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Topics of the Week.

Berar's Position Under Federation.

THE people of Berar may now breathe freely, the danger of its retrocession to the Nizam no longer threatening them. In one of his speeches at Hyderabad during his recent visit there, the Viceroy announced that the negotiations relating to the position of Berar under the proposed Federation had seen their end. Berar being leased in perpetuity in 1902 to the British Government for an annual payment of Rs. 25 lakhs, it was transferred to the Indian Government for purposes of administration, but technically it formed part of the Nizam's territories. In these circumstances its accession to the federation required His Exalted Highness's permission. This he has now given, which, however, does not mean that he has given up his overlordship over the Berars. No, he will retain it in future as in the past and the British Government too for their part will continue to recognise his sovereignty over that territory. This will however make no change to the system of administration prevailing there, it being administered jointly with the Central Provinces as if they together formed one province to be known as the Central Provinces and Berars. The details of the new arrangement are not yet published, with the result that no comment on them is possible. But presumably they can have no other object than that of marking and making known the technical suzerainty of the Nizam over the Berars, and so long as they do not transgress that limit, they cannot encounter serious

opposition in any quarter. The proposed arrangement cannot of course satisfy that section of opinion which wanted Berar to join the federation as a full-fledged Indian province; but it can console itself with the reflection—and surely it is no negligible gain—that the worst fears of the public about the transfer to the Nizam of Berar's political destinies by a stroke of the pen and behind its back have not come true.

But the point of more immediate concern to the people of Berar relates to the status of its representatives in the federal legislatures. If Berar is to be regarded as owing allegiance to the Nizam its representatives like those hailing from other State territories will have to be the nominees of the ruler—in this case the Nizam. How would Beraris relish the idea of their representatives sitting in the federal legislature not in virtue of their election by their compatriots but as the Nizam's nominees? It is true that even as things are, their presence both in the provincial and central legislatures is due to their nomination, after their election by the people, by the Governor and Governor-General respectively. But never have any of these dignitaries tried to veto or in any way upset the popular choice, the convention being firmly established that the elected ones automatically receive nomination by the Governor or Governor-General, as the case may be. It is not known what arrangements are contemplated, as part of the new agreement, to enable Berar to be represented by its own popularly elected representatives in the future legislatures; but whoever may be the ultimate nominating authority in future, the unquestioned continuance of the above convention must at least be ensured, failing more satisfactory arrangements for the representation of Berar.

* * *

Muslim League on White Paper.

THE All-India Muslim League as also its Bengal branch held their annual sessions last week with Khan Bahadur Hafiz Hidayat Hussain and Maulavi Abdul Karim respectively as presidents. No reference is intended here to the purely communal demands voiced from these platforms as they are too well-known to need any recapitulation. What is of more general interest is the lead given by the respective presidents on the subject of the new constitutional advance offered to India. It may be stated at once that neither is so dissatisfied with the White Paper constitution as to make him prefer the existing state of affairs. The proffered constitution registers, in their eyes, an advance, though they make no secret of their feeling that it is thoroughly inadequate as a measure of political appeasement. But they do not for that reason counsel non-co-operation with or boycott of the Hoare constitution. On the other hand, they make it unmistakably clear that such a course would be suicidal and should not be pursued.

The advice will be generally regarded as sound and conducive to the promotion of national interests.

Both Messrs. Hussain and Karim share to the full the universal condemnation of the safeguards as being dangerously wide in scope and making a substantial deduction from responsible self-government on which India has set her heart. The safeguards are proposed in the name of the protection either of the constitution or of the minorities. In the former case, Mr. Hussain contends that they must be explicitly defined and the sphere of interference of the Governor-General and Governors strictly limited so as to minimise the chances of friction and constitutional breakdown. What with the financial safeguards and the army—a reserved subject—swallowing nearly one-half of India's income, it is generally complained that the transfer of financial control to popular hands is more nominal than real, a view which seemed to have found acceptance at both these gatherings. In this connection the plea was strongly put forward that it was unfair to this country to saddle it with expenses for the maintenance of defence forces not required strictly for its own safety.

