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Topics of the Week.

Happy Consummation.

ALL of a sudden, like a bolt from the blue, came the announcement of the Mahatma on the 2nd inst. that he would go on an indefinite fast, a fast unto death if necessary, unless the Thakore Saheb of Rajkot accepted his ultimatum, which in some respects went beyond the claims made by Sirdar Vallabhbhai Patel. Both admirers and critics of the Mahatma and his methods viewed with profound consternation and anxiety, not only on personal grounds but on grounds of possible political repercussions, the course of the fast which the Mahatma had undertaken at the age of seventy and in indifferent and failing health. Even those who disapproved of the method of fast and who had no doubt about its coercive character and even those who felt that it was a mistake to have made a moral issue out of what is pre-eminently a political issue, realised that it was useless to argue with the Mahatma when he had once made up his mind. The one thought in the public mind was to save the life of the Mahatma, and, if the best way of saving it appeared to lie in the intervention of the Paramount Power at whose bidding the Mahatma thought at first that the Thakore Saheb had committed the breach of faith, to seek Paramount Power's intervention. It is to the credit of the Paramount Power that it intervened before it was too late and secured a solution of the deadlock which was satisfactory to the Mahatma and which enabled him to break his fast on the fifth day. It has brought inexpressible relief to millions of anguished hearts.

The Paramount Power has agreed to refer the charge of breach of faith to the Chief Justice of the Federal Court in India, and has also agreed to see that the Thakore Saheb carries out the agreement. The full implications of the settlement can be appreciated only when the terms of the settlement are published in full.

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Mahatma and Federation.

NOT long after the time when Babu Subhas Chandra Bose emphasised the need, in view of the general belief that some influential Congress leaders of the Right wing were intriguing for the introduction of federation, of having for Congress President one whose hostility to federation could not be questioned, Mr. Rushbrook Williams, wrote in the *Manchester Guardian* to confirm this suspicion about the pro-federation intrigues in Congress ranks. Subhas Babu wrote that it was "widely believed that there was a prospect of a compromise on the federal scheme between the Right wing of the Congress and the British Government during the coming year," and indeed it was "generally believed that the prospective list of Ministers for the federal Cabinet had been drawn up." Mr. Rushbrook Williams wrote: "During the last few months of 1938 there was a definite progress by the Right wing elements of the High Command of the Congress towards a position in which Mr. Gandhi would have found it possible to approach the authorities with suggestions in relation to the Central Government roughly corresponding to those which he so successfully carried through in connection with Provincial Governments." But Mr. Williams thinks that this move was foiled by Subhas Babu making opposition to federation the election cry and winning a success in the election. He says: "The election of Mr. Bose has been a blow to the Right wing and has apparently postponed any such rapprochement with the authorities as the High Command has in mind."

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To this Mahatma Gandhi has given a reply. The reply is cogent in so far as Mr. Williams charged the Congress with taking up a movement in the States at this time for no other purpose than to manoeuvre for position when federation comes into force, so that with the help of the States' people Congress representatives will be in a majority in the federal legislature. The Mahatma says: "Responsible government in the States is a goal by itself and independent of federation, which may never come." This is a conclusive reply on this particular point, but one wishes that his reply on the other point, viz., the Congress attitude towards federation, were equally conclusive. On this he contents himself with saying: "So long as there is opposition to fede-

ration by the Muslims, the Congress has no need to worry about federation coming. Therefore, unless there is perfect communal unity, no Congressman might think or talk of federation, whether of the Government mint or cent. per cent. Swadeshi mint." It will be noted that here Mahatma Gandhi lays down an additional condition to the acceptance of federation, but says nothing as to whether he and the Congress would consider the conditions already laid down to be sufficiently fulfilled if certain minor changes are introduced into the federal scheme, which after all is the main point in the discussion. To say that an otherwise wholly unobjectionable scheme would be rejected in the absence of Muslim support is not to say that a totally unsatisfactory scheme would not be accepted in the event of Muslims taking the same line.

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WHAT, however, are the facts? The Muslim League was known to be more strongly opposed to federation than the Congress, but seeing that the Congress leaders are gradually veering round, the Muslim League too has changed its position. "We do not want the federal scheme," it now says, "but if it is to come into operation, thanks to the Machiavellian moves of the Congress, we shall have to see how our interests would be best served in such a scheme." Mr. Jinnah, as President of the Muslim League for the year, in fact expressly assigned this reason for a change in its policy, that Mahatma Gandhi was studiously silent on the question and this showed that the Congress was preparing itself to accept federation. When the Moslem opposition to federation has thus sensibly weakened, owing to a supposed tergiversation on the part of the Mahatma, the Mahatma thinks it enough to say, in order to convince the people that he himself and the Congress are not going to shift their ground, that the Muslims are opposed to federation, and that so long as they are opposed, the Congress too must be!

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Employment Tax.

THE Government of the United Provinces have decided to levy a new tax called the employment tax on all annual salaries of Rs. 2,500 or above "earned in the United Provinces, whether received or receivable in or outside the provinces." All persons except those engaged in the military, naval or air force services, who are in the service of the Crown, a local authority, a company or a private individual (whether whole-time or part-time), and who earn an annual salary of Rs. 2,500 or above, will, under the new taxation proposals, be liable to be taxed. The tax will be imposed on a definitely graded scale. Those earning annually between Rs. 2,500 and Rs. 3,500 will pay Rs. 90 while persons earning Rs. 3,00,000 per year will have to pay Rs. 32,000 to Government.

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SINCE this taxation proposal was made known to the public, there has been a great furore against it in a section of the Press which is interested in the preservation of the vested interests at all costs. Legal luminaries have challenged the validity of the tax under the Government of India Act of 1935, and there is already a talk about the question having to be taken to the Federal Court. People interested in the maintenance of the *status quo* as regards the salaries of the covenanted services are making reference to the Governor's special responsibilities and the Viceroy's powers of intervention in matters of this kind.

Businessmen speak about the tax as "legalised dacoity" and express their view that it will have a "blighting effect" on the business of the United Provinces. In fact, everybody who stands to lose under the taxation measure is apparently doing everything possible to kick up a row against the alleged "patent absurdities" of the tax.

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WE are not at all surprised at these reactions to the proposed tax on the part of those who will have to pay it and their interested supporters. Nobody likes to pay taxes and it is perfectly within the rights of all to say that they do not. The willingness or unwillingness to pay on the part of these gentlemen, however, is not strictly relevant to the issue. To us the questions that matter in this connection are whether the tax is going to be imposed upon people who cannot bear the burden and whether the proceeds of the tax are not going to be utilized for really worthy objects.

