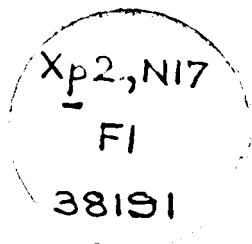


Papers Read at the
Fourth Annual Conference
of the
Indian Economic Association
at Allahabad.

Dec. 29th, 30th and 31st, 1920
and Jan. 1st 1921.



INDIAN
JOURNAL OF ECONOMICS

Vol. III—Part 4

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FOURTH ANNUAL CONFERENCE
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INDIAN ECONOMIC ASSOCIATION
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First Day—Wednesday, December 29th, 1920

Morning—

ADDRESS OF WELCOME

The chair was taken at 11 a.m. by Mr. H. STANLEY JEVONS, Honorary Local Secretary of the Association, who delivered an Address of Welcome on behalf of the Reception Committee, in the course of which he said:—

It is my privilege to open this conference on behalf of the Reception Committee by extending a hearty welcome to the members who are visiting Allahabad. This Association is now holding its Fourth Annual Conference. The first Conference was held in Calcutta, the second in Bombay, the third in Madras. For the first time you are visiting another than a Presidency town; for the first time you visit the North of India and find around you the great Gangetic plain with its swarming population. Hitherto the environment of these Conferences has been mainly commercial and industrial—here it is rural with the cultural elements

of a town which is the capital of a Province whose predominant interest is the land, whose foremost industry is agriculture. If Allahabad has neither the bustling life of commerce, nor the hum of industry, it yet has many claims to rank as a city of importance. Known originally as Prayag it has a history fading into the dim and distant part; but always it was a place of note—the meeting point of two great rivers, a centre of pilgrimage, and a focus of waterborne trade.

Allahabad is still the greatest centre of pilgrimage in India, it is a seat of Government and of Justice, and it is a considerable educational centre. It has three Arts Colleges affiliated to the University, a Training College, and numerous High Schools for boys and girls. It is an important railway centre, and last but not least it is a centre of politics and journalism, its four daily papers representing all shades of opinion.

It is in no boastful vein that I have given you this sketch of the city in which you find yourselves; but rather with the idea that it may add to the interest of your visit to know something of the place in which the Conference meets. We economists are sometimes blamed because we discuss things so much in the abstract. One of the papers which we shall hear on the last day of this Conference calls attention to the desirability of economists paying more attention to a study of their surroundings—of the local geography; and this is a view which I thoroughly endorse.

It is unlucky that the time fixed twelve months ago for this Conference happens to clash with the meeting of the Congress and of several other conferences. Many members who had expressed their intention of attending have at the last moment gone elsewhere. But if this Conference is not so large in numbers as we might have wished, I may have the satisfaction, as Honorary Treasurer, of telling you that this Association grows con-

tinually in membership and financial strength. It serves a useful purpose, and will more and more become the rallying point of all economists in this wide country.

Gentlemen, we meet not only to hear and discuss papers on various subjects. We have the annual business meeting, in which we have the important task of taking thought for the future of this Association and how to build it up in usefulness and strength. We have in our charge, if we like to assume the burden, a great responsibility for the future progress of our science in India.

It is with these thoughts prevailing that, in the name of the Reception Committee, I give you a hearty welcome to Allahabad. Dr. Gilbert Slater, who was the Honorary Local Secretary of the last conference, and is Chairman of the Committee, will be the President of this Conference, and I have now great pleasure in calling upon him to take the Chair.

Dr. GILBERT SLATER then took the Chair, and said:—
GENTLEMEN—There cannot fail to be uppermost in our minds in assembling here the sad news of the death of our late Chairman, Mr. Percy Anstey, and I am sure it will be in accordance with the feeling of members present that we should not proceed with the business of this Conference until we have adopted a resolution in appreciation of his services and of condolence with Mrs. Anstey. I therefore move from the Chair:—

“That this Conference of the Indian Economic Association desires to express its profound regret at the untimely death of Principal Percy Anstey. It recognises the importance of the services which the late Professor Anstey rendered to Economic Science in India, and particularly his zealous exertions as an officer of this Association. His numerous public activities as a citizen of Bombay have been much appreciated and his loss will be severely felt. This Conference offers its sympathy

and condolence to Mrs. Anstey in her bereavement."

To you who are present I need say nothing of the services Mr. Anstey rendered to Indian Economics generally and to our Association in particular. Others can speak with more authority than I can with regard to his work in Bombay. But I feel in private duty bound to add that we in Madras owe him a special debt of gratitude for the generous interest he took in the development of the study and teaching of economics in our University, and for his most helpful encouragement and advice, which I believe will bear fruit in the future.

Mr. DEOLE said—I am very sorry that we have to perform such a mournful duty just at the beginning of the session. I come from Bombay and I will be able to give you some personal touches regarding my acquaintance with Principal Anstey and his work. When I first saw the notice in the Times of India it was announced that a Mr. Anstey had died. I could not believe that it was our Mr. Anstey. I read further and was convinced that he was dead. He was in the prime of life. He had a hard task as Principal of the Sydenham College. It was the first college of its kind in India, and you will believe me when I tell you that the success of the College, whatever it is, is due chiefly to Principal Anstey. He was not only an economist, but he tried to bring in all the business elements that were available in Bombay. He made the College a success even from the business point of view. Not only that: he was so popular with his pupils—that is a great point—that they deeply mourn his loss. He was very anxious to give his students as much liberty as possible; to give them the opportunity to grow. I may tell you one instance which will give you an exact idea as to how liberal he was with his pupils. You know that the death of Bal Gangadhar Tilak had

stirred the whole student community of Bombay. The students wanted to observe a holiday and approached him with this request. He said he was sorry as he was a servant of the Government of India he had to work under their orders. Hence he could not give formal leave. If the students wanted to observe the day as a holiday and stayed away from class he would take no objection. The resolution says he was also very useful as a citizen of Bombay. He was a member of the Bombay Corporation, and there was a meeting held in Bombay to erect a memorial to Mr. Anstey. Speaker after speaker rose and gave testimony to the work that he did. Another instance. There was a strike of the sweepers of Bombay. A small committee consisting of Mr. Anstey was appointed. His suggestions were very useful, and satisfactory not only to the Corporation but also to the sweepers, and they were all pleased. The strike came to an end. Gentlemen, this is not the time to make a speech. I second this resolution and commend it for your acceptance."

Prof. COYAJEE said—I beg to support this resolution. The late Mr. Anstey single-handed succeeded in building up the Sydenham College of Commerce and Economics in Bombay. As you have heard from Mr. Deole and Dr. Slater, he was pre-eminently a man of affairs. By the death of Principal Anstey the cause of economics and commercial studies in India has suffered an irreparable loss. His activities in the promotion of the interests of the Association and in the co-ordination of economic studies in India are well known. In particular, he was the foremost exponent of economics in Western India; and his activities did not end there. The whole of India felt the benefit of his guiding influence in the matter of the progress of commercial studies, while he made the Sydenham College the model and

exemplar of commercial institutes throughout India. In all these matters he has deserved well of this country.

The Resolution was adopted unanimously all standing.

PRESIDENTIAL ADDRESS

Dr. Gilbert Slater, in his opening address said:— I desire to emphasize the fact that this is a meeting of students of economic science. I have always felt qualms when reminded that my official position was that of a professor of economics. In comparatively easy subjects like mathematics or physics, in which mankind early made great progress, it is possible for a man perhaps, after twenty years' study, to become so proficient as to be rightly called a professor; but after a lifetime spent in the study of economics I feel myself to be only a beginner, and I believe my colleagues here have the same feeling.

Another peculiarity of economic science is that it is not professed economists only who study economics. Every business man, every administrator of state affairs, even every housewife, must, willy-nilly, consciously or unconsciously, be a student of economics. What distinguishes the economist is that he studies this subject of universal import consciously, and of set choice, and not by compulsion—with a view to the general public welfare and not that of a business or a section of the community. And however difficult and complicated economics may be, yet prolonged study has its value, and, conversely, neglect of economic science carries its penalties.

The past year has given, in the handling of the currency problem by the Government of India, a striking example of the unwisdom of neglecting economic science. In few subjects are its conclusions so definite and certain as in matters relating to exchange

and currency. One of its conclusions as applied to Indian currency is that a high exchange value for the rupee is all right, if it is permanent and invariable, and also a low exchange value is all right if it does not vary. For exchange value of money, so far as the country as a whole is concerned, is mainly of importance as affecting foreign trade, *i.e.*, exports and imports. India exports goods partly to pay for imports. The advantages of the bargain depend on the ratio between prices and costs of production of India's exportable goods as compared with the goods India desires to import. Rupees are changed into English money and that back again into rupees, in those cases where exports and imports do not directly pay for one another; and the rate of currency exchange, if unchanged throughout the cycle of transaction, has no effect on the profitableness of the bargain. India also exports goods to settle current international indebtedness, and the quantity of goods that must be exported depends, not on exchange, but on the sterling prices of Indian products in the world market. But what is most injurious to India is violent fluctuations in exchange. These convert both import and export into gambling transactions, and penalize both the producer and consumer. Therefore the policy of Government should be to diminish fluctuations to the utmost of its power. Actually it started selling Reverse Councils, which means buying rupees, still further to enhance their sterling price when that was unprecedentedly high, and stopped this when the price was low. It aggravated the evil of fluctuation when it should have abated it. Reverse Councils should never have been sold till the rupee dropped below 2s.

But if excuses be found for this mistaken action, surely no excuse can be made for buying rupees at a fancy price, some ten per cent on the average, above

the market price. If £50,000,000 was spent, as has been announced, in this manner, then £5,000,000 of the taxpayers money was simply thrown away, ultimately getting, for the most part, into very capacious pockets. If only those responsible had spared a half anna stamp and asked the opinion of the Committee of this Association that money might have been saved.

Is the Indian Government, since it must have seen for itself how disastrous has been its handling of exchange, not ready to listen to advice? If so, I would beg it to try to understand the principles upon which the successful system of the pre-war period was based. One feature of that system was that when the rupee rose beyond a certain sterling value English money came in to pay for Indian exports, and when it fell below a certain value the English money could be sent back to England. True, English money then was gold, and now is paper; yet its efficiency depended in the main on the fact that it was English money, rather than on the fact that it was metal. In September, 1919, I urged that this feature in the currency system should be restored by making English Treasury notes legal tender in India. All our experience since has tended on the one hand to enhance my estimate of the benefit that this would confer in stabilizing exchange, and on the other to show that all the difficulties which I myself apprehended, or which were alleged by other people, were merely temporary where not illusory. Had this step been taken when I proposed it, the rupee being then 1s. 10d., and the English £1 note made legal tender in India at Rs. 10, the rupee would have risen but very slightly above 2s, and then the English money would have flowed in to pay for the balance of exports of the ensuing six months, then when the tide turned that money would have gone back again to pay for the

balance of imports, stopping the fall in exchange as soon as the rupee dropped appreciably below 2s.

But it is not the Indian Government alone that is guilty of unwisdom in slighting the teachings of economic science. We find the same neglect among other governments, and among unofficial leaders of public opinion all over the world. Should not this fact make us search our hearts, and ask ourselves whether we are not partly to blame? Do we pronounce our fundamental principles with sufficient clearness and vigor and determination to be heard?

Does not India and the whole world need now to have the truth impressed upon it which is the basis of our study, the truth that adequate production, just distribution, and wise consumption or utilization of necessary and desirable commodities is a fundamental and common interest of all humanity? Are we doing all that we might in making the world realise that the efforts of statesmen and philosophers and poets and religious leaders are thrown away if either the production of necessities fails, or what is produced fails to reach those who need it?

Again, are we sufficiently clear and lucid in our exposition of the necessary factors of production? True "land, labor and capital" are necessary factors, but to repeat this is apt to make India forget, what India ought to realise, that knowledge, skill, intelligence, determination, initiative and conscientiousness are also necessary factors. And not only India, but the world outside has been forgetting with deadly results, that mutual aid and cooperation is the most necessary factor of all. Ruskin was wrong in saying that competition was the law of death, for competition as well as cooperation is a necessary factor in human life, but he was emphatically right in declaring that cooperation is the law of life; and speaking as an

economist and not as politician, I would add that *non-cooperation is the law of death.*

War is the extreme form of non-cooperation, and its terrors are fresh in our minds. But peace, to bring healing, must be not only a cessation of hostilities, it must be active, an energetic promotion of mutual help and cooperation between nations. All the nations in the world must live together on this little sphere, which practically is continually contracting as the obstacles to transit are overcome. Mankind can live in prosperity and happiness by mutual aid and cooperation, or it can destroy itself by mere refusal to cooperate. I find in India a wide-spread idea that Europe is cursed by the narrow nationalism which ignores the wider duty to humanity and the economic fact of the interdependence of peoples and countries, but that India stands on a higher moral plane. But in my contact with students I do not find this idea confirmed. I find that the Indian student habitually insists on looking at questions from an exclusively Indian standpoint, and I consider that a warning against national selfishness is necessary in Asia as well as in Europe.

India is on the threshold of its independent career. It may enter upon that career in the Prussian spirit of narrow nationalism, thinking only of its own interests; but if Indian future history is to be honorable to India, Indians must seek, not the good of India only, but that of all humanity.

THE IDEAL SYSTEM OF LAND TENURE

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I. Introduction

The unit of human sympathy has always been commensurate with the stage of economic development reached at any time in a country: During the days of Tribal Economy, when each tribe wandered from place to place, taking catch crops now here and now there, the unit of human sympathy was the tribe, and when these tribes settled themselves in fixed habitations called villages, which were at once isolated and self-sufficing, the unit was extended to and confined within the area of the village; when these villages for one reason or another expanded into towns and cities, the same expansion and limitation of the unit was met with. Then the development of the means of communication within various countries, and outside, first tended to create a National and then an International stage of Economic Development, and with these running concurrently were the waves of Nationalism and Internationalism. Before the great war the growing tendency was towards Internationalism or what has been sometimes called Cosmopolitanism; but the severe shock of that huge armageddon rudely pushed

back this rising wave, leaving an open sea to the other. The wave that now surges in the hearts of men is that of nationalism, and all the countries of the world are hammering out schemes to attain the highest possible national development. Any method of reform, therefore, which one may suggest in any walk of life, is to be subjected to the supreme test of nationalism—a term which to my mind connotes that the interests of the nation as a whole are to be given the priority over international, as well as individual or communal interests: A scheme of reform that may be capable of securing a very high degree of development in a particular branch of national activity, or that may be supremely advantageous to a particular community, if it is not calculated to have a beneficial effect on the all-round activity of the nation, is to be rejected, and another capable of securing a higher national advantage, although its influence on a particular branch of activity may not be as beneficial as of the former, is to be adopted. To put it in a nut-shell, the doctrine of nationalism would subordinate the interests of an individual unit of society or of an individual industry, to the interests of the nation as a whole. A line of reform advocated, therefore, is not to be judged on its own merits alone, but its reflex influences on other branches of national activity are also to be taken into account.

II. General Considerations

(1) The first consideration, therefore, to be constantly kept in mind while devising any system of land-tenure would be to make it such as may ensure on the one hand, the fullest possible development of the agricultural resources, and on the other help the manufacturing and commercial activities of a country.

In any case it should not in any way act as a drag upon the other activities of the society.

(2) Then again it has been found by experience that when the interests of more than one class of people clash together in any industry, as they certainly do in agriculture, then that industry suffers by mutual unnecessary interference. And, side by side with the above it has been noticed that generally this joint demand for the services of two or three classes of people leaves one class dependent upon another, with the result that the prosperity of the former depends upon the latter. This is very pernicious, and in devising a new system we should try to eliminate this dependence as far as possible. It should ensure to each class of people as much freedom of action as may be compatible with the highest national interests. Each class should be secured in its rights; and the obligations of each towards the other, and of all towards the industry should be well-defined.

(3) Last of all there should be no compulsion upon any man to follow this or that industry. He should be perfectly free to follow that work in life to which his natural interests lead him, as a man is sure to do that best for which he has been made by Nature.

III. Essentials of the Ideal Cultivator's Tenure

(1) Continuity of Possession

In order to secure the highest possible development of agriculture it is essential to provide some sort of continuity of possession. It is not essential that the man who tills the ground should be made the owner of it, in the sense in which the word owner is generally used. (It carries with it the idea of the power of sale, mortgage, lease, inheritance, etc). But it may be taken as an axiom that the longer and more certain the

continuity of possession the greater would be the expenditure of capital and effort that a cultivator would be disposed to put on his farm.

(2) *External adjustment of rents*

Continuity of possession necessarily involves some external regulation of rents, for if the land-lord could raise the rents at any time and to any amount he thought fit, he would, when competition is active, drive out the cultivator by fixing the rent impossibly high. The two conceptions are as a matter of fact interdependent, and any administration which undertakes to secure continuity of possession, should also undertake the regulation of rents.

(3) *Freedom of adjusting scale to the resources*

If the principle No. 1 were to be carried to its logical conclusion, it would lead to the confirmation of the right of property in perpetuity, and the researches of Arthur Young, Seeböhm, and others in the systems of land-tenures of various countries, and the prevailing state of agriculture there also point in the same direction. But the rigor of this is to be modified by an equally important principle: every cultivator should be free to give up or to take in as much land as his resources in men and money may warrant at a particular time. The import of this principle is that although the cultivator may be free to adjust his scale of industry to his resources, he should be made independent of any outside pressure to adopt a different scale. This would necessitate some such legal provision as is met with in the *ryotwari* systems of India, which provide that so long as an "occupant" pays the land revenue, assessed on his land every thirty years, he may without fear of any ejection continue to cultivate his land, but may whenever he so desires, give up a part or the

whole of his land, the amount of revenue being decreased proportionately. Or we may adopt some such system of periodical readjustments of the size of individual holdings, as was prevalent in Russia during the days of *mir* tenure. Whatever system we adopt, there should be some provision to meet the necessity of a farmer. If at any time a cultivator finds his resources to have increased, and if he is desirous of taking up more land he should have every facility to do so provided such addition is not liable to affect prejudicially his fellow cultivators. And the chief items to be taken into account while estimating the resources should be the number of persons to work upon, and to get subsistence from the land, and the amount as well as the nature of the capital to be used.

(4) *Contiguous system of fields*

The disadvantages of a holding composed of fields scattered here and there, have been fully realised in thinking circles, and much has been written on the subject of late; it is enough therefore for me to refer to it and say that the new system of land tenures should provide the right of cultivation in a solid block of land only, and should never allow cultivation of scattered fields.

(5) *Inheritable, but only by one heir*

The holding of the farmer should be inheritable, but only by one of his sons or daughters, whoever has natural aptitude for agriculture. It should never be left to be divided amongst all the sons, as is now done under the wasteful Hindu and Mohammedan laws of inheritance. The evils resulting from these laws have been so fully discussed and set out in the recent literature on the subject, that I need not dilate upon them here. Not only the land, but all the agricultural capital also, should devolve upon him who

inherits the land, and the rest of the property may be equally divided amongst the others. Although the land should be heritable under the restricted conditions named above it should never be capable of being mortgaged or sold in parts. It may be transferable, but only in lots, and only to him who means to cultivate it himself, and not to sub-let it.

(6) *Improvements made by the cultivator exempted from enhancement of rent*

While discussing continuity of possession, we remember to have remarked that as an adjunct to it, we should have external regulation of rents. These changes in rent should only be allowed, in general, at the time of re-adjustments, or new settlements, and while assessing at new rents the improvements made by the cultivator on his land should be exempted, and the rents once enhanced should not be allowed to be raised again until a certain fixed period has passed away.

Re-adjustments as well as alteration in rents in particular cases and on special grounds should be permissible even during the time intervening between two readjustments, provided such readjustment is possible without inconveniencing others, and provided the changes in rent are justified on very special grounds such as the deterioration of land owing to some natural calamity, or improvement in land owing to some capital improvements made by the proprietor of the land. Who should be responsible for this, and how this is to be effected would be discussed later on.

IV.—*Is the maintenance of an intermediary proprietary interest desirable?*

We now pass on to discuss whether or no it would be desirable to introduce and maintain a proprietary interest between the actual cultivator and the Govern-

ment. Let us first start with the assumption that there is no intermediary, and then see what other measures besides the tenure detailed above, would have to be undertaken to insure the full development of the agricultural industry. The fixity of tenure and consolidated economic holdings would not by themselves bring about all that is desirable, although they would facilitate it, as now their absence blocks the way of progress. But all these would go a very little way indeed if the cultivator were left uneducated in the advanced methods of agriculture, and ignorant of the advantage of using specialised machines, as they are invented every now and then, of improved seeds and various agricultural products of better quality capable of being grown in a particular locality. And all this educative effect would result in nothing, if the cultivator did not possess the capital necessary to make these improvements. To begin with, therefore, the Government will have to provide some agency for the diffusion of sound education, and to control and guide it. Another to spread knowledge about improved seeds, agricultural machinery, and other discoveries as they are made in the Central Government Experimental Farms. For this, if it is to be done properly, demonstration farms will have to be opened for each contiguous group of four or five villages. Experimental farms, with provision for demonstration will have to be provided at convenient centres for each group of villages constituting a homogeneous region. And it may be found necessary to have still bigger experimental farms, say for a district or a group of districts, or a province, the size of the area of influence being determined by the nature of the climatic and other agrarian conditions, such as the quality of the soil, etc.

Then again the individual farm will need to be provided with various other capital improvements, such

as drainage and irrigation works, which are beyond the means of an individual farmer, however prosperous he may be. Even in a rich country like England, farm buildings, enclosures, and other big works are made by the landlords and therefore the Government will have to do these things here. The reason why even prosperous farmers fail to make these, is not far to seek. When property breaks into small pieces—as it is bound to do when we have peasant proprietors—the savings also break up, and are easily squandered; but when they gather together in a respectable mass in the hands of a landlord, they are not so easily wasted.

Another function which the Government will have to undertake in the absence of an enterprising intermediary as they have been compelled to do now, would be that of organising co-operative activity. Had the intermediary been conscientious and enthusiastic about his business there would have been no necessity for the Government to take initiative in the movement, and it would have been saved its present rigidity of form and a departmental character. It is an open secret that people in the villages look upon their co-operative credit societies as an institution of the State, maintained to provide cheap money for them. The general attitude of the Government Inspectors and others lends a strong support to their belief. They have not yet learnt to look upon the Society as their own, and this is the weakest possible point of the system.

To secure all the above desirable things, Government will have to maintain at least three different and independent agencies, one to spread education, supervise and control it, and it may be found convenient to entrust to this the diffusion of ideas about sanitation, co-operation and improved agriculture. Second, to organise, guide and control co-operation in its various forms and in practical life. And the third,

to work the experimental and demonstration farms. To *this* may be entrusted the planning and carrying out (assisted in bigger projects by the P. W. D.) of capital improvements, like drains and canals, as well as farm buildings.

Now, for all these three agencies, we shall have need of a very large staff of officials, which would be very expensive, and at the same time not as keen about its business as a conscientious and enthusiastic intermediary with a proprietary interest is likely to be. For this reason, and for others to follow, I consider it desirable to have an intermediary. Here somebody may pertinently remark that so far these intermediaries have, by no means, shown any marked enterprize, in providing education—general and agricultural—and have taken no interest whatever in the development of agriculture or co-operation. Of course, they have not. But that has been due to the prevailing ignorance of the class, and the resultant absence of *the sense* of duty, as well as to certain serious defects in his tenure. The enlightened landlord has done much for his tenantry in England, and we have every reason to believe that, if his ignorance is removed, and he is given a secure and reasonable tenure, the Indian landlord would also do equally as well for his tenants.

Besides being less expensive, an intermediary would be more efficient, as there would be no division of responsibility and he would take a personal interest in all this work. No Government official, however, well-paid and conscientious he may be, can equal the zeal of a zamindar who looks upon the land as his own. All these considerations impel me to say that the maintenance of the zamindar, wherever he is present and his introduction, wherever he is not present, is highly desirable.

V.—Essentials of the Tenure of the Intermediary

(1) Proprietary interest to extend over a contiguous group of villages

He should have a proprietary interest extending over an economic unit of a group of villages. Just as it is desirable to entrust to one farmer a consolidated block of land for good farming, so it is equally desirable to put in charge of an individual zemindar a group of contiguous villages with an area neither too large nor too small to be managed by him. Generally a zemindar who has a large number of villages under him has enough and to spare, and the marginal utility of money is low to him. If he is not given to the common vices of the rich, he cares very little for getting more by developing his estate, and the nation loses what would have come to it in the form of increased revenue if the zemindar had a strong incentive for getting more. If the zemindar happens to be a man of extravagant habits then to him his chief function is to get more and more rent out of the cultivators, and to eat, drink and be merry. Even if a big zemindar be enlightened, conscientious, and sympathetic, he cannot look after the affairs of his property, and has perforce to employ agents, who cheat him and cheat his tenants. The sufferings of the tenant under the personal care of a bad zemindar, are not comparable to the sufferings of those put under the best agents. My experience of estates managed by agents leads me to say that they almost always tyrannise over the cultivators, and care more for their personal gain than either for the development of the property or the well-being of the tenants. And if the different villages of a zemindar happen to be scattered in different tahsils of a district, or in different districts, then even the remote chance of a zemindar exercising some control is out

of question, and all the evils of management by agents are intensified very much. He who wants to have a first hand knowledge of these evils, should go to one of the taluqdari estates of Oudh, or to a big zemindari estate in the Agra Province, and see for himself the state of affairs there.

(2) *Inheritable according to Primogeniture*

The zemindari interest should be inheritable, but always according to the law of primogeniture. Only one son having aptitude for agriculture, and having previously received the education prescribed above, should succeed the father, others being left to do whatever they please, after due provision has been made for their education in what they are fit for. Besides the land and the agricultural capital which is to go to only one issue, all other property, should devolve equally upon others, according to the prevailing laws of the caste or tribe to which they belong.

The zemindari may be transferable and mortgageable but never leaseable. It should never be allowed to be sold in parts.

(3) *Powers of the Zemindar*

The zemindar may have certain powers over his tenantry, but never amounting to absolutism. He may, if he makes some capital improvement, enhance the rent, provided it is mutually agreed to. If no mutual agreement is reached, the matter may be referred to some authority considered competent for the task. But to attain this there should be no expensive procedure, no stamp duties, as they needlessly add to the expenses of the poor. Besides the enhancement of rent in case of mutual agreement, the zemindar may be entrusted with certain other magisterial and judicial powers, up to a certain limit.

While discussing the tenure of the cultivator, we remember to have remarked that as a general rule changes in rent should be allowed only at the time of periodic re-adjustments or new settlements, and that for special reasons detailed there they may be allowed in between two readjustments. Now these re-adjustments and changes in rent should be made by the zemindar, assisted by the village patwari, and in collaboration with the circle kanungo. After this the new scheme of re-adjustments should be submitted to the tahsildars for ratification. The tahsildar, before ratifying it should take measures to acquaint the farmers concerned with the changes proposed in it, and should within fifteen days of this decide any objections to it, and then finally declare it sanctioned, after modifications have been made. The length of the period after which these re-adjustments should be made, should correspond more or less to an agricultural cycle, the approximate length of which is between twelve and fourteen years. Three or four times of this may be fixed as the period for settlement of land revenue, but here the Government should definitely fix a percentage of the assets that it is entitled to. There should be no uncertainty about it, and no long procedures in arriving at the new figures of revenue demand for the future period.

(4)—Responsibilities of the Zemindar

He should be responsible, on the one hand to the Government for payment of land revenue assessed on his land from time to time, and on the other hand to the tenantry for the maintenance of an agricultural farm, the supervision of schools, and co-operative societies in the area under him. He should be responsible for making capital improvements on individual farms, for providing roads and

bridges, constructing wells and canals, dams and drains wherever necessary. He should look after the police, the panchayat, sanitation and hygiene of the various villages put under him. In short, he should be a constant source of inspiration and guidance to the cultivators under him.

(5) *Compulsory education for succession*

But to ensure that the intermediary would be enlightened, conscientious and really effective it is very essential to make it a legal necessity for him to get a thorough education in the science and art of agriculture, in estate management, as well as in other kindred branches of knowledge, such as co-operation and village sanitation, before he is allowed to assume charge of his office. To attain this there should be agricultural colleges, not as at present one in a province, but scattered throughout the country districts at convenient centres, where prospective zemindars may be educated, and the curriculum should be so arranged as to prepare them for their future work.

VI.—*Conclusion with special reference to the General Considerations*

The scheme of land tenures discussed above would in the opinion of the writer, not only provide facilities for the fullest possible development of the agricultural resources of a country, but would also create a middle class substantially rich both in material belongings and intellectual attainments amongst the sons and daughters of the zemindars. This middle class would be capable of giving very great help to the State at the time of emergency, and would be a perpetual source of culture and advancement to the country. Men of this class will have enough to live in comfort and to spare, and they will be able to pursue

knowledge for its own sake. Even if education be freely provided by the State, it is only those who have got sufficient monetary resources to buy books and papers, and to live up to that standard of living, which makes the pursuit of knowledge possible. It is people of this class alone who can add any thing original to the world's store of knowledge. That leisure is essential for high achievements in sciences and arts, is difficult to deny, and is well supported by the high development of both in Bengal, and that leisure would not be possible for the sons of even prosperous farmers is as difficult to refute. Therefore for the creation of a leisured, I don't say a luxurious, class, we have to look to the zemindari interests or to high commercialists and industrialists of a country. That freedom from monetary anxieties is very essential for the production of original work is very clearly supported by the fact that so far, leaving Bengal and the city of Bombay aside, very few Indians have succeeded in producing anything original, or in even becoming great politicians. I for one do not believe that the Indian has not got in him the requisite gifts of originality, of initiative and of invention; and the reasons why so few are met with are to be found in our defective system of education, and in the host of anxieties that begin to weigh a man down before he has passed his teens. Given a leisured class, with proper safeguards to ensure its energies being directed into the right channels, we shall have not only a cheap central and very efficient agency to look after agriculture and other village activities, but also a permanent flow of well-trained and well brought up young men and women ready to take their part in other avocations of life that require a high standard of intelligence, and offer a high standard of living.

THE TAX SYSTEM UNDER THE REFORMS

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There are two general problems connected with the tax system: firstly, the distribution of taxation; secondly, the division of the taxing powers and revenues between the central and local governments.

In distributing the burden of taxation, the aim of the statesman, once he has decided how much revenue he needs, is to make the burden of that revenue as light as possible, by reaching those sources of taxation which can best bear the burden, and by taxing them in proportion to their ability to pay. In practice this requires us to answer the following questions:—

1. What taxes shall be levied? Shall there be a few heavy taxes with the impossibility of making accurate adjustments, or shall there be many light ones, with all the complexity and high cost of collection, which such a system causes? If only property is taxed incomes which result not from property but from skill, as well as many unexpected and unusual incomes, such as excess profits, will be untaxed. If only incomes are taxed, idle property which is kept out of use for pleasure or speculation, will bear no burden. Political motives must also be considered. Direct taxes are more resented, but indirect taxes

are likely to injure the poor, unless they are exclusively on luxuries. If we use all kinds of taxes there is great danger of double taxation.