Safeguards for the prevention of commercial discrimination go much further, in Mr. Hussain's opinion, than the agreements arrived at at the R.T.C. He adds: "It is important that the key national industries, inclusive of cottage industries so far throttled by the dumping of foreign goods, should be safeguarded even under powers of retaliation as against foreign industries." The minority safeguards should, he suggests, be so devised that they could be made operative whenever a minority finds it necessary to do so. "If the operation of this class of safeguards were left in hands other than those for whose benefit they were devised the experience of the present system of the administration affording obtruding examples of the barrenness and fecundity with which irresponsibility bred irresponsibility would be revised (repeated?)" The Bengal Conference has branded the new constitution as "unsatisfactory," as it is not likely "to satisfy any section of political India." This expression of opinion from the largest minority upon whose support Sir Samuel Hoare depends for the working of his reforms should have due weight with him.

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Sir Frederick Sykes on Non-Brahmin Demands.

WITH regard to the complaint of the Non-Brahmin Party about inadequacy of representation in Government service, the Governor of Bombay in his reply to the farewell address presented to him by the Party asked them to remember that:

until very recently, in spite of the many good qualities displayed by your community, the interest taken by them in education was small, and, though I gladly admit that you are now doing your best to make up for lost time in this direction, it is inevitable that some time must elapse before these efforts of yours can have their full effect. My Government have gone as far as possible, and they will continue to do all they can, to see that all communities are fairly represented in Public Service, but any effort to insist that such representation is to be in strict proportion to the numerical strength of communities would, as I know you realise, be unworkable in practice, and would certainly lead to a dangerous decline in the efficiency of the Services such as no Government could contemplate with equanimity. I would say, too, that I think the principles on which Government act in recruiting their Services and selecting officers for the higher posts, on the whole, provide a reasonable chance for qualified candidates in your community. Further than that in preferential treatment, I am afraid, they cannot go.

He also found the Party's demand for a larger measure of special representation in the provincial legislature "a little difficult to justify."

With the increasing importance which is being attached to the democratic principle in establishing the new Constitution, the various forms of special representation obviously become more difficult. So far, however, my Government have supported your claim to the continuance of the present special representation, but I do not think it is possible to go further than that, nor, do I think, really would it be to your advantage to do so. You have already the advantage of numerical strength and of a good start in the matter of an organised political party in the Council, and my personal opinion is that you will do better to concentrate on developing these advantages by continually improving your party discipline and organisation than by relying on artificial aids such as special representation.

In thus disposing of the Non-Brahmin demands, there is no doubt that Sir Frederick Sykes was voicing a large volume of opinion in the presidency.

* * *

"The Secretary of State's Advisers"

UNDER the White Paper proposals the India Council is not going to be ended as desired by Indian opinion but will be replaced by what are termed the Secretary of State's Advisers. Their minimum and maximum numbers have been laid down as three and six as against eight and twelve under the 1919 reforms. Two at least of these must have served in India for a minimum period of ten years. They may be consulted either severally or jointly by the Secretary of State "on any matter"; but their most important function appears to be to safeguard the rights of the Secretary of State's services. For it, has been expressly provided that so long as any members of the services for whose recruitment he was responsible remain in India's service, any variation in their conditions of service would require the concurrence of the majority of these advisers. A little reflection will show that though this provision leaves the door theoretically open for altering service conditions sometimes in the direction of making them more conformable to Indian standards of life and India's economic condition, it will in practice have the effect of effectively shutting it against such action. Supposing a Secretary of State decided to carry on with only the minimum number of advisers, viz. three, what earthly chance is there of a proposal, e. g., aiming at the reduction of the bloated scales of salary at present paid to his services obtaining the concurrence of the majority of his advisers? The majority in such a case would consist of men themselves belonging to the services not long before and may ordinarily be relied upon to resist all such suggestions with all the strength they may be capable of. When Mr. Joshi tried to explain how such would be the practical effect of this provision, Sir Samuel Hoare silenced him by citing his own experience, which was that the ex-civilian members of his Council always considered such service questions "with most meticulous impartiality." Seeing that proposals for reducing the salaries of the services have hardly ever succeeded in passing unscathed through the India Council, Indians will find it difficult to reconcile their experience in this matter with the Secretary of State's.