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Prima facie, there is nothing to make us apprehensive that the tax will cause undue hardships to people who will be required to pay it. It is only persons whose monthly income is more than Rs. 208 that will come within the purview of the tax. In a country in which the average annual *per capita* income varies from Rs. 85 to Rs. 100 according as the population is rural or urban, a person who gets Rs. 2,500 or more per year should regard himself as exceptionally fortunate and should not really grudge to part with a small fraction of his income in order that his less fortunate countrymen would to some extent be benefitted. In fact, we may go a step further and say that the Pant Ministry has placed the lower limit of taxable incomes at too high a level. In our view even a man getting Rs. 50 per month enjoys an income considerably higher than the average national income and could be legitimately made to part with a small fraction of it for the benefit of his poorer fellows. On this ground, therefore, the U. P. Government need not pay any heed to the anti-tax agitation of interested parties. We may here observe that we do not quite see the grounds on which Government have chosen to exempt from the tax people in the military, naval or air force services.

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WITH regard to the use to which the proceeds of the tax will be put, Government have made their position clear in the Statement of Objects and Reasons attached to the Bill. The tax is calculated to increase, to the extent of Rs. 30,00,000, "the revenues of the province to finance the various schemes of rural, educational, medical and industrial development including extension of the policy of prohibition." We heartily support this measure and confidently hope that Government will be able to push through their proposal against all odds.

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Where will the Money go?

THE Comparatively liberal provision made in the U. P. Budget for what are regarded as the nation-building departments and other beneficent objects bears ample testimony to the Government's genuine anxiety to improve the lot of the underdog, if necessary, at the cost of the more fortunate people who can very well afford to pay. The total expenditure on these really vital and urgent needs comes to 124 lakhs of rupees.

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THUS, in order to provide cheap rural credit, Government have prepared a scheme and propose

to spend Rs. 75,000 this year on preliminary arrangements for the setting up of a Provincial Co-operative Bank on a big scale. A provision of Rs. 1,00,000 is made for the welfare of people residing on Government farms and estates. Usual grants to various departments of Government connected with rural development have been considerably increased with a view to increasing their efficiency and bringing about co-ordination in their activities. Provision is made for starting or encouraging village industries such as oil-pressing, and a grant of Rs. 32,000 is made for the umbrella handle industry. "Concerted and intensive efforts are being made to remove illiteracy." About 2,000 village libraries, 3,600 reading rooms and 2,700 adult schools are being provided for. Rs. 10,000 are allotted to adult education. Government have on hand a scheme of training all the district board school teachers so as to increase their efficiency and a special training institution is started for the purpose. A provision of 2½ lakhs is made for this. Measures for physical training and scouting for adults are also being introduced. Government have in mind a five-year road programme requiring about a hundred lakhs. Thirty lakhs are provided this year for a scheme of roads and bridges.

GOVERNMENT have accepted the recommendations of the Jail Reform Committee and have set about introducing reforms in the system of jail administration. A sum of Rs. 1,20,000 has been provided for a Jail Training School to be built at Lucknow. The pay of warders is being revised. A scheme of getting some youths properly trained from foreign countries in criminology and penology is also contemplated. A Director of Jail Industries is being appointed and, most important of all, the system of paying wages to the prisoners is going to be tried. Rs. 17,000 are provided for adult education and libraries in jails, Rs. 28,000 for supply of tobacco, Rs. 4000 for radio sets for "juveniles, T. B. and star class jails" and Rs. 1,000 for placards and mottos. There are other reforms such as modifications in the diet, clothing and bedding of prisoners, which will cost large sums of money. Rs. 31,000 are provided for increasing the scale of diet of third class prisoners in mental hospitals. The Prisoners Aid Society is being strengthened by means of additional grants, and district societies on similar lines are being started. Rs. 1,50,000 are provided for the construction of a suitable building for a Borstal Jail on modern lines. A provision of one lakh is being made for the welfare of the 'criminal' tribes.

THE conditions of service of inferior Government servants are being somewhat improved. A very large number of inferior servants of Government get at present Rs. 10 per month and their salaries never go beyond Rs. 13. (People getting fat salaries and grudging to pay even a paltry employment tax may kindly note this.) Their scales will be revised so as to enable them to get Rs. 16 towards the end of their service. Scales of those getting Rs. 13 and more will also be revised so as to enable them to reach the figure of Rs. 20. This scheme will cost Rs. 13 lakhs in the first year.

GOVERNMENT have decided to bring about the separation of the executive and the judiciary. A provision of Rs. 25,000 is made in the new budget for this purpose. A scheme for the extension of irrigation facilities has been prepared. The total cost

will be about 40 lakhs. 15 lakhs have been provided in this year's budget. A sum of 10 lakhs has been allotted to the development of the tube-well system in the countryside, including 4 lakhs for electric feeder lines. "The rapid growth of the Hydro-Electric Grid scheme has necessitated an additional source of power and a provision of 11½ lakhs has been made in the budget towards the cost of construction of a steam generating station at Dasna in the Bulandshahr district." A further sum of five lakhs has been provided for the extension and the improvement of the existing Grid system "consequent on its rapid development."

The Ban on the Communist Party.

THE notorious ban on the Communist Party of India occupied a considerable part of the question hour in the Bombay Legislative Assembly on the 13th February last. Mr. R. N. Mandlik, M. L. A., enquired of the Congress Government whether or to what extent they were themselves responsible for the ban on the C.P.I. and the consequent disabilities under which it is labouring for the last several years. The Hon. Mr. Morarji Desai, replying on behalf of Government, said that the ban was originally imposed by the Government of India; that no order in this respect was issued by the Bombay Government; that the Congress Government did not think it advisable to recommend the lifting of the ban to the Government of India; and that it was not in the public interest to disclose the reason for not making such a recommendation.

IT may be recalled in this connexion that about a year ago, the 20th of March 1938—the day of the big all-India Communist round-up ten years ago—was observed all over the country as a demonstration day to demand the lifting of the ban on the C.P.I. A huge meeting was held in Bombay under the joint auspices of several public organisations including the Trade Union Congress, the Civil Liberties Union and, what is more, the Bombay Provincial Congress Committee and the Congress Socialist Party. A resolution unanimously passed by the meeting demanded the immediate removal of the ban and the complete restoration of civil liberties to the members of the Communist Party as such. The meeting received messages of support, among many others, from responsible Congress leaders like Mrs. Sarojini Naidu, Mr. K. F. Nariman and Mrs. Lilavati Munshi. On being asked about this meeting and the resolution passed by it, the Hon'ble Mr. Desai informed the house that he did not remember anything about it as it was so old. The whole tenor of the Minister's replies, as evidenced by his manifest but vague concern for "public interest," was very clearly reminiscent of the old bureaucratic regime. The former irresponsible Government verily could not have done anything worse in the matter.