2. Shall the taxes be proportional or progressive? Who shall be exempted? If graduated taxes are adopted, how rapidly and up to what point shall the tax-rate increase? There are arguments on both sides; but progressive taxes are rapidly being adopted in all countries as the best way of making the burden proportional to the ability to pay.

The Indian tax system obeys these principles fairly well on the whole. Nearly equal amounts of the revenue are obtained from direct and indirect taxation. Though some of the indirect taxes are shifted to the poor, yet, as they usually pay no income tax, this does not produce double taxation. The land revenue and the income tax taken together are equivalent to a general income tax. But we find practically no attempt to tax speculative profits or unearned increments; and non-agricultural incomes are taxed on the latest principle of progression and super-tax, the lowest being exempt and the rate for the highest gradually approaching 25 per cent, while agricultural incomes are supposed to be taxed proportionally, but, owing to the unequal rise in land values and the long periods of settlement, the rate varies inconsistently from 5 to 55 per cent and probably even higher in some permanently settled areas.

In considering the recent reforms in India, the second problem of the tax system is much more important: namely, the division of the taxing powers and revenues between the central and local governments, in such a way that each government may freely increase its revenues without encroaching on the revenues of others, or hindering its own economic development. Here the difficulty of double taxation arises in two ways: either the same source

may be taxed by Imperial, provincial, and municipal governments, or it may be taxed in two provinces, if the owner resides in one and owns property in another. Double taxation could be prevented by having a uniform central tax system and doling out shares of each tax to local governments as was done formerly in India. But unless the people of provinces and even smaller territories are given a chance to tax themselves, they do not develop any sense of public responsibility, and many beneficial expenditures are not undertaken, for lack of money which people would vote, if assured that it would be used in their own city or district. If, however, to arouse public responsibility, complete independence is given, some backward localities will not vote necessary taxation, while others may injure themselves by voting large oppressive taxes in ignorance of their effects. A middle course is to determine which taxes local governments may levy, and in the case of smaller local governments, to fix maximum rates, for these taxes and possibly minimum rates also. It is usually found, however, that true public spirit is never developed while the higher government looks jealously at every increase in the rates of the lower government, and therefore a complete separation of the sources of taxation usually permits the freest development of all the functions of government. Such a separation was aimed at in the Montague-Chelmsford Report, and still more by the Meston Committee which did not even favor the division of the revenues from fees, and was opposed to giving the provinces any part of the income tax.

We must, then, inquire what taxes are best suited to local governments. The problem is more complicated in large countries like India and the United States of America, which have at least three different grades of governments to be satisfied—*i.e.*, in India, first the Imperial, second, the provincial, and third, the smaller local governments, namely, municipalities and district

boards. In the United States the Federal Government obtains its revenues from customs, excise and the income tax; the States (corresponding to provinces) from a small tax on land, from taxes on corporations, and inheritance taxes; the smaller local governments chiefly from taxes on land, on buildings, from local licences, and from a wheel-tax for the upkeep of roads. Bastable agrees that these three are the best fitted for local taxes.

Of all taxes, taxes on land are best for local purposes. Land is the one source of taxation which absolutely cannot run away from taxation. As Bastable points out, there is little else to tax in rural districts, and in cities the landlords should pay as they are the ones chiefly benefited by local expenditures. The same reasons apply to a house tax, though with less force, for houses can be allowed to run down after some time, but they cannot move away quickly. If a merchant wishes to sell goods or use a vehicle in a district, he must get his licence in that district.

On the other hand, customs duties must belong to the Central Government, if they are levied at the national boundaries, for they are a tax upon the consumers of the whole country, and duties collected at the boundaries of provinces or districts would be exceedingly oppressive and costly. Octrois are easier to collect, but they are just as detrimental to economic progress, as they prevent trade between city and country with all the division of labor and organization of industry and commerce which depend upon it, while the advantages of protection are absent in the case of cities since the movement of labor and capital is unhindered by great national differences and there is no great disparity in industrial knowledge. Secondly, excise duties are usually assigned to the Central Government, because taxation on production

would drive out capital from districts which taxed it, and excise without an equivalent import duty would defeat its own end by driving out home producers at the expense of foreign producers. These difficulties are overcome if the Central Government determines for all the local governments the rate of the tax and arranges for equal or higher import duties. But then the desired freedom of taxation is taken away. In the third place, the income tax should be assigned to the Central Government. Local income taxes drive away business and are either evaded or else mean double taxation, when a man owns property outside his own province. Especially if the tax is to be progressive, wealthy men will try to evade it, and only the Central Government can discover the whole income so as to determine the rate. The same objections apply with some force to the inheritance tax. But this is nevertheless a state tax in America. The difficulties of making it so are largely avoided if the rates are approximately equal in neighbouring provinces and each estate is taxed wherever the property is found.

Now let us examine the tax system of India and discover how far it has been made to conform to these fiscal ideals by the reforms, and whether it is possible to perfect it still further along these lines. The Imperial revenues include Customs, the Income Tax, Salt, Opium, and profits of Railways which cross Provincial boundaries. All of these should usually be central revenues. The provincial revenues include Land Revenue, Excise, Stamps (with a few exceptions), and the profits of Irrigation and of Feeder Railways, and all the receipts accruing in respect of provincial subjects. The Gazette of India of May 15th, 1920, which laid down the rules for fiscal devolution, followed the Meston Committee in striving for an absolute separation of revenues.

But a new Gazette Extraordinary published only two weeks ago (December) shows that the Government has at last yielded to the importunities of the richer provinces, and has permitted the provinces to retain a share in the growth of the income-tax, when this growth is due solely to an increase in the amount of income assessed, and not to any increase in the rate of the tax. This is arranged by giving to the provinces three pies on each rupee of income assessed less whatever this amounts to in the present year, 1920-21, less also one-fourth of the costs of collection.

The outstanding feature of this division is the giving of the whole land revenue, the greatest single head of revenue, to the provinces. While recognizing that this was ideal in theory Bastable saw that it was often impossible in practice. In 1890 he wrote, "We can hardly imagine the Indian Government yielding up the land revenue to the provinces." But now the impossible has actually been carried out in the interest of sound finance. It must be admitted that it has been made possible by the growth of industry and commerce, and thus of customs and the income-tax on non-agricultural incomes and also by the growth of provincial responsibility for many of the duties of the Government.

The excise duty was already more than three-fourths assigned to the provinces, and was thus easily given over. But it must be clearly understood that the excise in India is made up of two parts: first the duty per proof gallon, or the true excise, which is a tax on production; second, the licence fees, which are a tax on the right to sell or retail, and correspond to the local licences which Bastable approves as local taxes. The duty per proof gallon which is nearly two-thirds of the whole in the United Provinces is a revenue of the central government in nearly all countries. It may safely be treated as a local revenue only if the

central government fixes the rates (and also imposes equal customs duties), in which case it ceases to be a ready source of fresh revenue. The licence fees, however, can and should be raised locally at the will of the community concerned. With the growth of prohibition sentiment the excise is likely to prove a vanishing source of revenue. But there are other commodities which are frequently the object of excise in other countries, such as tobacco, playing cards, etc. In India where more sugar is probably consumed in proportion of the wealth of the country than anywhere else, a tax on refined sugar might prove productive and could not injure the poor who depend upon home-made *gur*. The profits of local public works, such as irrigation and feeder railways, naturally belong to the locality which has an interest in constructing them.

The revenues from stamps might go either to the government responsible for collection or to that responsible for imposing them. The stamp tax on small cheques is a great hindrance to the development of banking; if it should be abolished for cheques under Rs. 20 and made only half an anna for cheques under Rs. 50, it would probably yield a higher revenue because of the greater use of cheques.

With regard to the income tax I regret that the Government did not hold out. The Central Government needs expanding revenues and it would have been possible so much the sooner to do without the provincial contributions. I shall try to show that there were other taxes open to the rich provinces which would have more than made up for any loss due to the assignment of agricultural land revenue to the province whence it came. The present plan is bad in theory and only tends to make the provincial contributions permanent.

A little calculation will show that it was impossible to give all these revenues to the provinces without causing a deficit in the Imperial budget. This is

reckoned at 983 lakhs or about £6.5 millions. This deficit is to be met by the contributions from the provinces. These contributions are at first to be proportional to the revenues now paid in each province toward the Imperial income, but the proportions are gradually to be changed until 1928 when each province's contribution will be proportional to its own revenue. It appears that Madras, the United Provinces and the Punjab have been paying more than their share to support the Government of India, so that their contributions will gradually decrease, while the shares of Bengal, Bombay, and Bihar and Orissa, which appear to have been favored provinces, will gradually increase. This contribution may be gradually decreased or increased, if required, with the sanction of the Secretary of State. It would have been simple to make each government quite independent, and this could have been achieved in any one of the following ways: first by letting the Central Government keep the excise duty per proof gallon, which would have been more in accord with both theory and practice elsewhere; secondly, by allowing the Government of India to keep the revenues from Stamps; or thirdly, by making the income tax apply to agricultural incomes also and reducing somewhat the incidence of land revenue. The first would have been the simplest and the best plan for the present. The provinces would still have controlled the local licences. However, if the contributions are gradually reduced, so that the provinces are enabled to keep the whole excise duty, the present plan will prove beneficial; but there is danger that they will serve as a precedent for additional contributions, whenever the Central Government wishes to escape the disagreeable necessity of increasing its own taxes.

In order to increase the provincial revenues, which

may be necessary for compulsory education and other needed reforms, there still remain several sources of taxation available. The inheritance tax may result in the removal of property if it is not levied in all the provinces simultaneously, but there is not so much incentive to evasion, and the tax is not so severely felt, if it is progressive directly with the size of the estate and inversely with the kinship of the legatee. There is much to be said for the inheritance tax on both political and moral grounds, and it should form a part of every complete tax system. Some form of unearned increment tax, or some tax to force idle land into use is exceedingly desirable. With the sanction of the Governor-General-in-Council such taxes may be declared sources of provincial revenue. The Governor-General-in-Council may also sanction the raising of loans by provinces on the security of their revenues, either for emergencies, such as famine relief and the payment of debts falling due, or for capital expenditures on improvements, such as irrigation, electric power, communications, housing, reclamation, development of forests, and similar projects. For improvements benefitting special localities, special assessments or betterment taxes may reduce or entirely remove the necessity for borrowing. The erection and the equipment of the new schools should also be considered a productive project for which loans may be raised, for the tax-paying capacity depends on a skilled population more than on any other improvement.

Proposals for either borrowing or new taxation may originate, either with the ministers in charge of transferred subjects, or with the councillors in charge of the reserved subjects. They must be considered by both sides of the government, and decided by the Governor and the side of the government which initiated the fresh taxation or loan and is therefore to receive

the revenue therefrom. The allocation of other revenues to the two sets of subjects is by agreement between the ministers and councillors. If there be no agreement, the Governor may assign fixed proportions of each sort of revenue and of the balances to each side. If there be no agreement at the time of making the budget, the figures of the previous year stand. It is evident that the system of diarchy raises some entirely new problems in public finance, and it will be interesting to see how they are worked out in practice. I can think of no better solution than that which seems to be intended, namely, that each side of the Government shall have separate sources of taxation as far as possible, and that other sources be divided in fixed proportions. For example one side (probably the reserved subjects), might have the excise and the provincial share in the growth of income tax, while the other would have the inheritance tax, stamps, revenues from public works, and the new taxes on the unearned increment or on the site-value of the land. Both sides would have the power to levy the land revenue up to a certain maximum rate on the rental value. Of course each side would have the receipts accruing in respect of its own subjects. It appears that at times there will be a race between the councillors and ministers to initiate new taxation in order that they may claim fresh revenues for their side of the Government. At that rate all the possible sources of taxation will soon be exhausted. Moreover, it is quite impossible to decide the whole question of provincial revenues without first considering the possibility of still further devolution and the division of revenues between the provincial and the smaller local Governments, that is, the district boards and the municipalities.

The District Boards obtain from 50 to 60 per cent

of their revenue from the local cess on land, which amounts to one anna in the rupee or $6\frac{1}{4}$ per cent on agricultural rents. Except in Madras, where there is a capitation and house tax, this is practically their whole income from taxation. Thirty per cent of their revenue consists of grants from Government for public works, education, etc., and the rest consists of fees. There was a proposal in the United Provinces to give district boards power to tax agricultural incomes up to two annas or $12\frac{1}{2}$ per cent, and to tax non-agricultural incomes; also to levy a cess for the building of feeder railways to be owned by the district boards. These proposals have now been embodied in a bill, but the proposed powers have been given to divisional councils, instead of to district boards. It was felt that the boards were grievously in need of greater funds, but had not the capacity to manage them properly.

Municipalities, taking all India, derive 62 per cent of their revenue from taxation, about 10 per cent from Government grants, the rest from fees, markets, and rents of municipal lands. Of the income from taxation, one-third is from the tax on houses and lands, one-quarter from octrois or terminal taxes, one-quarter from water, light and conservancy services, and the remaining sixth about equally divided between the tax on animals and vehicles, the tax on professions and trades, tolls, and taxes on personal property. In the United Provinces octroi and terminal taxes form more than half of the income from taxation and the house tax only one-twelfth.

This is the least satisfactory part of the Indian tax system. If we take the average land revenue to be from 40 to 45 per cent of the annual rental value, then add the local cess for district boards it will come to 46 to 51 per cent. If another anna is added for the proposed divisional councils it will average

between 52 and 57 per cent of agricultural incomes. It must be remembered that this is a tax on both land and agricultural capital, since it is impossible to separate the land from permanent improvements. In cities, on the other hand, even if we suppose the income tax to fall partly on the rents of lands and buildings, taking its maximum rate of one anna or $6\frac{1}{4}$ per cent, and if we suppose the house tax to be levied at the maximum rate of 12 per cent, adding the two we have only a tax of $18\frac{1}{4}$ per cent on non-agricultural land including buildings. We cannot include the super-tax as it does not bear on the marginal landlord at all, and is only taken from large surplus incomes. We should not include the whole water rate, as it is in the nature of a price paid for a direct service. If the rich are made to pay for the water of the poor, a portion of the water rate may be included, but as the maximum water rate is only 12 per cent, we cannot add more than 6 per cent on this score. Thus we find at its maximum non-agricultural land and its improvements will not be taxed at more than half the rates applied to agricultural land and buildings. In practice it is usually far less than half. In Allahabad the house tax is Rs. 4-1-0 per cent the water tax Rs. 6-12-0 per cent. An increase of 50 per cent in the latter has been applied for. If we take half the water tax at the enhanced rate and the whole income tax rate of $6\frac{1}{4}$ per cent we get only $15\frac{1}{2}$ per cent as the combined burden on land and buildings. In many municipalities the house tax is even lower.

Besides this great inequality there are numerous other defects in the present system. There is no tax at all on the idle unproductive land, which condition stimulates speculation and the thriftless use

of big empty compounds. There is probably no country in the world with so much absolutely useless land in its big cities. If the land be used for a guava orchard, and have a single hut which may be called a house on it, it may be taxed both for agricultural land revenue and municipal house tax, a form of double taxation which may usually be avoided by building the house on a separate piece of land. No matter how the value of agricultural land in the heart of a city may have doubled or quadrupled, while the land revenue settlement remains the same it cannot be touched by the municipal tax, but may be held indefinitely for speculation. Houses which are without tenants for 90 days or more pay no house tax for that period, which stimulates speculation by permitting the landlord to hold out for a high rent. The rental value of Government land is reckoned at only 5 per cent of the capital cost of land and buildings, but is probably far above that figure. Municipal lands are leased for from 20 to 30 years, and at the expiration of the lease the rent can only be raised 100 per cent, no matter how high values may have risen. Recently in Allahabad these rents were raised 50 per cent uniformly, though there must have been great variations in the actual renting possibilities of different properties. If any property remained unrented at the new rate it was leased by auction. These last are minor points.

Turning to the other taxes we find that the octroi is the most important by far in the majority of the provinces. But in my opinion it cannot be condemned too strongly. All taxes which check the growth of transportation cut the thread of economic progress at its very beginning. Cheap transportation makes possible wider markets. Wide markets make possible large scale production. Large scale production makes poss-

ible division of labor both in industries and between districts, especially between city and country. The effects of doing away with these taxes may not be immediate, but they are sure. The result is the growth of population. The value of land will probably increase more rapidly than other values, because of the great advantages of the concentrated industry. If a tax on land values were substituted for the octrois, I do not believe that there would be more than a temporary fall in land values. But in the end they would increase in spite of the tax. Bengal, Madras, Burma, and Assam have no municipal octrois. Their evil has been recognised in the United Provinces, where the terminal tax, or the the tax on professions, is being substituted. The terminal tax has advantages over the old octroi system in the cost of collection and in administration, but it is still a tax on transportation and on economic development. Taxes on income and personal property are not suited for small local Governments and are sure to lead to evasion or oppression. The water, light, and conservancy rates should be maintained. Taxes on animals are needed for sanitary reasons. Taxes on industries and professions are required for purposes of regulation. Taxes on vehicles are more reasonable than ever now that high speed motor vehicles tear up our roads at a rate that increases as the sixth power of the speed. The tax might increase at a similar rate. The other local taxes should be relegated to the junk-heap, especially those which check the development of trade. In their place there should be a further development of taxes on land, which, as shown above, is the best source of local taxation.

Sooner or later, as the electorate becomes larger and gains experience, further devolution of fiscal powers to the smaller local governments will become

desirable. It has been suggested that one-third of the land revenue could be assigned to them immediately. Is this possible? One-third of the land revenue (less one-third of this cost of collection) would be more than 9 crores. Of this it is probable that less than one crore comes from within municipal limits. Therefore at least 8 crores would go to the District Boards. They now receive two crores in grants which would presumably cease. Thus they would have a balance of about 6 crores. With this it ought to be possible to introduce free primary education and other improvements and still reduce the local cess on land considerably. The arrangement should be, supposing 51 per cent of the rental value is now taken, that the Provincial Government could take up to 34 per cent, and the District Boards up to 17 per cent. Then the District Board itself can fix the rate. It may prefer to reduce taxation rather than to increase expenditure. At any rate the increased local cess now proposed in the United Provinces could be avoided.

The Municipalities would not benefit by this assignment of land revenue to the district where it was collected. Municipalities now receive grants and advances of about 3 crores from Provincial Governments. I have not been able to obtain any exact figures for the amount of land revenue collected within municipal areas, but it probably is not far from 3 crores also. I believe that the collection of Land Revenue within municipal boundaries should altogether cease. This would prevent a very unjust form of double taxation, and at the same time clear the ground for the proper taxation of land by the municipalities. If the Provinces gave up this 3 crores of Land Revenue the cities should give up their 3 crores of grants. The octrois and other undesirable taxes of all the municipalities of India amount to about 2 crores. If

these are also abolished the cities will lose some 5 crores of revenue. But their burden will have been lightened by the amount of the land revenue reduction. Certainly they could obtain several times what they would lose by the taxation of land values. If only rentals are taxed this must be supplemented by taxes on unbuilt land and on the unearned increment of land values. All land should be taxed whether used or vacant, and all houses whether rented or empty. The valuation of city land should be carried out more frequently, because its value increases so rapidly. It is already done every five years in some Indian cities, and in some Western cities the land is valued every year. This taxation would come from a source almost untouched in India. Moreover, further increases in all revenues would soon result from the economic progress due to better taxation. The tax on land values in New York City alone is greater than the whole Land Revenue of all India. This is not an isolated case. There is hardly a city of the West whose land is not worth more than all the agricultural land of the surrounding province. The taxes of all sorts paid by Paris average one-fourth of the taxes paid by all France. The rents of Bombay, Karachi, Calcutta, and other Indian cities are increasing by leaps and bounds. The idle land and idle buildings should be taxed into use. The cities of India pay a miserably small part of her revenues.

By the plans suggested above the provinces will lose 11 crores of revenue, but they will also save 5 crores of grants, contributions and advances. Thus only 6 crores would remain to be realized by an inheritance tax. It appears to me that the municipalities should also contribute something to the Provincial revenues. The general rate of land revenue could also be reduced by making the rate progressive.

If for the sake of symmetry the central government were to tax agricultural incomes as part of the general income tax, the provincial contributions could be abolished. Only by this plan would the high incomes of those who are both landlords and capitalists be reached.

In conclusion, the following is a summary of the changes suggested:—

1. The provincial contributions should be abolished, preferably by including agricultural incomes in the general income tax.

2. The land revenue should gradually be turned over to the District Boards, as they take over the control of local education, police, sanitation, and agriculture.

3. One-third of the land revenue could be assigned at once if the provinces levied inheritance taxes. These should be levied in any case to provide for compulsory education and other pressing needs, and should progress in two ways as described above.

4. The municipalities should depend almost entirely upon improved taxation of land, either (a) by the present taxes on rentals plus taxes on improved land and unearned increments, or, preferably, (b) a general tax on the capital value of city lands, frequently re-valued.

INDIAN FINANCE AND THE REFORM SCHEME¹

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After opening with a brief historical introduction, Professor Shahani proceeded:—

A permanent arrangement of “divided heads” was then established which the Reform Scheme is now displacing in favor of a system of separate heads, the Imperial deficit being guaranteed by provincial contributions. All realizations from general stamps and income-tax are to be added to the present Imperial sources of revenue, *viz.*, customs, opium, salt, railways, tributes, interest, etc., while the provinces are to retain wholly land revenue, excise and judicial stamp duties and profits from irrigation, with corresponding charges, including Famine Relief Fund. Provincial contributions for making up the Imperial deficit are to be the first charge on the provincial exchequer. These proposals were received with approbation both by the Functions Committee and the Parliamentary Joint Committee, but were opposed by some provincial Governments, as well as by a substantial portion of the general public. A Finance Relations Committee was subsequently appointed to report on the details of the provincial contribution system and on the reasonableness or otherwise of provincial dissatisfaction. A few alterations

¹ Portions at the beginning and end of this paper and at one place in the middle are omitted. Professor Shahani's paper was printed in full in the *Indian Review* for January, 1921, page 21 [Ed.]

which they recommended did not go very far to appease the provincial cry. Stamp duties, general as well as judicial are, by them, wholly to be allotted to the provinces, income-tax being confirmed as an Imperial asset. To determine the ratio of the provincial contribution they gave up the basis of realized surpluses adopted by the Reform scheme and worked out the proportion of provincial increased income relinquished by the Imperial Government. The provinces are by this arrangement unblushingly told that by some generous indulgence on the part of the Imperial Government, they are allowed to come into possession of vast riches—"windfalls" they call them; therefore, these contributions are neither a provincial favor nor Imperial tyranny. For the year 1921-22 the Meston Committee recommended figures somewhat different from those put forth by the framers of the original report and also planned out a scheme of standard ratio to be arrived at in the course of seven years. In short the system which is intended to be worked out in the near future is not different from the one recommended by the four members of Lord Dufferin's Finance Committee—Sir Charles Elliot, Sir William Hunter, Mr. Justice Cunningham, and Mr. Justice Ranade, all of whom had, however, included the assessed taxes (income and professional taxes) among provincial assets.

As stated above the peculiar nature of the Indian Government has necessarily affected the character of our public finance. No civilized country of the West can be much of a guide to us. Both the United States of America and Germany—two most outstanding instances of federal governments or federations—have been formed on the principle of the constituent parts having sought a union by surrendering a portion of their independence as states into the

hands of the Central Government which it was intended by them to bring into being. Modern India, on the other hand, was always understood to be one single state, and the different provinces were only administrative parts of that single whole. Measures in the direction of decentralization were merely attempts at administrative devolution—a sort of relief sought for and obtained by the Supreme Government in a considerable part of the work which could not be executed well from the centre; but the idea of unitary Government was never abandoned. It is only the Government of India Act of 1919 that ushers in a distinctly new principle, though to all appearances the intended measures are a further extension in the direction of devolution. In that part of the provincial Government which is to be entrusted to the Governor and Ministers, the responsibility of Government is shifted from the Imperial Government to the people's representatives in the Legislative Council. In that portion of the provincial Government the principle of autonomy is distinctly introduced. It is true that it is still the Central Government divesting itself of a certain portion of authority and interference; but this surrender of powers and responsibility into the hands of the people gives the matter a very different turn. And presumably it is a step in the direction of more complete autonomy, the realization of which is only a question of time. Therefore, what we have in our midst is a Central Government, ridding itself of responsibility for provincial governments and confining its sphere of action only to all-India affairs.

Now finance is the vehicle of Government. Before any attempt is made to comment on the financial arrangements at present contemplated, one point must be made very clear. As Governmental functions are

divided everywhere, between the central and local bodies, or the central, provincial and local, the respective financial resources and charges of these bodies are an index to their relative importance in the national organization.

In America the heaviest figures are those pertaining to local finance while the federal comes next and the state or commonwealth finance stands last. This clearly reveals the important fact that the functions performed both by the local bodies and the federal Government make a heavier call on the taxable material prevalent in the country. This division of functions is always influenced by the principle of utility. Are certain wants of the community likely to be served best by the local agency or provincial government agency or the central government agency? Matters which demand uniformity and co-ordination, or relate to the safety, integrity and dignity of the whole state, will have imperatively to be worked from the centre. To distinguish such from the rest is not difficult. The line of demarcation between the provincial and municipal is, however, not very distinct; and except in a few requirements like university education, appellate courts of justice, and major irrigation works, perhaps the function of the provincial governments may come to be reduced to considerable insignificance. The conditions and circumstances of every country will determine this point best. Where the local spirit runs high and public spiritedness is of a lofty standard, a desire to manage their own affairs to the very maximum will be soon brought into play by the citizen body. In India, there is an additional difficulty in the way of maintaining the provincial governments, on the arrangement now upheld. The linguistic basis has already many advocates; and if the masses are really to feel a living interest in the Government of the day,

the holding of the deliberations of their Government in their own language is the very least that should be allowed them. It is possible then that the present provincial arrangement may soon be recast; and it is also not unreasonable to look forward to that growth of municipal and other local bodies which necessitates their appropriation of a number of functions now intended mainly for the provincial Governments. Statesmanship of that day may, however, be expected to readjust the financial relations in the light of the altered administrative importance of the constituent parts of the national Government.

Granting, however, that the arrangement of administrative divisions now devised prevails for a long time to come, we might next examine a few principles of the science of finance and Government likely to make themselves felt the most under the Reform Scheme. Naturally, the question of provincial contributions first comes in for a careful analysis and some share of speculation. It is quite arguable that the needs of the parent state may well be met out of the funds allotted to offsprings; but filial ingratitude was not reserved for Lear's daughters alone. Does the Government of India expect that when provincial money bills come up before the provincial legislatures, the executive will always find itself so strongly entrenched as to defy all sorts of ingenious attacks against the Government of India expenditure which is not without notoriety for extravagance? The provincial taxpayer will have a right, through his representative, to make a searching enquiry into how his money is spent; and it will never do if attempts are made to silence him with quoting chapter and verse of the law that gives away so much of his pecuniary sacrifice to a Government over which, in that particular direction, he has no control. We are teaching the

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people to use their powers of granting supplies as the best guarantee against administrative evils or against violation of their constitutional rights. To tell them that they have got this power, and almost in the same breath to make it nugatory in a substantial part is, to say the least, making the provinces suspicious of the good intentions that undoubtedly are behind the Reform Scheme. We are admittedly moving in the direction of responsible government. The essence of this responsibility to the governed lies in the fact of the executive having to carry the legislature with itself in the matter of supplies required for the needs of the Government. If a substantial portion of the provincial revenue is given away to another executive body which is far above the situation of having to explain to the provincial legislature as to how these contributions were disposed of, the provincial executive could not satisfactorily discharge the duty of a fit custodian of provincial funds. On the other hand, if the Imperial executive is at any time hereafter to be made responsible to Imperial legislature in the matter of supplies and funds entrusted to it, an attitude of breezy indifference to its own legislature as regards a good part of its revenue is not very conducive to healthy constitutional growth; for if nearly one-fourth of its revenues are secured by an act guaranteeing it these provincial contributions, it is only for the other three-fourths of its supplies that it seeks a vote of the Imperial legislature; and *a fortiori* the supplies not granted by the house cannot be a legitimate theme for scrutiny when expenditure pertaining thereto is under review. To give the British Parliament a living interest in the Indian Budget, a portion of the home charges is now thrown on the British Exchequer, the underlying constitutional principle being that the House cannot legitimately move a vote

on the supplies never granted by it. Therefore, to respect the fundamental principles of constitutional government, it is incumbent upon the framers of any subsequent measure of reform in Indian Government to put an end to this system of provincial contributions, whether they smack of spoliation when worked on the basis of realised surpluses as the Montagu-Chelmsford Report recommended or are placarded with the Christian motto "Do not covet thy neighbor's (in this case parent's) property" as the Meston Report would have this business look. A provision of absolutely segregated sources of revenue for these two portions of Government, without either eleemosynary or "Stand and deliver" relationship, will be the only line on which the Indian public finance can work without friction or irritation anywhere.

The Meston Committee have dwelt at sufficient length on the principle of equity in the distribution of these provincial contributions, and they have frankly confessed that any scheme devised for the purpose is not likely to please all. Long before the popular representation had come into the Legislative Councils, these bodies, the outside public and some of the provincial Governments had placed their strong protest against the award of the Finance Relations Committee. These mutterings are likely to grow with the growth of time, and it is greatly to be feared that there will be no love lost between the future Imperial and provincial Governments.