Mr. Zafrulla Khan brought to light another anomaly. Any decision by the Secretary of State on an appeal submitted to him by a member of the services to be valid would, under the White Paper, need the approval of a majority of his advisers. What happens if these differ from the Secretary of State? Sir Samuel Hoare was at first sight inclined to think that the Secretary of State could manage to

secure a majority for his view with the help of his casting vote. This was however not permissible under the provision as worded at present. As Mr. Zafrulla Khan pointed out, "What it really amounts to is not whether the Secretary of State should carry with him the concurrence of so many, but the Secretary of State in this particular matter must carry out the wishes of the majority, whatever they may be." This is apparently not what is intended by Sir Samuel Hoare who promised careful consideration of the point raised by Mr. Zafrulla Khan.

The question of the salary admissible to the advisers has been left indeterminate in the White Paper, that paid to the British members of the India Council being £,1200 and to the Indian ones £1,800. A comparison of the relevant section of the Government of India Act 1919 with the corresponding White Paper provision is enough to show that the advisers' duties would be less arduous than those of their predecessors. It thus stands to reason that the remuneration payable to them should also be suitably reduced.

* * *

Bhavnagar.

DEFICIT budgets have recently become so much the vogue that it is particularly gratifying to learn that the State of Bhavnagar was able, in 1931-32, not only to make both ends meet, but to leave a comfortable surplus of nearly Rs. 30 lakhs at the end of the year. Apart from the usual sources of revenue, the State railway makes a yearly contribution of about Rs. 30 lakhs to its income and helps to add to the prosperity of the State. The surplus would have been larger but for some extraordinary items of expenditure, amounting to over Rs. 25 lakhs. Upon such a satisfactory condition of the State's finances

all concerned deserve hearty congratulations. It is seen from the administration report that educationally the State did make some advance during the twelve months covered by it, the number of educational institutions increasing from 406 to 427 and of students from 32,133 to nearly 34,000. But there is no reason why with its treasury so overflowing as is indicated by the above figures it should be unable to give a more satisfactory account of its educational stewardship. The field to be yet covered is nearly as big as is already covered, and it is well that it is traversed as early as possible. The only effective manner of doing so is by the introduction of compulsory primary education and though not unmindful of the special steps contemplated by the State for its expansion, we would take this opportunity to impress upon it the extreme desirability of an early resort to compulsion as much to prevent educational waste represented by the relapse into illiteracy of children who have been for some time at school as to ensure the attainment by the State at the earliest possible date of the goal of universal literacy. With the enforcement of prohibition, the revenue from liquor is practically wiped out; and though it does not appear to have given rise to the evil of illicit distillation, cologne water came to be used as a substitute for foreign liquor till its sale to none but bonafide patients only for medical purposes was made illegal. Cologne water having thus become difficult of access, addicts began to satisfy their craving by the use of some medicinal tinctures containing alcohol. This evil too was tackled by the passage of suitable legislation prohibiting the sale of such tinctures except by licensed chemists and druggists and that too for medicinal purposes. British India will interestedly watch the working of this experiment in Bhavnagar and would welcome more detailed information on the point than is given in the report.

INDIAN CURRENCY AND EXCHANGE.

THE Currency League has rendered a notable service to the country by drawing pointed attention once more to the vital question of currency management. Whether the agitation was merely for the purpose of getting the ratio changed and whether it was solely aimed at getting certain clauses of the Reserve Bank Bill modified are questions with which we are not concerned. Whatever the form in which the currency clauses find their final place in the Reserve Bank Act, the question as to what is the present policy and what should be the immediate objective with regard to the management of our currency and exchange is too important to be brushed aside light-heartedly. And the Finance Member is not being helpful when he baldly reiterates the Government decision to stand by the 18d. ratio. For, the maintenance of a fixed ratio in terms of sterling is in itself no indication of any logical policy relevant to Indian conditions. It merely means that the Government of India is determined to lead the rupee in the wake of sterling wherever that may lead us.