THE attitude of the Congress Ministry in Bombay towards the C.P.I. is indeed very strange. The Congress Ministry is the executive machinery of the Congress Party as a whole. The Congress Party counts among its membership a large number of Communists. They have not been excommunicated, neither have their activities been checked by the Congress Party as such. This is becoming more and more impossible every day. If this is so, what justification is there for the governmental arm of the Congress Party blatantly to refuse even to recommend to the Government

of India the removal of a ban on the right of association, which should inherently belong to all the members of their own Party? If it is not in the public interest even to disclose the reasons for such a hostile attitude towards the C.P.I., the public has a right to know how it is in the public interest to allow the Communists to remain in the Congress Party, even to occupy important positions in Congress Committees and to that extent determine the policy of the Congress Party itself—the party which forms the Government of Bombay. The inference, therefore, is plain; that the Congress bosses would like to be rid of the Communists altogether if possible, but since this seems impossible they, therefore, contrive to do as much as they can through their agents in power to keep the C.P.I. in subjection, not being very much concerned about the inconvenient principles of Civil Liberty.

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TIMES without number have we cried ourselves hoarse in these columns that, whatever the political persuasion of the party in power, it owes to the people the duty of safeguarding the rights and liberties of all other parties, even those with contradictory principles and policies. For the other way lies the negation of democracy. The Congress Government in U. P. very courageously and unequivocally recognised this principle and rightly turned down the demand of the Employers' Association of Northern India to put a forcible stop to all Communist propaganda in Cawnpore. The U. P. Government, in the course of their reply to the Employers' Association, observed that "Communists have been openly carrying on their propaganda and seeking election to the legislature

on Communist tickets" in "civilized States such as the United Kingdom;" and that the suppression of Communist opinion in India would be unjustifiable. Surely an unassailable position.

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IT may be that Congress Governments cannot remove the ban on the C.P.I. But they can certainly recommend its removal to the Government of India. Even this they are not willing to do for reasons best known to themselves. In this they are setting up wrong traditions for the future of parliamentary government in this country. For, as Prof. Laski observes:

A... condition of successful representative government is that it should be built upon widely diffused habits of tolerance throughout the nation. Men who are to live together peacefully must be able to argue together peacefully. They must not run to suppress criticism of things as they are; rather they must be willing, if pressed, to invite its examination.... Without this tolerance there is no prospect in the society of compromise; and every subject of division then becomes a high road to disruption.

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IT need hardly be pointed out that to give to Communists the right to freedom of opinion in the same way as to others does not imply yourself being a Communist. Freedom of opinion becomes a valuable right just when one's opinion differs from another's. The basic principle is that laid down by Voltaire: "I do not agree with you at all in what you say, but I shall lay down my life in order that you may have the freedom to say it."

THE CENTRAL BUDGET.

URGENCY OF DEMOCRATISATION.

IN these days of depression and deficits people are so accustomed to enhanced taxation in every fresh budget that the performance of the Finance Member of the Government of India in producing a budget which proposes an additional taxation of only fifty lakhs has been almost welcomed by the public. Finance of all the departments of the State, has, however, a much deeper significance, and unless the tendencies revealed in each succeeding budget are properly studied and appreciated, not only the nation's purse, but also the nation's industry, is liable to suffer. The latest budget of the Government of India, which also happens to be the last of the present Finance Member, presents in an exceptionally pointed way many of the inherent features of Indian finance. A dispassionate survey of these is calculated to be of real use in chalking out future policy.

Customs, central excises and income tax now occupy the centre of the financial stage so far as the national Government is concerned. With regard to customs, the official view has been that with advancing protectionism the yield from this source is bound to decline. On the other

hand, it has been pointed out that greater industrialisation promoted under a regime of protection will not only make for enhanced imports of producers' goods, but also of a number of non-protected consumers' goods. The last decade has been a string of recessions and mild recovery, and hence any long-term significance cannot be read into the figures for any single year. All the same it is clear that no startling fall in customs is anticipated, and in fact on the basis of present rates the Finance Member expects to get in the new year 35 lakhs more than in the year that is closing. This itself is a justification for the view that if protection is sufficiently cautious, both in range and form, it does not conflict with the legitimate interests of the customs revenue.

The position is all the more clear and encouraging if account is taken of the central excises and the income tax. The latter has been recently the subject of elaborate central legislation, and the consequential financial changes have been incorporated in the budget and the Finance Bill now presented to the Central Assembly. The introduction of the slab system, under which the higher rate applies to the additional

and not to the whole taxed income, the removal of the exemptions enjoyed by companies in respect of super tax on incomes of less than Rs. 50,000 and by individuals on leave salaries in certain cases are measures which secure justice as well as productivity. Under the new dispensation the yield from income tax is expected to increase by 131 lakhs in the next year. In due course the new basis will continue to produce increasing income and to that extent the central revenues will gain. With an improvement in business conditions income tax is bound to yield an increasing revenue in the future.

Central excises have latterly come to play a very important role in India's finances and now yield over 8 crores of rupees. Even though this levy is now confined to a select list of articles it is producing an increasing yield. The producing interests not only raised a cry against these taxes, but they actually succeeded in registering on their side the support of a section of political opinion which is always suspicious about any measure calculated to place a burden on national industry. It must be now clear that the central excises have hitherto been well designed and that they have produced a revenue for the Government without hitting the producer or without unduly penalising the consumer. The heavy revenue duties that have now come to stay raise a problem of unintended protectionism, which results in taxing the consumer without benefitting the State. Whenever the need and feasibility for further central taxation are proved, an extension of the excise list will be the most natural step to take.

As the Finance Member makes clear, the recent judgment of the Federal Court upholding the C. P. Sales Tax on Petrol amounts to a declaration that internal indirect taxes are a concurrent source of revenue. That the judgment in question has upset the calculations of the Government of India is clear. It is also arguable that a so-called sales tax which singles out a commodity as its object, instead of bearing on trade as a whole, partakes of an excise. If the Government of India goes in appeal to the Privy Council an authoritative final decision on the point in question will be secured. But such a course appears to be futile for two reasons. In the first place, this is primarily a matter of financial justice and classification. A court of law, however highly placed, is hardly competent to see the thing from the standpoint of financial implications. In the second place, as a matter of fact, and a very necessary and convenient fact at that, unless a concurrent jurisdiction is thus allowed the much-needed elasticity in both the exchequer, central and provincial, will not be secured. This indeed is the experience of all federations, and India is not likely to be an exception.

On the expenditure side two very important items are calculated to attract more than passing attention. Some leaders of the Parliamentary

Opposition are said to have expressed their satisfaction at the unenhanced military budget. The Finance Member, in an ambiguous passage of his speech, took credit for the fact that India among important countries is the only one not to raise its military budget. The truth of the matter which was not, perhaps, altogether absent from the mind of the Finance Member is that the budget is not really stationary, nor is it a safe or a normal one. It is expected, in the first place, that the inquiry undertaken by Lord Chatfield will result in a substantial contribution which will be spent in bringing about the much-needed modernisation of the Army. Quite apart from the rise in Indian defence expenditure consequent upon the grant by the British Government of improved conditions of pay and allowances to British personnel, the very pressing needs of national defence require that more money should be spent on some aspects of defence.

