came more and more to be recognized as no less important than the having of the very first necessities of life. The State is as great a necessity as air, water and bread, and the consciousness that it is our State which we have to maintain must grow rapidly through the vast masses of the country for financial as well as political reasons. They ought to be interested in how their money is being spent and they are to learn to feel themselves identified with the country. On some such considerations it may not be quite unreasonable to make a commodity of universal consumption an object of impost of which, as far as possible, a full consciousness must be imparted to the tax-payer.

Those who argue that India is very lightly taxed, i.e. only about Rs. 3 per head in the course of the year (£44 millions over a population of 250 millions), since a great part of the Indian Revenue is obtained out of commercial and quasi-commercial undertakings of Government, lose sight of a very important consideration in any financial arrangement, viz. that the taxation of a country is to be viewed at as a whole system which envisages all possible avenues of revenue. In that system are included the direct and the indirect taxes as well as the profits accruing from the various monopolistic fee-bearing services of the State. The ancient and the medieval State which

was practically summed up in the personal ruler of the State resorted to the practice of reserving State domains for yielding public revenues. The modern State undertakings originally started with the welfare object were incidentally found to yield a surplus to the exchequer, and as they have never been worked on the principle of *quid pro quo*, profits accrue, i.e. the general consumer pays for the use of these various State monopolies more than what it exactly costs the State to run them. The appropriation of these sums by the exchequer is perfectly legitimate, for they afford a relief to the tax-payer exactly in proportion to their strength. Lord Meston in the course of discussion on his budget of last year threw a great light on this point in the following words:— ‘Railway receipts are not a separate fund of which Government are merely trustees and which is quite apart from our ordinary revenue such as the Paper Currency Reserve or the Gold Standard Reserve. They are an integral part of our general revenues, just as much as our receipts from Forests or Post Office, or any other commercial or quasi-commercial activities of Government, and we are entitled to use the receipts for ordinary purposes just as in the old days, when the Railways were producing a loss instead of a profit, general revenues had to make that loss good. If then we did apply the Railway receipts very largely to ordinary purposes, we should not be doing anything wrong. Prussian Railways are well managed and their revenues have contributed a great deal to the general administration of the country’. In fact, these monopolistic undertakings of the modern state are an excellent supplement to the taxable material available in every country and have a further merit of softening the rigour of taxation under the guise of service rendered for the payment. Therefore, while fully allowed to find room in any modern financial system, they must not be mentioned as standing absolutely beyond the pale of the taxation system of which they are an integral, though least felt part. Even the land revenue which has hitherto occupied an anomalous position of being an affair of the Indian Executive on the interpretation of its being the old Rajabhagan is absolutely without any ground for exclusion from the general tax system of the country. In connection with this Lord Selborne’s Committee on Indian Reform Bill remarks: ‘The principles governing the revision of the assessment of land revenue should be brought under closer regulation by statute as soon as possible, as part of a general policy of bringing within purview of legislation the imposition of new burdens’.

We are in the midst of an era of increasing expenditure which needs must call for many sacrifices from us. 'In order to make us love our country, our country ought to be lovely' said Burke. Our lot is cast in India, let us be a credit to it. The generations after us must bless us in the same way as do the descendants of go-ahead, enterprising, self-sacrificing settlers and pioneers in a new land. Hitherto the Government of India, the chief custodian of all our interests, has been with the best of intentions obliged to move slowly and cautiously in the matter of reform. The last war was, however, a great eye-opener. In the memorable words of His Excellency the Governor-General, 'the war has made us realize as never before how we in India have been passing our great resources by. Thrown back on ourselves we have already increased our output of industrial products in several directions a hundredfold, and this war will have proved a blessing in disguise, if through its teaching, we shall have learnt how a great field of enterprise lies open to us in the industrial and agricultural spheres, and how necessary it is to organise ourselves industrially. This war is the birth-date of India's industrialism' (Lord Chelmsford). On another occasion in the Council, His Excellency the Governor-General was obliged to acknowledge how the war period had necessitated an arrested progress in education, sanitation, public works and kindred objects which are in other countries 'the touchstone of civilized life'. As much leeway has to be made up, the country must prepare itself for increased financial burdens. Enhancement of taxation is much more difficult in a country like India, as regards carrying it out equitably and without friction than it would be in Western lands; it would, therefore, be Utopian to expect absolute unanimity in respect of fresh taxation, especially on the part of those who have to bear the brunt of it. Yet a little speculation on this point may be permitted to a student of Finance who has no particular interest to defend :—