It is no exaggeration to say that to-day, outside the gold-group, the currency policy of the Government of India is the most inelastic in the world. Our Government has a single and rigid objective, that of maintaining a defined parity with sterling; but the why and wherefore of this inelasticity and this rigi-

dity has never been explained to us. It is likely that the Government decision in this matter is governed mainly by two considerations. The first is a consideration regarding India's foreign trade. It has been argued that as India has the largest volume of trade with England and the sterling group, the fixation of the rupee exchange in terms of sterling is of definite value to our foreign trade. The argument may, in general, be conceded without admitting that it implies an irrevocable stand by one fixed ratio. The dominance of English trade is even more marked in the case of the foreign trade of Dominions like Australia than of India. And yet the Australian Government, though pegging its exchange always in terms of sterling, has never hesitated, when occasion arose, to vary the rate up or down. The Australian Prime Minister declared only recently that whatever the policy of the United Kingdom, "it is important that we should retain our right to fix our monetary unit at the point which is consistent with our price-level." To-day the sterling group is a wide group embracing many countries beyond the British Empire. And with the uncertain future of the dollar more countries like Japan may come to adhere to the sterling group. But in no country belonging to this group has adhesion to sterling meant an unalterable, fixed ratio with the pound. It has meant nothing more than that when at any time the exchange is

pegged by a country, it is done by it at an "equilibrium rate" in terms of sterling. This was also the policy adopted by the authorities in England towards the sterling-dollar rate after September 1931, till the time that the dollar was on gold. To no other country in the world is a stability of the exchanges more important than to England, and yet the Treasury and the Bank of England authorities there have all along let sterling find its level consequent on trade movements and have pegged within close limits of this level. Though every precaution has been taken not to let the exchange rate be disturbed by mere speculative operations, yet the rate has never been rigidly fixed and no attempts have been made to run counter to exchange fluctuations rendered necessary by important trade movements. With the majority of the off-gold countries, having no rigid and stable moorings has not meant violent fluctuations. It has only meant that the currency authorities have been more circumspect, have been less able to do things by routine. But their policies have everywhere been the same; letting trade movements find the exchange equilibrium rate and then pegging it, not too rigidly, at about the equilibrium level. The equilibrium rate in this case can be defined as that rate which will bring the balance of payments of that country into equilibrium.

The other reason why perhaps the Government of India is anxious to hold on to a rigid sterling rate is their anxiety regarding the budget. We are indeed afraid that ever since 1925, considerations of budget equilibrium have all along been allowed to outweigh the much more important considerations of international trade and the internal price level in our currency policy. With the Finance Member also controlling currency and exchange this has perhaps been inevitable. The results have, however, been very unfortunate. No doubt a slightly fluctuating exchange, or a slightly depreciated exchange would cause a certain amount of inconvenience to the Finance Member. It may entrench upon his slender surplus and convert a possibly balanced budget into a definitely deficit one. But financial rectitude and the peace of mind of the Finance Member may also be purchased at too great a cost. And in the present case we believe the loss to have been enormously greater than any possible gain.

We may be allowed, at this stage, to raise again the fundamental question of the nature of the policy that should govern the management of our currency. In the main it is agreed that two different objectives could be aimed at: (i) stability of exchanges or (ii) stability of the internal price level. Writing immediately after the sterling and the rupee simultaneously went off gold, we strongly urged the adoption of a policy intended to bring about a sharp initial rise in the price level and then maintaining that level stable. We may justifiably claim that the events of the last two years have proved that this was the only policy that the Government in India should then have adopted. It was expected in September 1931 that the snapping of the fetters of gold would enable our price level to rise immediately.

The actual course of events did not, however, run in that fashion. Gold prices continued to fall and sterling prices after a preliminary rise remained stagnant with a marked downward incline. In India, where the exchange situation had been very bad since June 1931, the events of September of that year gave only a temporary relief. There was no improvement in the trade equilibrium; the merchandise export surplus showed no signs of increasing and it was only the adventitious gold exports that saved the currency authorities from a very difficult situation. The price level also refused to look up and continued, though more slowly than before, its downward course. It is perhaps true to say that in India to-day the decline in prices over that of September 1931 is greater than in any other important off-gold country. The Government of India has thus followed a policy which has neither brought about a trade equilibrium nor stayed the downward course of prices.