The navy is an almost non-existent branch of India's defence organisation. The Air Force leaves much to be desired. As for the preparation of the people themselves for their own defence, the situation is as disappointing as it can be. If all these defects are to be removed, as they must be, if India is to maintain its freedom, there must be a thorough reorganisation of the financial and structural organisation of defence services. Not only Indianisation of personnel but development of local industrial and munitions resources must be thought of. The additional cost of a more adequate defence must come partly from following a course of economy and partly from fresh taxation. The present Government of India is incapable of following either of these courses. So long as England feels that it is to its advantage to have a subservient Government in India, till then will it have to bear the responsibility of preserving India from foreign aggression. It may be that England may change its mind in this respect. Perhaps the process may be accelerated by a knowledge that financially and militarily the pursuit of the old policy is becoming impossible. The present policy, if persisted in, may spell danger not only for India but also for the Empire. The sooner the responsibility for Indian defence is placed on Indian shoulders, the better for everybody concerned. England is acting as a bad trustee in not allowing India to prepare itself for defence. A wise policy of democratisation is urgently needed if the twin problem of strained resources and starved services is to be satisfactorily solved.

The wholesome results produced by a grant of responsibility are already witnessed in the provinces. Legitimate economies have been introduced, but, barring the salaries of covenanted services, it has been realised that there is a definite limit beyond which economy cannot go. The central Government has during the current year economised to an extent of 118 lakhs, and it is proposed to continue the economy into the new year. If the superior civil and military services

are made amenable to the control of responsible ministers and popular legislatures the utmost possible economy will be effected. The funds so released can be spent on strengthening the defences of the nation. If the demands on the national Government are then not satisfied with the yield of existing taxes, fresh taxation can be confidently undertaken. The recent measure passed by the Bombay Assembly to levy a ten per cent. tax on house rentals in Bombay and Ahmedabad clearly proves the fiscal superiority of a democratic to an autocratic constitution.

Interest charges are another matter in respect of which a too short-sighted policy is not justifiable. The Finance Member cannot be said to have been on firm ground when, taking advantage of reduced interest charges, he tried to defend the borrowing policy of the Government of India against a charge of excessive orthodoxy. The tendency of the Indian Government to meet even extraordinary expenses out of revenue has resulted in a continuous rack-renting of the people for predominantly non-beneficent purposes. A wise borrowing policy spreads the extraordinary charges over a number of years and thus enables industry to earn and to save, before the tax-gatherer comes on the scene. Savings accruing from conversion operations in a period of low interest rates are natural. Even here the holding of large balances in current and short-period accounts like the Savings Bank and Post Office Cash Certificates is by no means free from danger. As is at least indicated by the increasing rates of interest on Treasury Bills, the period of low money rates is at its fag end, and if the international situation deteriorates the debt position of the Government is bound to cause an added worry to the Finance Member.

Having refused to raise expenditure to any material extent, the Finance Member was faced for the new year with a deficit of 50 lakhs. This he proposes to meet mainly by doubling the import duty on raw cotton, from 6 pies to one anna per lb. This levy is bound to cause heart-burning among the interests involved. Its coincidence with the alleged recalcitrance of Lancashire regarding the Indo-British Trade Agreement is bound to cause a suspicion that the enhancement is meant as a sop to Lancashire. The comparatively low amount of the tax is, however, its saving grace. As there is no justification offered by the Finance Member as to why this tax above all others was chosen to raise such a small amount as 50 lakhs, which could have been raised in a dozen other ways, these suspicions may be said to have some foundation. The lowering and extension of the excise on *Khandsari* sugar carry their justification on their face, and hence the Finance Member may on the whole be congratulated upon having produced a budget which is no worse than circumstances dictate.

That in these circumstances the political situa-

tion, internal and international, plays a crucial part must not be ignored. While the international situation demands that every effort should be made to build up the nation's military and economic strength, the internal political situation makes the adoption of this course well-nigh impossible. The further improvement in Indian finance, as in so many other departments of Indian life, is very vitally connected with the progress of democratisation. Central responsibility is not only an urgent political, but also a pressing economic and financial need.

REVALUATION OF THE GOLD RESERVE.

THE British Chancellor of the Exchequer, Sir John Simon, moved in the House of Commons on 6th February last the second reading of the Currency and Bank Notes Bill, which, as he was at pains to point out, introduces changes merely in "certain details of our monetary mechanism but raises no question of any change of monetary policy." It empowers the Bank of England to value the stock of gold in the Issue Department according to the current market price instead of at the statutory price of £ 3 17 s. 10½ d. an ounce, which is little more than half the current price. This revaluation is necessitated by the order which the Treasury felt itself compelled to make on 6th January increasing the fiduciary note issue £ 400,000,000. This order in its turn was necessitated by the accumulation of a good deal of "hot" money in London, short-term capital funds owned by foreigners and deposited in London on account of the greater security of the London market. A large part of this accretion of refugee capital, however, left London between April and September last, suddenly depleting the gold holding in the Bank of England by £ 200,000,000. Because of this reduction in gold stock, it became necessary to enlarge the fiduciary issue by the same amount. The normal fiduciary issue is £ 260,000,000, but for the time being it had been reduced to £ 200,000,000; and now it was raised from £ 200,000,000 to £ 400,000,000. It was felt that thus to double the allowable issue of notes which are not covered pound for pound by gold would give the world a very wrong impression about the real strength of the British currency position.

The Bank return of the Issue Department at the time of the introduction of the Bill showed on the liabilities side the total of notes issued as £ 526,000,000 in round figures and on the assets side gold coin and bullion as £ 126,000,000 and securities or the fiduciary issue as £ 400,000,000. On the face of it this might appear a very unsatisfactory state of affairs as showing that the store of gold had run so low in the Bank as to leave an exceedingly large proportion of its legal tender paper unbacked by gold. As Sir John Simon said, "We might suppose it meant that

four-fifths of our bank notes had to rely on something other than gold." This, however, was really not the case. The increase in the fiduciary limit was rendered necessary because the gold stock was valued at 77s. 10½d. whereas the current price is 148s. 5½d. And in order to obviate this unfavourable and unfounded impression the Bill provides that the assets held in the Issue Department "shall be valued at such prices as may be certified by the Bank of England to be the current prices of those assets respectively on the day of the valuation," the assets being valued once a week. If the gold stock of £126,000,000 is valued at the current price, it would be more correctly stated as about £220,000,000, and the fiduciary issue need not then be £400,000,000 but would be about £300,000,000. The Bill, therefore, fixes the normal fiduciary note issue at this figure of £300,000,000. Sir John Simon explained how the mystical figure of £77s. 10½d. was arrived at. It is to be traced to the rule established by Sir Isaac Newton, as Master of the Mint, in 1717 that "one troy pound of standard gold, one pound by troy weight, should be coined into 44½ guineas." If one divides 44½ guineas by 12, which is the number of troy ounces to the troy pound, one arrives at the figure of £3 17s. 10½d. This is the Mint price of one ounce of standard gold. Standard gold consists of eleven-twelfths of fine gold and one-twelfth of alloy, and if we wish to convert the statutory figure of value of one ounce of standard gold into the value of one ounce of fine gold, we arrive at the more popular figure of 85s. for a fine ounce. In view of the appreciation of gold the value of gold mentioned in the Finance Act of 1932 has become purely fictitious. (viz. £3 17s. 10½d.)