* * * * *

If this policy of exacting 'contributions' from the provinces is to be abandoned, as dangerous to the growth of responsible government, liable to cause irritation, nay, heart-burning, in the provinces, as baffling equitable distributions and therefore difficult

to practise, statesmanship demands an early relinquishment of it, and the substitution of a workable scheme of absolutely separate heads of revenue. Elasticity and a reasonable amount of certainty are essential to any scheme of taxation, whether provincial or Imperial. The latter is likely to be subject to sudden unforeseen and peremptory calls on its purse by the advent of a big war; therefore it is incumbent to provide it with heads of revenue capable of yielding increased return at a pinch. It is also necessary to bear in mind the importance of a familiar maxim of finance, 'An old tax is no tax.' People will more willingly bear a little increased burden in the impost to which they are used than submit to something with which they are not familiar. It is devoutly to be wished that wars ceased and military burdens were reduced to the minimum possible. But taking the world conditions as they are, and with neighbors of whose pacific intentions one is not quite sure, the Imperial Government must make a substantial call on the resources of the country for the regular upkeep of the army, and have in reserve certain resources for emergency financiering. Elasticity as well as certainty in the Imperial finance is on this account of far more importance than in the provincial finance. When wars become a wholly antiquated phenomenon and a sort of United States of the World permits a free and peaceful internal development of the different units constituting that world federation, the financier of that blessed day will certainly recast the whole situation and allow for the utmost elasticity of revenue in the lines of education, sanitation, industrial growth and happiest homes for every member of the community. Facing the stern reality of facts and postulating the importance of the automatic increase of revenue in all parts of Govern-

ment machinery, with certain reserved forces at the disposal of the Imperial branch, an attempt may now be made to see how an adequate supply may be found first for Imperial expenditure, and next for the provincial. In making the provision for the Imperial expenditure two financial principles ought, as far as possible, to be rigidly adhered to: (1) that current income must accrue from current industry; (2) other things being equal, a Government should select for the purpose of taxation those industries with which it holds some fundamental relation. With the development in the provincial autonomy, it is all the more imperative to preserve the unity of the country by making the Imperial Government directly interested both in the uniform regulation of trade, foreign and interprovincial, and the establishment of an efficient industry. The exclusive right of the Imperial Government to levy import and export duties has been an undisputed fact ever since the customs were inaugurated in India. The railway monopoly further enables the Government to maintain co-ordination and uniformity in the matter of commerce. Without commercial unity the spirit of solidarity, so essential for the existence of India as a nation, would be impossible of realization. "The logic of the situation reserves the control and taxation of commerce to the Government which represents the sovereignty and unity of the people" (Adam's *Finance*, page 496). - This part of the Imperial system of taxation has the further merit of elasticity, since the revenue here can, under normal conditions of trade, be increased by a little higher taxation. But a system that rests largely on foreign commerce has an element of uncertainty in it. A great exigency like the advent of a war may embarrass commerce, curtail income and even baffle the financier's attempts to raise the rates by giving

him decreased returns. To establish an elastic or responsive revenue for the federal Government, not altogether dependent on the exigencies of foreign commerce, a productive internal revenue must be made available for the Imperial exchequer. The machinery of the system of excise duties hitherto maintained and kept in operation by the provincial Government should be transferred to the Imperial Government. A sure provision of ten millions sterling capable of increase with the improvement of administrative machinery, the inclusion of tea and tobacco under it, and admitting of elasticity under "exigency financiering" ought to cut the Gordian knot of Imperial deficits. This is further supported by the consideration that a uniformity of excise laws is essential. To preserve a healthful and equitably distributed industry the conditions of manufacture should be, so far as possible, the same in all parts of the country; and the only means of attaining this uniformity is for the Imperial Government to assume exclusive control over their administration. The argument that excise has been so long a provincial head ought not to be very much in the way of this proposed transference, since "in its essence and main features the excise administration in most provinces of British India has progressed on uniform lines". (*The Times of India Year Book*, 1919, page 186). An Imperial excise system, which had within its purview taxes on alcoholic drinks, including malt breweries and distilleries, opium and other narcotic drugs, tobacco, tea, salt, and possibly country-made cottons, should make the exchequer independent of the arbitrary, vexatious and whimsical system of provincial contributions and admittedly serve the purpose of maintaining the industrial unity of the country. It would further enable the Imperial financier to hand the income-tax back again to the provinces, and thus remove the

sore point between it and the two commercial provinces of Bombay and Bengal. A further provision of 3 to 4 millions sterling will complete the tale of Imperial requirements. This may be obtained by reserving general stamps to it, consistent with the view maintained in this paper that instruments of commerce and industry should, as far as possible, be maintained on the basis of uniformity. If any administrative objections of a convincing character be urged against this separation of general from judicial stamps, the deficit may be easily made up by the introduction of succession or inheritance duties on big fortunes, the levy of which may reasonably be claimed by the national Government which stands for the sum-total of the citizens whose business activity rendered the accumulation of property possible. The cosmopolitan character of most of these fortunes makes the State a fit participator in the succession or inheritance left behind.

If the arrangement proposed above be accepted, the provincial exchequer will be found in a commodious position with land revenue of a fairly fixed character as its back-bone and one substantial source of revenue in the shape of a comprehensive income-tax, both certain and elastic in its character. These two, supplemented by revenues from stamps, forests, and profits from irrigation, will ordinarily suffice for its needs. With the growth of municipal and other local bodies, a considerable readjustment of functions will be inevitable. Consequently the local bodies will imperatively demand freedom of space and breathing; and much shifting of the present methods of raising revenues will be unavoidable. For the present, the provincial financier will have steadily to bear in mind the fundamental maxim that in a poor province the question of fiscal reform is primarily one of expenditure. Pro-

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vincial civil departments, particularly in Bombay, are notoriously top-heavy; while the rank and file, the "proletariat" of service are in their standard of life not very much above the "sansculottes" of the French Revolution period. It is distressing to see this non-chalance at head-quarters in saddling the public funds with extravagance for which no satisfactory explanation has been given anywhere. That "economy in expenditure is no threadbare motto" is yet to be illustrated in the conduct of the coming reformed councils who will, it is hoped, watch public funds with the vigilance and jealousy of the dragons of fairy tales.

THE INDIAN STATES AND THE INDIAN SEA CUSTOMS

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Not the least important aspect of the constitutional changes which are now taking place in India is the alteration of the financial relations between the Provinces and the Central Government. Broad questions of public finance have been raised in the attempt to give the Provinces financial autonomy; and the settlement arrived at is in its details a compromise, although in its main features it is soundly based upon well-recognized principles of finance. The two great sources of revenue for the Central Government will be the customs and the income-tax, which are both likely to expand as a natural result of the economic development of the country. Both have also considerable elasticity, so that additional revenues can be raised in any time of emergency by a simple increase of the rates at which the taxes are levied.

The extraordinary elasticity of the customs revenue, and the temptation which is sure to arise to increase the rates of duties either in the general tariff or on selected articles is causing a good deal of concern to the Durbars of some of the Indian States. It is obvious that, when the Central Government is in dire need of further revenue, it is likely to seek relief

by the increase of indirect rather than direct taxation; and with the growing independence of the Indian Government from British control the great force which tends to keep customs duties low will be weakened. Coinciding with the need of further indirect taxation there is likely to grow up a demand for the protection of Indian industries. It is not unreasonable to anticipate therefore that we shall find very important changes taking place in the customs revenues of India.¹

These considerations raise a constitutional issue of the highest importance to the majority of the Indian States; because, as is well-known, they have no part or share in the customs revenue collected by the Government of India. So long as the general tariff was low, this was not a question of any practical importance. The incidence of some of the customs revenues collected by the British Government in India fell upon the consumers in the Native States; but this might be regarded as no more than a fair charge upon them for the security afforded by the *Pax Britannica*. The increase of the general tariff to 7½ per cent with special duties, such as 10 per cent on sugar and 15 per cent on tobacco, has begun already to give this question a different aspect.

These increases of duties, together with the great expansion of the import trade which has taken place since the termination of the war, have already led to a remarkable growth of the customs revenue in recent years, as is shown by the following figures of import

¹ The anticipations of this paragraph, written early in December, 1920, were partially fulfilled on the 1st March following, when the Finance Member announced the increase of the general import tariff from 7½ to 11 per cent, the duty on sugar to 15 per cent, on motor cars and other luxuries to 20 per cent, and on cigars and cigarettes to 75 per cent. At the time of sending this to the press there comes the announcement that the Government proposes to appoint a Commission to examine the whole question of Indian Tariff policy. It seems almost inevitable that the growing national sentiment will demand the protection of home industries, as every growing nation has done including the British self-governing Dominions.

and export duties collected at British Indian ports¹:—

YEAR	LAKHS OF RS.
1908-09	6,89
1909-10	7,04
1910-11	9,50
1911-12	9,21
1912-13	10,23
1913-14	10,79
1914-15	9,02
1915-16	8,32
1916-17	12,51
1917-18	15,50
1918-19	16,40
1919-20	20,42
1920-21	28,26

Political Status of Indian States

In proceeding with the discussion of the question here raised it is impossible to avoid reference to the political status of the Indian States. This is a very complicated subject, for the relation of every State with the British Government is regulated by a series of treaties made at different times under various circumstances. To gain an intimate knowledge of the political status of all the States is a life study. Moreover, considerable changes are being made in connection with the present constitutional reforms which are not yet fully announced. The States are ranged in several classes according to the degrees of independence which they enjoy. They range from large States like Hyderabad, Mysore and Gwalior, which are in direct communication with the Government of India to the petty States whose chiefs enjoy a limited sovereignty under the tutelage of Provincial Governments. The former are in all essential respects inde-

¹ Excluding the excise duties on cotton manufactures and on motor spirit.

pendent Governments, excepting that all foreign relations must be conducted through the British Government, and that the protection of British Law is afforded to British subjects in State territory. On the other hand the chiefs of petty States are but little removed from the status of big landlords with magisterial powers. There is, however, one feature which is common to all the States, except some of those in charge of provincial governments, namely, that they have complete financial autonomy, which extends to the right of levying customs duties on goods crossing their frontiers into or out of their States. The State Government have their own customs officers who collect whatever duties their Ruler may choose to levy. The only right which most of the States have abandoned by treaty is that of levying transit duties on goods passing through to destinations beyond the State.

The abolition of the transit duties, which took place in most cases prior to 1890 brought the commercial relations of the Indian States with British India and with one another into harmony with the principles well-recognized throughout the civilized world. The damage which one country can inflict upon another by taxing goods in transit to it has long been recognized in Europe and elsewhere; and during the nineteenth century the levying of customs duties on goods consigned through to other countries has been almost universally abolished by a very large number of commercial treaties and understandings arrived at between the countries concerned.

Practice in Foreign Countries

There is still observable in Europe, however, a disposition to avoid reliance upon such commercial agreements. Every country seeks to have a portion of sea coast containing a good harbor within its

territory. The struggle between the Balkan States some eight years ago was largely concerned with this; and we notice the importance attached in the Treaty of Versailles and the subsequent settlements to providing newly created States with an outlet to the sea in neutral, if not in national, territory. Poland, for example, has been granted the "Danzig corridor", and the struggle over Fiume was about its allotment to Jugo Slavia as its port. Every country which is surrounded on all sides by land belonging to other countries, or is "land-locked", to use a convenient term, has this problem to face: either it must obtain access to the sea over some route by which its goods may travel free of customs levies and other interference, or it must enter into commercial agreements with surrounding governments providing either for goods to be consigned through to it in bond in sealed wagons, or for the neighboring countries to collect the customs duties on its behalf.

It will be interesting to study a few cases of land-locked countries by way of illustration of these principles which seem to have been universally recognized. I shall take some cases of foreign countries first, and afterwards a number of cases relating to the British Empire.

In 1893 Serbia had obtained the privilege by negotiation with the Turkish Government of despatching goods through the port of Salonika free of the Turkish customs duties. Early in 1914, after the close of the Turko-Balkan war, a treaty was concluded between Serbia and Greece which reserved the former a free zone at the port of Salonika and the right of erecting warehouses therein for the storage of goods in transit. The Convention provides that goods passing through Salonika shall be exempt from transit or port dues, and that there shall be special railway freight-

rates on Serbian goods intended for export. In the case of Switzerland goods landed at the ports of France, Italy or Germany for through consignment are put under seal of the customs authorities at the port of landing, and the obligation is laid on the railway administrations of seeing that the wagons are delivered with seals unbroken beyond the frontier. Bolivia is another land-locked country, and its Government has made agreements with Chile and Peru which recognize in favor of Bolivia in perpetuity "the fullest and most unrestricted right of commercial transit" through their territories and ports. Wagons in good repair only are to be used, and are to be forwarded under seal of the customs authorities; and at the inland frontier stations the customs authorities "will verify the condition of the seals". Bolivia is permitted to have its own customs officers stationed at the ports, presumably to watch the interests of the owners of goods consigned to or from Bolivia.

The case of Luxemburg is different, for this country solved its customs problem by entering into the German Customs Union. By this arrangement it received a share of the total customs revenue of the German Empire and territories within the German Customs Union, calculated on the population basis.

British Empire

There are numerous examples connected with the British Empire; but the most interesting and important as supplying analogies with the cases of the Indian States are those affecting the British Colonies and Protectorates. In South Africa, soon after the conclusion of the Boer war, the various colonies entered into a Customs Convention which provided for a uniform customs tariff at all ports, and for the collection of duties at the ports on goods consigned

to the inland colonies. These latter to be credited with the whole of such customs duties collected on goods consigned through to them, save only for a reduction of 5 per cent at the port of entry by way of allowance for the cost of collection. These arrangements applied also to the various British Protectorates in South Africa. The importer had the option of clearing his goods either at the port or at some inland Customs House. There was an office at Cape Town whose principal function was to trace the movements of goods from Colony to Colony by means of the returns supplied, so as to credit the revenue yielded by each consignment to the Government within whose territory the goods were finally consumed. This arrangement applied also to the various British Protectorates in South Africa. In 1910 the various Colonies were united in the Commonwealth of South Africa; and the Act of Union provided that henceforth the total customs and other revenues of the Central Government should be divided amongst the several States of the Union in accordance with their average expenditure.

With the four principal colonies united to form a union, the various territories and protectorates which had hitherto been included in the customs union remained outside. Several customs agreements were thereupon made to safeguard their interests. In the case of the Bechuanaland Protectorate an agreement was entered into with the Union Government in 1910, and it was agreed that out of the Treasury of the Union should be paid annually a sum bearing to the total customs revenue of the Union in respect of each financial year the same proportion as the average amount of the customs revenue of the Protectorate for three completed financial years prior to the 1st May, 1910, bore to the average amount of the whole cus-

toms revenue of all the Colonies and Territories comprising the Customs Union of South Africa during the same period. The proportion thus defined was subsequently ascertained to amount to 0.27622 per cent.

Precisely similar agreements were made on behalf of the territories of Basutoland and Swaziland providing for collection by the South African Union of Customs duties on goods consigned to their territories and the payment to them of a share of the total customs revenue of the Union and of all the territories and Protectorates similarly calculated.

In the case of the Nyassaland Protectorate there is an ordinance (No. 8 of 1906) which provides that all goods in transit shall be free of import and export duties, but that certain wharfage and road dues may be levied on imported goods reaching Nyassaland by river or road and destined to places beyond the Protectorate. A registration fee of 6*d.* per package has to be paid on all goods in transit.

Certain of the British Colonies in Africa are separated from the only available sea-port by foreign territory. In the case of Nyassaland communication with the coast is by steamers on the only navigable river, the Zambesi, at the mouth of which is Chinde, situated in Portuguese territory. Here the Portuguese Government has granted a small piece of land called the "British Concession" where goods in transit for Nyassaland and other parts of British Central Africa are landed free of Portuguese customs. The Transvaal is separated from the eastern coast by the Portuguese Province of Mozambique. A Convention made in 1809 provides that "merchandise of any origin or nationality imported through Lorenzo Marquez and bound for the Transvaal shall be entirely exempt from any charges whatsoever, excepting port and warehousing charges, and the charges now known as "Indus-

trial Contribution." Another provision of this Convention allows for the payment of Transvaal customs duties in Lorenzo Marquez and for their refund if the goods are not ultimately forwarded to the Transvaal.

The Uganda Protectorate is another land-locked area on the east of Africa. The countries bordering it are: on the west the Belgian Congo; on the south the territory that was German East Africa; on the east British East Africa; on the north the British Sudan; and at the north-east corner, across lake Rudolf, Abyssinia. An ordinance of 1902 provides that goods in transit will pay duty on entry into Uganda and a refund will be granted on leaving the Protectorate. When goods which were not declared for transit are exported, three-fourths of the duty paid will be refunded. Again, a free transit agreement was made between the United Kingdom and France with respect to the trade between Morocco and Egypt, passing through British and French territories in Africa. This provides for transit bonds being issued at certain customs stations.

These examples will be sufficient to show that, as regards Africa, the principle has been almost universally adopted that each State has the right to the whole of the customs revenue, wheresoever collected, upon goods consumed within its territory, within allowance only for the cost of collection. In the case of territories bordering on the South African Union a defined share of the general customs revenue has been granted in lieu of a separate collection of duties on goods consigned to the territory.

Special Arrangements for Indian States

It will now be appropriate to refer to the cases of Indian States in which special arrangements have been made for the assignment to them of the whole

or a share of the customs duties collected on goods entering their territories for consumption therein, or for the consignment of goods through in bond. As might be anticipated it is only those States which lie on the sea-board, like Baroda and Porbandar in Kathiawar and Travancore and Cochin in South India which have special customs arrangements; and States beyond British India, like Kashmir, to which goods are consigned in bond.

The ports situated in the Baroda State belong to two classes: (1) Kathiawar ports, (2) ports on the Gujarat Coast; and the rights of the State are different for these two classes. At the Kathiawar ports sea customs are levied by the Government of His Highness the Maharaja Gaekwar, and the revenue realised goes wholly to them. The State is, however, under an agreement with the British Government that it shall not levy at the above ports duties lower than those prescribed by the British Indian Tariff so as to divert the foreign trade from British ports to the said ports in the Baroda State. In return, the Baroda ports have been accorded the privileges of "British Indian ports", *i.e.*, goods exported from them to ports in British India are exempted from payment of any import duty on arrival at the latter. The State is, however, not under an obligation to forego its own import duties on goods arriving at its ports from British Indian ports.

The Baroda State has two ports on the Gujarat Sea-board, namely, Navsari and Billimora. The sea customs at both of these ports are levied and appropriated by the British Government. For this there is an historical reason, arising from the cession in A.D. 1752 by the then Gaikwar of half his conquests in Gujarat to the Peishwa. It happened that the customs revenues in the districts south of the river Tapti were included in the share of the Peishwa,

and later the Peishwa ceded his custom revenues in these districts to the British Government.¹

Porbandar, which is one of the first class States of Kathiawar, has full control of its own ports and levies its sea customs collected by a staff maintained and controlled by the State, However, in the year 1809 Porbandar ceded half of its port revenues in consideration of some obligation which the State owed to the British Government; and this was commuted in 1853 to a lump sum payment to the British Government of Rs. 15,000 per annum. Goods imported from foreign countries other than British India are assessed with the sea customs duty in accordance with the British Indian tariff, whether they be consigned to Porbandar territory or are passing through to other States or to British India. In the case of goods arriving by sea from British India, State customs duties are levied; but in order to avoid placing too heavy a burden on trade, and the consequent diversion of traffic from the sea route to the land route, a graduated scale of customs duties is levied upon goods imported by sea to Porbandar from Bombay, the duty on each article being reduced according to the distance of the destination inland from the port, until the duty disappears for points at and beyond what has been decided on as "the limit of the port's sphere of influence."² The duties on most of the goods shipped coastwise from Bombay are collected by the British India Steam Navigation Company, whose steamers call at the principle Kathiawar ports, according to a through booking agreement between the States and that Company and the Railways serving the ports.

Turning now the South India we find that the

¹ For this information regarding Baroda Customs duties I am indebted to Mr. V. N. Metha, Diwan of Baroda State.

² This information has been kindly supplied by the Diwan of Porbandar State and the Chief Customs Officer of the State.

State of Travancore which has a long seaboard on the Indian Ocean, and the neighboring State of Cochin, formerly both had rights of levying such sea customs duties as they might please; but by various arrangements with the British Government measures were taken to remove unnecessary restrictions upon trade. A triple agreement, known as the interportal Trade Convention, which is still in force, was entered into in 1865 between the British Government of India and those two States, the principle provisions of which as regards imports are the following:—

(1) Goods produced or manufactured in the territory of any one of the three parties to the Convention pass free of duty into the territory of the other parties.

(2) Goods of foreign origin which have been imported into and paid duty to one of the parties to the Convention pass free of further duty into the territory of the other parties.

(3) Both of the States agree to adopt the British Indian tariff of import duties on goods of foreign origin imported direct.

The Convention applies to import duties on all commodities except tobacco, salt, opium and spirits, on which the States may, and do, levy their own duties. In view of the loss to which the States were subjected in giving up their right of levying import duties on goods taxed by or originating in the territory of British India or the other State, the Government of India pays compensation of Rs. 40,714 per annum to Travancore¹ and Rs. 1,00,000 to Cochin State.²

¹ The average amount of customs collected at the time of the Interportal Convention was Bh. Rs. 53,218 and the British Government has guaranteed this amount up to Bh. Rs. 40,000; that is to say, when the Travancore sea customs collections (on the imports from foreign countries excluding goods imported by sea for the Darbar's own use) are less than Bh. Rs. 13,218, the British Government pays to Travancore Bh. Rs. 40,000; but if, in any year, the collections exceed Bh. Rs. 13,218, the British Government deducts the excess amount from the sum of Bh. Rs. 40,000 and pays the balance only to Travancore. *Administration Report of Travancore State, 1916-17, p. 26.*

² And a further Rs. 10,500 in consideration of the Darbar having also surrendered its right to levy an import duty on tobacco.

As regards exports from Travancore State, the duty that the Darbar can levy cannot exceed 5 per cent *ad valorem*, except in the case of timber on which the duty may go up to, but should not exceed, 10 per cent. The Darbar generally follows the British Indian tariff valuation, but it recognises no restriction, such as that the export duty can be levied only on the articles that are so dutiable in British India. In all, export duty is now levied on 16 articles, of which the most important are copra, coir, cocoanut oil, coconuts, tea, pepper, dry ginger, jaggery, salt-fish, areca nut and tamarind, the first four being the produce of the cocoanut tree.¹

The export duties of Cochin State are those of the British Indian tariff with addition of a few others; but they are less important than the export duties of Travancore. Cochin, in addition to the guarantee of Rs. 110,500 receives half of the import and export duties collected at the port of British Cochin—an important source of revenue.

The import trade of the ports of Travancore and Cochin direct from foreign countries is small, and the yield of the customs collected thereon at British rates is small—usually less than Rs. 20,000 in each case, though perhaps it has increased last year.

The customs revenue of Travancore is an economic curiosity, being collected almost entirely by export duties. The figures for 1915-16 and 1916-17 were:

¹ *Ibid.*, p.26.

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		Receipts from Customs Travancore State	
		1915-16	1916-17
		Rs.	Rs.
Export duty	12,33,107	13,97,150
Import duty collected at the customs houses	69,305	73,620
Amount received from the British Government under the Inter-portal Trade Convention	40,714	40,714
Receipts from miscellaneous items		7,509	7,188
TOTAL Rs. ...		13,50,635	15,19,322

This lopsidedness is the result of the Interportal Trade Convention which provided for a fixed income in place of what would have proved a growing source of revenue; but without doubt the State has benefited economically by the freedom of import trade.

In the case of territory lying beyond the land frontiers the practice is to consign goods of foreign origin through in bond free of duty from the port of entry (usually Calcutta or Bombay) to a point at some distance beyond the frontier. The procedure used is that of the drawbaĉk on re-export, and the goods in bond must reach certain defined stations in foreign territory, *e.g.*, Jammu, Srinagar, Muzaffarabad, or Alibeg. Goods for Leh in western Tibet also go free of duty through British India *via* Hoshiapur under Customs seal.¹ A new and important case in that of Mysore. I understand that the Government of India is considering a proposal of that State to open a port at Bhatkal on the Konkan coast and build a Railway there and that the State may be permitted to collect and appropriate customs duties at British Indian rates on goods consigned through to its territory from abroad.

¹ For particulars regarding Kashmir. and the Hoshiapur-Leh route see *Standing Orders of the Calcutta Customs House*, Vol. I.

Principles Involved

Our survey of the practices in foreign countries earlier in this paper led to the conclusion that it is the accepted principle throughout Europe and America, and the vast African territories governed by the European powers, that the incidence of customs duties should fall on the subjects of the Government which realises and benefits by those duties. Another way of stating the principle is that since the incidence of customs duties is, in the case of imports, mainly (when not wholly) shifted to the consumer, and in the case of exports falls largely or wholly on the producer, duties should be levied only in such manner that the taxes may be utilized for public expenditure in the territory where the incidence falls. This theory cannot be realised perfectly in practice; but it is very clear that all taxes in the nature of transit duties are a direct contravention of it.¹ The Government of India has joined in the universal condemnation of transit duties, and has wisely secured the abolition of all such duties which were formerly levied by Indian States on goods passing through their territories to other States of British India.

Yet the sea-customs levied by the Government of India at the ports on goods passing to inland States certainly are transit duties on such goods as arrive from abroad and are despatched to any inland state for consumption, when, as in the great majority of cases, the imported goods undergo no process of manufacture in their passage from the landing wharf to the State territory. They are transit duties because the duties collected are credited wholly to the Treasury of the Government which collects them—British India—and not at all to the country of origin outside India or the country of destination, namely

¹ As regards incidence of transit duties, see Bastable, *Public Finance*, Book. IV., Chap. vii, Section 7., 3rd ed., p. 571.

the Indian State. Thus the incidence of the British Indian customs falls upon the whole population of India—upon the peoples of the Indian States (with a few unimportant exceptions) as well as on the subjects of British India. Many of the States levy their own customs duties on goods passing their frontiers both inwards and outwards whether the surrounding territory be that of other States or of British India; and the people of such States having their own import and export tariffs have to bear the double burden of State duties and British Indian duties on all goods coming from abroad, and on such of their produce as the Government of India may choose to impose export duties, *e.g.*, hides.

The position is, therefore, that the principle universally recognized elsewhere, that the incidence and benefit of any particular customs tariff, should be confined to identical territory, is not acted upon in India. The populations of the States are taxed in aid of the revenues of British India; and any benefits which they may receive from the Suzerain Power which appropriates the sea customs are either a necessary consequence of the existence of that Power, or are an arbitrary gift of its free will, and not in any constitutional sense a *quid pro quo* for the burden thrust upon them. Those exceptional cases of the maritime and transfrontier States which are relieved of a part or the whole of the incidence of the British customs affect a population so small as to be almost negligible—less than two per cent of the whole population of India. Yet the very existence of these exceptions due to old treaties destroys the completeness and symmetry of the present system—its only possible merit—and is wholly repugnant to modern ideas of inter-state commercial relationships.

*Methods of Participation by States in British
-Indian Customs*

If the validity of the foregoing argument be admitted the question arises as to whether the States should be entirely excluded from the operation of the British Indian customs, or whether some arrangement should be made whereby each State would be entitled to some share of the revenue collected by the Indian customs administration. This subject was discussed by Rao Bahadur M. V. Kibe, Commerce Minister of Indore State, in a paper which he read before the last Conference of this Association at Madras.¹ He suggested five different methods whereby the States might receive justice as regards the incidence of the sea-customs; and these I may first recapitulate in a slightly different order, adding comments of my own. His first method was to allow goods coming from foreign countries by sea consigned through to a destination within one of the States to pass the British customs at the port of entry free of duty. The packages would be forwarded by rail in bond under seal of the British customs officers, the railway being under obligation to deliver with seals unbroken at the designated customs station in State territory, where the State would presumably levy its own duty. This follows the precedent of Switzerland, Bolivia, and many other countries. The difficulty is that the States would be bound to levy duties on foreign goods arriving in bond at the appointed stations at rates *not less than the British Indian customs tariff*; otherwise it would be necessary for the Government of India to establish a chain of customs Stations and guards completely encircling the State on its land frontier. The latter alternative would be so costly and harassing that it is unworthy of consideration.

¹ See *Proceedings of the Third Annual Conference of the Indian Economic Association, 1920, pp.187-8.*

Two other methods suggested by Mr. Kibe are in essence no more than variations in the procedure of the first. Instead of the British customs officials forwarding the goods under their seal, each State might be allowed to acquire a strip of land at the port on which to erect its own warehouse where goods would be taken into bond by customs officers of the State service and forwarded under their seal; or each State might simply rent a portion of an existing bonded warehouse for the purpose. The advantage of this is that it would allow the breaking of bulk and subdivision of consignments received from abroad by merchants of the port town. The State officials would collect at the port docks the State duties on the packages to be consigned under their seal to State territory, and British duty would be paid on the part of the consignment not entered into or retained in the State warehouse.

The other variant is to utilize the system of drawbacks already in use for re-exports and for the consignment of goods to Kashmir. The merchant having paid the British customs duty at the port of entry to the British customs officers would have it refunded on taking delivery of the goods at the appointed customs station within State territory. This method would involve unnecessary and troublesome transactions; because merchants having regained the British duty paid would have to pay the State duty, which could not be less than the British duty. Consequently the British Customs authorities might just as well hand over the duties collected direct to the State to which the goods were consigned. This is in fact one of Mr. Kibe's proposed methods. The procedure would be for the British Government to collect at British ports customs at British rates on all goods consigned direct from abroad to a place within the State, and

conversely an export duty on goods consigned from the State to any foreign country. The amount so collected would be paid to the State Government, after deduction of 5 per cent for cost of collection. This will be recognized as the method formerly in use in South Africa, which was discarded in favor of the South African Customs Union in which each State and Protectorate receives a fixed share of the total collections.

The method of the customs union is the fifth and last of the possible methods of meeting the situation in India. As Mr. Kibe puts it, the collection of customs would continue as now, but the British Government would pay over to each State a share of the whole customs revenue. Mr. Kibe does not, however, favor the adoption of this method; but would prefer the method of drawbacks, or the collection of duties on behalf of the State Governments on the goods specifically consigned to their respective territories. His reason is that the volume of foreign trade "may be taken as a reliable index of the economic development of a State".

It is apparent at once, however, that the adoption of Mr. Kibe's proposal would involve the loss of customs revenue on goods first consigned from abroad to a point in British territory and then reconsigned to a place in State territory. The only way of avoiding this loss to the States would be by establishing a very complicated system of drawbacks on goods from a British territory to State territory and *vice versa*. This would reproduce in India the state of affairs which existed in South Africa from 1906 to 1910, which proved so troublesome that it was superseded as soon as possible by the Customs Union; but in India, having regard to the large number of States, the trouble and confusion would be far worse.

The States, therefore, could only expect to be credited with the duties collected on goods actually

consigned through to their respective territories from abroad. This would mean that those States which have no entrepot business, and no facilities for importing direct from abroad, would gain nothing by the change. It is true that it would stimulate States to organize amongst their merchants the direct importation of foreign goods; and if any of them were very successful in this they might establish distributing centres which would supply neighboring British territory, and thus trench upon the revenues of British India. The complications of this method are so numerous that I prefer to advocate the last-mentioned method of allotting to each State a share of the general customs revenue of British India, in which would be included the customs revenues collected by the maritime States which now have special privileges. The question of how the share of each State should be determined now remains for discussion.

Basis of sharing the Customs Revenue

In the German Custom Union the division of the total customs revenue amongst the various States was determined upon the population basis; but the circumstances are so different in India that the application of this method would have unfair results. In Germany, at the time of the formation of the Union, the various States were, broadly speaking, approximately at an equal stage of economic development. The reverse is true in India. Not only is there the greatest divergence between the economic development and earning power of the people in different parts of British India: there is an equally marked difference between the various States. In some of them agriculture is more productive than in most: for example, in Gwalior and Patiala extensive irrigation systems have been introduced. Some of the States are far

more advanced commercially and industrially than others, and with this development has come a higher standard of living and the spread of education, which in a few States is compulsory. Baroda, Mysore, Travancore, Indore, Gwalior and Patiala are well-known as advanced States; and the taxable capacity of their peoples, and the cost of their administrations per head of population are far in excess of those of more backward States like those of Rajputana, or the Eastern States of the Central India Agency. On the population basis, therefore, the backward States would receive revenue not earned by their commerce, or by the consumption of foreign goods by their people; and the advanced States would have less than their due.

The alternatives to the population basis are division in proportion to public revenues or to public expenditure. It may be laid down as a broad general law that the public revenues per head of population of various countries are roughly proportional to the stage of economic development which the countries have reached; for an advanced commercial and industrial system necessarily involves a more costly administration, whilst amply providing the capacity to pay taxes to meet the expense. Throughout the world this is true if the cost of making war, and the burden of war debts be eliminated.

In Western countries public revenue and expenditure are normally so nicely balanced that it would be immaterial which was chosen as the basis of division. Amongst the Indian States, however, this is far from being generally the case. In nearly all States revenue rarely falls short of expenditure, except in years of severe drought; but in some of them revenue greatly exceeds expenditure. This is true even when we include the Ruler's personal and "palace" expenditure—his "civil list"; but it is still more strikingly true, if

that be omitted and the cost of the public administration only be treated as the expenditure of the State.