It should not be necessary to-day to emphasise the importance of the internal price level in the economy of our country. The large mass of our agriculturists with their load of fixed money payments, in the shape of revenue and debt has been reduced, with present prices, to extremes. If monetary policy is to be directed towards any one goal it ought to be towards bringing about a sharp initial rise of wholesale prices and subsequently towards maintaining the prices at that level. This is a task not entirely beyond the competence of our currency authorities. And it can be essayed all the more confidently in India because of the comparatively unimportant part that foreign trade plays in our economy. We would advocate, therefore, a giving up of the rigid adherence to the 18d. ratio by Government. We do not thereby mean that we should cease to belong to the sterling group. We merely urge that the Government of India should let trade movements affect the exchanges and should exercise the same right to vary the pegged rates as other members of the sterling group. And internally we would urge the adoption of a bold policy intended to raise the price level; this latter policy could, of course, not be adopted until the present rigidity of exchanges was given up.

As it is we have the worst of both worlds. We have a rigidity like that of a gold standard without its stable moorings and automatic working; we have a managed currency without any of the blessings that could flow from an intelligent management of it. This is because the Government of India has unnecessarily tied up its own hands and refuses to manage its currency affairs. It is content to follow the sterling. But the sterling steers a course dictated by the changing circumstances of English trade and the London Money Market. Our plea is for an effectual and intelligent management of our currency affairs by our Government; for a management that is guided by the proper relevant circumstances, the foreign trade of India and its internal price level, especially the latter.

SILVER AGREEMENT.

ON November 21 the Legislative Assembly adopted a resolution ratifying the Silver Agreement entered into in London on July 22 between the principal silver-producing and silver-holding nations of the world. The Finance Member had little difficulty in convincing the Assembly that the Agreement is in the interest of India, or at any rate not to its disadvantage. The negative way of putting it is perhaps better, for it can hardly be claimed to confer any considerable positive advantage upon our country. Under the Agreement we undertake, for the next four years, not to put more than 35 million fine ounces of silver on an average on the market. If in any particular year we are unable to realise the whole quota, we can carry forward the balance, provided that in no year we sell more than 50 million. We are also left free to sell, in addition to the quota assigned to us, any amount of silver which Great Britain or any other debtor country may purchase from us in order to make its war debt payments to U. S. A. This latter concession, however, is of no significance just now because, although we sold to the British Government in June last 20 million ounces of silver when U. S. A. accepted silver payments, the next instalments which fall due on the 15th inst. have to be paid in dollars, and the British Government will not therefore buy any silver from us for this purpose.

Our commitment under the Agreement is not too heavy or onerous. For, since the Government of India commenced sales of its surplus silver in 1927, only in two years, 1930 and 1931, did its sales amount to 35 million ounces, and it is very unlikely that, even without this Agreement, it will want to sell, in any of the next four years, more than the maximum sold within the last six. While therefore we make no concession, except nominally, in agreeing to limit our sales under this arrangement, we succeed in ridding the silver market of the uncertainty which our surplus stocks are said to produce and in neutralising the effect of our sales. For the chief silver-producing countries—U.S.A., Mexico, Canada, Peru and Australia—have on their part agreed to buy from their own production, that is to withdraw from the market, the amount which India is allowed to sell, viz. 35 million fine ounces annually. The percentage ratio in which this amount is to be distributed among the above five countries respectively is as follows:—69·78, 20·48, 4·78, 3·13 and 1·86. The silver that we have to sell will thus be put upon the market without producing any depressing effect upon the prices, and the long-standing complaint of the silver interests in U. S. A. against us will be removed. It will be noted that this desirable result will be obtained at the cost of the silver-producing countries themselves. The producing interests of U.S.A. have been urging joint action upon India for the regulating of silver sales; but their suggestion so far only amounted to this, as was observed by Sir George Schuster in his budget speech on March 1, 1931, "that their own production of new silver should remain unrestricted, but that governments and others, who hold large stocks of silver,