The change to be effected by the Bill has, at any rate for the present, no further significance than that it enables the Government to make a better showing to the outside world on its currency. It had been anticipated by some sanguine spirits that the profit earned by revaluing the gold stock would be utilised for current purposes and that the burden of taxation would be lightened to that extent. The Chancellor disappointed any such hope. He refused to use this nest-egg for this purpose, though that has been done in U. S. A. and more than once in France. He said :

One effect of the first revaluation of the gold in the Issue Department will be to set at liberty an amount of approximately of £95,000,000. I look at it in these difficult times with anxious eyes, ready to welcome any good thing that will come our way, but I am bound to say quite plainly that in any ordinary sense that is not a profit. It is rather in the nature of an unrealised capital appreciation which has been there for a long time past, but has not received statutory recognition or appeared in the accounts. An unrealised capital appreciation of that character is not appropriate for use as if it were revenue, and I am not proposing so to use it. My proposal is that this sum shall be passed to the Exchange Equalisation Account where it will

constitute a capital reserve.... I do not consider that revaluing the gold in the Issue Department provides any increased revenue.

Nor is it intended to make use of the higher valuation of the gold reserve to make more currency available to industry and trade. Sir John Simon said: "There is no trace of inflation in the present proposals. Nor is there any trace of deflation." But several members suggested that advantage should be taken of revaluation to increase the sum total of currency. For instance, Dr. Dalton made the following observation: "I should like to remark that it may be a matter for consideration whether an upward movement in the currency issue would not now be desirable from the point of view of the stimulation of trade without incurring any risk of causing an inflationary rise in prices. ... It is arguable that it might have been better to place a rather higher figure on the upper limit of the fiduciary issue in future. That would, of course, involve an upward movement in the total of the note issue, corresponding to a given amount of gold held, but that might be desirable as one of the means by which we could aim at getting our resources better into employment and bringing more assistance to backward sections and geographical areas of industry." Mr. Hammersley remarked: "The consequence (of revaluing the stock of gold) is an increase of gold cover by something like £100,000,000. At the same time that this is done, the intentions of the Government are to decrease the fiduciary issue by approximately the same amount. I do not know whether it is really quite wise to adjust the two writings up and down so carefully. I should have thought that with the necessity of financing rearmament and in view of the fact that there are a large number of unemployed who should have work and wages, there might be less writing down of the fiduciary issue than the writing up of the value of gold."

The Bill was in all quarters welcomed as a small measure in the right direction. Dr. Dalton described it as a bill for "the debunking of gold." He said :

It recognises that gold is only a commodity like any other commodity, having, like any other commodity, a sterling price which varies from time to time.... (This valuation of the gold stocks in terms of sterling prices variable from day to day) did raise in my mind the question of whether, having regard to the requirements of national defence and national economy it is a sensible plan to retain such an enormous mass of value in the form of gold, and whether it would not be better if some of that gold, at any rate, were transformed into other commodities more useful both in time of peace or war, such as stocks of food and raw materials,

The Government, however, refused to swerve from orthodoxy even a bit.

THE PUNJAB BUDGET.

DR. MANOHAR LAL'S management of the Punjab finances must be pronounced to be an eminent success. In the year 1937-38, the first year of his Chancellorship, he was able to allot Rs. 21 lakhs more to beneficent or nation-building departments than what they had obtained in the previous year; he was also able to create a special fund of Rs. 55 lakhs for initiating a policy of development and reconstruction, and yet to leave a large revenue surplus of Rs. 32 lakhs. It is true that a large part of the additional revenue that was made available for expenditure on beneficent departments was due to the new accounting procedure under which grants received from the Government of India for rural development are treated as part of the provincial revenue. But even otherwise there is a net increase in the expenditure on beneficent activities to the extent of 2 lakhs. What is more creditable is the creation of the Special Development Fund, into which were placed at first Rs. 55 lakhs and into which it was intended to place Rs. 20 lakhs later. Formerly, the surplus for the year used to be merged into the provincial balance and was not available for utilisation for beneficent activities in the succeeding years. The plan was therefore devised in the very first year of provincial autonomy of forming a special fund out of such surpluses to be devoted exclusively to nation-building work. The creation of special funds is in itself not very wholesome, but considering that this huge surplus was not budgeted for, but was a windfall, the creation of this particular fund may be welcomed. Dr. Manohar Lal described the object of the fund thus :

The object of this Fund is the prosecution of an intensive policy of development and reconstruction all along the line mainly in rural areas, and the Government contemplates that with the aid of this Fund, to be enlarged into at least Rs. 75 lakhs as surpluses may arise in the future, the active message of how to attain welfare—whether by education, medical help, public health, agricultural improvement, veterinary service, co-operative activity, consolidation of holdings, village industries—be carried into every village home in the Province. Physical betterment, economic strength and building up of character in their manifold phases represent the prime objective of the Government in this plan. It is recognised that only by such message and by such activity carried out intensively in carefully designed co-operation by all the beneficent departments together, the villager, who should be our special care, if Punjab is to rise, can be so transformed as to be able to withstand the shocks of varying fortune. Legislation to relieve the zamindar's immediate troubles or to lighten his many burdens can be of no permanent avail unless his life is reshaped and his outlook refashioned. The policy is a human, a big human, policy concerned with the tiller of the soil and the labourer in the field. The task is not easy, but it is imperative if enduring results are to be secured, and we wish to ensure our foundations and not to build on loose and shifty sand. To this end the present Government propose to apply their most serious energy. It is high enterprise, but more than worth while and we

trust that in the task in which we engage to-day, we shall have the whole-hearted support of this Assembly.