There are difficulties in every solution which can be suggested; but my own inclination is towards the adoption of a distribution in proportion to expenditure on the public administration, including the state army and contributions to Imperial defence and war expenses. A settlement for five years could be made on the percentage which the annual public expenditure of each State, during the preceding four years, has borne to the whole expenditure of all the States and British India, including the Provincial governments, but excluding local authorities. Every five years a new settlement could be effected on the basis of the average annual expenditure of the preceding four years.

Financial Aspects

If the States are to receive a just share of the sea customs revenue, they may fairly be asked to contribute their quota to the expenditure of the Indian Government from which they benefit. The defence of India from external enemies is the only important item in this category. In the absence of any better criterion we may assume that half the military expenditure is for the maintenance of internal order and half for defence of the land frontiers. The Budget for 1920-21 provided Rs. 59½ crores (converting expenditure in England at 1s. 8d.) for military expenditure, which is probably close to the normal figure of the future. The revenue from sea and land customs seems likely to expand to about 30 crores in the near future; consequently the debit of each State for Military expenditure and its credit for customs revenue will about balance, if both be shared on the same basis. The States might have some small immediate gain; and if a new policy should augment the customs revenues of India their advantage would automatically increase.

DISCUSSION OF PAPERS ON INDIAN PUBLIC FINANCE

MR. DEOLE said that they could no longer keep economics out of politics as the two subjects were mixed up closely. He did not know where the Indian states stood in Indian politics in regard to the question of customs revenue.

MR. GYAN CHAND said that in considering the question of the fiscal policy of India, they had to bear in mind the haphazard way in which the system had grown and the stage of the social consciousness of the people. In his opinion it was desirable to effect a complete separation of the revenues of the Central and Provincial Governments in order to ensure a continuity of financial policy. But it was desirable that the Central Government should, as a rule, budget for a surplus in order to help the provinces with limited resources. He advocated the reduction of the military and civil expenditure as the only way of providing funds for the service of public utilities which had been starved till now. The new sources of revenue which could be tapped were very few and would remain so for a number of years.

MR JOSHI denied that customs was not a very dependable item for the central Government. In his opinion income-tax should be among the sources of income of the central Government. Education, sanitation and industry would be the three great subjects which would be placed under the new Provincial Ministers, and they would require money. How to secure it to them should be the guiding principle in the settlement of the financial relations between the central and provincial governments. Mr Joshi proceeded to criticize the recommendation of the Meston Committee and advocated contributions by the central to the provincial governments, since the former retained all the expansive items of Indian revenue and saddled the provinces with all the expansive items of expenditure—contributions indeed; but such were needed in exactly the opposite direction to that of the Meston report. He then touched on the question of military expenditure; and was surprised at

Mr. Sahani's assumption that the Indian military expenditure was designed solely for frontier defence and that it should be curtailed. Until the army expenditure, he added, was cut down to a reasonable figure, no money could be found for anything and no new era could dawn in education or sanitation.

Mr. THAKORE (Deccan College) said that finance was not a branch of pure economics, but a branch of practical statesmanship and administration. It depended upon external policy and more often on circumstances and considerations which were extraneous. The views of economists as such counted for little in these matters. He illustrated his point by saying that Government had to find funds by raising loans either inside or outside the country and enough current income for the purpose of developing industrial and other branches of administration. He favored reduction of the salaries of the men at the top in various services and said that ministers in Japan and Canada were paid only Rs. 1,200 and Rs. 1,500 respectively, whereas in India they were paid five or six thousand. The subordinate and intermediate ranks were getting starvation wages while the men at the top were overpaid. Coming to the external policy he said that the Indian army was far too costly for a poor country like India. To make it cheaper and efficient they ought to Indianise it, and the best way of Indianising it was in the direction of Provincializing it. In conclusion, he said that the reorganization of finances between the central and provincial governments now entered upon would necessitate a complete and thorough overhauling of the whole subject in every detail.

MR. KANUNGO said that it had been suggested by Prof. Jevons that in the past customs revenue was not much and there might be justification for the Government of India in not allowing native states to have their share of the customs revenues, as the same might be considered as a charge on the Indian states for the security afforded by *Pax Britannica*. He did not agree with that view. If Prof. Jevons meant security for the due transit of goods then the Indian states might as well charge for the security they afforded to the goods in transit through their dominions. He did not believe the Government of India could reasonably put forth the plea that they should retain that share for the

security they afforded. If the Indian states had had the courage to protest then and there, it would have been stopped long ago. But owing to the disorder then prevailing in the native states they did not do so. Now when they were enjoying peace and order and were anxious to find ways and means to effect improvements in their territories they naturally turned to a source of revenue which was really theirs, though it accidentally happened to be in the hands of the Government of India.

The CHAIRMAN said that he did not think that the the problem of Indian finance could be satisfactorily solved by the reduction of salaries of the men at the top, as far more than what could be saved from the excessive salaries at the top would be required to pay the intermediate and lowest ranks. Coming to the question of reduction of military expenditure they had to remember that the greater part of the defence of India was being carried out by the British navy, the entire expense of which was borne by the British Government. It was only proper that the adjustment should be mutual if India was to benefit by the defence of the navy.

Mr. SHAHANI replied briefly.

PROFESSOR THOMPSON in reply said that he was glad to find himself in substantial agreement with Professor Shahani, except in the matter of the income tax. He agreed with Dr. Slater that it would not be possible to reduce the revenues of India, for while higher salaries would decrease lower salaries would increase. It was found that as countries became more democratic the higher officials were always paid more. The total would probably be greater.

We should not look upon the wealth of the country as fixed, but as a growing amount whose growth depends largely upon the beneficial activities of Government. The taxes which we take for education will increase our wealth by far more than the amount of these taxes. We should have a progressive point of view and believe there is going to be economic progress. But we should give each local government sufficient independence and responsibility for the progress of its people by separating the sources of taxation; and we should make the burden as light as possible by equalizing the rates, of taxation, especially as between agricultural and non-agricultural incomes.

Second Day.—Thursday, December 30th, 1920
Morning—

A SUBSISTENCE WAGE

PROFESSOR H. W. LYONS
INDORE CHRISTIAN COLLEGE

The following study of the economic position of the laboring classes of Indore, and the attempt to determine a subsistence income or poverty line—as distinct from an existence wage—has been made with the assistance of undergraduate students in the Indore Christian College. The line of enquiry has been as follows:—(1) the selection of a standard of food and clothing; (2) the determining of the cost of this standard for an average family over a period of years, and the comparison of the result with the wage income possible under the rates of wages prevailing during the years; (3) the examination of the economic position of actual families during the month of November just passed, judged by the standard selected.

A Subsistence Standard

In any country the jail should form a standard of living below which the condition of the free man should not fall. If it does not do so, then in times of economic depression the jail stands as a menace to the community, and not as a means of protection for the private property of the citizen. It was to the jail manual, accordingly, that I first turned to determine the minimum of food, clothing and house room which should be available for working families. It is that standard which I have finally selected,

not only because of these social problems involved, but chiefly because it is a standard arrived at some years ago by experts, and tested by experience. It is based upon the principle of keeping the individual fit to work, at the same rate as he would be at liberty, and it was determined by careful food analyses and experiment.

The provision for food, clothing and house room, as laid in the United Provinces Jail Manual, which is followed in the Central India Jail in Indore, is as follow:—

A.—*Food*

Scale. I.—For male prisoners, laboring:—
Nitrogen 210; Carbon 5268.7.

Day of week	Cereal Pulse Combination	Dal	Vegetables	Oil	Chilli No.	Salt	Fire wood
Daily	14 <i>Ch.</i>	1 <i>Ch.</i>	3 <i>Ch.</i>	4/25 <i>Ch.</i>	1	150 Grains	5 <i>Ch.</i>

The cereal-pulse combination is invariably to be made up according to the following table:—

<i>Principal</i>		<i>Adjuvant</i>	
GRAIN	QUANTITY	GRAIN	QUANTITY
Wheat	11 <i>Ch.</i>	Barley	3 <i>Ch.</i>
Bajra	12 „	Pulse	2 „
Makka	12 „	Pulse	2 „
Wheat	11½	Gram	2½
Juar	11 „	Pulse	3 „
Barley	11 „	Wheat	3 „
Rice	10½	Wheat	3¾

Scale II.—For working women, and juveniles arrived at puberty:—

Nitrogen 210; Carbon 4588.7

The scale is similar to Scale 1, except that the Cereal-pulse combination is 12 *chhitaks*, which may be made up as follows:—

<i>Principal</i>		<i>Adjuvant</i>	
GRAIN	QUANTITY	GRAIN	QUANTITY
Bajra	12 <i>Ch.</i>	None	
Makka	12 „	None	
Marua	8 „	Wheat	4 <i>Ch.</i>
Wheat	12 „	None	
Juar	7 „	Wheat	5 „
Barley	7 „	Wheat	5 „
Rice	6½ „	Wheat	5½ „

Scale. III.—For non-laboring adults; juveniles no arrived at puberty; and under trial prisoners:—

Nitrogen 182; Carbon 3908.7

The scale is similar to Scale I except that the Cereal-pulse combination is 10 *chhitaks* which may be made up as follows:—

<i>Principal</i>		<i>Adjuvant</i>	
GRAIN	QUANTITY	GRAIN	QUANTITY
Bajra	10 <i>Ch.</i>	None	
Makka	10 „	None	
Marua	8 „	Wheat	2 <i>Ch.</i>
Juar	7 „	Wheat	3 „
Barley	7 „	Wheat	3 „
Wheat	10 „	None	
Rice	5½ „	Wheat	4½ „

The wheat to be used in all cases is second quality, or 'red' wheat.

For children under two years of age confined with their mothers the ration is as follows:—

(a) To nursing mothers two *chhitaks* of wheat atta and half a *chhitak* of ghee in excess of the ordinary laboring ration.

(b) To children between 12 and 18 months; six *chhitaks* of milk, two *ch.* of rice; and ½ *ch.* of dal,

- (c) To children between 18 and 24 months; 4 *ch.* of milk 4 *ch.* of rice, and $\frac{1}{2}$ *ch.* of dal.

B.—*Clothing*

The scale of clothing for a year is as follows:—

1. *Male.*—2 jangia; 2 shirts; 2 langote; 1 summer blanket, and 2 winter blankets; 1 blanket coat for winter; 2 beddings of tat patti, 6 ft. by 2 ft.

2. *Female.*—3 langah; 4 kurti; 2 chadar; 2 beddings of tat patti; 6 ft. by 2 ft.

It is expected that these outfits will last only the year, with the exception of that blanket coat and blankets. However, in estimating the requirements of a family later I have followed the time honored custom of clothing the children with their parents' cast off garments, thus adding nothing to the family expenditure on clothing for them.

C.—*House Room*

In calculating Jail sleeping accomodations, a minimum of 36 square feet of superficial area, and 648 cubic feet of breathing space is adopted. Under no consideration is less permitted, nor does an increase in height permit a decrease in the floor space. When one thinks of the chawls of factory districts, or the houses of the gwalas and their cattle, one has some conception of the magnitude of the problem confronting a housing association which would aim at forcing landlords to treat their tenants at least like prisoners.

The Cost of the Standard

It is obvious that the Jail standard of air space must be neglected, substituting therefor the scale of rents actually paid by the class of workers we are considering,—unless indeed we consider that the open chinks in the roofs and the unlimited air space upwards gives us the required volume! At present rents run from Rs. 1-8-0 to Rs. 2-8-0 depending upon the size and condition of the house.

The present cost of the full supply of clothing for a man and a woman is Rs. 24 for a man, and Rs. 37-12-0 for a woman, provided that the warm blankets and blanket coat are of the second hand army material now found in almost every bazaar. This gives an average monthly cost is Rs. 2. and Rs. 3-2-2 for a man and a woman respectively. The cost of clothing has been increasing and in November was approximately two annas in the rupee higher than a year ago. Beyond that I have been unable to secure accurate figures. However, as the expenditure on clothing would be less than one-fifth of the total expenditure required to reach jail standard,—when we use cast-off clothing for the children— an examination of the cost of food in its relation to income will give us fair accuracy a picture of the economic position of the worker over a period of years.

The prices in the Indore Market of the various food combinations possible in the several scales have been ascertained since 1902 with a view to discovering the cheapest. The figures upon which the tables are based were taken from the tri-weekly records of prices kept by the Bazaar Office. These recorded have been averaged for the four months from October 21 to February 20, partly to overcome fluctuations which might occur because of exceptional circumstances; and partly because the cold season, when trade is unrestricted by climatic conditions, forms a convenient basis for comparison of succeeding years.

With the exception of November of this year, the cheapest cereal-pulse combination has invariably been wheat and jowar, or jowar and pulse. It accordingly has been adopted, despite the fact that amongst many of our people the making of jowar chapatties is rapidly becoming a lost art because of the difficulty and tediousness of preparation. Wheat, the aristocrat amongst the cereals, is preferred. In November of this

year Jowar was not in the market, and wheat only could be secured at from 5 seers 6 *ch.* to 5 seers 10 *ch.* per rupee. All workers accordingly, were compelled to purchase it.

For a workingman's family of five members, which provides for the renewal of the force of labor with one additional—in which the man and woman and eldest child all work, leaving only a dependent minor and a baby as non-producers,—the cheapest food combinations¹ on jail standards since the cold weather months of 1902-03 have totalled as follows per month:—

	Rs.	a.	p.		Rs.	a.	p.
1902-03	8	13	1	1911-12	10	5	7
1903-04	8	9	0	1912-13	11	7	1
1904-05	9	4	11	1913-14	12	1	6
1905-06	11	15	7	1914-15	12	15	10
1906-07	10	11	10	1915-16	13	0	11
1907-08	14	7	2	1916-17	11	4	11
1908-09	13	14	0	1917-18	14	15	9
1909-10	10	7	6	1918-19	18	6	5
1910-11	10	0	8	1919-20	22	0	11

Nov. 1920:— Rs. 25-7-3.

During the same period of time the rates of daily wages for laborers under steady and continuous employment, as taken from actual sheets, have been as follows:—

	Man	Woman	Boy or girl
From 1902-1913	0-4-0	0-3-0	0-2-0
1914:—	0-5-0	0-3-0	0-2-6
1915-1919	{ 0-5-0 0-6-0	0-3-6	0-2-6
1920	0-7-0	0-4-0	0-3-0

¹ The combinations are:—

Man—Scale 1; Jowar 11 *ch.*
Pulse 3 *ch.*

Non-working child—Scale 3;
Jowar 7 *ch.* Wheat 3 *ch.*

Woman and working child—Scale 2; Jowar
7 *ch.* Wheat 5 *ch.*

Baby—Scale for child 12 months and 18
months.

Based upon these rates, and assuming that the three workers work for a full month of 28 working days—which is probably two days over the average—the total possible monthly wages income of the family would be as follows:—

	Rs. As. P.
From 1902-03 to 1913-14	15-12-0
From 1914-15	19-4-0
From 1915-16 to 1918-19	21-0-0
From 1919-20	24-8-0

The ratio accordingly of expenditure necessary for food of jail standard to the total possible wages income of the family would have been as follows:—

	per cent		per cent
1902-03	55.9	1911-12	65.5
1903-04	54.4	1912-13	72.5
1904-05	58.7	1913-14	76.5
1905-06	76.0	1914-15	67.2
1906-07	67.9	1915-16	61.9
1607-08	91.9	1916-17	53.6
1908-09	88.0	1817-18	71.4
1909-10	66.0	1918-19	87.6
1910-11	63.4	1919-20	89.9

November 1920:— 104.0 per cent

Had jowar been on the markets at last cold weather's prices the November cost of food would have been Rs. 21-4-4; making the ratio of food to wages 87.8 per cent.

Despite the increase in wages it is apparent that the economic condition of the laborers is more critical than at any time during the past twenty years. In 1907-08, during the famine which visited Central India, it is true the ratio of food cost to wages was 91 per cent. But it dropped the next year and the third year was more or less normal. For the past three years, however, the ratio has been rising steadily, and

a downward movement in the all-important cereal-pulse combination has not yet started.

We may now ask: What should be the subsistence income to-day for an average workingman's family such as we have taken under existing conditions? The total necessary monthly expenditures, exclusive of any allowance for lighting, medicines, charities, education etc. I estimate as follows:—

Food	Rs. 25-7-3 (wheat) or Rs. 21-4-4 jowar at 1919-20 prices
Clothing	Rs. 5-2-2
House rent	Rs. <u>2-0-0</u>

Total Rs. 32-9-5 or Rs. 28-6-6 if jowar becomes available.

That is the family income must average, with 28 working days per month, from Re. 1 to Re. 1-3-0 per day. And that income must all be expended on necessaries, leaving none for the toddy of which many workers all too fond. This should prove a sobering thought to these who see no harm in the licensed toddy shop in working class districts.

But, while the family income should have averaged during November Rs. 1-3-0 per working day, the actual wages income under the most favourable circumstances was as a fact only annas 14 per day. That is the family during November last were receiving As. 5 per day, or 26 per cent less than the actual subsistence wages. If they had put the second child to work and could have been able to do without the luxury of the baby, they would just have attained to the jail standard. I sometimes wonder whether the Indian labor, if he were aware of these facts, would agree most heartily with Shakespeare that "Stone walls do not a prison make, nor iron bars a cage."

Some Actual Families

Thus far we have been considering what might be in an average family impelled only by the laudable

economic motive of attaining to a subsistence standard, and unhindered in its struggle by accident or sickness, by inherited debt or dependence, or any ambition to lift the children out of the treadmill of labor. Let me give a group of actual cases collected from amongst the workers of Indore. I shall give the standard as (a) the actual cost of the wheat combination in November, 1920; and (b) the cost as it would have been if jowar had been on the market. The income is estimated at full time wages.

1. Family of four:—(Postal Peon): working man; working woman; working boy of 12 years; boy of 8 years. Cost of standard (a) Rs. 29-2-11 or (b) Rs. 24-15-2. Actual family wage income Rs. 40-0-0.
2. Family of three:—Working man; working woman; child of 5 years. Cost of standard (a) Rs. 23-2-25; of (b) Rs. 19-15-0. Actual family wage income Rs. 19-0-0
3. Family of four:—Working woman, and three children aged 8, 6, and 4 years. Cost of standard (a) Rs. 24-11-5 or (b) Rs. 17-8-8. Actual wage income Rs. 7-0-0.

This woman has mortgaged the property her husband left her at his death to the sawkar.

4. Family of five:—Working man and woman and boy of 16 years; two smaller children. cost of standard (a) Rs. 34-10-2; or (b) Rs. 29-5-4. Actual family wage income Rs. 27-0-0.
5. Family of five:—Working man and boy of 12 years; dependent woman and two children. Cost of standard (a) Rs. 33-6-1; or (b) Rs. 28-2-2 Actual wage income Rs. 17-12-0.

6. Family of four:—Working man; dependent wife, son of 18 years, daughter of 15 years. Cost of standard (a) Rs. 27-13-7; or (b) Rs. 23-6-8. Rs. 11-0-0 extra income Rs. 9-6-0; total Rs. 20-6-0.
7. Cartman's family.—Working man; dependent woman and two children. Cost of standard (a) Rs. 27-13-7; or (b) Rs. 23-6-8. Wage income at Rs. 1-8-0 per day Rs. 39-0-0.
8. Family of eight:—Three working men; three dependent women, one child of 7 years and a baby. Cost of standard (a) Rs. 60-2-1; or (b) Rs. 52-11-0. Actual wage income Rs. 54-0-0.
9. Family of three:—Working man and woman; one baby. Cost of standard (a) Rs. 22-3-1; or (b) Rs. 20-0-10. Actual wage income Rs. 17-0-0.
10. Family of three:—Working man; dependent woman and child of 4 years. Cost of standard; (a) Rs. 22-15-0; or (b) Rs. 19-13-2. Actual wage (at 8 annas) Rs. 14-0-0.
11. Family of eight:—Three working men; two dependent women and three children. Cost of standard. (a) Rs. 59-7-3; or (b) Rs. 49-15-0. Actual wage income Rs. 36-12-0.

Conclusions

From the statement of these cases, and from the examination of our average family of five members, I draw certain conclusions:—

1. The average daily wage income needed to provide adequate subsistence for a family of five

on a wheat standard must at present be at least Rs. 1-3-0, and on a jowar standard Re. 1-0-0.

2. This standard even in the most favorable circumstances is not being reached by the laboring classes of Indore at the present time, although it has been surpassed at various times during the past twenty years.
3. In the same position as the laboring classes are the great majority of servants; and all manual laborers except the skilled craftsmen and the better paid workers of the cotton mills.
4. This subsistence standard cannot at present be fully attained by the laboring classes under existing rates of wages—nor has it been reached since the commencement of the war—as long as there are dependent children or women in the family. To secure it every member must work without loss of time. This is particularly apparent from an examination of cases 2, 4, 9 and 10.

I have not been able to follow out as yet interesting lines of investigation which these facts suggest, and more particularly their influence upon the birth and death rates, and upon petty crimes against property. Nor do I wish to point to certain obvious lessons, such as the fundamental problem underlying the work of social and educational reform, in fact all work for the amelioration of the condition of the masses. I wish merely to present the results of our investigations thus far completed along these lines, and to ask for your suggestive criticisms.

LABOR UNREST IN INDIA

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This paper represents the result of a personal inquiry, conducted under the direction of Prof. H. Stanley Jevons, into conditions of work and pay in a number of factories, and into the underlying causes of some of the recent industrial disputes in India.

No one will have the hardihood to deny that the form which the labor problem assumes will affect most deeply the material and moral planes of our existence in the future. It is, in fact, the biggest question facing modern civilisation.

But the gravity of the situation in India has been persistently belittled on account of the comparative inferiority of its industrial labor in point of numbers. It may be contended that as a matter of fact town populations have always played the most prominent part in shaping the history of a country. Apart from this it can be amply demonstrated that, viewed from whatever standpoint, whether the number of strikes, their aggregate duration and the number of workmen involved on the one hand, or the strength of feeling exhibited in the course of the disputes on the other hand, the unrest in this country is acute and widespread. In the first two months of this year, 1920, the cotton and

jute industries alone experienced some 110 strikes, involving about 2,475,000 workmen. Taking account of the principal disputes only, there were in October last about 38 strikes, besides two lock-outs, affecting some 1½ million workmen¹. Of general strikes too we have not a few. The North Western Railway strike of April last; the Cawnpore strikes which began in November, 1919, and extended right into March of this year; and the recent Ahmedabad affair which affected 29 mills at once, were, considering the stage of labor organization in India, affairs of no small importance.

I personally know of a number of strikes which were never reported to the press. Our present statistical data is, therefore, necessarily incomplete. As a measure of the prevailing unrest, at its best, it is very inadequate. It says nothing of the large and growing volume of discontent which lies concealed from public view because, for lack of opportunity, it cannot express itself in the shape of strikes. It may be called Invisible Unrest. As the Right Hon'ble Charles Booth observes in his "Industrial Unrest and Trade Union Policy," we must estimate the existing unrest not be the statistics of strikes, but by the degree of divergence of ideas, by the width and the widening of the chasm disclosed." Indeed, it is the ideas, the mood and the temper of the workmen which signify most. Generally we may say that the Indian workman is at present in a very sulky and irritable mood. For an accurate measurement of the magnitude of the invisible unrest an intensive inquiry in each industrial centre is indispensable. All the factors in the local situation: for example, retail prices, wages, indebtedness, education, profits of the local industry, relations between the employer and the

¹ The above statistics have been gathered by searching the principal newspapers in India for accounts of strikes. There must have been many disputes which passed unreported or unseen by me.

employee, ought to be studied in detail.

Further, one can very easily perceive from the figures how appalling is the loss sustained by both the strikers and the employers. The greater part of the loss cannot be measured in money. For the Indian laborer, a strike always means utter demoralization in the event of failure; an exaggerated sense of his own importance, and consequently more strikes on trivial grounds, if he succeeds; disquiet and worry in both cases, while it lasts.

This is not all. The strikes introduce an element of insecurity into industry which acts as a fearful drag on progress.

Nature and Form of the Unrest

Labor in India, is no doubt a problem, but not in the same sense as it is in England. The workman here fights for small concessions and more humane treatment, while his brother there is standing up for large principles and political domination also. Class hatred and class consciousness form an integral part of the British and American laborer's creed, but these sentiments do not sway the workmen in India to any large extent. The distinction is important. Steps which would prove ineffectual in England and America now, may fully meet the situation here, provided they are taken in time.

Another distinction is that for several years to come, we cannot dissociate the industrial questions from the political movements of the country. The political agitator knows that a powerful army of town laborers would be an asset of no mean value to his cause. Labor here has plenty of grievances, but it is yet too early to expect its own ranks to supply a sufficient number of men who are able to take the lead in the inevitable struggle with

capitalistic management. The existing leaders are recruited from the educated middle classes which have no dearth of people with little personal experience of the life of the laborer, little association as a rule with the conduct of industry in any form, but possessing a good deal of intellectual sympathy with the cause of oppressed labor. These people have their political views no doubt. The recent Trade Union Congress held in Bombay was a grand conference of such as these. This adequately explains the unpractical character of the proceedings of that body. It also shows us how a proportion of the unrest is artificial in some degree.

The laborer is not directly obsessed with any political theories. He notices the current of political life only when it touches himself, and then he leaves it with praise or silent condemnation of the Government. The masses attribute every good or ill to the Sirkar. The present economic distress therefore can easily be exploited for political propaganda. These facts lend a color of truth to the allegation made by the Government that many of the strikes have a political background.

Passing to the conduct of the strikes, we note with satisfaction that we have yet had nothing to compare with the series of outrages perpetrated in England during the Cambrian Combine strike of 1910. Mr. D. Evans in his book: *Labor Strife in the South Wales Coalfield* gives a harrowing account of the "frenzied and desperate attacks on property," the stones falling like hail "the many mêlées of the police with the strikers" and adds, "The agony cries of the injured, the sharp hissing clash of baton against pickhandle and other weapons, the sickening thud of skull blows and the howling of the mob maddened with rage is better imagined than described."

It cannot be denied, however, that in not a few

cases, we have repeated the ugly sequence of processions, assaults, rioting, police intervention, arrests, and convictions. We ought not to interpret this rowdyism as indicating anything beyond a disgraceful admission of the helplessness of their position. It does not at any rate denote an excessive discontent or intensity of unrest.

But it reveals as nothing else does so well, that the attitude of the public in this matter is, excepting a rare instance or two, either one of strict neutrality or that of active sympathy with the strikers. Public charity often carries them through strikes and enables them to secure an increase of wages if the economic conditions permit. It is for them to follow up their victory and lay the foundation of a strong union. They seldom do that. They rather break up what little organization has been improvised during the dispute. So it is that labor organizations play an insignificant part in these battles. Mention may be made here of two very noteworthy features of the existing situation. A strike is in western countries the last, while in India it is the first weapon of redress. Explanation lies in the almost complete absence of industrial courts, and of machinery for conciliation and arbitration. The lightning strike has come in for much criticism from the press and the public. Generally, it is preceded by complaints and memorials. The reason for inadequate notice is that, with no organization and no funds, the abruptness of assault is a distinct advantage.

So far a strike in India has ended almost as often in favor of the laborer as against him, while the number of compromises and cases of reference to arbitration committees are few and far between. The result of a dispute is of small moment, except as showing the relative economic strength of the parties. The

agricultural connection of the Indian laborer constitutes a factor in his economic strength, and is at the same time responsible, in part, for his present unsatisfactory position. The dread of unemployment consequent on a dismissal at the end of an unsuccessful strike is not so great in his case; but there is also absent the stimulus to press demands, and get grievances redressed by industrial action.

We are, in brief, facing a very chaotic situation. Without effective organization and without any mediating agencies, the industrial unrest in India is running its course without let or hindrance.

Causes

The following is an analysis of the ostensible causes of the strikes that were reported to the press in October of this year:—

	<i>Per cent</i> ¹
1. Wages or bonus only ...	93
2. Wages and other grievances ...	45
3. Dismissal of fellow-workers only and non-recognition of union ...	10
4. Dismissal and non-recognition and other grievances ...	15
5. Hours and other grievances ...	20
6. Purely sympathetic ...	4
7. Offences of officers and foremen ...	4

Industrial unrest is too complicated a matter to be reduced into percentages in this manner. Moreover the ostensible and the real causes are often at variance. The statements of the employer and the employees too are generally conflicting as to the origin of a dispute.

For a correct diagnosis, we must go below the

¹ Strikes reported due to two or more causes are included here under more than one head, which accounts for the total of percentages exceeding 100. [Ed.]

surface. Unrest has its origin in change, either : (1) in the material condition of life, or (2) in the mental and moral outlook of the worker.

(1) Actual economic distress is easily the first in the list of the causes of unrest. The Indian worker has never been credited with the capacity to save. The ideal wage for him has all along been the sum which could just keep body and soul together. In practice the errors were never on the side of excess.

The war immediately caused a serious dislocation in the machinery of production and distribution throughout the world, and set prices on their upward curve. Prices rose, but the wages lagged behind as they always do. The Indian laborer, with his low standard of living had no margin above the barest necessities of life on which retrenchment could be tried. He had no past accumulation to draw upon. Prices went on rising, but the men got no increases except a grain allowance here and there, the obvious reason being that the employers feared that with the reversal of the trend of prices it would be very difficult to bring about a corresponding diminution in wages. In fact, nobody knew when the war would end and economic conditions change. The laborer went on sinking into the morass of indebtedness, which further reduced the purchasing power of his nominal earnings. There is an end to human patience, even to the proverbial patience of the Indian laborer. There may be some difference of opinion as to the extent of the rise in the cost of living. No such difference is possible on the point that labor in India was very much worse off at the close of the war than it was at its beginning. The pent up discontent burst out in the shape of strikes and threats of strikes. Concessions followed. Viewed as a whole

wages have seen an average increase of about 50 per cent. No wonder that unrest has not ceased!

Housing, hours, and the numerous petty details of management routine, have a subordinate roll. Their peculiar importance arises from their indirect effect on the tone and temper of the laborer's life. On account of long hours, and insanitary dwellings, the Indian laborer, misses all the chastening influence of home life, and develops a morbidness of mood which acts strongly on his industrial relations.

II. We have seen that a part of the unrest is inherent in the material circumstances of the laborer's life. To know the other part, we must study the laborer himself and his less tangible environment. In the factory and workshop population of today, one can scarcely recognize the patient, cringing, submissive laborer of six years ago. He is changing rapidly. He no longer looks upon his masters as heaven born rulers and himself as an insignificant worm of the earth. No more does he quietly put up with insult, abuse, and physical torture, either for himself or for his fellow workers. He realises that it is to the sweat of his brow that the huge profits of the employer, and consequently his motor cars and his bungalow, owe their existence. He reasons with himself that these profits should make possible for him a sufficiency of food, clothing and shelter, and a little to lay by for the rainy season. He sees that profits and all would dry up at their very source if he withdrew his co-operation from industry. He observes a unity of feeling among his brother workers. Unreason and injustice continuing, what is there to prevent him from adopting the one course that lies before him?