should refrain from realising their holdings, and leave the world's markets free for the new production." Such a "one-sided arrangement" the Finance Member naturally would not accept, and it really speaks volumes for his financial diplomacy that the bargain now struck is equally "one-sided" in the contrary sense. India makes no sacrifice; all the sacrifice involved in the matter is borne by the producing countries, they agreeing to take off from the market what India would normally sell. The other two silver-holding and silver-using countries who are parties to the Agreement, viz., Spain and China, are also required to make no real concession. Spain has agreed to limit her sales to 5 million ounces annually, and China not to put any demonetised silver on the market for the four years of the currency of the Agreement. As for China, she has not been coming upon the market as a seller, and though Spain and Persia are at present, besides India, the only important countries still possessing large quantities of redundant silver coins, Spain has in fact been selling very little silver. The total amount of silver realised from the sales of demonetised coins in 1931 was nearly 57 million ounces, of which India accounted for 35, Siam 20 and Spain only 2. In 1932 the total disposals of silver from this source were about 48 millions, of which the share of India was 23, of Indo-China 10, of Russia 12, and of Persia, Iraq and Afghanistan 3. Thus, in this Agreement, the gain such as it is is wholly for the silver-holding countries and the burden wholly upon the silver-producing countries.

But we must not overrate India's gain, and the Finance Member too did not overrate it. The underlying purpose of the Agreement is to induce an increase in the price of silver. This purpose is unlikely to be realised to a significant degree. But it may be expected to impart some amount of stability to the violently fluctuating prices of the white metal. From India's point of view this is our chief desideratum. In so far as an increase in the price is desired by us, so that our holdings of silver may not be diminished in value as a result of the depreciation of the rupee along with sterling, it is secured in ample measure, as remarked by Mr. A. Ramaiya in the October number of the *Indian Journal of Economics*, by the levy of an import duty of 6 annas per ounce, which has increased the internal price of silver almost to the extent of the duty. Indeed, a sharp appreciation of the value of silver would, instead of easing the situation, only worsen it. This point has been very well put by Professor Gregory in the *Economist* of July 29. "A rise in the gold or sterling price of silver," he says, "in the absence of an all-round rise of prices, would encourage imports into the silver-using areas and would diminish their exports of local produce, and an increased export of silver would take place in order to balance the international accounts of the countries in question. Such increased silver exports would, of course, increase the disequilibrium in the silver market, by increasing supply and diminishing demand. The view that all that is required, from the stand-point of the silver interests, is a sharp rise in the world value of silver

is thus entirely erroneous. A rise in the world value of silver is to be welcomed, if it is to be welcomed at all, only if it is accompanied by, and is part of, a general rise of prices. Such a general rise would stimulate world trade and would thus assure the consuming countries of higher prices for their export goods, thereby enabling them to buy silver in large quantities." In India too the results of depression have left a deep mark upon the silver market. The figures quoted by Sir George Schuster in this connection were very telling. He said that India's intake of silver between 1925 and 1930, even after allowing for Government sales, was on an average 92 million ounces annually, but on account of poor trade not merely was there a drastic falling off in shipments last year, but large quantities of silver came from up country into Bombay, which not only sufficed to fill the local demand but even allowed for the export of silver to the London market. Thus, instead of our taking 92 million ounces net, we put back upon the market 18 million ounces, a change-over of 110 million ounces in one year! What is required in our interests is a lifting up of the prices of our primary commodities and an expansion of our exports to foreign markets so that we can buy silver in large quantities as before. Sir George Schuster's speech in the Assembly therefore appropriately ended on a note of appeal to U. S. A. He said: "Let us hope that our friends in America will appreciate this (situation) and not put difficulties in the way of selling them commodities like jute, for which we rely largely on their market, in the hope that the spirit of co-operation in economic interests may spread to wider fields than silver." However, there is no early prospect of the American tariff wall being lowered for our goods.

In this debate the silver deal in June last was also referred to. India sold at that time 20 million ounces to the British Government for a little over 7 million dollars and the British Government succeeded in paying with this silver its American war debt of 10 million dollars, and the contention of Indian members was that the balance of nearly 3 million dollars the British Government ought to have passed on to India. This claim however is hardly tenable. It was a specially favourable offer made by U. S. A. to Great Britain, and it would be unreasonable for us to hope for a share in it. As it is, however, the transaction was advantageous to us. Mr. Taylor, Finance Secretary, explained it in full in the Council of State on September 6. "Actually, the price which we obtained (20-7/16d.) was a favourable one. 20-7/16d. was roughly 1d. above the market price of silver at the time and the cost of transport amounted to something less than 1/2d., so that, roughly speaking, we made a profit of about Rs. 6 to Rs. 8 lakhs over what we would have obtained if we had gone into the market to sell." This is not a result with which we can justly quarrel.