Further amplification of the scheme is found in the following extract from the Budget Memorandum :

The amount required will be taken to the revenue account on the receipt side under the service heads concerned. Expenditure will be shown under the same service heads on the disbursement side. There will thus be no deficit in the revenue account although Rs. 6 lakhs more will be available in 1938-39 for beneficent activities. It is proposed that the departments concerned will start intensive development work in one tahsil of each district next year. Work in this tahsil will continue for three years. In the following year 1939-40 another tahsil will be added for intensive development work for a period of three years, another similarly in 1940-41 and yet another in 1941-42. Thus in 1938-39 intensive development work will be done in one tahsil in each district. In 1939-40 the work will proceed simultaneously in two tahsils and in 1940-41 in three tahsils. In 1941-42 another tahsil will be added, but as the first tahsil will have had its three years, expenditure from the fund will cease being incurred in that tahsil. Taking an average of four tahsils per district the work is estimated to take six years and taking an average of Rs. 6 lakhs per year the total amount required is 72 lakhs, but, as stated above, more will be provided, if necessary, subject to funds being available in future years. While the tahsil will, in the absence of special circumstances, be the unit selected, it may be assumed that there may be some variations in the scope of activities as between tahsils. For instance some tahsils may be unsuitable at present for consolidation of holdings. It may also be assumed that it will not be feasible or desirable rigorously to limit the intensive efforts and provision of funds to the tahsils concerned. For instance there may be no scope for the improvement of drinking water supply in the tahsil selected, while there may be scope in another tahsil of the same district. The primary object of this intensive development programme is to improve the material and moral condition of the people and to take up schemes which will put money in the pocket of the *zamindar* such as consolidation of holdings, distribution of seed, improving the breed of cattle, conservation of manure, village industries, better marketing, better cultivation, etc. Special stress will be laid on the identity of the interests of landlords with those of the tenantry. No scheme, which will involve considerable expense on the village, will be undertaken unless the Deputy Commissioner is satisfied that the people are voluntarily prepared to contribute.

Recurring expenditure beyond the period of six years will be avoided. The provision made for a particular year will not lapse if it is not spent in that year, but will be provided in the next year's budget if the department concerned gives timely intimation to the Finance Department.

The year 1938-39 was marked by a severe famine in a large part of the south-eastern Punjab and particularly in the Hissar district. It entailed direct expenditure of Rs. 27.19 lakhs and loss in land revenue and water rate of 28 lakhs (apart from the normal remissions and suspensions), or Rs. 55 lakhs in all. Even so, an addition of Rs. 17 lakhs was made to expenditure on bene-

ficent activities and a surplus of Rs. 19 lakhs has been left. In the next financial year provision is made for Rs. 38-35 lakhs of direct expenditure on famine and Rs. 16 lakhs of loss in land revenue and water rate. Famine has thus cast a black shadow on the province for two years and has involved the Government in a large additional expenditure and loss in revenue and yet the province has come out of the ordeal with safety, being able to allot a further addition of Rs. 17 lakhs to beneficent departments in the coming year. The expenditure on beneficent departments was increased from Rs. 287-32 lakhs in 1936-37 to Rs. 311-69 lakhs in 1937-38, to Rs. 328-38 lakhs in 1938-39 and to Rs. 344 lakhs in 1939-40 with an average annual revenue of Rs. 11 crores. The Punjab is very proud of the expansion that has taken place in the activities of the nation-building departments. The following quotation from Dr. Manohar Lal's speech in introducing the budget for the current year may be usefully made:

Recently much comparative examination has been attempted of the expenditure in various provinces on nation-building departments, and the result has been that of all the provinces in India the Punjab devotes the largest percentage of its total expenditure to beneficent departments, except Madras, but even Madras has much smaller annual expenditure per head of the population. Bombay's percentage of expenditure compares unfavourably with us, but as the population of the Presidency is comparatively smaller, and its total resources much greater than ours, Bombay is able to show a slightly higher *per capita* expenditure. Sir, judged by comparable statistical tests, the Punjab to-day easily leads in the matter of nation-building activity. We may justly feel, therefore, that with economy so enforced as to secure the highest results with the present pitch of expenditure, and the new intensive drive that is now proposed to be undertaken to give fresh impetus to existing work, a rich and valuable harvest of genuine development is sure to be achieved.

DAMDUPAT.

IN order to prevent accumulation of interest, many of the Moneylenders' Acts provide for the application of the law of Damdupat. The limit of interest recoverable at a time through courts is fixed. Its object is not to lower an excessive rate of interest; so it does not reduce interest even if it be usurious. A creditor may collect interest at the stipulated rate, whatever it is, before arrears of interest equal the principal. Thereafter, again, interest continues according to the stipulated rate. The law of Damdupat is a law of limitation in respect of suits for recovery of interest. It was of great use when there was no law of limitation for suits for recoveries of money. But since now there is such a law, with varying provisions for different kinds of bonds, the need for the Damdupat rule has become less. Further, certain Moneylenders-Acts have prescribed the maximum rates of interest which a moneylender could levy. This again makes the Damdupat rule somewhat less necessary inasmuch as, with a

smaller rate of interest, it would take longer for interest to come up to the principal. But a better method of preventing accumulation of interest would be a provision to the effect that no court shall decree interest due for over three years. If this provision were introduced, there would be no need for a law of Damdupat.

The law of Damdupat has taken three forms in the Moneylenders' Acts.

(1) Arrears of interest granted by a court shall not exceed the principal of the loan (Bengal M. L. Act, Sec. 6, and Central Provinces M. L. Act, Sec. 10). The principal of the loan is generally interpreted as the outstanding principal. It is so interpreted both in Bengal and the Central Provinces, and Deccan Agriculturists' Relief Act in Sec. 13 (g) makes it explicit. But the Bombay Moneylenders Bill of 1938 provides for granting arrears of interest not exceeding the original principal of the loan.

(2) Arrears of interest in respect of loans advanced granted by a court shall not exceed, when added to interest already paid, the amount of the original principal. (Bihar M. L. Act, 1938, Sec. 11).

This provision has been held *ultra vires* by the Bihar High Court as it is contrary to the existing civil law. The High Court has held that the Governor-General's permission was necessary. A new bill has, therefore, been passed by the Bihar legislature repealing and re-enacting this section for the approval of the Governor-General. The Orissa bill has a provision similar to that in the Bihar Act. But it goes further. It says that "so much of the said amount of interest as is in excess of the loan shall be appropriated towards the satisfaction of the loan, and the court shall pass a decree for the payment of the balance of the loan, if any" (Sec. 10.2).

(3) Under the U. P. Relief Act, when the total amount of accrued interest on a loan, whether paid or outstanding, equals the principal of the loan, the creditor can realise interest only at a scheduled rate which is far less than the rate for other loans. The scheduled rate for secured loans is that at which the Local Government borrows, and two per cent. in addition, for unsecured loans. The Act further provides that excess interest over this rate shall be credited towards the principal, though a debtor cannot claim refund of any interest amount already paid by him. The provision is a method of limiting the period of unsecured loans whose time limit for suits may always be extended by obtaining a payment on the loan once every three years. It will not be to the interest of the creditor to permit a loan to run to such periods when the court will grant a lower rate of interest than the stipulated rate. According to the law of Damdupat, it is only a slack creditor who does not know his own interest that will suffer. But under this provision, a creditor who keeps a loan alive for unduly long periods will lose in interest charges. While

the result arising from a restriction of the period of loans may be beneficial in respect of unsecured loans, it may prevent the issue of secured long-term loans for long-term purposes.

The Bengal, C. P., and Bihar Acts apply to loans made before the passing of the Acts as well as after, but the U. P. Act applies only to loans made after the passing of the Act. Certain Acts contain special provisions in respect of the application of the principle of Damdupat to loans issued before the passage of the Acts. These provisions have taken two forms.