Pick up a factory hand at random. An hour's talk with him will convince the most skeptical

of the truth of all that has been stated here. What is responsible for this change? The *Wednesday Review* believes: "The Labor unrest as it exists is an artificial affair for which the political agitator is primarily responsible" (27th Oct., 1920). The opinion of the employers, on this point, is divided almost equally. A section endorses the view of the *Wednesday Review*. In an interview a well known employer expressed this opinion: "Much of the unrest is due to the artificial agitation carried on by the educated community. Strikes are largely due to the lectures of the men who have read accounts of the prevailing conditions in other countries." To say that the labor unrest is in its entirety the work of that remarkable person, the so called professional agitator, is to betray the densest and most unpardonable ignorance of fact. The attitude of the more enlightened section may be summed up in the words of a gentleman very prominently connected with the management of industry in these Provinces. "Our laborers have real grievances. That is the soil. If there were no soil, where would the agitator sow the seeds of discontent?" The agitator rouses the men to a consciousness of their position, to a knowledge of their possibilities; and perhaps incites them to realize those possibilities. As a rule, his place is after a strike has begun rather than before it. He takes the labor mass red hot. Then it is easy for him to mould it as he chooses. In fact he is a symptom of a great disease. That disease is the spirit of the times, of which this unrest is just a manifestation. The employers call it variously "influenza," "strike fashion", "strike mania", and what not. The more learned among them say that the spirit of indiscipline is rife, and proper coercive measures, in the form of a laborers' act or two would set things right. Let us study, one at a time, the elements that constitute the drift of the times.

Too much is being made of the war as having let loose the forces of unrest. In India, the static conditions of life were already changing. The workman was acquiring new tastes, his standard of living was rising by imperceptible degrees, the virtues and the vices of the town were gradually being reflected in his life. A great stabilizing factor in Hindu Society is the *karma* doctrine which gives a religious explanation of the social and economic differences between man and man. The traditions of a rigid caste system further prevented any growth of class consciousness. The Muslims through centuries of social intercourse with the Hindus slowly accepted their philosophy of life. Alike they regarded the gulf between the rich and the poor, the classes and the masses as inevitable. But long before the war, owing to the liberalizing tendencies of the time, the hold of religion on the minds of the people was becoming feebler and feebler. They were becoming less and less prone to respect the sanctity of the existing order of things. The mental and moral outlook of the laborer was therefore changing all along. The war only intensified the changes that had been taking place, for years past.

In the first place, it increased the cost of living so much that the workman was compelled to move for higher wages. Things around changed rapidly. He saw that he must stir if he wanted to maintain the existence of himself and his family. The fact that a conscious change in his relations with the rest of society was possible greatly extended the horizon of his outlook.

Next we have to consider the high pitch of excitement which the news from, and the rumours about, the different theatres of war kept up during four long years. Everybody consequently developed a strong appetite for sensation.

The excitement originally created by the war has been steadily reinforced by the political troubles of the country. Political agitation leaves an element of unrest in the atmosphere which must, of course, upset the mental equilibrium of the worker. Trade Unionism is yet in the stage of infancy. It would be absurd to ascribe an appreciable portion of the unrest to its "mischievous activities." It is indeed responsible for a number of strikes, in the sense that the workmen, feeling the itch of power, lay down tools to redress grievances which otherwise they would have regarded as too small to justify such extreme action. Too much emphasis cannot be laid on the fact that the richer sections, by the increasing display of their wealth, are themselves a very potent cause of the unrest with which we are dealing here. The workers estimate the profits of a firm by the number of the employer's *kothis*, motor cars and servants, and by other signs of luxurious living. Such extravagant expenditure rises in sharp contrast with the destitution of the worker and remains a standing source of irritation to him.

So much about the employee. All would have been well, had the employer readjusted his own position and acted in conformity with the changed times. He failed to perceive the change, or perhaps imitated the ostrich in believing that the crisis in his case would be averted indefinitely. He continued his overbearing attitude, his heavy fines, and his harsh and highhanded treatment. He went on to dismiss his men for slight offences without an inquiry; to deduct their bonus on the flimsiest of pretexts. Still he did not listen to their representations, still he dealt out punishments quite out of proportion to their faults and gave the offender no chance of explaining himself; still he placed no effective check

on the tyranny of his foremen, and allowed them to handle their subordinates as they pleased. He could not get rid of his idea about the traditional relation between master and servant; he did not cease to expect unreasoning obedience to his dictates. Above all he did not concede the men's most reasonable demands, did not redress their most patent grievances.

Consequences are unpitying. The dreaded crisis comes. He yields, for he has no case. From that moment, all trust and goodwill between management and labor disappear. The personal ties are snapped, and no amount of cement can reunite them: one strike changes the whole phase of industrial relationship. It throws the parties into hostile camps, and for the first time gives the men the consciousness of separate existence. That one strike paves the way for many more. Every small grievance becomes the ground for a fresh strike.

The Outlook

What is coming? Is the unrest bound to grow? When will it subside? To these questions the answer depends on a consideration of all the factors operating in the situation, and their net effect in accentuating or damping unrest.

The more one becomes familiar with the life of the workman, in home or factory, the more he is impressed with the fact that in India, there exists a large mass of Potential Unrest; *i.e.*, in a large number of places the prevailing conditions are unsatisfactory in many respects, and unless improved, may become a fruitful source of trouble in the near future. No notice is taken of them, because the laborers themselves have not yet begun to feel these disadvantages keenly. The potential and the invisible unrest will under the stress of circumstances and

under the influence of changing times become actual and visible, unless in the meantime, by some process of progressive amelioration, his position and his means adapt themselves to his rising standard of living.

We may very briefly recount here the causes which have prevented the unrest from coming to the surface :—

- (1) Illiteracy.
- (2) Absence of organization and lack of proper and ready leadership.
- (3) Lack of discipline which comes from education and organization.
- (4) Extremely low power of resistance. Living from hand to mouth, he cannot afford to stand out long.
- (5) Agricultural connection of the worker.
- (6) Adaptability to a lower standard of living.
- (7) The Indian laborer by nature does not possess an aggressive temperament. His role is to beseech with folded hands. He has an infinite capacity for patience. The philosophy of resignation is bred up in his bones.
- (8) Traditions of subordination. Laborers being generally recruited from lower classes cannot easily free themselves from a sense of inferiority. They have a mental and moral incapacity to rise in open defiance of their masters.

Let us see how all this is altering. There can be no doubt that education will spread and penetrate the masses. It will break up the lingering hold of custom, broaden the horizon of the laborer's thoughts, extend his sphere of interests, give new ideas and new ideals, and thus raise his standard of life.

It will reduce the unrest to the extent that it

increases efficiency and makes him able to command more wages. In the earlier stages at any rate it will breed more vanity than efficiency. Education will also enable him to arrive at an intelligent understanding of the situation. When the industry is on the wave of prosperity he will clamor for a larger share of profits: when it is on a decline he will have the good sense to keep silent. With an obdurate employing class making too much of its own rights it forebodes more trouble. With employers who understand the signs of the times, it points to less profits, but a more contented community of laborers.

Labor organisation too must advance. The recent all India Trade Union Congress is an earnest of rapid progress in this direction. This besides giving the men funds will increase both their inclination and their power to fight, and will discipline them for that purpose. The temptation to try the newly forged weapon will be irresistible in the beginning. Except in so far as it forces the employer into a conciliatory mood, we have no reason to be oversanguine about its effects. In England, trade union's can boast of a career covering well nigh a century; but we can only assert, that there at its best it has not helped to ease the situation.

We can confidently anticipate the gradual divorce of the workman from his land in the village, and the rise of a permanent and settled laboring population in towns. In the villages we still find vestiges of the old communal order. The barrier between the rich and the poor is not prominent. Urbanization will develop class consciousness.

The Political Unrest shows no sign of abating. Of a fiery type of leadership, therefore, the laborers will have more than enough. The changes in the laborers' psychology which have already been outlined

will go on gathering strength. Again, the trend of prices gives no ground for hope that any considerable reduction in the cost of living will occur in the near future. The attitude of the employers too is not reassuring. With the growth of industry, the introduction of new factors—unemployment, for example, will further complicate the situation.

Remote as it is, nevertheless there is a real fear that in India too the industrial warfare will be shifted from the field of concessions to the arena of principles. We dare not predict the course of events; but forecasting tendencies, the conclusion becomes inevitable that the prospect is by no means rosy.

The Cure

The line of reasoning as well as the conclusion depend largely on the point of view taken at the outset. The following are the fundamental principles underlying the suggestion put forward here:—

1. The skeleton of the present order is taken for granted. We can, while preserving the present in outline, so overhaul its machinery and alter the detail of its working as to effectually prevent any unnecessary friction, without throwing ourselves into dangerous experiments. Abhorring all revolutionary change, we must build further on the present and trust to evolution.

2. We can put no faith in a cure-all or in the exclusive application of any one principle, be it co-operation, profit-sharing, works committees, or what not. Many principles will have to be tried and allowed to work side by side, till by the processes of elimination and adaptation an equilibrium is attained.

3. It is necessary that capitalistic management should accede to the reasonable demands of labor; it is more necessary that labor should be in

a frame of mind to make reasonable demands. The guarantee that each will do its part lies in the principle of public intervention and control.

Some Suggestions

Obviously the wages of the employees should be increased at least as much as the rise in the cost of living warrants; but that would be quite ineffectual in diminishing unrest if the prices go up so as to make the increase quite nugatory in the matter of the purchasing power of their earnings. The attempt of the employer to make up by raising prices what he has lost in higher wages is to a large extent responsible for this seesaw process.

To prevent prices from rising, and if possible to bring them down, an effective control over profiteering is the first requisite. The boycott of the Rangoon Tramway Service very well illustrates what concerted action by the public can achieve. Consumers' Leagues as the organised expression of public opinion can do much in this way, but of them we have yet very little in India. There are many practical difficulties in the way of successful legislation for the purpose; still some legal prohibition seems necessary, if only to give a lead to the public in the matter.

Even as it is, we can try to make the present means of the workers go much further than they at present do. We can, by the opening of cooperative stores and by the extension of cooperative credit in urban areas, free them from the clutches of the money lending shopkeeper, who robs them of a considerable portion of their earnings by charging either an exorbitant rate of interest or credit prices which are much above the ordinary market level. We can also improve their condition by diffusing among them education such as is calculated to teach the-art of economical living.

It is yet very imperfectly understood that long hours, dark, dingy and overcrowded houses have something to do with the unrest of the day. If we were only to make the home-life of the workers a little brighter, a little less gloomy, we would be taking a very long step towards the solution of the labor problem. Hence it is that we feel it necessary to consider at length the potentialities of welfare work.

Let us suppose that there is in each factory a committee in charge of welfare work on which the men too are represented. The members of the committee by some system of turns, pay Sunday visits to the houses of the workmen. There is, therefore, the opportunity to have an hour's talk with each workman, to discuss with him his difficulties and his needs, to see if there is illness in the house which calls for a report to the doctor, and to see many other things which are so much worth seeing, and which owing to the confidence he enjoys, a welfare worker alone can see. So we get a sort of a barometer of the industrial atmosphere which indicates the existence of irritation before it develops into serious unrest, and forewarns the public against any coming storm. Much is being made in these days of the absence of personal touch between the employers and the employees. We cannot restore that, but these house to house visits will afford a good substitute. They can be further utilised for the dissemination of correct ideas among the workmen, for making them realize the difficulties of their masters, and also as an agency for the collection of reliable and useful family budgets and other statistics. Success depends on the way in which welfare work is administered. It should not be given as a charity, nor taken as a part of the bargain, but it should be conducted in

spirit of social service, as a recognition of the humanity of the employee.

It is not out of place to raise this note of warning that efficacy of welfare work is most conspicuous in the earlier stages of industrial unrest, before the men have thoroughly imbibed the ideas of class hatred. After that all overtures will breathe a suspicious air, will be looked upon as a trap.

A similar warning seems necessary regarding the course which Labor organisation is taking in this country. A union springs up during a strike and is constantly afraid of being strangled at its very birth. If unionism grows in an atmosphere of hatred and opposition, struggle and strife, it will not easily be able to free itself from the spirit of warfare. With a battle as its first tradition a trade union is bound to develop an aggressive character.

It is the plain duty of the employers in India to accept the spread of trade unions as inevitable. They may even win labor's gratitude by doing the graceful act of assisting at their birth. The question of their practical utility is the shape they are going to assume here. We should not rear up a slavish imitation of Trade Unionism in the West. We should evolve an organisation which is in keeping with our ideals and the needs of the future. We must avoid assiduously the importation of false economic standards, the "ca'canny policy" the "closed union" and numerous other anomalies. Organisation guided on the right lines will be a very valuable aid in the work of successful conciliation and effective arbitration.

We shall briefly notice two principles which are sure to find an increasing place in the industrial economy of the future. One is the *principle of permanence*. "The very horse that is permanent", says Carlyle," how much kindlier do he and his rider

work, than the temporary one hired on any hack principles yet known". So long as supply and demand alone regulate the relations between the employers and the employees, so long as there is between the two no substantial community of interest, turmoil and unrest must continue. The "cash nexus", if nothing better can be contrived, must be re-arranged on a more human basis.

It implies first of all that the continuance of a workman in his job, does not depend entirely on the whims of a hot tempered foreman, or the sweet will of an autocratic manager. It is, next, a plea for giving to the workman a permanent interest in the industry in which he works. The permanent interest may take shape in any of the various profit sharing or copartnership devices, according to the technical nature of the industry, and the temper and understanding of the labor community.

The other is the *principle of partnership*. It means the increasing association of the workman in the management of industry. This derives its strength from the fact that the sense of responsibility exercises a restraining and sobering influence on the mind and is the only cure for restless energy which causes mischief. The exercise of power tempered with justice and mercy may satisfy for a time, but the democratic tendencies of the time make it clear that even a just despotism will not do. In the present circumstances the main problems of industry cannot be left to the uncertain guidance of the debating room. But even now there is an infinite scope for the useful activities of mens' committees of the Whitley Council type, in which they have the right to express opinions, ventilate grievances and discuss the immediate conditions of their work. A point of huge practical importance arises in connection with the attempts of

some of the railway companies to set up committees of workmen without recognising the independent workmen's associations. The committee is aimed at breaking up the union, whereas the latter endeavors to bring about the failure of the committee scheme. So neither succeeds. A more sensible way would be to let the two work side by side, to recognize the union, which will have no further motive to oppose the committee; and to use the committee to guide the progress of the union on the right lines.

What we have outlined so far would take time to produce any appreciable effect on the situation. The question remains how to deal with the strikes that now come and go as a matter of routine. Every industrial centre should no doubt have a conciliation and an arbitration board; but their use should be left to the option of the parties. We must have recourse to legislation on the lines of the Industrial Disputes Act of Canada, making compulsory the investigation of a dispute before the declaration of a strike or a lock-out. To make this investigation what it ought to be, the Labor Bureau should, of course, provide the committee with accurate statistics of prices and changes in the cost of living. It should also be empowered to examine the books of the employer, to see the financial position of the concern, and the rate of its profits. Its recommendations and proceedings are to be placed before the Public. The Public should act through a board elected at a mass meeting of the City or on the municipal election plan. If the parties do not come to any agreement after the investigating committee has announced its findings, this board should hold a further independent inquiry and declare its award. The public now knows its own mind, and no party can long afford to fly in the face of public opinion.

The *Principle of Public Intervention* deserves a

more detailed treatment than for considerations of space it can receive here. It is destined to govern the relations between Labor and Capitalistic management, in the future. The idea is that to hold the scale even, there should be a third party disinterested enough in the actual quarrel to be impartial; but having a strong indirect interest in the maintenance of peace. It can make its verdict practically binding on both sides by throwing its weight against the party to whom it is not acceptable. These decisions represent the consensus of public opinion, and all changes thus introduced into the industrial system would not be arbitrary or revolutionary, but would be in full accord with the growth of public conscience. We require neither *Laissez Faire* and undiluted despotism of the employer, nor nationalisation and baneful bureaucratic control, but we do require a conscious *Public Control* of industry.

SUGGESTIONS FOR THE IMPROVEMENT OF THE CONDITION OF INDIAN LABOR

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Great interest has now-a-days been aroused in labor problems almost all over the world. In India, as in other countries, the need for increased production is greatly felt, and the attempt to increase production is being seriously hindered by the deplorable labor troubles of which we have heard and seen so much. Ignorance and want of character on the one side, and want of a broader and wider outlook of economic principles and a false sense of prestige on the other, have so far been responsible to a great extent for the troubles between the employee and the employer. Both of them forget for the moment that what is wanted is increased production, and that it is in the interest of both the parties to have it fully at heart. Even the employer, who is supposed to employ his capital and labor, etc., for production, sometimes forgets his own object, or, if he does not do so, yet in his obstinate and vindictive attitude in times of strikes towards his employees he does great harm to himself and to humanity as a whole. Similarly, the poor employee does not understand, or, if he understands it, he is led away to do something the evil of which recoils on himself.

I consider these labor troubles to be a serious obstacle to the growth of all real progress, and any attempt to countenance them on the so-called principle of competition is fraught with serious danger to humanity. Personally I believe that the time is not far distant when we shall hear of no such labor troubles. We are, I think, passing through a transition period in which we are emerging from the era of competition. My belief is amply illustrated by the political, social and other combinations apparently based on the principle of co-operation which have recently been formed. My belief is further strengthened by the fact that we have come away so far from the old economic order of self-sufficiency that it is almost impossible now to return to it. Specialisation has become the prominent feature of the day leading to greater and greater inter-dependence. If the economic organism is to live, the process of differentiation is bound to be accompanied by the process of integration. And though for some time we may pull on with makeshifts and compromises, we could not possibly avoid accepting and abiding by the principle and spirit of co-operation which alone can make progress possible under the new circumstances.

We thus find that the keynote of progress is not considered nowadays to lie so much in competition as in co-operation. I would not stop here to illustrate how in all the departments of life the principle of co-operation is being slowly but surely substituted in place of competition. But if this process is remarkably slow anywhere, it is so in the relations of the employer and his employee, though both of them have become so much dependent on one another.

Fortunately in India the cleavage between labor and capital is not so wide as in European countries and though ignorance and prejudices might

work as great obstacles, yet it may be hoped that if real efforts were made by the educated public and by the economists of India to infuse a spirit of harmony and co-operation between the employer and the employee, the almost inherent Indian nature of the employee of a sense of attachment and affection for his master would prevail over his imitative and assumed tendencies of actions borrowed from outside. Similarly, I hope the Indian employer would also respond to the call of co-operation. What is wanted is a strong and sincere public opinion based upon, and backed by, the authoritative opinion of economists in India. So long as the economists fight shy of their theories and are unable to pronounce their definite and authoritative opinion on such fundamental principles, a real consensus of public opinion cannot be formed. Many economists are still clinging to the fascinating principle of competition as a potent factor in the production of wealth; and though they see that the life of real competition is now over and that instead of equal and healthy competition they find unequal and cut-throat competition, they yet hesitate in their condemnation of the same, and do not preach the principle of co-operation as an active and powerful factor in the production of wealth, with that force and courage which the economic situation of the present times demands. I resist the temptation of going into the details of this very important point. But let me emphasise once more that the economists must make up their minds that it is high time for them now forcibly to preach the gospel of co-operation. One word more on this point. This gospel must first come from the economists, for, if it come from a layman it is apt to be considered by the capitalists as a doctrine preached, not from the business point of view, or, in accordance with

basic principles of economics, but out of a humane or philanthropic or any other motive. Both the parties must be made to understand by the logic of economic reasoning that the principle of co-operation is an *ideal* factor in the production of wealth. Thus my first suggestion with regard to the improvement in the conditions of Indian labor is to preach in accordance with a recognised and a basic principle of economics, the principle of co-operation as an active and an ideal force in the production of wealth, ultimately leading to increased shares in the national dividend both to the employers as well as to the employees.

My other suggestions are of a more practical, or, I should rather say, of a more particular nature, for I am not yet sure how far they would be considered as practicable. At all times we hear complaints against the inefficiency of Indian labor. The employer is perhaps the greatest complainant in this respect. At any rate, he raises that plea when any demand for higher wages is made. All the same he realises that if his labor is efficient, he would be benefited by it. But what has he done to increase the efficiency of labor? The problem is an urgent one and requires our serious attention.

The efficiency of labor has an intimate connection with the standard of living of the laborer. The main conditions for efficiency of labor are skill, application and an incentive to work. For skill, training is necessary. For application, vitality and habits of concentration and work, both of which, vitality in particular, depend so much on a man's standard of living as regards good and healthy surroundings. It is also a complaint against the Indian laborer that, if he can get work sufficient to live by, he will not work more in order to earn more.

That is due to his low standard of living. If his standard of living could be increased, he would have to work more in order to earn more to meet his increased standard of living. I believe therefore that a laborer must take good and healthy diet, and live in a healthy atmosphere, in order to develop the power of application which is necessary for efficiency, and that he should otherwise increase his general standard of living so as to have an additional stimulus for work which is also necessary for efficiency. Before reaching therefore the problem of the efficiency of a laborer, one is faced with the equally difficult practical problem of how to increase his standard of living. I venture to suggest some practical means by which the standard of living of a laborer may be increased to an appreciable extent. Many of you might question the practicability of the suggestions that I am going to make but I commend to your serious consideration those suggestions before you finally reject them as impracticable. I may also tell you that I do not mean that the suggestions that I am making are the only means to attain this end. For example, there is the universally accepted means of education. My suggestions are with a view to bring about comparatively more immediate results in its direction.

I first suggest that the laborers should be provided with uniforms in each and every factory. There should be duplicate and if possible triplicate sets of these uniforms so that they can be washed and changed by the laborers at short regular intervals.

The cost of these uniforms may be partly borne by the millowners and partly by the laborers, if the former cannot see their way to meet the cost wholly. But the share of the cost falling on the laborers should be recovered by small monthly instalments

from the wages of the laborers. There are three advantages of this system. The first and the distinct advantage is this that the laborer would gradually accustom himself to cleaner and more decent dress; so that after a certain period he would not like to put on a dress which is shabby and dirty. This would increase his standard of living so far as clothing is concerned. Another advantage of this is that a uniform, if it is supplied free, or, a major portion of the cost, if it is borne by the employer, is a great attraction to the laborer to settle down in the factory. The example of a small factory in the Indore State is germane to the point. There it has been found that a uniform has a special fascination for the laborer and he loves to have it. Besides this, a uniform adds to the efficiency of the laborer. In most of the mills and factories you will find operatives working with very awkward and inconvenient dresses on their bodies, and they have to devote some of their attention to managing their dress at the time of working, which they might with advantage devote to their work. You can easily see how a convenient uniform would allow much freer movement of action to the laborer and thus add to his efficiency of work. For more than one reason, therefore, I would advocate the adoption of the system of uniforms in each and every mill and factory in India.

I would now refer to the food which the laborers generally take. It is never substantial food that they take: never the food which adds to the vigor and vitality of the laborer. It is difficult to make him spend his small income wisely. The one suggestion that I would like to make is that the millowners should start the system of messes in their mills, at first providing rather cheap food and slowly raising the quality and the standard of the food with due

consideration for the income of the laborer. Very few will join at first. But if some are induced to join by giving special concessions, others will, I am sure, follow suit. And though the progress in the number might be slow at first the advantages of regular and good food being supplied in a decent manner, would prove to be an attraction almost too great for the laborer to overcome, if he could only afford to join the mess. This would put the laborer in the habit of taking good and healthy diet and he would after a certain length of time, find it difficult to take bad and unhealthy food. His example will be followed by others who may not join the mess. This is I hope, an effective means of raising his standard of living as regards his food.

Much has been said about the housing of the laborers and that necessity has already been realised, so I need not dwell upon it here. I may only mention that if satisfactory arrangements are made about housing and providing healthy and congenial surroundings to the workmen it would help in building up a settled labor population, in raising the standard of living of the laborers and also in increasing their efficiency thereby.

Thirdly, I would suggest that special concessions and facilities should be given to the batches of laborers at periodical intervals for travelling, so that by imitation and example they might learn things and raise their standard of living.

These are some of the suggestions that I have made with regard to the raising of the standard of living of the laborers. They may appear rather fantastic; but if there be zeal and enthusiasm on the part of the employer to raise the standard of living and thus to increase the efficiency of this laborers, and, if he looks at these things from the broader

outlook of the economic principles which govern production, with which he is undoubtedly concerned, I am sure that he can successfully bring these suggestions into practice and thus benefit his employees as himself.

In a statement made in the foregoing pages I have mentioned that there are three necessary conditions of efficiency of labor, *viz.*, skill, application, and stimulus to work. The latter two have been dealt with in their bearing upon the standard of living which is thus an indirect means of attaining efficiency. I now want to say something about skill. Skill may be of two kinds: natural skill, which may be regarded as intelligence or natural aptitude and ability for work. I have nothing to say about it, for it is there, and needs only development, and for that training is necessary; and this skill which is obtained by training generally goes by the name of *acquired* skill. Besides this, special skill is required in special kinds of work and for that special training is necessary.

Proper arrangements should therefore be made to develop the general skill of a workman, as also to give him special training in order to specialise his skill in any particular line. In this connection Government has much to do. But apart from that, the millowners should do something and I refer to that only in this place. Any attempt to train the local people would be amply repaid. In the two cotton mills of Indore particularly I find that many of the skilled workmen are imported from outside; and there is often the complaint of their unsteadiness in any one place. I would suggest to the millowners that they should maintain a workshop and admit a fixed number of apprentices every year, recruited as far as possible from the local material, and give them general and ordinary skilled training. The

apprentices may be paid if it is found desirable to do so. It would ensure to the mills a reserve force ready to take the place of workmen in times of necessity, besides producing a class of skilled workmen from which to draw their ordinary supply of labor.

The object of the training should be to teach the laborers the methods of working which save time and labor and which add to their efficiency; as well as to train them in special branches. In this case, as in all such cases the millowners should cast aside the narrow cloak of ideas and try to look forward. Everything should not be valued in terms of immediate gain. Even supposing that a particular mill may not be able to utilise or be able to get the benefit of the labor trained by itself immediately it should not matter much. Some sacrifices should be made in the beginning. It would be better if such questions were taken up jointly by the Associations of several mills (where such Associations do not exist, they should be formed) and that they start such work together and regulate, if necessary, the influx of these trained apprentices from one mill to another. The point is that some solution, some constructive device, should be found, rather than ignore taking action in any matter which is no doubt beneficial but which is beset with certain difficulties.

One more suggestion that I have to make in connection with the measures for increasing the efficiency of labor and more particularly for bringing into play the inventive faculties of the laboring class is that special prizes should be awarded for extraordinarily good work and for inventing any labor-saving devices.

I have much to say in respect of the revision of the present factory rules and regulations, but the

subject requires independent treatment, if full justice is to be done to it. Here I would only point out that it is no use having, even an *ideal* Factory Act, if it is to remain only a dead letter. Every endeavor should be made to see that the provisions of the Act are properly enforced. And for this the number and status of the factory inspectors should be raised ; and men having real interest in the labor problem and having proper understanding about industries should be appointed. Besides, I would suggest that the factory owners should by rotation *reside* in the premises of the mills under their charge for a certain period of the year at least, besides paying frequent surprise visits to them during the period when they do not reside there. This would, I believe, ensure strict vigilance and first-hand information, about the labor condition in each mill or factory.

Lastly I suggest that separate vital statistics of laborers working in mills and factories should be maintained and published so as to exhibit the effects of factory labor on the health and vitality of the laborers. A comparison of the vital statistics of one mill with those of another might be an interesting study for finding out if conditions of labor in any particular kind of industry or even in any particular mill or factory are deleterious. Enquiries could be made then as to why the vital statistics of any particular industry or any particular mill recorded bad results, and steps might be taken, if possible, to remedy the evil.

These are some of the suggestions that I have ventured to make before this Conference. The spirit that permeates my paper evidently is the rather bold assumption that the employers would realise that the time has arrived when in the realm of production the principle of competition should be subordinated to the principle of co-operation. But I am sure that if the

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employers begin to act in accordance with the spirit of the advent of the new and glorious Economic Era which co-operation promises, they will reap the benefit of it in proportion to the spirit of co-operation with which they would be permeated in their dealings with their employees, who are but a part of the same Economic Organism to which they themselves belong.

SUGGESTIONS FOR LABOR LEGISLATION IN INDIA

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The International Labor Conference which met at Washington in October, 1919, drafted certain Conventions and recommendations which have been submitted to the nations forming the International Labor Organization of the League of Nations for ratification. India being a member of the League of Nations was represented at the Conference. Accordingly the Conventions, etc., have been submitted to the Government of India, and the Board of Industries and Munitions have circularized the local Governments and the Chambers of Commerce for their opinions. These are now being received by the Government of India and it is proposed to amend the Factories Act at the forthcoming session of the Imperial Legislative Council.

It is especially opportune for a representative gathering of economists in this country to give expression to their opinions before legislation is initiated. With a view to promoting discussion and eliciting certain definite expressions of opinion, I propose to state, in the course of this paper, the main draft Conventions, to indicate the extent to which these Conventions can be adopted and further to suggest other labor laws which should at an early date find a place among the statutes of India.

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The Conventions and recommendations of the International Labor Organization may be summarized under the following main heads:—

1. The limitation of the hours of labor to sixty in the week.
2. The establishment of free employment agencies and an effective system of unemployment insurance.
3. The regulation of the employment of women before and after childbirth.
4. The prohibition of night work for women and young persons.
5. The prohibition of the employment of children under twelve years.

The above are to apply to extractive industries, transport, ship-building, generation and transmission of electricity, constructional work, and industries in which articles are mended, repaired, altered, manufactured, etc.

Other recommendations include the protection of women and children against lead poisoning, the prevention of anthrax, etc.

At the present time the only Act concerned with the regulation of the employment of industrial labor in India is the Indian Factories Act, 1911. This Act applies to "any premises wherein or within the precincts of which steam, water or other mechanical power or electrical power is used in aid of any process for or incidental to making, altering, repairing, ornamenting, finishing or otherwise adapting for use, for transport or for sale any article or part of an article and employing 49 or more persons." The Indian Mines Act (VIII of 1901) empowers rules to be framed for the prohibition, restriction and regulation of employment of women and children above or below ground; but no rules have been framed.

The proposed Conventions are for the most part to

apply to many industrial undertakings which at present are not regulated by either of the above Acts—mines, railways, docks, etc. For this reason, the Government of India propose extending the provisions of the Factories Act to establishments employing more than nineteen persons, and to empower local Governments to extend the Act to factories employing not less than ten persons whether they use power or not. While the need of control and regulation of small industrial establishments is undoubtedly of great importance since the worst abuses of sweating, ill ventilation and bad sanitation exist in such concerns, yet until Government is prepared greatly to increase its staff of factory inspectors and carry out more frequent inspection of factories, mere legislation will be of little avail. As matters stand at present, even with the factories which now fall within the scope of the Factories Act, large numbers remain uninspected, especially in the Punjab, Bihar and Orissa, and Bengal. While strongly supporting the suggested course of action of the Government of India that smaller industrial concerns should also be subject to the provisions of the Factories Act, unless this is to be accompanied by a large increase in the inspectorate, I feel that it would be not be wise for the existing body of inspectors to have to shoulder additional responsibilities.