(1) The first head to suggest itself to the writer is an enhancement in the general Tariff import where a two and a half per cent to four and a half per cent increase may be effected without hitting the consumer very hard. An imposition of ten to twelve per cent *ad valorem* on all articles of luxury including foreign fabrics is intended to fall mainly on the well-to-do classes of consumers and at the same time may serve the useful purpose of giving encouragement to home-made goods wanting to compete in that line. Foreign imports of sugar will have to be treated more harshly with particular reference to the interests of Indian-made sugar (subject to the Report of the Indian Sugar

Committee). In the case of foreign liquors, petrol, manufactured tobacco, silverware and other curios twenty to twenty-five per cent *ad valorem* need not be considered a disconcerting measure. If to this we add a revision of export duty on tea and jute and a fresh impost of export duties on raw cotton, we should reasonably hope to find the Indian Exchequer richer by four to five millions of pounds. It will, of course, be the business of the Government experts to adjust the Tariff, but it is hoped that it will do so with an eye to add to the Public Revenues as well as to give the indigenous industries a fair share of encouragement. India's agricultural wealth is likely to remain long in brisk demand in the depleted markets of the world: therefore there is no great fear of our export falling off on account of either a diversion of our raw materials for home manufactures or on account of our penalising the foreign imports by raising a fairly strong tariff wall. A certain amount of callousness to the better class of consumer is unavoidable under the proposed arrangement.

(2) As the burden of taxation is mainly to be borne by those whose shoulders are broad, the next line of attack will have to be the huge profits of the merchant and the Indian manufacturer of to-day and to-morrow. What was just permissible as a war measure may, with a few modifications, be made a permanent feature of the revenue system of a progressive country. The war profits duty has a bad odour about it: therefore it should be entirely replaced by the super-tax and the ordinary income tax. Inelasticity under this head of revenue was a feature of by-gone times. It only requires the lynx-eyed vigilance of the Indian Chancellor of Exchequer to tap this source of revenue equitably in the best interests of public finance as well as the growth of further national production.

(3) If the urban magnates are subjected to a searchlight, the rural magnates—the lords of broad acres of land—must not be allowed to escape their due share of responsibility to the State. It is by no means enough that they pay at the present rate of land revenue assessment from which even the poorest peasant farmer, a Ryot holding one acre of land, cannot claim exemption. A clear line of demarcation should be made to distinguish the big land-lord from the middle class land-holder. The poor peasant-farmer, again, must be differentiated from both these classes of land owners. Something corresponding to Super-tax in the case of the first and ordinary income-tax in the case of the second class must be added to the present rate of revenue assessment. Perhaps a more humane though bolder proposal will be to exempt outright the lowest class of land-holders

(whom it is a mockery to call land-holders) the most hard-worked and the hardest hit in India—from all Government land revenue, reserving him only for local cesses to feed his Taluka and District Local Boards, and to shift the burden to the big species—just those whose shoulders are broad enough to bear the brunt. The peasant may be left to stand his contribution to the State in the shape of indirect taxes on his salt, petroleum, etc. Provincial Governments, will have no easy nut to crack if they launch themselves on a sea of schemes of internal reform without making the rural magnates pay the State their full share.

(4) Another impost for which the time seems to be fast approaching, if we are not already in it, is a levy on Inheritances and succession of all fortunes above five lakhs of rupees, which in the case of direct heirs should never exceed two per cent.