The amount of arrears of interest and principal to be decreed by a court in respect of loans taken before the commencement of the Act shall not exceed twice the principal and interest due on the date of the commencement of the Act according to Sec. 31 of Punjab Relief of Indebtedness Act, and due on 1st June 1933 in respect of loans incurred before that date according to Sec. 16 of the Madras Debt Conciliation Act. The idea underlying this provision is to prevent retrospective effect being given to the law of Damdupat in the case of loans already issued. But it forewarns the creditors that they should not allow their loans in future to accumulate to a sum more than what was owed to them at the commencement of the Act on such loans. Under this clause the recoverable outstanding interest is not restricted to the outstanding principal, but to the outstanding principal and interest due on a certain date. Relief under this law is of little use, as excessive interest can be reduced under the Usurious Loans Act. Where interest is not excessive and satisfies the rules of interest in the Moneylenders Acts, the provision grants a longer period of limitation for old loans, as it must take a sufficiently long time for arrears of principal and interest to accumulate so as to equal the sum due under principal and interest at the commencement of the Act. In other words, the law of Damdupat, or fixing a time limit for collecting arrears of interest, by annulling the excess when it exceeds the outstanding principal, is not given effect to in the case of loans issued before the commencement of the Act.

According to the C. P. Moneylenders Act, 1934, a moneylender can adduce sufficient grounds that he could not sue earlier, in respect of loans made before its commencement, and the court, if satisfied, may grant the excess interest that has been annulled by the law of Damdupat (Sec. 9). The Bengal Moneylenders Act of 1933 has a similar clause. This qualifying clause is omitted in the Bengal Moneylenders Bill of 1939.

The law of Damdupat has been further stretched in certain Acts which provide for liquidation of past debts, so as to cover reduction of the principal amount due. The Madras Debt Relief Act of 1938 provides that the maximum amount to be repaid on

debts incurred before 1-10-1932 should not exceed double the original principal, or the outstanding principal only, whichever is less. This principle has been embodied in the North-West Frontier Province Bill of 1938, in respect of loans advanced before 1-10-37, and carrying an interest of over 9%. The Punjab Mortgages Restitution Act of 1938 provides that lands mortgaged before 1901 by agriculturist tribes to non-agriculturists shall be restored, if twice the amount of the original principal has been realised by the mortgagee as profit from the land.

Review.

CLASS CONFLICT IN ITALY.

THE CLASS CONFLICT IN ITALY. By KARL WALTER, (King.) 1938. 21cm. 137p. 5/-.

THIS is a valuable contribution to the study of the economic organisation of the Fascist State. Karl Walter who has been residing in Italy for a long time and who has been in touch with the labour movement in that country since 1904, traces the rise of the Italian working class to its present institutional position in the community, and its achievements.

The book begins with the acute class conflict in the post-war period consequent on the failure of the constitutional democracy to solve the economic problems of the country. When Mussolini came to power, he wanted to put an end to the antagonism between Capital and Labour, and established a Corporative State based on National Fascist Syndicalism. In order to reconcile Labour with Capital the Fascist Dictator gave the Charter of Labour in April, 1927 which is regarded as the Bible of the Fascist State. The Charter describes the purpose of Labour "as the well-being of the producers and the development of the national strength. Professional or Syndical organisation is free, but the recognised Syndicate alone, under the control of the state, has the right of legally representing the employers and employed, of stipulating for collective labour contracts for all belonging to its category and of imposing contributions on them. The collective contract is the expression of the solidarity of the various factors in production and is the means of reconciling the opposing interests of employers and employed and subordinating them to the superior interest of production."

In this economic organisation, it is said, there is industrial peace, for the workers are claiming and getting a larger share of the wealth they produce. The author says that a new people is coming to birth in Italy, a new economic democracy, a new state, securely based upon the broad foundations of trade unionism.

When towards the end of the book, in his enthusiastic admiration of the Fascist State, the author declares that the whole investment of the people is in a peaceful future, we demur to his view. That Fascist Italy and Nazi Germany are real dangers to European peace and that the very organisation of the respective states and the psychology of the respective peoples are conducive to war are facts accepted by all except pro-Fascists and pro-Nazis. The conquest of Abyssinia, the

interference in Spain and the desire to get Corsica, Nice and Tunisia are clear proofs that the whole Fascist State is organised for national defence and international aggression.

We should be sorry to deter any reader from consulting this book by expressing our disagreement with the author's conclusions. We should be the last to underrate the accuracy, the labour, the sobriety of tone, which mark every part of the book. We have no hesitation in saying that this is a valuable contribution to literature on Fascism.

M. V. SUBRAHMANYAM.

SHORT NOTICES.

STUDIES IN CHINESE ART AND SOME INDIAN INFLUENCES. BY J. HACKIN AND OTHERS. (The India Society, London.) 28cm, 64p. and Plates. 21/-.

ONE of the unredeemed tragedies of the modern East is that one has to go to Western scholars and archaeologists to know all that is worth knowing about the treasures of art, sculpture and architecture that lie buried, hidden and unrevealed in her inaccessible caves and tombs and uncared for temples. That this is not a mere haphazard statement is amply demonstrated by the book before us. Here are four of the noted Western art critics and directors clubbing together to bring out a valuable volume of four essays to demonstrate Indian Influences on Chinese Art. Of these essays by far the most scholarly and full of fresh ideas is that of Mons. Hackin, the Director of the Musée Guimet in Paris. He argues that one can trace not only Indian but Iranian influences of a very definite character on Chinese art and Buddhist iconography, a fact proved by certain Buddhas and monks and donors having coiffure and vestments demonstrably inspired by Sasanian models. One would not find it difficult to accept this statement of Mons. Hackin if one realized that the extreme limit of the spread of official Sasanian Art lay some eighty miles to the north of Bamiyān, at Dukhtar-i-Nushirwan and there can be no doubt that the colossal statues at Bamiyān were famous all over the Buddhist world and exercised a far-reaching influence on Buddhist art in China.

Herr Osvald Sien, Director of National Museum in Stockholm, says very aptly that several heads of Buddhas and monks of the Northern Ch'i and Sin periods have an unmistakable resemblance to our Mathurā heads of the Gupta period. The importance of the Indian influence might indeed be illustrated by a much greater number of monuments than can be mentioned in this short review.

Mr. Langdon Warner in his remarkable essay has some very pertinent remarks to make about the difficulties of Westerners in approaching unfamiliar Oriental art and defines the nature of true scholarship which might prove of use to our so-called scholars. True scholarship, says Mr. Warner lies in the things themselves. It entails "much hard and muscular thinking which is not in any way related to the training of the memory to endure the weight of dates and dynasties and foreign names".