Sixty-Hour Week

The first proposal of the International Labor Organization is the establishment, so far as India alone is concerned, of a sixty-hour week. For all other countries, except Japan, China, Persia and Siam, a forty-eight hour week is proposed. The Indian Factories Act limits the hours of labor of an adult male worker in a textile factory to twelve hours per

day with an interval of at least half-an-hour after every six hour's labor. There is no limit to the working hours of persons employed in non-textile factories.

Actually we find that whereas in many parts of India the maximum—the twelve-hour day—is being worked, a large number of textile factories are already working a sixty-hour week. In Bombay, for instance, since the mill strike of January last, a sixty-hour week has been in operation. The results of the change from a twelve to a ten-hour day have not been unsatisfactory. While the total production is not as great as under the longer working day, production has in no way fallen in relation to the decrease of the working time. A prominent mill-owner recently remarked that mill hands are now more energetic and are producing in ten hours what they formerly produced in eleven. Even before the sixty-hour week was adopted in Bombay, several textile concerns in South as well as North India had adopted the ten-hour day and found it satisfactory from the standpoint of both employers and employees.

In Bengal the practice among the jute mills is to work a peculiar shift system. The system is peculiar to Calcutta and somewhat difficult to explain briefly, but under it the great majority of the general workers, including almost all the women, work from 8 to 9½ hours only, or about an average of nine hours daily. Labor in the jute press houses is by piece work, the men coming and going as they please.

Turning to non-textile establishments, no limit to the number of hours worked is laid down by Government. This is obviously an unfair distinction. If abuses are not to be tolerated in these concerns, it is essential that the discrimination between textile and non-textile factories should be swept away and a sixty-

hour week made uniform in all industrial establishments, with certain exceptions. We find, for instance, the Calcutta paper mills working on two twelve-hour shifts. On the other hand, in the Calcutta engineering workshops the practice is generally to work $8\frac{1}{2}$ hours on five days of the week and 6 hours on Saturday, Sunday being a holiday. On the tea estates of N. E. India, factory work is carried out from May to November. The hours of labor for this work are irregular and depend on weather conditions and the amount of leaf to be manufactured; but not being a continuous process, the hours of work embrace considerable periods of "standing by". On the average, the hours are not more than 7 to 8 daily. During wet weather, labor is worked by shifts and hours are longer. In the coalfields, the miner works as he likes. He is paid piece-wages and he generally stays down until he fills two tubs. There is no regulation of hours at all.

I am of opinion that the sixty-hour week should be introduced and applied to all factories employing 20 or more persons, to mines, railways and docks, but that in the case of the mines definite shifts should be laid down.

Unemployment

That India must work out her own labor code is no more strikingly shown than in dealing with the question of unemployment. The existence of the joint family system and the ready aid of a caste fellow in cases of lack of employment do not necessitate a poor law system or call for a scheme of unemployment exchanges and out-of-work benefit. The problem of under-employment and unemployment as it is known in Britain, the United States and continental countries is unknown in India. The nearest approach

to it is to be found in the employment of casual labor in our ports and chief towns; but the methods of recruitment of dock labor in Bombay, for instance, is far more satisfactory in its results than the system which gives rise to large masses of unemployed at the London and other docks of Great Britain. The persistent cry of factories and workshops in India, on the other hand, is for more labor. The problem in India is not so much one of unemployment as the *scarcity* of labor and the best means of recruiting fresh sources of supply to meet the increasing demand. Under these circumstances there appears to be no immediate need for agencies to cope with such unemployment as exists in India and the convention concerning this subject should not be ratified by the Government of India.

Employment of Women Before and After Child-Birth

A grave omission in the framing of the Indian Factories Act is that it made no provision for the regulation of the employment of women before and after childbirth. There is no doubt that one of the causes of the heavy infantile mortality among the children of working women is that the women are frequently employed almost up to the time of their accouchement. Disgusting sights are unfortunately to be witnessed even in these days when, for instance, a woman is delivered of a child at the factory gates or in the factory compound. That such a state of affairs is allowed to continue is a disgrace. The proposed convention merely lays down that "a woman shall have the right to leave her work" if she produces a medical certificate stating that her confinement will probably take place within six weeks. To any one who is acquainted with the life and habits of the woman worker in India, it must be apparent that this clause

would be nothing short of a "dead letter". What Indian woman worker would in the first place take the trouble and go to the expense of procuring a medical certificate? Whenever she wants to leave her work, she just stays away. What is more essential is that she should be compelled to stay away a stated period before her confinement. While this would be extremely difficult to accomplish under existing circumstances, yet if a scheme for the payment of maternity benefit for one month before and one month after confinement were introduced, this would in itself encourage women temporarily to suspend their work at mills. A careful actuarial analysis of the cost of such a scheme would probably prove that it would not be so costly as may at first sight appear.

While it is extremely difficult to enforce absence from a factory before confinement, it would be a comparatively easy task to prevent a woman engaging in work immediately after her confinement. The compulsory notification of births provides an easy means by which mill managers may be informed of the accouchement of any of their employees. Further, the very harmful practice of allowing women to bring infants and young children into the working rooms of factories, a practice which I strongly condemned in my paper last year, should immediately be stopped. It is to be hoped that a provision against this practice will be a feature of the new Factories Act. A mother will then be compelled to remain at home to nurse her new born infant or to employ a nurse or foster mother, the latter being unlikely.

Prohibition of Night Work

Night work in factories by children under age is already prohibited by section 23(b) of the Indian Factories Act, which lays down that "no child shall

be employed in any factory before half-past five o'clock in the morning or after seven o'clock in the evening." Section 24(a) similarly prohibits the employment of women at night. Section 27 of the Act permits women in ginning and pressing factories to be employed at night and this frequently gives rise to great abuses. It is in these seasonal factories that the greatest evils exist for, owing to the scattered distribution of the factories, inspection is irregular and infrequent owing to the difficulties of carrying it out. As stated in my paper last year, cases have been recorded where ginning factory managers have been convicted for working their women laborers for twenty-four hours.

Prosecutions for breaches of the law when detected have little deterring effect, as the fines are light compared to the gravity of the offences committed. There is no reason why seasonal factories should receive any differential treatment in the matter of the night employment of women. Section 27 should accordingly be deleted.

*The Prohibition of the Employment of Children
under 12 Years*

The Draft Convention fixes the minimum age of employment of children at fourteen years for all countries except India and Japan. For India it is laid down that children under twelve years shall not be employed in—

(1) Factories working with power and employing more than ten persons.

(2) Mining, quarrying and other extractive industries.

(3) Rail transport and at docks, quays and wharves.

Existing legislation in India fixes the age of employment in factories at nine years; but even this limit is in practice lowered owing to the difficulty of ascertaining the correct age of a child and to children obtaining

certificates of age before they are entitled to them. Seasonal factories are frequently found to employ children under age.

In mining no restriction on the employment of children is made. According to the Indian Mines Act, a "child" means a person under the age of twelve years, and the Governor-General is empowered to "prohibit, restrict or regulate the employment of children either below ground or on particular kinds of labor where such employment is attended by danger to the life, safety or health of such . . . children." But no use has up to the present time been made of this power. According to the latest available statistics, there were 681 children employed below ground and 2,304 children employed above ground in coal mines in 1918. These numbers form 5 per cent and 35 per cent respectively of the total number of persons employed below and above ground. It is not likely that a restriction on the employment of children at mines would seriously affect the amount of work done. When it was proposed in the nineties of last century to prohibit the employment of children under the age of ten years below ground in any mine, the Committee of the Indian Mining Association objected to the proposal on the ground that the exclusion of children from mines would involve the mothers remaining above ground and that this would cause the fathers to strike work. Eventually the proposal was dropped.

A propos the Draft Conventions, the Committee of the Bengal Chamber of Commerce are of opinion that the scope of the conventions should be narrowed and applied only to factories as defined by the Factories Act and possibly to the coal mines. They consider that nine years is not too young an age for children in India to commence work and that more harm would be done to allow them to run loose in

crowded mill areas than to keep them engaged in their present employment. They hold the view that until compulsory education is applied to all classes of children, the minimum age-limit of children should not be raised, but that the six-hour day, which is at present compulsory for children (between the ages of nine and fourteen) in textile factories only, should be applied to all factories.

While there is much to be said for the view that other employment must be found for the children released from industrial employment, this cannot be used as an argument to justify the health of the children being damaged by employment inside factories and below ground in mines. So long as the employment is in healthy open-air surroundings such as in building operations, at docks, on railways, etc., such employment may be, at any rate for the time being, tolerated. But I do not share the view of the Chamber that nine years is not too young for children to commence work in industrial establishments in India. The Collector of Bombay, who may be regarded as an unbiased person, in his note on the Bombay Factories Report for 1918, advocated the raising of the minimum age for employment in mills from nine to twelve. The Indian child is poorer in physique than his western brother and he has to work under more trying conditions, climatically as well as industrially, than the European child, yet the age-limit proposed for the latter is not twelve but fourteen. If anything, it may be said that the Washington Conference has erred on the side of leniency with regard to fixing the age limit. On the whole, the best attitude for India to take with regard to this Draft Convention is that it should be ratified in so far as it relates to factories and to labor below ground in mines and quarries, but that until such

time as compulsory primary education is established in industrial areas, the terms of this convention so far as it relates to railways, docks, and open-air employment should not be ratified.

This concludes the first portion of my paper, *viz.*, a review of the various proposals made by the International Labor Organization of the League of Nations.

It is now for us to consider whether, apart from the above proposals, the existing Factories Act should be amended. Utilising my paper on 'Industrial Betterment' as the justification for making these suggestions, I intend merely to outline my proposals.

The Factories Act should be amended so as to provide that:—

(a) Every factory must have a rubber tyred ambulance stretcher which must be kept in a good state of repair.

(b) A first-aid chest must be provided in each department of a factory. Chapters 8, 9 and 10, of the Indian Manual of First Aid should be printed and hung up in prominent places in factories.

While it would not be possible to legislate on the subject, Government might urge employers to adopt the following suggestions in order to minimize the risk of accident and to facilitate the immediate treatment of injured persons:—

(i) The instruction of all new employees on safety lines, and the encouragement of suggestions by employees as to methods of preventing accidents.

(ii) In those industries where labor is sufficiently intelligent and educated the establishment of safety committees formed of representatives of workers and of the management. At Port Sunlight the result of safety-first organization has been the reduction of accidents by 50 per cent in 1917, a further 12 per cent in 1918 and by 5 per cent in 1919.

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(iii) The encouragement of first-aid classes among the foremen and more intelligent of the workmen.

Government may well take the lead in this matter by establishing such a safety-first organization in Government establishments, State railway workshops, etc.

Further provisions of the new Factories Act should be :—

(c) Every factory must provide a messing place, its size to be determined by Government and to vary in proportion to the total number of employees in the factory.

(d) Every factory employing women workers must provide a crèche in the charge of a properly-qualified nurse.

(e) In cases of deliberate infringements of the law and where breaches of the Act are not the result of carelessness or neglect, the agent and employer, occupier or manager of a factory should be held jointly and severally responsible and should be held criminally liable for such acts.

(f) The limit of fines which at present is fixed at two hundred rupees should be raised to one thousand rupees and the term of imprisonment increased to not exceeding two years.

The amendment of the Factories Act, however, will be of little avail unless it is accompanied by a great increase in the staff of inspectors appointed under the Act. There is also an urgent need for the appointment of women inspectors for factories where women are employed.

So far we have confined ourselves to a consideration of the existing labor legislation and amendments that appear essential in view of the deliberations of the International Labor Conference and the existing conditions of employment in factories here. Apart from this, new lines of labor legislation are under consideration as a recent speech of Sir Thomas Holland indicates. They are :—

(1) The legal recognition of properly constituted trade unions.

(2) Workmen's Compensation.

(3) The establishment of conciliation and arbitration boards.

(4) The establishment of Whitley Committees.

Dealing with each of these in turn, briefly, let us consider the legal recognition of trade unions. The last two years has witnessed the rise and sporadic growth of a large number of self-termed "trade unions". The initiative in forming these small groups of workers (for in most cases they are comparatively small) has been taken by politicians and lawyers. Owing to the ignorance and lack of education on the part of the workers it is not surprising that the organization of these bodies has come from "without" rather than "within", but while this was inevitable it is to be deplored that social workers did not take the initiative, but that they have allowed the lawyer-politician class to capture and control these bodies. A feature of many of these so-called "unions" is the absence of any rules (at any rate printed and published rules) and the organization and control of a large number of unions relating to different trades by the same group of persons.

Frankly these unions have not been established in the best interests of labor, but are largely to be used to employ the voice and the strength of labor for political ends. But there exist in this country a few bodies which are being organized by the workmen themselves on the lines of British trade unions and the objects of which are consistent with the best traditions of labor. Many employers would welcome the formation of such bodies, as experience has shown that these unions are prepared to negotiate with employers and are in a position to enforce the terms

of settlement. But this cannot be said of the vast majority of labor organizations in India. It would be in the best interests of labor itself if Government would undertake the legal recognition of unions by a system of registration. Such societies only should be registered as first submit their rules for approval to the Board of Industries and Munitions and the rules must indicate that the control of the society is in the hands of the workers themselves. (This would not prevent the society having a legal adviser.) The registration of a society should carry with it the privilege that the union would be free from legal responsibility from action taken by the union in a strike, etc., which may lead to loss or damage on the part of the employer either directly or indirectly.

Workmen's Compensation

The subject of Workmen's Compensation raises great issues of far-reaching effect and in considering it one has to bear in mind the interest of labor on the one hand and industrial development on the other. While no one will deny that the dependants of a worker who is killed in performing his duties should be compensated and that the worker himself, if permanently injured and incapacitated, should receive compensation, especially when the accident arises through no negligence on his part, yet when once this principle is recognized and put into practice it is but an easy stage to extend it to compensation for all types of accident whether permanent or temporary, serious or slight. And here lies the danger especially in a country like India. The number of self-inflicted injuries would probably immediately increase.

With this reservation one can proceed to consider, first, whether there is a need for legislation

establishing Workmen's Compensation, and, secondly, if there is a need, to what classes of injuries and to what industries it should at first be applied.

A few firms among the jute mills, coal mining companies, etc., are in the habit of making provision for a man or his dependants in the event of total disablement or death. Compensation takes the form either of a bonus, pension or the employment of the dependants if they are in a position to engage in labor. But no pension or gratuity can be demanded as a right, for it depends very largely upon the good-will and the charity of the employer. Unfortunately, it cannot be said to be the practice of firms to compensate, and the question is immediately raised as to whether the frequency and nature of accidents is of such a kind as to demand some form of compulsory compensation. Dealing with dangerous callings only, we find that in 1918 nearly 200 coal miners lost their lives whilst a larger number were seriously injured. Compared with the numbers employed in the industry, this gives a death-rate per 1000 persons employed below ground of 1·6 and above ground of ·3—which clearly indicates the risk of death in a mine is five times as great as on the surface. When we commence to analyse the causes of the accidents and endeavour to locate the blame for them we learn some interesting facts. Half the accidents which occur are occasioned by falls of roof and of sides. "Haulage," and "Shaft" accidents each form 10 per cent of the whole. The development of deep mining introduces a new danger in the form of falls of material from the sides of the shaft. "It has not been the custom in India to brick or line shafts and at shallow depths this does not appear to have been much needed . . . a limited experience of shafts over 800 ft. has proved the increased pressure due

to depth is exerting its effect and the liability to falls of stone from the sides of such shafts is greater." The increased use of electrical power at mines is also bringing its train of accidents. Apart from this, each year more collieries are reaching the second stage of working, *viz.*, winning the pillars which is more dangerous than gallery driving. Hence we are not justified in expecting any decrease in the number of accidents; on the contrary the number of accidents will most probably increase.

The location of blame for accidents is always a difficult matter but we are justified in accepting the statement of the Chief Inspector of Mines in India. He attributed 50 per cent of the accidents in 1918 to misadventure, 30 per cent to the fault of the deceased, 11 per cent to the fault of fellow-workmen or subordinate officials. In other words, one-fifth of the lives lost in mines (coal and other mines) were attributed to the fault of the management, officials or fellow workers of the deceased and half the fatal accidents to misadventure. It is not surprising then that with the risk attached to mining, a demand should be made for compulsory compensation.

A similar demand is being put forward by railwaymen. A study of accident statistics for 1918-19 shows that 450 railway servants were killed and 850 injured. This compared with the numbers employed shows a death rate of about '8 per 1,000.

With these facts before us, one is justified in taking the view that a Workmen's Compensation Act applying to such dangerous trades as mining, railway employment, etc., should be introduced, but that compensation should only be paid in the event of loss of life or permanent disablement.

I propose to dismiss the subject of Conciliation and Arbitration Boards in a few words. Knowing the

nature of Indian labor as we do, it is only where well-organized trade unions exist, (*e.g.*, on the railways) or where labor is sufficiently intelligent and educated, (*e.g.*, in printing presses and post offices) that one could utilize Arbitration Boards with any chance of success. It is preposterous to suggest, for example, that an Arbitration Board could be established for settling the disputes which arise in the Bombay cotton mill industry, for who is going to enforce the terms of arbitration which must be based on the demands of the representatives of the employers and of the employees—as experience has shown that it is not possible at present at any rate to find any representatives of the mill hands who will see that the demands, if conceded, are enforced. Much more can be said for Conciliation Boards and Whitley Committees. Experiments with these may well be made in Government printing presses and on the railways, and only when sufficient experience has been acquired should the experiment be extended to other trades and industries.

Patchwork labor legislation at all times is unsatisfactory and places undue hardships on certain classes of employers while frequently failing to end the worst abuses. Detailed and comprehensive legislation is nevertheless difficult and cannot be carried out unless based on elaborate investigation. It rests with the economists and social workers of India to carry out scientific investigations which will prove of value to the Legislature. Meanwhile, the responsibility of Government for conducting such enquires still remains. The action of the Government of India in establishing a Labor Bureau under the Board of Industries and Munitions and the appointment of a Labor Advisory Board and a Labor Commissioner by the Government of Madras are steps which are to be commended, but what is required is something more comprehensive, something

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which will place social workers and Government in close touch with one another. Periodic labor conferences between employers, labor leaders (so far as they exist) social workers, economists and officials could conveniently precede the establishment of a Central Labor Advisory Board (which to ensure the confidence of the people should have representatives from each of these classes) and the drafting of an Indian Labor Code embodying the labor laws for all trades and industries in the country. No amount of international legislation can be a substitute for the framing by India of her own labor laws. It is only those who are living in this country who know her interests best; and, provided the voices of all classes and interests can be equally heard, legislation based on the deliberation of those persons is infinitely superior to legislation by outsiders.

DISCUSSION OF PAPERS ON LABOR PROBLEMS

Mr. H. A. HANSON said that he was very strongly convinced of the importance of investigations like the one the results of which Professor Lyons had given in his paper. All must be agreed that more should be done along this line, and that this Association should encourage such effort. He would like, therefore, to suggest to the local secretaries for the next meeting that they devote a whole session of the Conference to a consideration of this question and that any preparation through the Committee should arrange to have similar careful investigation made by as many competent investigators as possible throughout various parts of India. The results of such investigations could be presented to us in such a session with very telling effect. He would suggest that careful work covering a large field might eventually have the effect of convincing those who gave very little weight to the results of such investigations. In spite of the unfavorable reception of such investigations in Madras the investigators should not allow themselves to become discouraged and we should do all that we could to encourage this work.

With regard to the suggestion of Mr. Kanungo of Indore that, in order to raise the standard of living, messes should be started in the mills for the workers, the speaker said he would like to suggest one point that ought to be guarded against. With the advent of great industries we should find many forces introduced which are destructive of family life and any arrangement which would tend to separate the men from their families even more than they are separated at present should be looked upon with disfavor. The sanctity of family life must be guarded. This, of course, did not mean that he opposed sanitary and wholesome arrangements for the preparation and eating of such meals as the laborers must take at the mill. But he was opposed to any arrangement that would result in their taking all their meals at the mill.

With regard to Professor Burnett-Hurst's paper, he considered it very interesting, and wished to congratulate him on the able study he had given the Conference. He did not believe, however, that India's present position made it unnecessary to provide Labor Employment Bureaus for India's laborers. One of the great drawbacks in Indian labor was its extreme immobility. Labor Bureaus maintained by Government would be very useful in promoting this desirable mobility of labor. He was glad that Professor Burnett Hurst had touched upon the problem of child labor, for Indian leaders were not writing about this subject at all. All the material he could find, came from the pens of Englishmen who were reporting all their work as factory inspectors. He thought that here was a great opportunity for members of this Association to serve India. India needed an awakened conscience in this matter of child labor, for the evil was likely to be increased rather than decreased in the years immediately ahead of us, and if no one raised his voice on behalf of the children they were going to be exploited just as they had been in the West. In conclusion he said: "You who are here can mould the thinking of your students very largely on this subject. You can give your help to save large numbers of children by showing the evils of this practice. I hope that in the future Indians will take a real interest in this important subject."

MR. GYAN CHAND said that India should have a labor code of its own. Too much had been made of the joint family system and caste system in India. He associated himself with Professor Hanson's remarks. He was of opinion that in the present industrial struggle it was not possible to preserve the cottage industries. He thought that the question of poverty in India would have to be considered along with the question of the increase in population, and he was in favor of restricting the population.

PROFESSOR KARVEY said that if they found that the average income in the poor families fell short of the expenditure, they ought to find out the causes for that. He agreed with Mr. Nanda that whereas the labor movement in the west aimed at political power, the labor movement in India only aimed at increase of wages. But he thought that what had taken place in Europe was bound to take place in India also.

One of the reasons for the frequent strikes was the fact that the employer lived in an atmosphere which was on a higher level than that occupied by the laborer. What was wanted was a sympathetic attitude on the part of the employer. The second reason was the inability of the wages to keep pace with the increase in the prices of foodstuffs.

MR. SHAH of Bombay pointed out that the labor charges at present had increased 100 per cent, and the discontent of the laborers even after such large increase was just the same as before. The laboring classes were addicted to liquor and other vices and were not bent upon increasing their standard of life. He thought the labor unrest was mostly due to persons who claimed to be leaders putting into the mind of the laborers what was happening in England or America. The wages have been increased and the working hours had been reduced and still laborers were not satisfied. If they wanted the Indian manufacturers to compete with outside market they should consider the point of laborers killing the industries by unreasonable demands and frequent strikes.

MR. B. L. V. BHIMPURE said he was of opinion that the common mess for factory laborers and the supplying of uniforms by the employers to the employees and of expenses to undertake travels, suggested by Mr. Kanungo, were if actually carried out, sure to increase the efficiency of the laborers and thus the total amount of produce. But he thought they had failed to consider an important peculiarity of labor, *viz.*, that the laborer retains his property of work although he sells his commodity labor. Therefore very few employers would like to make such an investment in him. Then again with regard to the common mess we had to take account of the caste restrictions and the vast difference between the food prepared by the laborers at home and that at the factory. With regard to the uniforms he would say that even if some of the laborers, in the beginning, might show a dislike, yet if these uniforms were decent, comfortable and sure to increase their efficiency, they would take to them.

The investigations carried out by Professor Lyons were most useful and should be continued by him and by some other members as well. Professor Thompson's "Economic Survey" would be of invaluable help in this direction.

Dr. SLATER said that one very important question raised by Professor Burnett-Hurst's paper was the legal recognition of Trade Unions in India. The history of the relations between the State and Trade Unions in the United Kingdom was long and complicated. They were actually prohibited in the beginning of the nineteenth century, and a long struggle for recognition reached its climax in the Trade Union Act of 1876. This protected the funds of Trade Unions, and provided for registration, and recognised their right to negotiate with employers on behalf of their members and to strike. But it expressly abstained from constituting Trade Unions as legal corporations with the right to sue and be sued. At that time the theory prevailing among lawyers, was that legal corporations could only come into existence by the express act of the legislature (either general or special), or of some authority empowered to bring them into existence. But subsequently to 1876 there came a change in the legal opinion, and the decision in the celebrated Taff Vale Case, in which the Amalgamated Society of Railway Servants was cast in heavy damages for ordering a strike without due notice, was based on the legal theory that a body of men could become a corporation, legally responsible for its acts, merely by acting as an organised body. The Taff Vale Case was the chief cause that impelled the Trade Unions to create the present Parliamentary Labor Party, and its first and greatest achievement was the passing of the Trade Disputes Act, which made Trade Unions exempt from any legal penalties for any wrong or unlawful or injurious acts done by them in connection with a trade dispute.

In India there was, as yet, no trade union law, and in any case that might arise, like the action taken by Messrs. Binny & Co. against Mr. Wadia, the organiser of the Madras Labor Union, the judges would have to decide by the principles of common law, and there would be great uncertainty about their decisions. Hence the question of forming an Indian Trade Union law had become urgent.

The first, and most important question that would have to be faced would be whether India should adopt the principle of the Trade Disputes Act. With regard to this it had to be noticed in the first place that there was something repugnant to legal opinion, and even to common-

sense in putting any body of people in the legal position of being privileged to commit wrongful acts without liability to any penalty; secondly the Trade Disputes Act only got passed in the House of Commons because the Liberal Ministry wanted the Conservative House of Lords to take the responsibility of throwing it out, and the Peers declined that responsibility; thirdly, it would appear that the effect of the Act, had been to exacerbate to relations between employers and unions. Indian unions would no doubt demand the extension to them of the principle of the Trade Disputes Act, but he did not think this should be conceded.

A less important question which had been much discussed in Madras was whether membership of a trade union should be limited to actual workers in the trade, or occupation, and whether the officers should be chosen only from the members, or whether outsiders should be permitted to hold office. This question also would have to be faced by the legislator.

MR. S. V. KANUNGO thought that trade unions came into existence when the laborers were handicapped in their fight for higher wages and that they were founded on the principle of competition. The time was ripe, however, for economists and politicians to proceed rather on the principle of co-operation than on the principle of competition. They had to bring home to the minds of both laborers and employers their common interests—that they belonged to one and the same economic organism. Referring to points in Mr. Burnett-Hurst's paper he said that it should be made necessary for the Factory Inspector to reside in a factory for some time in the year in order to ensure greater interest for the welfare of workers.

MR. JOSHI said that he had not wished to speak that afternoon, but Mr. Kanungo had by his remarks provoked him to say something. Mr. Kanungo was opposed to the legal recognition of properly organised trade unions because he thought that in the new era of co-operation which is dawning trade unions were quite out of place, that the need of to-day is not for large factories and trade unions, but of cottage industries and of co-operation. The speaker failed to see however why the organisation of trade unions should be looked upon as a declaration of war between the employers and workers. Would not trade unions properly organised and legally

recognised be materially helpful to employers wanting to understand the minds of their work people and to redress grievances before they ripened into strikes? People who imagined that the encouragement of cottage industries would enable us to do without large factories were laboring under a sad delusion. The factory system had come to stay in India, whatever the possibilities latent in cottage industries. We had only to try and anticipate, if we could, some of the evils found by European experience to follow in the wake of the factory system.

With regard to Professor Burnett-Hurst's proposal of prohibiting by law the employment of children under 12 in textile factories or in mines, he agreed that such children should not be employed for work under the surface in mines, but thought that provision must first be made for the education of all children under 12 and then the prohibition of their employment in mines and factories by law could follow.

PROFESSOR LYONS in the course of his reply said that unfortunately it was not feasible to prohibit child labor under existing conditions and deprive the working man of the income brought by his children. The fundamental question was the problem of the subsistence wage, which was raised in his paper. He was in favor of the Association making investigations in the directions suggested by him. They should try to arouse public opinion if they thought that the laborers were not getting the minimum wage. He was in favor of the prohibition of child labor; but before it would be practicable the wages of adults must be increased sufficiently to enable the working family to have at least a subsistence income.

MR. GULZARI LAL NANDA said that the factory Act should be extended in its scope, as many factories were not under any sort of supervision. They should have an Industrial Disputes Act in India.

PROFESSOR BURNETT-HURST replied briefly. He said that the chief criticisms of his paper centred round the question of the prohibition of the employment of children under 12. The loss of family income which would result from such prohibition should be met by raising the wages of adult laborers sufficiently to enable them to support their families.

FAMINE AND EXPORT

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The first thought I desire to suggest to you is that there is reason for apprehending that the famines which have to be provided against in future may be of a somewhat different character from the famines which have marked Indian history in the past. The dominant causes for the famines in the eighteenth and earlier centuries were twofold, *viz.*, first the variability of the monsoon causing shortage of grain in particular areas and secondly the deficiency of transport. The chief characteristic of the condition of affairs in India had been that while there was famine in certain districts there was abundance of cheap grain in other parts of the country. The habit in India had been to store up grains during periods of good monsoons as a method of safeguard against scarcity in bad years. That had been the basis of the famine policy of the Government of India. The official idea with regard to famines had been that the dominant symptom of famine was not absolute deficiency of grain, but local high prices and failure of purchasing power of the people. Accordingly the remedial measures adopted were of the nature of providing employment and supplementing that employment by gratuitous relief and by facilitating transport of grains from districts which had them in abundance. The success of that policy rested

upon the continuance of the old habit of storing a considerable quantity of grain locally. But the success of that policy itself made people feel that in case of scarcity they could depend upon Government to procure supplies from other parts of India. Hence the economic motive for carrying over stocks of grain, and maintaining local reserves, was seriously weakened. The habit still persists, but is decaying; and if it disappears the foundation on which the success of famine administration rests also disappears.

Let us now consider the experience which India has passed through recently. In 1918 there was something like a 35 per cent deficiency in the grain produce of India excluding Burma. It was not sufficient merely to provide relief by employment or money grants or by facilitating transport from one place to another, since this only effected a shifting of the burden of lack of food from one part of the country to another or from one section of the people to another. Therefore in the famine of 1918 it was necessary to take further measures in the direction of increasing the available supply of grain for India as a whole. That was done by prohibiting the export of grain, and by appropriating the surplus of the Burma crop for Indian use and by endeavoring to obtain supplies from Australia. The measures actually taken were successful, and though there was a great rise of prices, suffering and distress were effectively minimised.

Prohibition of export was a necessary measure then; but now we have to consider whether it is a right policy to prohibit or hamper export as a permanent measure in view of possible future deficiencies of crops. One of the reasons why I considered this an important question is the existence of a general sentiment, particularly among the urban classes in India, in favor of a general and permanent prohibition of export of food grains

from this country; and the idea which is widely current is that prohibition of export is likely to be helpful in increasing the available food-supply for the people of India. In 1918, as soon as it was clear that there was going to be a deficit of grain in India, I was strongly in favor of prompt prohibition of exports of food grains. My opinion was based not only upon consideration of the fact that there was going to be a deficiency of grain in India, but also upon consideration of the peculiar position of world commerce and trade. The war, by creating superabundance of money and scarcity of commodities, had brought about a very great enhancement of prices in the world markets outside India, and at the date of the Armistice the average level of prices was so much higher in the outside world that, if export had been allowed, India could have been easily drained of its available supply of food. But in future years we must gradually reach equilibrium of prices between India and the outside world. With the reaching of that more normal commercial position the great argument for prohibition of export disappears, and we must look at the question afresh.