(5) The town-landlord whose property and income grow with the growth of urban population but whose rapacity could only be restrained in these days by Rent-laws must make ample contributions to the exchequer in addition to his liability for Municipal dues. Mere application of income-tax rules will not do in his case. The merchant, the manufacturer, or even the rural landlord takes a certain amount of risk in his productive work, and the profits of all these are in a measure due to their personal foresight, judgment, enterprise, and talent for administration. The town landlord makes a safe investment and goes to sleep: his rent grows with the spontaneous growth of the town. His is the property which is essentially on the defensive. His contribution to the Public Exchequer must, therefore, be distinctly greater than the corresponding share of owners of other kind of income-yielding property.

(6) Railway freight charges are capable of a slight increase: but care must be taken that the enhancement does not become a handicap to free movement of goods.

(7) While excise duty on home made cottons should outright disappear, salt tax may, without offence, be raised to Rs. 1-8-0 per maund. The writer is quite conscious of the strong opposition that would spring up against a suggestion of this sort, but he has strong reasons for maintaining it. In the first place, it is no heresy to say that the poor man's stake in the country should be greater than what it is. Secondly, for the various benefits that are to accrue to him in the matter of education, sanitation, medical help, etc., it is not too much to ask for the sacrifice of a few pies more from his monthly budget. Thirdly, with the development of indigenous industries the

field for his employment will be considerably widened, his labour will be much in request, his wages will therefore increase though there may be a slight off-set by way a rise of prices : but, on the whole, his staying and purchasing power will have much improved. Taking all these things into consideration, a slight addition to his sacrifices for the State which does so much for him should not be viewed with absolute disfavour.

(8) On the side of commercial and quasi-commercial undertakings of the State, Forests, Railways and Irrigational Works are all distinct sources of growing income. No Government can in these days afford to slacken its pace in developing what helps the Exchequer and is at the same time conducive to the general prosperity of the State. The Indian Mercantile Marine and Commercial Air Craft are two other great needs of the country. If the State is for any reason unable to bring these within its sphere of commercial undertakings, it should give every possible encouragement to the indigenous attempts in this direction under a guarantee system which, in course of time may enable the State to participate in the profits of the concerns.

But after all has been told about obtaining the ways and means to meet the increasing expenditure, perhaps the greatest asset still remains behind, and that is, 'Economy, Economy, Economy in Expenditure'. *Magnum parsimonia est vectigal* (Parsimony itself is a great income). From Cicero down to Burke, to Gladstone, to Gokhale, to Lord Meston the continual cry of the public financier is that parsimony in one direction may avoid taxation in another.

Said Lord Meston in the course of his last year's budget discussion :—' You may think that economy is a threadbare motto in our Financial Statements, but I am convinced that, coupled with courageous outlay on the essentials of progress, a strict economy in all non-essentials will in the near future be more necessary than it has ever been.'

A note on Post Reform Public Finance in Bengal

B. K. BHATTACHARYA, RAJSHAHI COLLEGE, BENGAL

Mr. Bhattacharya dealt in considerable detail with the finances of Bengal, and estimated the need for increased expenditure as follows:—

	Recurring Expenditure. Rs.	Capital Expenditure. Rs.
Education ...	2,08,25,000	2,64,45,000
Public Health ...	40,00,000	8,00,00,000
Roads ...	25,50,000	9,00,00,000
Agriculture ...	5,40,000	11,00,000
Industries ...	12,00,000	18,00,000
Co-operation ...	34,24,000	...
Total ...	3,25,39,000	19,93,45,000

He proposed that the resulting deficit should be met partly by a Provincial Income Tax, and partly by contributions from the Government of India.

DISCUSSION

MR. G. SATYANARAYANAMURTI deprecated the idea that there was any necessity for increased taxation. He also deprecated increased capital expenditure on railways, alleging that, according to a recent Famine Commission Report, the maximum mileage had already been attained. On the other hand, he advocated increased expenditure on waterways, which are both producers and distributors of agricultural produce, whereas railways only distribute it. He opposed Prof. Shahani's suggestion of increasing the tax on salt, a vitally necessary part of the poor man's food ; and recalled the Gladstonian dictum of the necessity for impartial treatment of direct and indirect taxation.

MR. T. K. DORAISWAMI AIYAR opposed the proposal of a house tax, and said that Indian finance is in a very sound condition as compared with British, and the proposed tax was as unnecessary as it was objectionable.