A. S. WADIA.

PROLEGOMENA TO A HISTORY OF THE WORLD. By H. C. E. ZACHARIAS. (The Catholic University Press, Peiping, China.) 1937. 22cm. 69p. \$1.00.

THROUGH the efforts of men like Mr. H. G. Wells, World History has recently come into its own. But the vastness of the subject and the broad sweep of imagination and sympathy it demands make the task of the student difficult. The difficulty is felt most when students have for the first time to be introduced to the subject. It is a good sign, however, that attempts are being increasingly made to overcome that difficulty. Dr. Zacharias' little book is one such attempt.

Without going into complicated details, Dr. Zacharias confines himself in this book to a few broad and important trends in the development of human civilisation. After emphasising the importance of historical interpretation, he considers the anthropological and ethnological data on which our knowledge of early man is based. Then follows a brief account of the Basic Civilisations in which is described the social organisation of Primitive Man, Hunters, Peasants and Herdsmen. It is these four strands out of a combination of which all the higher civilisations have been produced in an infinite variety. The Prolegomena is brought to a close by a brief reference to the early historical civilisations of Egypt, China, India, Iran, and Babylonia. A useful Time Chart is given at the end. The book is admirably fitted to meet the needs of the novice in the study of World History.

S. S. K.

MAZZINI, GARIBALDI AND CAVOUR. By MARJORIE STRACHEY. (Hogarth Press.) 1937. 20cm. 80p. 1/6.

THE heroes of this sketch were both 'world shakers and world makers.' At least they were 'makers' of modern Italy. The story of Italian struggle for independence being almost recent history has influenced some of the 'makers' of modern India, particularly Surendranath Bannerji. In this book, the idealism of Mazzini, the heroism of Garibaldi and the practical statesmanship of Cavour are described with true historical faithfulness. The peculiar problems confronting the Italian patriots and the vicissitudes through which the movement of Italian independence passed add to the charm and usefulness of the narrative. To combine biography and history is not always a very easy thing and the success with which this fact is accomplished in this book reflects great credit on the talented authoress.

A.

Correspondence.

LAND MORTGAGE BANKS.

TO THE EDITOR OF THE SERVANT OF INDIA.

SIR,—The Bombay Agricultural Debtors' Relief Bill suffers from one serious omission, namely, the absence of any provision for utilizing the land mortgage banks for liquidating debts due to sow-cars. The Bill provides that the debtor shall pay the scaled-down debts, and future interest

thereon at a certain rate, to his creditors by instalments extending over a certain term of years (not exceeding 25). My submission is that this provision should be qualified by a proviso that, wherever the debtor's holding is found to be of sufficient value to enable him to raise a loan on it from a land mortgage bank for liquidating all his scaled-down debts forthwith through its agency, the Debt Adjustment Board shall enquire of the debtor whether he wishes to apply to the bank for a loan and on his expressing his willingness to do so shall give him a fortnight's time for the purpose and defer making an award for payment by instalments until the result of the application is known, and shall not make any award if the application succeeds and the creditors are paid off by the bank. It should further be provided that where the debtor expresses his willingness to apply to the bank for a loan, the Board shall deduct a certain percentage from the scaled-down debts in consideration of the creditors receiving their dues forthwith instead of by instalments extending over a number of years and the uncertainty attaching to their ultimate recovery in full. The percentage should be higher for unsecured debts than for secured debts.

I claim the following merits for such a proviso:

(i) It will rescue the debtor from the clutches of his sowcars and deprive the latter of fresh opportunities of exploiting him when he is in pecuniary difficulties in regard to the regular payment of his instalments or otherwise. The D. A. R. Act, which also provided for reduction of debts and payment by instalments, failed mainly because it could do nothing to put an end to the relationship subsisting between the debtor and his sowcars, and had to perpetuate the relationship. The recent creation of land mortgage banks will enable Government to do that which it could not do in the past, and I would respectfully urge Government to make use of the banks for the purpose.

(ii) It will replace numerous creditors by a single creditor, and that creditor a bank working under the supervision and control of the Co-operative Department. It will transfer the debtor from unsafe hands into safe hands.

(iii) In cases in which there is a large number of secured and unsecured creditors, numerous complications are likely to arise from time to time in the execution of awards, and awards are likely to be upset for default in the payment of instalments due to one or two out of several creditors. All this will be avoided if debts are liquidated through the land mortgage banks. Defaults in payment of instalments fixed by the awards are likely to occur from time to time, and under the system of enforcing the awards prescribed by the Bill, many of the debtors will lose their lands long before the date for the payment of final instalments is reached. On the other hand, where the debts are taken over by the bank and consolidated into a single debt due to the bank, it will always be possible to avoid extreme measures so long as the debtor pays what he can and is not guilty of wilful default.

Government brought the land mortgage banks into existence only about three years back mainly with the object of getting them to take over the old debts of agriculturists. Unless the

present Government wants to give the go-by to this policy, it must make a provision in the Bill for utilising the banks for this purpose wherever possible and confine the provision regarding payment to the creditors by instalments to those cases in which debtors are unable to secure loans from the banks. Unless this is done the banks will stagnate and will have to be closed down before long. That will cause undeserved loss to the share-holders who have subscribed the share capital on the faith of the declared policy of Government, and it will also involve Government in loss as they have guaranteed the debentures of the Provincial land mortgage bank. The banks cannot possibly subsist on the business excluded from the purview of the Bill, or on the business of advancing loans for improvement of lands or purchase of agricultural plant as there would be very little business of either kind, and also because the people whose debts are made a charge on their lands under the awards will not be in a position to furnish the required security to the banks. I have the authority of a Deputy Director of Agriculture to say that improvements made with borrowed money are generally not a paying proposition except where the money could be had at a nominal rate of interest, and agriculturists can seldom be persuaded to go in for them.—Yours, etc.

P. J. TALEYARKHAN.

Surat.

BOOKS RECEIVED.

- BEE-KEEPING IN INDIA: THE BEEHIVE. (Bhupen Apiaries, P. O. Jeolikote, Nainital.) 1938. 25cm. 40p. As. 8.
- EXPERIMENTS IN BEE-CULTURE. By S. R. NABAYANA. AYYAR. (S. V. S. Vasan, Bee-keeper, Coonoor.) 1938. 24cm. 63p. Re. 1-8-0.
- THE MYSTICISM OF THE TIME IN RIG VEDA. By DR. MOHAN SINGH. (Atma Ram & Sons, Lahore.) 1938. 24cm. 64p.
- INDIAN FINANCE YEAR BOOK, 1938. Ed. By P. R. SRINIVAS. (Editor, Calcutta.) 1938. 27cm. 454p. Rs. 5.
- THE CATTLE WEALTH OF INDIA. By E. V. S. MANIAM. (Patt & Co., Cawnpore.) 1938. 24cm. 123p. Rs. 3.
- SPEECHES OF BHULABHAI J. DESAI, 1934-38. (Natesan & Co., Madras.) 1938. 24cm. 615p. Rs. 3-8.

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