The most vital factor is the effect of prohibition of export upon production. Some of those who advocate either prohibition or hindering of export of grain base their opinion upon the theory that the Indian cultivator is in no way to be influenced by the condition of the market. Therefore, they hold, the quantity of grain produced is determined purely by meteorological causes, by the favorableness or unfavorableness of the season, and is not at all dependent on economic stimulus. I cannot accept that theory. In India the ordinary cultivator is perhaps less responsive to economic stimulus than the cultivators in many other countries, but, nevertheless, sooner

or later he must respond. If export is prohibited, before long the Indian cultivator will so restrict the acreage under food crops that the produce in normal years will be sufficient to meet Indian requirements. We cannot expect the Indian cultivator any more than any other cultivator to go on producing food grains if they are neither going to be consumed under ordinary circumstances within the country nor to be exported. Hence, my opinion is that anything like a permanent prohibition of export of food grains from India will inevitably operate in the direction of bringing down production, so that the normal production of a reasonably good year will only be equal to a year's consumption. The consequence would be that when India had to face a bad year the deficiency would be terrible, and the power of meeting it on old methods would have disappeared. Therefore, I regard prohibition of export as being the surest method of courting disaster. What applies to prohibition of export in a milder degree applies to all measures which tend to diminish export. It appears to me that the fundamental idea of all Government policy must be, apart from carrying out the established measures in dealing with famine, to increase production, primarily of food grains, but also of other commodities; and to permit their free export, both in order that there may be a margin of production over consumption in normal years, and in order that India may gain purchasing power to enable her in times of emergency to draw grain from outside.

I am not, however, prepared to say that there is nothing the Government should do with regard to export with the object of famine prevention except to leave it uncontrolled. I desire to draw the attention of the members of the Association to the very full discussion which the question of increased supply of

food received just a year ago at Pusa at the meeting of the Pusa Agricultural Conference. The report made by the Committee of which Dr. Harold Mann was chairman was extremely valuable, and its presentation ought to mark a new epoch in the history of Indian administration with regard to famine. At Pusa we considered also various items of Indian export trade from the point of view of famine prevention. It is well known that India suffers to a great extent in many parts from a deficiency of phosphate of lime, the chief constituent of bones. Therefore we came to the conclusion at Pusa that the export of bones ought to be prohibited as soon as Indian means of utilizing the bones for manurial purposes had been developed. We also decided that the export of some other manurial substances, such as fish manure and poonacs or oil cakes, should be steadily discouraged by export taxes, with a view to the ultimate retention of the whole of these manures in India.

Another idea which has been very largely discussed in agricultural circles is the proposal for an export tax upon raw cotton. This idea no doubt will be agreeable to a considerable section of Indian opinion, because an export tax upon raw cotton tends to encourage the production of Indian manufactures. Further, this would operate not against Lancashire, which uses American cotton, so much as against Japan which is largely using Indian cotton. Therefore that is a measure which is politically practicable. From the agricultural point of view it is urged that the very high prices of cotton which were ruling recently tempted the ryot in many districts not only to sacrifice the growth of food grains, but also to depart from sound agricultural methods by growing cotton again and again on the same land instead of observing a proper rotation of crops.

Whether an export tax on cotton would be beneficial or not would depend very largely upon the use made by the Government of the funds so obtained. It is desired that the proceeds of such a tax should be used for purposes of agricultural improvement. The agricultural departments of the various Governments of India are starved of funds like almost every other public service. I am of opinion that India groans under the oppression of insufficient taxation, and I think it is desirable that some additional source of revenue should be obtained in order to enable the agricultural departments to give Indian agriculture the service which they are capable of. If the money were well utilized the loss which falls upon the cotton grower would be more than neutralized by the indirect advantages of greater Governmental assistance in the selection of good strains of cotton and in the diffusion of knowledge of better means of cultivation. It appears to me that an export tax on manurial substances and on commercial crops of India which compete with food crops can be used as one part of the machinery for increasing the normal production of food.

In conclusion let me emphasize the fact that the country which has an abundant supply of food and which is best provided against famine is the country which normally exports food to other countries. I feel that India is in danger of a short-sighted policy of selfishness, if when other countries are suffering from scarcity India will not allow its surplus to feed those in need. Such a policy of exclusiveness and national selfishness can only react to the injury of the country which is animated by that spirit. The prosperity of India will be better served by selling her surplus to other countries where there is greater demand and thereby developing India's productive power so that in times of emergency India may be in a position to meet any deficiency due to want of rainfall or other causes.

DISCUSSION OF PAPER ON FAMINE AND EXPORT

PROF. JEVONS said that the proper solution of the question of food export was of the greatest importance to the future of India. This was essentially a subject in which the politicians should look to the economists for guidance. As Dr. Slater had pointed out, if they pursued a policy of always prohibiting the export of food, they really damaged the interests of their own country by discouraging the cultivators from cultivating foodgrains on a larger number of acres than the population of India normally required. They would be destroying what might be regarded as a reserve of production which would be brought into use in times when the yield of crops was low in a bad season. The experiences of the past two years were quite unusual, and were the result of the Great War. There had been an enormous rise of prices in Europe and other countries and an extraordinary shortage of production. Some regulation was undoubtedly necessary; but he had always thought that Government might have used an export duty of, say, six or seven rupees per maund to discourage exportation, and with advantage to the Indian revenues. It would be possible to regulate the amount of food-grain which India could allow to go abroad by means of an export duty, varying with the price in accordance with a sliding scale.

Coming to the question of permanent total prohibition of export, he said that India should not adopt what might be called a selfish policy of isolation from the outside world, as in the end it would not prove to be the best system. The best course would seem to be to expand the policy which Government had successfully adopted for meeting famines from resources within the country. That was what

Dr. Slater meant when he said that India should link herself with the grain trade of the world. The worst features of famines in India had been averted by linking up each local district with other parts of India as a whole by a net-work of railways. Why not proceed to link up India more completely with the grain trade of the world? The grain trade of India was not so well organized as in other countries. They found that in America and Australia grain was handled in bulk by elevators. There was no packing of the grain in bags. The handling was done by automatic machinery, and the grain shipped in bulk into the hold of the ship. An experiment in the use of elevators was being made in India between Lyallpur and Karachi. The construction of these elevators was started before the war, and he did not know whether they were in working order as yet.

The policy he would suggest would be that first of all there should be a great effort to improve agricultural methods, so that there might be an increased outturn per acre. He thought that an export duty might be used as a more scientific way of regulating export than total prohibition when prices were high. In conclusion he advocated the development of the Indian grain trade to keep it in touch with the grain markets of the world, and suggested better methods of providing adequate storage capacity by building large elevators at great commercial centres like Cawnpore and Lyallpur, and also in the port towns.

MR. JOSHI said that the figures of production of food-stuffs from 1899 to 1914 showed that the same had increased sympathetically with the rise in the world prices. The effect of total prohibition of the export of food-stuffs must be to decrease their production in India. The cultivator would then turn to the production of raw materials, the export of which was not prohibited. Thus the security against famine which was the main reason for the prohibition of the export of food would not be attained. It had been suggested that a duty on oil-seeds should be imposed with a view to encouraging the pressing of the seeds in India and the retention of the poonak for manure. That method of encouraging the development of the oil-pressing industry at the expense of the producer of the oil-seeds would be similar to robbing Peter to pay Paul. They should find better

methods of stimulating the development of their industries than imposing export duties and thereby injuring the export and hence the import trade of the country,

PROF. THAKORE agreed with Dr. Slater with regard to the prohibition of export of bones and other manurial articles. He said that Indian sentiment was not totally against the prohibition of export of foodstuffs and quoted the authority of *Artha Sastra* and the *Puranas*. The Indian mode of treating the subject was to store up the food and fodder requirements for a year. Out of the surplus a part went to the state as land-revenue. Another part was set apart for social purposes and charitable objects. The remainder was allowed to be exported. All agricultural countries must follow the policy of storage. He was in favor of developing the transport facilities and said that India should have her own ships. The sooner they proceeded to build up shipping for coastal transport between one part of India and another as well as for international transport across the oceans, the better it would be for their productions.

Professor RANGASWAMI AIYANGER expressed his entire agreement with the remarks made by Dr. Slater and deprecated any policy of prohibiting absolutely or of restricting the export of food-grains from India. He recollected instances from his experiences in Travancore supporting the various generalisations put forward by Dr. Slater. The danger was not at all a remote one. He instanced the case of Travancore, with an extensive seaboard, and surrounded by British territory, producing barely half the food grains required by its population, but producing an increasing quantity of non-food crops.

There was, however, one aspect of the policy which Dr. Slater condemned—and a most important aspect too—which had not been dealt with and which he should like to press. It was the bearing of such a policy on Land Revenue assessment. He must emphasise the fact that a policy of total or modified prohibition must affect most prejudicially the cultivators in areas under thirty years or twenty years settlement, especially as resettlements were going on continuously, in some district or other, in provinces like "ryotwari" Madras and in Native States following a similar land-revenue policy. In practice, every settlement officer looked not only backwards but also forwards. If, therefore, any settle-

ment were undertaken hereafter, *after* exportation of food-grains was restricted or prohibited, thereby depressing the prices of food-grains in the country, the result would be that the rates of commutation calculated on the recent years of phenomenally high prices would come into force in a period in which, thanks to the policy of restricting or prohibiting export of food-grains, the prices of food-grains would be depressed. The consequences would be clear. The result of the mischievous policy against which Dr. Slater had protested, would be equivalent to a substantial increase in the taxation of land in the already heavily taxed ryotwari and similar tracts in India. Whether one was prepared to agree with Dr. Slater's somewhat provocative statement that "India is groaning under the tyranny of light taxation" or not, no one would deny that it was a most serious matter to the poor agrarian population, if, as a result of a tariff policy based ostensibly in the interest of the consumers in the country, a heavy load was added silently to the burden of the land-taxes that the agrarian population already has to bear. Such an increase in the burdens on land, and the way in which the burdens have been imposed, must have a very demoralising and even dangerous result in India.

MR. TOWNSEND (of Punjab) hoped that the interest of producers of exportable articles such as wheat would not be overlooked in considering this matter. Restrictions on export of their produce really meant that they would get less, for it than they were entitled to and according to the level of prices prevailing in the world at large. That the cultivator knew what crop paid him and what did not admitted of no doubt. He instanced the decrease in indigo cultivation in the Punjab when the crop fell in price owing to the introduction of synthetic indigo. The Lyallpur elevator, he said, was working, though not up to anything like its full capacity and the result of its working so far was not unhopeful. But the present restrictions on export made it impossible to place a cargo of elevator wheat on the London market. Till that was done it was impossible to say even tentatively if the experiment had a prospect of success. Some speakers had advocated an export duty on cotton. It should be considered whether such a duty would not merely add to the present large profits made by the Bombay mills without reducing in any way the price the consumers paid for their

cloth. New mills would be very expensive to erect now owing to the increased price of materials. Therefore the operation of the ordinary economic law, that increased profit meant more competitors for it, would be certainly greatly postponed, if indeed it ever actually came into operation in this case.

MR. DEOLE wanted to know whether there was any such argument advanced by anybody in this country as that the export of food-grains should be stopped altogether. It was not clear to him whether they were beating a horse which was in existence or one which was not in existence.

DR. GILBERT SLATER said that possibly in Bombay the horse had not arrived; but in the city of Madras from which he came it was very much alive and was kicking. He expressed gratification at the general agreement with the fundamental principles which he put forward. He wished to make it clear that in the year 1918 he was strongly in favor of an emergency measure for prohibiting the export of food-grains. With regard to the modern methods of storage he said it was being dealt with in the committee referred to at Pusa. In reply to Mr. Joshi's remarks he said that an export duty on cotton would to some extent discourage the growth of cotton on lands which were not suitable for cultivation of cotton. If they used the revenue obtained by a tax on raw cotton for the improvement of agriculture, what the cultivator lost in one direction he would gain in another. As regards the contention that an export duty on cotton would only put more profits into the pockets of Bombay mill-owners, he said it would also increase the number of mills in India and the efficiency of production.

PROS AND CONS OF CURRENCIES IN INDIAN STATES

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COMMERCE MINISTER, INDORE STATE

A State values the right of having a currency of its own as a means of regulating the economic life of its people. There are numerous instances in history of the economic effects produced by the currency policy of the rulers. In these days of rapid communications and increased facilities for trading, it is proving difficult for economically weak States to exercise their right in the case of currency.

Mainly owing to these circumstances, there are very few States in India now left which have their own currency. Hyderabad alone seems to have a complete system of currency, including the paper currency. Of the other States, which possess currency, some have only subsidiary coins and a few make accounts only in their own currency. Some indeed have precious coins for ceremonial purposes only.

Apart from the inducements offered by the British Government, such as the Native States Coinage Act of 1876 or the obstacles placed by it, such as the stopping of the free import or export of gold and silver, the main cause which has ousted the currencies of the Indian States is an economic one. Along with the rest of India all of them are mainly

agricultural states, with the consequence that the more prosperous of them, which have any kind of trade, export their surplus, or even more valuable, of the produce from the land, and the economic condition of their subjects likewise does not admit of their making up the balance of trade by imports in raw materials or manufactures only. It is made good by means of the British Indian Currency, or to a smaller extent by means of bullion or paper.

The inroads of foreign currency, however, affect the economic life of the people in several ways and weaken the power of its government.

(1) When any class of the people buys any commodities with a foreign coin, it is the foreign merchants who give their primary and secondary wants, because it is with that money that one has to buy the products of the country.

(2) The manipulation of the prices for currency being in alien hands, the problem of the rise or fall of prices depends upon the will of the other power. The ruler of the land has to restrict or cease the operations of his own mint and the user of the foreign coin is dependent upon him for the valuation of his goods and labor. If foreign merchants withhold buying from the ryats at the time they want money to pay, say, state dues, the ryats have to submit their goods and labor to the valuation of the foreign merchants.

(3) According to the ratio fixed by the British Government between a sovereign and rupees, *viz.*, 1 to 10, and the quotation for gold 118s. per oz. fine, the parity of the rupee with sterling was about 2s. 9.3d. whereas the open market quotation of the rupee was only 1s. 7½d. about the the beginning of December. By adopting thus a foreign currency, a state shares its vicissitudes of fortune.

To keep itself aloof from the results noted in the preceding paragraph, "a ruler of a State has to choose one of two alternatives. He may either lead a gallant retreat of his people to what may appear a primitive condition, namely ask them to exchange with one another in kind, and pay him the entire revenue also in kind", or prevent the use of foreign currency within the State. Owing to the paramount position of the British in India, many a ruler would have shrunk from taking the latter step, while the opening of communications would make the former impossible. This condition would have to be maintained until the state were able either to meet its internal wants, which would not be a practical proposition, or so to organise its trade as to meet the balance of trade in its favor by exporting manufactures, making investments abroad and importing bullion.

It is, however, not a fact that the introduction of the British Indian Currency is a necessary result of the trade relations with British India or foreign countries. Many an European country or state which has its own currency has such relations, but it has maintained its own currency. For instance, the producers of English coal are paid in English money and the growers of French wine in French money. But the French consumers of British coal must pay for it in English money and they must pay this money in England, and conversely, the same is the case with the French wine. This transaction is the business of the exchanges, and it has to be undergone even when different foreign countries have identical currencies.

Applying these truths to the conditions in the Indian States, it is easy to see that without resorting to the extreme step of stopping all intercourse with the outside world, or rather limiting its opera-

tions to barter, thus eliminating the need of money, a state could maintain its currency by maintaining an exchange in addition to making penal the use of foreign coin in its territory. This step will procure to its ruler the immense power which the possession of a currency gives.

As the learned author of *Tax-Payment-kind in Travancore* has observed, the mint was a great power for good in the hands of the King. When a nation, in whose country production is cheaper, tries to connect itself with another and competes with its produce in its indigenous markets, the king of the latter reduces the value of the current coins either by procuring cheap bullion or by mixing cheaper metal (alloy), the value of the standard coin, of course, remaining the same. The food-selling classes, knowing the depreciated value of the coin, give less than the usual quantity, which not being sufficient for the purpose of the foreign dealers compels them to raise the value of their articles. It may be mentioned that this depreciation is so adjusted as to make it impossible for the foreigners to sell at a lower price than their indigenous brethren. The indigenous dealers, too, will have to raise their prices, having like the rest to buy their food at the enhanced rates. This would apparently leave their foreign brethren at a continued advantage. But the advantage is countervailed, as it were, by the King investing the gain he has received by cheap minting—which is a kind of unearned increment to the State revenue—with the handicapped indigenous classes, and enabling them to sell their articles at a rate not higher than those of the foreign dealers. If such an unfair competition be started by a section of one's own Society under the operation of blind and ignorant selfishness and an indigenous industrial class raise the price of its labor

—which, however, rarely happens—then too, the King can reduce the value of the coins and invest the mintage profit with other classes. The mint is, he continues, “the quickest means by which all classes of the society could be kept beyond harm by any who would be disturbers of the social cosmos and equal rights secured for all.”

Can this advantage be recommended to be given up for gaining monetary peace, which is supposed to be securable by the universalisation of a currency? But this is a chimera. “Though” says, Lord Goshen in *The Theory of the Foreign Exchanges*, “one system of coinage were adopted for all countries, claims on foreign countries would nevertheless vary in price, and would still be either at a premium or at a discount, according as there happened to be at any moment a greater or less demand on the part of such as desired to transmit funds abroad as compared with the supply offered by such as had outstandings abroad which they were entitled to draw in”. It may happen that the different foreign countries have identical currencies, but the essence of the operation is the transfer of money power from one country to the other. (Tate’s *Cambist*). Otherwise we should have a multitude of parcels of coin flowing from one country passing in transit, a similar multitude coming from the other country, and the mints of the respective countries would be constantly employed melting and recoining foreign money. To avoid all these risks and inconveniences, the foreign bill of exchange was invented, and it may be traced back to the middle ages and probably to classical antiquity”. So the elimination of the currencies of the Indian States cannot solve the problem of the exchanges, which are commonly believed to adversely affect the interests of the producers. Indeed, even

in British India or in other Indian States, where one currency prevails, it has not disappeared. The introduction of some such system in India as that of the Latin Union, by means of which the countries comprised in it, agreed that their coins should pass concurrently in their respective countries, will certainly be a better solution than the doing away of the currencies of the Indian States. Another convenience to be devised would be to create such instruments of credit as were proposed at the recent Financial Conference at Brussels.

The crux of the question, however, lies in the economic effects of the operation of exchanges. Although it is an economic law that the exports of a country are paid for by its imports, account has to be taken of invisible imports. As Nicholson says, "We have to take account of payments in connection with freights, stock exchange securities, the advance of loans at the time at which the funds are remitted, the interest on the loans, the repayment of the principal, the expenses of Government abroad, or conversely receipts of tribute, the expenses of foreign residents, the obligations of banks, the profits on commissions of various kinds and other minor elements."

All these transactions cannot be done without resort to exchange. Although there are only a few Indian States, which have to pay tribute to the Government of India, there are many more of them, which have to receive the payments from it. Presumably this would be in the British currency. So also the balance between exports and imports may be, to a certain extent, paid in the coins of that currency. These will overflow in the treasuries of the States, if not in the pockets of their subjects. And it being a larger currency and a token one, may by reason of its utility and under Gresham's Law,

replace the States' currency, which, it is assumed, will have to be of an intrinsic value, as outside the States its value will be that of the metal in it. And even if the use of a foreign currency should be made penal in a State its subjects would be at the mercy of the money-changers.

The aftermath of the war has shown that do Government what they may, the rate of exchange will follow the laws of supply and demand. It is, however, possible to check the profiteering tendencies of the exchange bankers or smaller money changers, by resorting to similar operations as are undertaken, say, by the Government of India in selling Councils or Reverse Councils.

An operation of this nature will not be difficult for the States, for the Indian States generally export more goods than they import, including bullion and British currency. This happens both on account of the raw materials, including food-stuffs, which they have for export, and also because of the large investments which the States and their subjects have in British India. The result of this would be that usually the demand for exchanging British rupees for State coins would be much larger than the demand for exchanging State coins into British currency. Even if the stock of state coins is exhausted new ones can be coined by purchasing silver with the British Indian coins in the stock. On the other hand if the stock of British coins is exhausted, a state has only to melt some of its coins and to sell the silver for British Indian rupees and thus meet the demand. The loss, if any, in such transaction can be met out of the profits on coinage, which should certainly be, to a certain extent, kept as a reserve for such a purpose. It will not be an entirely idle reserve, but a large portion of it may earn interest by judicious invest-

ments. Subject to such a reserve being kept and the State offering to exchange currencies to a certain extent, the operations of the money market will be kept in check. An independent coinage by a state presupposes that its freedom of export and import of precious metals from Indian states outside India shall not be restricted by the operation of the British Sea Customs Duty Act.

Coming now to the practical aspect of the question, it is to be remembered that Hyderabad alone has a complete system of currency, consisting of gold, silver and copper coins and the paper currency. They alone are the legal tender in the State. Owing to the compactness of the territory and the strict enforcement of the currency laws, the Hyderabad currency has not had to suffer inroads of the foreign currency. It has its exchange problems, but the State controls it by means of the manipulation of the currency.

Travancore has a silver coin called *chakram*, but it has been driven out of circulation and is only used for accounts purposes. The main reason for its having gone out of circulation is due to the fact that Travancore exports more raw materials than it imports, and its people are not rich enough to meet the balance of trade in its favor by manufactures or making investments abroad, which would have counterbalanced the balance of the trade in its favor, and to the absence of any penalty against the use of foreign coins.

Some other States which have their own coins, have closed their mints, which has led to the appreciation of their coins, which are still current. Some States have altogether closed their mints and some for a period only. The States of these classes found minting to be an operation resulting in loss, and so

gave it up under the immediate economic pressure. The sea-board being until lately entirely under the control of the Government of India, the States had no liberty as regards the transactions in precious metals, from the time they were controlled by the British Government. The disparity between the value of bullion and coins, the rise in the value of silver, and the freeing of the sea-board to a larger number of States, therefore, have revived the interest of the Indian States in the currency problem. It is gradually being realised that apart from the economics of the coinage, a currency has its own economic advantages, which no Government could afford to ignore.

The successful and useful propagation of a currency is not an easy matter. It is one of the most intricate, and owing to its ramifications, a vital question to the economic life of a State. It is, therefore, only such States as can command expert advice that may aspire to have their own currency. The main disadvantage from which any currency suffers is with regard to its intrinsic appreciation or depreciation apart from those happenings, which are due to local and temporary causes. To avert or modify the effects of the former results, the existence of a reserve and and of banking facilities by a State, or controlled private agency, would be highly useful. A reserve can be built up out of the profits on coinage.

On the other hand, a state which has its own currency has many semi-economic as well as purely economic advantages. Among the former, the following are the most important:—

- (a) Freedom from the effects of a manipulated currency, brought about to meet the requirements of the British Government and,
- (b) A similar escape from the other Acts of the Legislature of British India affecting its currency.

As regards the purely economic advantage, the profit from the coinage is not a mean one. The greatest profit is derived from a paper currency which, if kept within bounds, is a most advantageous form of currency. Then the profits on the gold, silver and other coins of baser metals will also be considerable. It will all be retained by the state minting its own coin.

But the consideration which should weigh most in favor of a State having its own currency, is the power which it gives to the latter to afford convenience to its subjects in the daily economy of their lives. When the ryats in the Punjab grew suspicious of the paper currency, the Government of India at once minted a gold Mohur, while the Governments of Indian States looked helplessly on. The appreciation of the British Indian rupee in its ratio to the British sterling in the nineties of the last century and the recent change of its basis by linking it to gold, which resulted in adding to the burdens of the ryats, and among others in causing depreciation of their hoards, and lately of the investments, respectively, have equally affected such Indian States as have adopted the British Indian Currency.

The problem of a currency of its own has no interest to a State which is not of some respectable size and which is not more or less compact in area. Such States as by agreement with the paramount power have permanently given up their currencies, have temporarily lost their interest in it. Those States which can resume their coinage, and which still possess one, cannot but have an abiding interest in the question.

STABILITY OF EXCHANGE

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Foreign exchanges are a mechanism by which money of one country is changed into the money of another. The fluctuations in the rates of exchange are caused by variations in the relative value of the currencies of the countries between which exchange is quoted. These variations are generally due to (1) the Balance of indebtedness, (2) Loss of credit, (3) Depreciation of the currency, (4) Rate of interest in the two countries, (5) Distance between two countries, (6) Panic, and (7) State of emergency like that of war. One more factor which ought to be taken into account is the relative values of the two metals, if the currencies of the two countries are in different metals. Of these factors the two most important which are affecting India heavily are the first and the last, viz., the balance of indebtedness and the relative values of gold and silver.

During the war the most important factor affecting exchange, viz., the balance of trade, was favorable to India. This balance would have been settled by the import of precious metals if conditions had been natural and normal. But on account of war, restrictions were put upon the movements of the precious metals. When such was the state of things silver began to appreciate. Before the war silver used to be in the neighborhood of 27*d.* per ounce. The rupee could remain a token coin till the rate reached the limit of 43*d.* per ounce. After this limit was passed, in order to prevent the melting or export from India of silver rupees, the

Government of India, as they said, found it necessary to raise the rate of exchange. The first change was made on the 20th December, 1916, when it was raised from 1s. 4d. to 1s. $4\frac{1}{2}$ d. for immediate telegraphic transfers. Then gradually it was, as is well known, raised to 2s. 4d. on the 16th December, 1919, the different rises being 1s. $4\frac{1}{4}$ d. (10th January, 1917), 1s. 5d. (29th August, 1917), 1s. 6d. (12th April, 1918), 1s. 8d. (13th May, 1919), 1s. 10d. (12th August, 1919), 2s. (16th August, 1919), and 2s. 2d. (25th November, 1919). When the Government had to raise the rate of exchange from 1s. 6d. to 1s. 8d. in May 1919, they felt that the exchange situation was departing widely from its normal position, and therefore they appointed a Committee presided over by Sir H. Babington Smith, on 30th May, 1919, to advise the Government in regard to the future of Indian Exchange and Currency. The Committee submitted their report on the 22nd December, 1919, and it was published on the 2nd February, 1920.

The circumstances under which the Committee sat were abnormal and artificial as immediately following a catastrophic war, and sufficient time ought to have been allowed to elapse before a true perspective of the situation could be taken. It was not a time for suggesting modifications of the existing system which was itself objectionable in that: "The rupee", as Sir David Barbour said, "which was the main coin of the country, ceased to be of the same bullion value as its currency value". The Committee ought not to have suggested such a large change in the rate of exchange as a permanent solution. In emergencies like the last war, measures are and have to be taken which have victory and not sound currency as their goal. And if the latter is drastically affected by measures taken in view of the former the best way is take such steps as will undo the measures and

bring about normality. For munition supplies and expenditure incurred in India, Mesopotamia and elsewhere on her behalf, England was hugely indebted to India and therefore the value of the rupee in terms of sterling rose. To this was added the abnormal rise in exchange due to the enhancement in the gold price of silver which was greatly in demand in India for coinage and in Europe for small coins. The true remedy for the difficulty would, according to Sir David Barbour and Mr. W. E. Preston, representative of the Eastern Banks' Association, have been to reduce the balance of indebtedness and the demand for silver. The latter was prepared to say that there was no harm in the Government of India making a little loss on exchange and the note inconvertible for the time being.

Taking the Committee's measures even as a temporary solution they have not only failed to achieve the intended object, but on the contrary, have proved disastrous to the best interests of the country. At the height of the export season the market was never able to support a two-shilling gold exchange. Even the sale of £55 millions of Reverse Councils, from 1st February to 28th September, 1920, has not strengthened exchange. The Government of India in their reply to the Bengal Chamber of Commerce admit that their inability to make 2s. gold rate effective even during the period in which Reverse Councils were being sold "was due largely to factors which could not have been foreseen". The consequence is what it is. The high rate of exchange has inhibited exports and stimulated imports with the result that the balance of trade which was highly in favor of India, has now become adverse to her. This is attributed by Government to "(1) the overstocking of the American and European markets, (2) the commercial

crisis in Japan, (3) the necessity for the continuation of the embargo on the export of food-grains, and (4) the inability of the continental countries, owing to their debased currencies and their debilitated financial conditions, to pay for imports. Those who have been in touch with the markets know whether the high rate of exchange was responsible for reducing exports or not. The other causes mentioned by Government were contributory, but the main responsibility of the exchange rate cannot be ignored. Now, silver having fallen in value and the balance of trade being reversed, the exchange has fallen to 1s. 5½*d.* and we don't know where we stand. The Government of India expect that the "operation of natural conditions will allow the eventual fixation of exchange at the level advocated in the report of the Currency Committee." Lord Meston also in surveying the Indian exchange position before a Manchester meeting is reported to have said that it "would not be in a day or year that the rupee would settle down to 2s., but the 2s. rate would eventually be reached".

Let us see by comparing the markets of gold and silver for the last six months whether there is any indication, however slight it may be, of the Government anticipation being fulfilled:—

	Gold (in London)			Silver
	£	s.	d.	per ounce
23rd July	...	5	8 9	... 55½ <i>d.</i>
26th August	...	5	15 0	... 58½ <i>d.</i>
30th September	...	5	18 4	... 59½ <i>d.</i>
28th October	...	5	17 11	... 52 <i>d.</i>
25th November	...	5	17 7	... 47½ <i>d.</i>
23rd December	...	5	15 8	... 40½ <i>d.</i>

On the 23rd December, 1920, the rate of gold in London was £5-15-8 per fine ounce and the rate of silver was 40½*d.* per standard ounce, '925 fine. The exchange on Bombay was quoted at 1s. 5¾*d.* or 17¾*d.* That means

on that day in London the £ sterling was valued at about 83 grains of fine gold, or 0·734 of the gold in the sovereign. A rupee would buy in London 6·1 grains of fine gold and 165 grains of fine silver would be equal in value to 5·2 grains of fine gold and that the rupee valued at $17\frac{2}{3}d.$ sterling is equal to 13*d.* nearly in gold.

On 23rd July the price of gold was £5 8s. 9*d.* and that of silver 55½*d.* per ounce. The exchange quotation per rupee was 1s. 10½*d.* The ratio of the value of an ounce of gold to an ounce of silver was 23·6 on July 23rd, and 34·8 on December 23rd. This shows how silver is depreciating in terms of gold. The value of the rupee at 22½*d.* sterling was equal to 17*d.* nearly in gold. So it is clear that the rupee which was 17*d.* gold in July is to-day 13*d.* gold in December, while Government want to raise it to 24*d.* gold. How is the end to be achieved? Due to inflation in India and famine in China silver is likely to go down rather than to go up. One cannot understand how stability in exchange is to be attained. The memorial for stability of exchange is, as a Paris correspondent of *The Times* said, yet to be erected.

The only remedy that will minimise many of the difficulties is to introduce a real gold standard with gold currency. The fear entertained in certain quarters that India will prove a veritable sink, has been dissipated by the recent happenings. During the course of this month gold and silver have been exported out of the country to satisfy the adverse balance of trade. Once the real gold currency is introduced in India and enough gold is given to her in proportion to her population, automaticity in the movements of precious metals in settlement of trade demand will be visible exactly in the form in which it is visible in England, France or Australia.