RAO BAHADUR K. VENKATA REDDY discussed Mr. Rangaswami's suggestion that the responsibilities of the British Government should be lightened by converting Zemindaris into independent principalities. He said that the Zemindari ryot valued his citizenship very highly, and would greatly resent being deprived of it ; and the fact that Zemindars notoriously were very lax in using their existing powers for the benefit of their people was no good argument for giving them greatly extended powers and responsibilities. He also had great doubts about the wisdom or practicability of the substitution of a tax on incomes derived from land for the tax on land. The great majority of ryots were illiterate, and, almost universally, they kept no accounts. To ascertain how much they ought to pay would be extraordinarily difficult, and it would be still more difficult to make them understand the way in which the tax was determined. Further he did not think there was any necessity for any great changes in the existing system. The financial condition of India was sound, and if the present rate of exchange should continue there would be a great further easing of the financial position.

MR. T. G. ARAVAMUTHAN said that Prof. Rangaswami's proposal for the abolition of the Land Revenue was the only solution so far put forward for the complications that have arisen out of the Permanent Revenue Settlement; and that his proposal for the taxing of all incomes—high and low—was equally commendable as it was the only practicable way of enabling the state to feel the economic pulse of the body politic, of measuring fully and accurately the extent of social responsibilities, and, finally, of rendering social justice.

PROF. BURNETT HURST pointed out that there had been, during the last few years, a tremendous rise in the values of land in the cities of Bombay and Calcutta. This was due to the fact that capitalists had made huge profits during the war and wished to invest those profits in land and building. For that reason they found that houses and land had been changing hands at very high figures. During the last few decades there had been a tremendous increase in the value of land in places like Bombay owing the extension of factories and improved railway communication. The landlord who had been sitting tight doing nothing and introducing few improvements had now been able to benefit by the increased value. In these circumstances, he maintained that it was the right of the state to share the increase of the land value, and urged that the proceeds of this taxation should be devoted to the betterment of those classes who had been suffering from the greatly increased rent.

THE HON. REV. E. M. MACPHAIL touched upon the question of the distribution of the burden of Indian taxation upon the various provinces, and pointed out that Madras was paying much more than its fair share. He thought the question of bringing about an equitable distribution, fair to all provinces, was worthy of the attention of a conference of economists. He pointed out that in all questions of taxation the tendency was to try to shove the tax on another man. Hence in the present assembly it was probable that everybody would agree that it was desirable to tax the very rich, and to build up a system of progressive taxation whereby something could be done to relieve the really poor. But when it came to be decided who were the rich who ought to pay, and the really poor who ought to be relieved, every class was ready to claim relief for itself. He had always felt great sympathy with the idea that the unearned increment in the value of the land should be the property of the whole community, and was therefore a specially proper resource for taxation by the state. For this reason he had always been an advocate of temporary as opposed to permanent settlement. There might be a

need for redressing particular grievances, but he would be very unwilling to see the principle given up that the state has a right to share in the increased value of land where it has been brought about by other means than improvements by the private landholder. And he regarded the proposal to levy income tax upon a vast number of very small land-holders as entirely impracticable.

DR. GILBERT SLATER fully endorsed the remarks of the two last speakers. Referring to Mr. Bhattacharya's paper, he pointed out that it was no doubt very popular in Bengal to say that the Government of India should pay, in grants, a great part of the expenditure needed for the improvements in Bengal services which Mr. Bhattacharya advocated, but this meant that the poorer provinces like Madras, already very much more heavily taxed than Bengal, should have still further taxation laid upon them, in order that the money might be paid over to the richest, and most lightly taxed, province of all India. Madras was entitled to have its say on that proposal. Bengal had its own remedy in its own lands. He strongly deprecated Prof. Rangaswami's reference to 'a scrap of paper' in connection with Permanent Settlement. It was true that back in the eighteenth century the East India Company had given the Zamindars of Bengal to understand that it was not its intention to increase the revenue from any 'permanently settled' estate, and that pledge was honourably fulfilled to the very end of the Company's existence. But now the Company had ceased to exist for over sixty years; and under the Reform Scheme, Land Revenue became Provincial, and Provincial Revenues came under the control of the elected representatives of the people. It was absurd to contend that any pledge by an extinct foreign trading corporation as to what it would or would not exact from Indian land-holders should prevent a representative Government of Bengal or Madras from raising the revenue necessary for such services as education, sanitation, transport, protection of life and property, in whatever manner seemed to them most just and beneficial. If such a government decided to increase its revenue by abolishing Permanent Settlement, it would be doing what is wise and just, and no imputation of bad faith could be laid against it.