A REVIEW OF THE REPORT
OF THE
INDIAN CURRENCY COMMITTEE

MR. B. F. MADON

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The Report of the Indian Currency Committee of 1919 is a most astonishing document. The terms of reference expressly precluded it from considering whether the Gold Exchange System was the right system or not, and yet one of the recommendations practically amounts to displacing the Gold Exchange System as I shall show lower down. Its terms of reference confined it to an examination of the Indian exchange and currency system and practice, and yet it turned itself into a sort of "High Prices Committee" and made recommendations about currency that had their main justification in the present high prices of commodities, and its most outstanding recommendation—the change of the standard unit of India to 11·30 grains of gold from the 7·53 grains that it was ever since the memorable changes of 1894—is the most amazing recommendation that one could have ever looked for from a panel of English bankers asked to advise about currency. For this recommendation amounts to nothing more nor less than a deliberate debasement of currency for the purpose of adding to the resources of the Government. That English bankers should subscribe to such a proposal and that an English Secretary of State should adopt and act on them

shows how easily the cleverest men may be led astray by the machinery of the Gold Exchange Standard System. I know it will be disputed that the recommendation implies debasing. I shall be told that it was other people that had suggested a debasing of the rupee coin, and that far from debasing it this wonderful Committee has strongly set its face against it. It is true that the Committee has gone into the question of whittling down the silver contents of the rupee and have noted their opinion against it, but they have failed to see that the change in the metal contents of a *token* cannot be debasing, while what they have themselves recommended is debasing.

Let us see what debasing is and why it is practised and why such action is reprobated by all sound bankers and business men.

Debasing is practised by bankrupt states and rulers to increase their resources without adding openly to taxation. It is done by making more coin from a given weight of metal than is laid down by law for the standard coin of the country, and it is reprobated, because thereby the debtor class of the country, *i.e.*, whoever has to *make* payments, is benefited at the expense of the creditor class, the people who have to *receive* money. The latter get less than what is rightly due to them and are defrauded of their right-ful due to that extent.

But these considerations do not apply to a token coin because whatever its contents may be, its value in payment of debts does not depend on its own bullion contents but on that of the standard coin to which the token may be linked.

The Indian Rupee is a token coin since 1894. Settlement of debts since that year has not depended on the silver contents of the rupee but on the gold coin with which it has been linked, *viz.*, the sovereign.

This is clear from the fact that although the average price of silver between 1895 and 1914 has been about 25*d.* and Rs. 1,500 (which equal 1,500 tolas of standard silver) would be intrinsically worth only £ 58 to £ 59 yet these same Rs. 1,500 have been freely accepted in payment as the equivalent of £ 100. That the Rupee was a token coin was very clearly stated by the Chamberlain Commission in paragraph 66 of their report where they stoutly defend the Indian Currency System from the charge of being a "Managed" system. They deny the charge and add:—

"The only point of the criticism that India's Currency system is managed in a sense that is not true of the currency of the United Kingdom lies in the fact that the Rupee is a token passing at a value above its intrinsic value and at the same time is unlimited legal tender. It is true that it is not practicable even to consider the limitation of the amount for which the Rupee is legal tender. In this sense, therefore, the system must remain a managed one. But we demur altogether to the idea that because it is to this extent a managed system it must be a bad system. It is not in fact, *possible for the Government of India to manipulate the currency for their own ends, and they cannot add to the active circulation of the currency except in response to public demands.*"

Government of India has done what the Chamberlain Commission said it was not possible for it to do, *viz.*, it has "manipulated the currency for its own ends", and added 12½ crores thereby to its revenues. However, what concerns us here is to show that the rupee was only a token in India's currency system, and represented a definite part of the standard coin. The standard coin cannot be silver; it must be gold, because since 1894 India has been placed on a gold standard. Let us again quote the Chamberlain Commission. They come to the conclusion (see para. 223, IV, of their Report) that

"The belief of the Committee of 1894 was that a Gold Currency in active circulation is an essential condition of the maintenance of the Gold Standard in India, but the history of the last 15 years shows that the Gold Standard has been firmly secured without this condition."

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Whittling down the metal contents of the rupee would, therefore, not have been debasing, because it would not have varied the contract between debtor and creditor, as debasing is ordinarily intended to do. All contracts although nominally called so many rupees would be understood as for so many parts of the sovereign and not for so many tolas of silver. A man who had Rs.1,500 due to him could still call for £100. There would be no injustice to any one.

Now let us see what the Currency Committee has done. They have changed the ratio of the token rupee to the standard coin (the sovereign) and thereby modified all existing contracts by the enormous amount of 50 per cent of what they originally stood for. Thus any who owned Rs. 1,500 had really to find £100, say 12,327 grains of gold. At the ratio recommended by the Committee, this man must now find the equivalent of £150 to settle the same debt. Thus the contract between debtor and creditor is vitiated by as much as 50 per cent. What is this if not a debasement of currency? When standard coin, *e.g.*, the sovereigns are debased, the relation between debtor and creditor is vitiated to the advantage of the *debtor*, and the action is most strongly reprobated in all countries that value their reputation for business integrity. When token coins are debased as the rupee now is, the relation between debtor and creditor is vitiated to the advantage of the *creditor*.

In every country the creditor class is the wealthier though numerically much the smaller class of the population, and yet any change in the standard of value, *i.e.*, any debasing of currency that makes even the wealthy class suffer has been reprobated as highly dishonest and immoral. What shall we say of this other change in India's Standard of Value? What shall we say of the other debasing that actually

benefits the wealthy creditor classes at the expense of the debtor class of the country, which means all its toiling millions. The Indian Government's own reports testify how deeply submerged in debt these masses of India are, and yet they have debased the currency of India to the extent of 50 per cent at the expense of these masses. The man-in-the-street is beguiled with talk of never allowing any debasing of the rupee, although the Member of the Committee must have known full well that in India's system this rupee was a token.

I have already said that debasing is practised by bankrupt Governments to increase their resources and that the change of the Indian standard unit recommended by the Currency Committee is really a debasing of the coinage by which the resources of the Government are increased by $12\frac{1}{2}$ crores. This wonderful Committee of English bankers and others do not seem to have been abashed at what they have done. They actually wish it to be counted for merit to them, because in paragraph 32 they tell us with evident gratification that "a high rate of exchange would result in further advantage in this direction (*i.e.*, materially improving the revenue position and enabling the Indian Treasury to do without further taxation." But they ignore the fact that these $12\frac{1}{2}$ crores of savings to the Indian Exchequer do not fall from the heavens. All payments India has to make abroad are ultimately adjusted by her exports. Home Charges are only one class of India's payments abroad. The Committee consider that the average annual amount of Charges will be £25 million. These 25 million will be settled by £25 million of exports. If exchange is at $16d.$ the Government would have to find $37\frac{1}{2}$ crores of rupees. If it is at $24d.$ the Government has to find only 25 crores and thus saves

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12½ crores. On the other hand, the £25 million of exports that would have realised 37½ crores in the former case realise only 25 crores in the latter; and as the bulk of India's exports is the produce of the soil, it is the tillers of the soil that get 12½ crores less. So while the Committee blandly talks of the advantage of the revenues and the avoidance of additional taxation what they have really done is to put an additional burden of 12½ crores on India's producers.

This is *taxation in its most undesirable form*. It takes money from the pockets of the producer without his even knowing what is being done to him. If additional revenues are necessary, the Government ought to take them by open taxation in the usual way.

The evil does not stop there. It is not only 12½ crores that the producer is thus insidiously taxed. The exports of India go to balance the following various payments:—

- (a) Home Charges of the Government.
- (b) Remittances by British firms and companies, Steamship lines, Railways, etc., of their profits, etc., made in India or payment received for services rendered to India.
- (c) Similar remittances by foreign firms, companies and individuals.
- (d) Payments for imports on behalf of the Government.
- (e) Payments for imports on behalf of the Railways.
- (f) Payments for imports on behalf of the trade and industry.
- (g) Payments for imports on behalf of the articles mainly if not solely consumed by the wealthier classes.
- (h) Payments for imports of articles mainly consumed by the masses.

The imports have been divided into groups as above in order to show clearly the classes that benefit by cheaper imports. It will be seen that by the change in the standard unit, not only does Government benefit in its payments of Home Charges by 12½ crores, but the other classes (b) to (g) also benefit. If the

list of imports is carefully scrutinized, it will be found that three-fourths of the imports represent goods needed by other than the agricultural and laboring population. Therefore what really happens in this system of taxation through debasing of the currency is that, while the Government takes only $12\frac{1}{2}$ crores, the total loss to the producer through smaller receipts for goods exported comes to considerably over 100 crores, and there is a corresponding saving of several crores each to the classes (b) to (g). Why should the producer be thus mulcted of many crores of his hard earned rupees in order to benefit these other classes? If Government think they are justified in taking $12\frac{1}{2}$ crores from the producer let them take it at least in a fairer way so that only $12\frac{1}{2}$ crores will be taken from him. Why do they do it by debasing the currency and thus put crores of rupees into the pockets of other classes—the wealthier class too of the population and into the pockets of the foreign merchant and trader, at the expense of India's toiling masses?

So much for the main recommendation of the Currency Committee which is nothing more or less than a debasing of the currency. The Committee evidently felt that their recommendation had no justification in sound currency doctrine and accordingly they tried to make the most of the prevailing high prices. This price argument had been made the most of, but the fact is that the argument is based on two fallacies. In the first place, the high prices, the incidence of which is most severely felt by the masses, are the high prices of food-stuffs and not of imported goods. India itself produces all the food-stuffs it requires and does not normally import any. Therefore the change in the rate of exchange cannot be of any benefit as regards the prices in the one direction, *viz.*, food-stuffs in which it would be most important. It is true that the prices of food-stuffs had been high in 1918-19, but that was not because of the rate of exchange, but because of the failure of the monsoon re-

sulting in unusually short crops. The only right remedy in such an eventuality was the one actually applied by the Government, *viz.*, control over the export of food-stuffs and control over their internal distribution, thereby enabling the surplus of one province to make up for the deficiencies of the other. High prices of food-stuffs during 1918-19 have undoubtedly caused considerable suffering, but the change of the rate of exchange was no remedy. The high price enquiry has only been brought in to justify the debasing of the currency by an appeal to humanitarian sentiment. The *second* fallacy that has been worked for all it was worth was that while the *producer* might suffer by getting a smaller sum for his produce the *consumer* was gaining by paying less for imports, but the fallacy here is that the classes affected by this are entirely different. The bulk of the goods imported are not intended for the producing classes but for the wealthier classes and for trade and industry. Thus while the producer loses crores on the realization of his produce, the party that gains by it is the man who buys diamonds or silk or motor cars, or the mill owner, who gets his machinery and material cheap; and it is adding insult to injury to tell the producer that he should not complain of his losses because his richer neighbors were thereby benefiting. On close examination it will be seen that this defence of the change of India's standard unit is its strongest condemnation, because it tends to make the rich richer and the poor poorer.

As a further justification for the debasement of India's currency (the 50 per cent change in the value of its standard unit) the Currency Committee put forward the world's silver situation and try to make out that in the circumstances, it was absolutely necessary to raise our token rupee to a higher level in order to preserve convertibility of India's currency note. This argument of preserving convertibility has been made much of by the defenders of the Indian Government's currency policy. If, however, the rupee was

only a token coin as is admitted by the Chamberlain Commission, and if it was worth only 9*d.* each when it was circulated as the equivalent of 16*d.* during the years since 1894, the talk of preserving convertibility of the Indian Currency notes amounts to convertibility into mere tokens, and is not convertibility at all, and can only serve to delude the man in the street into the belief that the Currency Committee had been trying to maintain a sound currency principle, while, as a matter of fact, what they have done is contrary to sound currency doctrine.

However, let us go more closely into the position of silver and see if the silver situation at all justifies the most unusual step of debasement of the standard unit that is now recommended. The Committee, while saying that it was difficult to formulate any definite conclusions as to the level at which the price of silver is likely to stand, incline to the conclusion that the price of silver cannot be expected to fall below one dollar per fine ounce for many years, because, by the Pittman Act, the United States Government had bound themselves to replace the silver dollars sold for melting and export by fresh purchases at this rate. This argument may appear extremely strong on the surface, but we know that Acts of Congress can be unmade by the Congress, and we have the experience of the Bland and Sherman Acts to guide us. Those Acts were also intended to prop up silver and were also passed by the Democratic party to conciliate and retain the support of the Silver Democrats, and when it was found that purchasing by the United States Government did not suffice to keep up the price of silver these Acts were repealed. This history is likely to be repeated. The Pittman Act has been passed by the Democratic party and it is quite on the cards that as soon as the Republican party is in power (as it will be next March) it will remove this Pittman Act from the statute book and

thus relieve the United States from again burdening itself with huge quantities of silver.

Apart from the operation of the Pittman Act, the only thing that can keep silver prices at very high levels is demand. Now during the last five years, the price of silver has been influenced both by reduced supplies and increased demands. In the report on the world's production of silver that was drawn up by Professors Carpenter and Cullis for the Currency Committee they came to the conclusion that "if normal conditions should be restored in Mexico a production considerably in advance of the maximum attained in 1912 would eventually and probably shortly be realized." So that in the next few years supplies are again likely to be abundant. How about the demand? Will this continue as strong as it has been during the past five years? The demand was mainly: (1) From belligerent countries for large quantities of subsidiary coinage (2) from India; (3) from China. Of these the first has much fallen off and will soon be less than even in normal years as many leading countries have cut down the proportions of silver in their subsidiary coinage and even intend to use nickel for the purpose. As for the demand from India and China, many superficial thinkers consider that their heavy absorption of silver during 1917-19 must continue.

Past experience teaches otherwise. In past trade booms silver has gone up too, and when commodity prices came down it has again followed suit. A little consideration will show that this is inevitable. Take China. The balance of trade in her favor is say 100 and at normal prices is worth 100 units in gold, and is settled by x ozs. of silver. Prices rise and are three times normal as they are to-day. With even the same volume of trade the balance of trade in her favor will be worth 300 units of gold and would require:—

either $3x$ ozs. of silver
or x ozs, at thrice the normal price.

As the supply situation was such that it was impossible to furnish $3x$ ozs. (thrice the normal *quantity*) of silver, the inevitable adjustment was made by China having to pay thrice the normal *price* of silver.

The same thing has happened in India's case. Her balance of trade has also been influenced by high commodity prices and the situation has been made worse by her being unable to get gold in the settlement of her trade balance as she did in pre-war days. The burden of adjustment was therefore thrown entirely on silver.

One of the steps taken in pursuance of this new policy is the sale of Reverse Bills. I have already said that the Currency Committee had by one of their recommendations practically displaced the Gold Exchange System. In paragraph XII of their conclusions they say

"Council drafts are primarily sold not for the convenience of trade, but to provide for the Home Charges in the widest sense of the term. There is no obligation to sell drafts to meet trade demands."

If this means anything it means that if funds have to be laid down in India to pay for exports, it is not to be hereafter provided by Council Bills after the Home Charges requirements have been met. Any further funds banks must lay down in India in the ordinary way, *i.e.*, by shipping out gold. This really strikes at the very root of the Gold Exchange System which aims at preventing movements of gold. However, this change may be heartily welcomed as the most important step on the way to free India from the shackles of the artificial Gold Exchange System and put India on a natural basis in currency matters.

But if there are to be no Council Bills except for Home Charges requirements, why should there be any

Reverse Councils? As Council Bills help to lay down funds in India for the export trade, Reverse Councils help to lay down funds in London on account of the import trade of India. If the export trade is to finance itself in the ordinary way, *i.e.*, by importing gold, the import trade should also be left to finance itself in the ordinary way, *i.e.*, by exporting gold when necessary.

Again, if the Currency Committee really means what it says in the matter of Council Bills, then all its arguments from the price of silver are hollow and insincere. If Council Bills are not to be sold in excess of Home Charges requirements and gold has to go to India, then the notes issued will be against this gold, and this gold will be there in the Currency Treasury to cash the notes with whenever such notes are presented, and the need for minting large quantities of silver rupees will have disappeared.

In short the whole currency policy proposed is most indefensible from the point of view of Indian trade and industry and from the point of view of its toiling masses. . . . The Report is full of special pleading and tries to justify the various steps taken by the Finance Committee on Currency matters during the past three years and the justification is based on sentimental talk about high prices, about difficulties of getting silver, the profits to the revenues of India, etc.—in short on anything and everything but sound currency doctrine.

Unfortunately for them even silver has come down much earlier than they had thought it would. It is to-day 53*d.* sterling with a New York cross-rate of 3.40. This means that the real gold price of silver is to-day about 37*d.* only, or some 6*d.* under the melting point of the rupee on its old ratio of 15 to the sovereign. The fundamental recommendation of the Currency Committee is therefore not justified even on the score of high prices of silver and is, as shown, tantamount to debasing, and is a fraud on the debtor class for the benefit of the wealthier creditor classes.

DISCUSSION OF PAPERS ON CURRENCY AND EXCHANGE

MR. C. S. DEOLE, referring to the opening address of Dr. Slater in which he had said that high exchange was as good as low exchange, observed that he did not subscribe to that view. High exchange, he said, was not as good as a low rate of exchange. It would be good only in the case of monopolistic trade such as jute. In the case of competitive trade high exchange would be certainly as injurious as low exchange. He referred to the evidence given before the recent Currency Committee by Mr. Preston, the representative of the Indian Exchange Banks, where he said that a high rate of exchange was disadvantageous to competitive trades.

THE CHAIRMAN remarked that it was quite obvious that Mr. Preston was entirely in the wrong.

Prof. JOSHI said that with regard to the controversy about the currency and exchange policy, the first thing they had to bear in mind was that the function of the State was simply to supply the country with a scientific, *i.e.*, an automatic system, and leave the exchange to take care of itself. Secondly, it should be noted that it was absolutely unnecessary to maintain the 11/12ths fineness of the token rupee in order to keep up the value of the rupee whether at 1s. 4d. or at 2s., that being done merely by regulating the number of rupees in circulation. The only excuse for keeping the rupee 11/12ths fine was that the people of India had been accustomed for centuries to a full weight silver rupee. So if they were given a full-weight gold coin, the rupee need no longer be 11/12ths fine. This problem was not peculiar to India, but had to be faced by all countries when they determined to demonetise silver, *e.g.*, England in 1816 and Germany in 1873. The rupee as a unit for

transaction of business stood in a similar position to the mark in Germany, the franc in France and the dollar in America. There could be a ten-rupee or fifteen-rupee gold coin here as there was the 20-mark piece in Germany or the 25-franc coin in France. The gold exchange standard introduced in this country in 1899 was avowedly meant only to be a transitional measure for attaining to the gold standard in the near future, when the profits from the rupee coinage would lead to the accumulation of a fund sufficient for the latter purpose. This policy was eventually renounced by the Chamberlain Commission in 1913 when they maintained that the gold exchange standard was good enough for India and that the currency system though avowedly a managed one was not therefore a bad one. The Currency Committee of last year had no power to consider the question of the merits of the gold exchange standard itself.

The first thing they had to do was to attain an effective gold standard in spite of the Chamberlain report; and the fact that the people at large had no use for a gold coin was no argument. That only meant they could have most of their gold in reserve against the token rupees or notes in circulation. When the gold standard was actually established, their reserves in London would be in the same modest proportion as those kept by Japan, for instance, and there could be no inflation of rupees in India brought about by increasing the reserves in London. They would have secured an automatic currency system and would leave exchange to take care of itself, like England, Canada or Australia.

Prof. BRIJ GOPAL BHATNAGAR of the Kayastha Pathshala College, Allahabad, was in perfect agreement with the remarks made by Mr. Deole and Mr. Joshi, about the disadvantages of an unstable exchange. He wished to point out certain fallacies in Mr. Madon's paper. He did not agree with Mr. Madon as to his debasement theory of currency. He would have been justified in making that statement if gold were standard money in India in the sense in which it was understood by economists. Gold was not the standard coin and the rupee was the principal money for transacting business in the country. Any reduction in the number of rupees to be given in exchange for gold did not mean any debasement of internal currency, although it meant debasement of international currency. He also differed from Mr. Madon when

he stated this would cause loss to the producing classes of India. Here they had to remember that prices of commodities that India exported was expressed in terms of rupees and the prices of things imported from foreign countries in terms of currencies of those countries. If at any time the rate of internal to foreign currency was raised and if the price level in both the countries were to remain the same, the result would be that for every commodity imported they would have to pay less in their own currency and they would get more of the foreign currency in exchange of goods sent from India. If the rupee prices of exportable commodities in India would have fallen then there was reason to believe that the foreign importer wanted to pass off the rise onto the produce in India; but since prices had remained more or less at a higher level than before the foreign exchange rate was established, it showed the intensity of demand and that the Indian producer had not suffered. The real reason of the hue and cry from Bombay was that the exporter there had purchased commodities at certain rupee prices inside the country and had sold them in certain foreign gold values to certain foreign countries. Now when the value of that gold in terms of rupees fell, they suffered a loss. But that was merely a temporary loss and in future they could raise the gold rates.

Prof. GURMUKH N. SINGH said it was true that the ideal currency might not be the gold currency or the actual circulation of gold with the people; but the way to get the ideal currency was to make gold always available whenever people wanted to get it. In his opinion gold standard and gold currency were necessary as a step towards reaching the ideal—some sort of paper currency.

Prof. C. D. THOMPSON said that what the Currency Committee had advocated was not the debasing of the coinage as stated by Mr. Madon but the "exaltation" of the coinage. Perhaps "exaltation" was not the word, but it was the opposite of debasement. Debasement meant the issue of more money, but really less taxation, if the amount paid in taxes remained the same in rupees. The policy of raising the rupee to 2s. meant less rupees, but higher taxation, if the tax remained the same in rupees.

His own idea was that if the Government of India had allowed silver to flow out and gold to flow in when the price

of silver was relatively lower and that of gold relatively higher in India, they could have raised the rupee to a point where gold could have come into circulation.

He was in favor of what might be called an "alternate exchange standard", *i.e.*, if the price of gold was higher (one sovereign worth more than the silver content of Rs.15), there should be free coinage of gold, limited coinage of silver, and Reverse Councils paid abroad in gold. If the price of silver were higher, there should be free coinage of silver, limited coinage of gold, and payments abroad in silver. The ultimate result of the above policy would be that we would have automatically a gold or silver standard, coining whichever metal were the cheaper at a profit, and paying abroad in the better metal, and thus there would be greater stability in our foreign exchanges.

Prof. STANLEY JEVONS¹ referring to Mr. Kibe's paper said that there was a real case for consideration of the grievances of native states in regard to currency matters, particularly in regard to subsidiary coinage. He thought it was a matter which had not been gone into thoroughly. Limited right of coinage of nickel and copper should certainly be maintained by those states who had already got that right. As regards the coinage of rupees by native states, under the present circumstances he thought it would be subject to a good deal of risk. The whole currency question was in such a state of flux, that it was difficult to state how the present changes would affect native states.

Coming to MR. Madon's paper he entirely disagreed with his use of the term "debasing". That term was used by economists to mean the actual change of the metallic quality of the coin. If they were debasing a standard coin it would amount to defrauding the people. He thought that the nearest term to express what Mr. Madon wanted to convey would be "depreciation". As a matter of fact he thought that exactly the opposite, *i.e.*, appreciation of the rupee would be brought about by the change proposed by the Currency Committee. The general price level in India was connected with the price level of the rest of the world.

¹ Before this discussion a paper was read by Professor Jevons entitled "Exchange in 1920" in which he sought to explain the various economic factors which had influenced the Indian Exchange during that year. For reasons of space the paper cannot be printed in this volume. Substantially the same matter is included in Chapter XV of a book entitled *Money, Banking and Exchange in India* by Professor Jevons now in the press.

By putting up their rate of exchange they automatically brought down their price level in India, and although it took some time for the adjustment to come about, a lower price level would certainly come with the permanently higher level of exchange; and the creating of a lower price level meant the appreciation of the value of the rupee, not depreciation or debasement. As regards the question of the present high prices of foodstuffs, no doubt they were due partly to short harvests. But the high prices of foodstuffs were also due to the general depreciation of the value of money, which had been going on, mainly through the low exchange existing during the war time. Mr. Madon seemed to think that only those commodities which were imported or exported would be lowered in price by raising exchange; but that was not the case. The general level of all prices would be lowered in the same ratio, because the higher exchange could only be maintained by contracting the volume of the circulating medium.

The speaker disagreed with Professor Thompson with regard to alternative system of exchange. He was not quite convinced that it was even theoretically sound. The difficulties of management would be not twice, but five times as great as at present. He thought they should aim at the ordinary gold standard which was adopted in Europe, America and other countries of the world.

Prof. J. C. COYAJEE of Presidency College, Calcutta, said that the gold exchange standard was an intermediate condition between the gold standard and bi-metallism and hence the technical terms of the non-metallic currency—"standard" and "token"—could be used as regards their system only by analogy, and they should not press their application too far; otherwise they would be landed in fallacies. In India neither the creditor nor the debtor thought in terms of grains of gold. In answer to the contention that the debtor class had been hit by the rise of the exchange value of the rupee he said that the prices of products of the agricultural classes had been rising throughout, the tendency of a high exchange to reduce prices having been nullified by other factors. It had been said that high exchange could have no effect in lowering prices of food-grains, and that could only be effected by restrictions on exports of food-grains. In the first place restriction of export of food-grains would only

have a temporary effect in lowering prices as during the next year the agriculturist would sow only a smaller area of food-grains and a larger area of other commercial crops. In the second place if exports were allowed and exchange was raised, the exporter would obtain fewer rupees and so the Indian prices of them would fall. Further, the response of prices to exchange was, of course, quicker in the case of articles of export and import, and slower in the case of other articles; but ultimately even the latter were affected. Mr. Madon, unlike the Industrial Commission, seemed to underrate the great importance of imports as regards rural economy. Mr. Dalal, the strongest critic of the new policy, was in favor of leaving imports as they were, but wanted to reduce the exports. Circumstances had shown that the policy that had been adopted was wise, and if they had had export duties at present that would have greatly aggravated the present decline of exports. The critics of the Currency Committee's Report were not agreed as to the importance of convertibility of the note issue, which Mr. Madon had rather unduly belittled.

Prof. BURNETT-HURST said that they had to consider the whole question from the stand-point of the different classes. He wished to raise the question of the possibilities of establishing an Imperial note issue system, which he thought would probably relieve the difficulties of the exchange position. Coupled with that they might eventually try to develop an imperial banking system so far as trade relations between India and Great Britain and the Colonies were concerned. In that case they might be able to avoid the present difficulties. He suggested that their Association should appoint a committee to investigate the whole matter.

DR. SLATER welcomed the suggestion of Prof. Burnett-Hurst that a sub-committee should be appointed to consider the question. He also expressed his hearty agreement with the position taken by Mr. Deole and Mr. Joshi that India should have a gold currency. In his opinion the one money for the Empire should be upon a definite gold basis until the time arrived when it would be possible for the countries to adopt a scientific currency. He felt inclined to sympathise with the criticisms made against the Chamberlain Commission, for in all such commissions the great mistake made was that the bankers predominated over the economists. In his conversations with many bankers he was impressed with the narrowness of their

outlook and the insufficiency of their knowledge of economic theories and their uneconomic notions with regard to gold.

MR. DEOLE expressed his thanks for the general agreement of the members with regard to his paper.

MR. MADON replied briefly to the criticism made by members and said that his object in putting the paper before them was to stimulate thought. Prof. Jevons had been good enough to admit that debasing of the standard coin would be wrong, because it would be a fraud on one of the parties to a contract. However, Prof. Jevons seemed to think that in our case there was no debasing, because there was no depreciation of the rupee, but rather an appreciation, so that there was no debasing. Mr. Madon pointed out that both a depreciation and an appreciation of the standard coin was debasing, because in either case one of the parties to a contract was affected and was defrauded of his dues. In reference to the remarks of Mr. Coyajee and other speakers that all contracts in this country were in rupees and so nobody was affected in the way Mr. Madon feared, Mr. Madon's reply was that prices in India depended on what our foreign customers would pay us. These customers would pay us in so many grains of gold, and the conversion of same into rupees would be our affair. They were not going to give us more gold, because we had changed our ratio. The gold price paid to India would be controlled by the price levels in world-markets and would be the same whatever our ratio was. The consequence would be that such gold price would necessarily be exchanged for a fewer number of rupees under the new ratio than it would under the old. It was, therefore, a mistake to think our prices would remain unaffected. They were merely gold prices reduced to terms of rupees at such ratio as might have been fixed by Government.

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Daya Shankar Dubey, Esq., M. A.

Ramji Ram Saksena, Esq., M. A.

J. P. Srivastava, Esq., B. A.

} Local
Committee.

HONORARY LOCAL SECRETARY

Professor H. Stanley Jevons, M. A., B. Sc.

PROCEEDINGS OF THE ALLAHABAD CONFERENCE

PRINTED IN THE ORDER IN WHICH

PAPERS AND DISCUSSIONS WERE TAKEN

WEDNESDAY, DECEMBER 29TH, 1920.

Morning Session—11 A. M.

Address of Welcome

Presidential Address

Ideal System of Land Tenure, *B. G. Bhatnagar*

Discussion of Mr. Bhatnagar's Paper (not printed)

Afternoon Session—2-30.

Indian Public Finance as affected

by the Reforms,

T. K. Sahani

The Indian Tax System under
the Reforms, *C. D. Thompson*
The Indian States and the
Indian Sea Customs, *H. Stanley Jevons*

THURSDAY, DECEMBER 30TH, 1920.

Morning Session—10-30.

DISCUSSION of Papers on Indian Public Finance
A Subsistence Wage, *H. W. Lyons*
Labor Unrest in India, *Gulzari Lal Nanda*
Labor Questions with Special
Reference to Indore, *S. V. Kanungo*

Afternoon Session—2-30.

Annual Business Meeting

FRIDAY, DECEMBER 31ST, 1920.

Morning Session—10-30.

Famine and Export, *Gilbert Slater*

DISCUSSION of Dr. Slater's Paper

*Afternoon—Excursion to Naini Glass works, Sugar Refinery
and the Agricultural Institute.*

SATURDAY, JANUARY 1st, 1921

Morning Session—10-30.

Pros and Cons of Currency in Indian States, *M. V. Kibe*
The Stability of Exchange, *C. S. Deole*
A Review of the Report of the Indian Currency Committee,
B. F. Madon

Exchange in 1920. (Not printed), *H. Stanley Jevons*
DISCUSSION of papers on Currency and Exchange

Afternoon Session—2-30.

DISCUSSION of papers on Labor Problems
The Measurement of Consumer's Surplus (not printed here),
H. A. Hanson

Discussion on Mr. Hanson's paper (not printed)

The following papers were also accepted for reading at the
Conference, but could not be read owing to want of time:—

The study and Teaching of Economics by *Mr. Vydyanathan
Ayyar* of Madras (printed and circulated to members of the
Association)

The Importance of Geography in the Teaching of Economics
by *Mr. H. S. Kaji.*

The Study of Rural Economics by *Mr. J. Guleri*, of Lyallpur.

The Improvement of the Teaching and Study of Economics
in Indian by *Mr. Shankar Prasad Bhargava*, of Berhampore.