INDIAN ECONOMIC ASSOCIATION

OBJECTS

The Indian Economic Association was initiated in January, 1918, at the First Economic Conference held in Calcutta, and formally constituted a year later at Bombay with the following objects:—

- (a) the holding of annual conferences,
- (b) the publication of the proceedings of the annual conferences,
- (c) the publication of a journal and its free issue to members,
- (d) such other action to promote Economic Science and the dissemination of economic information as may be deemed advisable.

CONSTITUTION

The membership of the Association is open to teachers and students of economics and to other persons interested in economics in general or in special economic problems, if duly elected.

The Government of the Association is vested in a Committee of not more than twelve and not less than six members elected at the annual conference.

The principal activity of the Association is the holding of an Annual Conference, usually at the beginning of the new year. Conferences have been held at Calcutta, Bombay, Madras and Allahabad, and volumes of the Proceedings of each Conference have been published.¹

The annual subscription for members is Rs. 12, and this entitles members to attend Conferences and to receive copies of papers read at the annual conferences, reports of the proceedings, and all other publications of the Association not expressly excepted. The annual subscription for Associates is

¹ Calcutta Conference in the *Bengal Economic Journal*, Vol. II, No. 2, April 1918.
Bombay Conference in the *Indian Journal of Economics*, Vol. II, Part 4, 1919.
Madras Conference, Volume of Proceedings, published by the Association, 1920.
Allahabad Conference in the *Indian Journal of Economics*, Vol. III, Part 4.

Rs. 6 and Associates are entitled to attend conferences and to receive reports of the proceedings, but may not vote on the business affairs of the Association.

Candidates for membership must be proposed and seconded by the members of the Association and accepted by a two-thirds majority of the committee. Applications for membership may be forwarded either to the Acting General Secretary, Professor G. S. Bhate, M.A., I.E.S., Patna College, Patna, or to the Honorary Treasurer, Professor H. Stanley Jevons, M.A., B.Sc., the University, Allahabad.

OFFICERS AND COMMITTEE

(At the time of the Allahabad Conference)

- Chairman*:—Dr. Gilbert Slater, The University, Madras.
Honorary Secretary:—Mr. J. C. Coyajee, Professor of Economics, Presidency College Calcutta.
Honorary Treasurer:—Mr. H. Stanley Jevons, Professor of Economics, University of Allahabad.
Honorary Local Secretary, Allahabad:—Mr. H. Stanley Jevons, The University, Allahabad.
Honorary Auditor:—Mr. M. K. Rajagopalachariar, F.C.I., Madras.
Members of Committee:—Messrs. Burnett Hurst, Allahabad; C. S. Deole, Servants of India Society, Bombay; E. A. Horne, Patna, V. G. Kale, Professor of Economics, Fergusson College, Poona; H. W. Lyons, Christian College, Indore; C. J. Hamilton, Patna College; Dr. Harold Mann, Director of Agriculture, Bombay; Rao Bahadur K. V. Rangaswami Aiyangar, Maharaja's College, Trivandrum.

OFFICERS

(For the Year 1921—22)

- Chairman*:— Mr. H. Stanley Jevons, Allahabad.
Honorary Secretary:—Mr. J. C. Coyajee, Presidency College, Calcutta.
Acting Honorary Secretary:—(from October, 1921):—Mr. Bhate, Patna College, Patna.
Honorary Treasurer:—Mr. H. Stanley Jevons, Allahabad.
Honorary Local Secretary:—Mr. C. J. Hamilton, Patna.
Honorary Auditor:—Mr. M. K. Rajagopalachariar, F.C.I., Madras.