THE RESERVE BANK BILL.

THE Reserve Bank Bill as reported to the Legislative Assembly, by the Select Committee appointed for its detailed examination, fails to satisfy two vital demands of Indian public opinion. The exclusion of private interest in any form from an institution appointed to regulate national currency and credit is at this stage of development of the best thought on the subject highly desirable. So also it would be an act of great imprudence to allow this opportunity of bringing the exchange ratio in greater conformity with the facts and needs of Indian economic life to pass on the score of an alleged legal irrelevance. The majority of the members of the select committee have in these two important respects failed to see the right way of promoting sound banking and currency policy in India. In several other respects, however, the committee has succeeded in improving the original bill to the advantage of important interests in the community. It is necessary that the constructive side of the work of the committee should also receive notice.

The preamble of the bill as originally framed stated as the two functions of the Reserve Bank regulation of note issue and the keeping of reserves with a view to securing monetary stability. The committee has now added a third purpose. It is 'to operate the currency and credit system of the country to its advantage.' The spirit of this addendum is most welcome. But in view of the convenient emphasis that official protagonists are at present laying on an unmeaning stability the question arises as to whether the addition is a mere sop. Instability in world exchanges can be construed into an argument in favour of exchange rigidity at home only by those who are insufficiently acquainted with the theory of purchasing power parity, on which the Hilton-Young Commission had laid great stress.

The suggestions made by cooperative experts have on the whole been favourably received by the committee. To meet the difficulties of a province where no apex bank exists it is provided that the principal cooperative bank, or a central cooperative bank which is notified by the local Government as the principal bank in the province, will receive the special treatment offered to provincial cooperative banks at the hands of the Reserve Bank. On the recommendation of the committee the Government has undertaken to ensure that cooperative and agricultural finance is properly represented on the central board of the bank. So far as the local boards of the bank are concerned the committee has definitely provided that the central board in making nominations to the local boards shall particularly aim at securing the representation of agricultural interests and the interests of cooperative banks. The demand that the maximum currency of bills to be dealt in by the Reserve Bank should in the case of agricultural bills be extended to nine months has been incorporated in the bill as amended in the select committee. The provincial cooperative banks shall not be included in the list of scheduled banks and will thus be free from the minimum deposit requirements. All the

same they will get rediscounting facilities for their agricultural paper. The cooperative apex banks will also be eligible to receive loans from the Reserve Bank on the same terms as the scheduled banks.

The committee, including the official members, sanction retaliatory penalising against the nationals of those British colonies and dominions which discriminate against Indians. Shares of the bank cannot be held either by individuals or firms whose land of origin, though within the British Empire, discriminates against Indians in the grant of civic rights. The committee as a whole deserves the congratulations of the nation for having thus vindicated a point of national self-respect. In view, however, of this unanimity of view one fails to appreciate the logic of the Secretary of State when he opposes the freedom of India to discriminate commercially against nationals of such offending dominions and colonies. If discrimination is allowable in a particular case it ought to be allowed as a principle. Moreover, if discrimination is a reactionary step from the constitutional view-point it could not be supported by official members even on the ground of a want of reciprocity. Or is reciprocity a greater constitutional principle than non-discrimination? The fact, it appears to us, is that the goal of a dominion status renders inapplicable any talk of discrimination being either unconstitutional or improper. In its own interest, material or sentimental, it ought to be open and proper for every self-governing part of the Empire to deny to citizens of other parts, including the United Kingdom, the grant of privileges allowed to its own nationals. Whether the reciprocal advantages offered by any particular part of the Empire justify the extension of all or any of the privileges to its citizens is a question that India ought to be free to answer in its own way from time to time.

The committee has correctly appreciated the responsibility of the legislature in respect of the further issues of the capital of the bank. The draft bill provided that the share capital of the bank may be increased by the central board with the previous sanction of the Governor-General-in-Council. The committee add the words, "and with the approval of the central legislature." This is but an indication of the basic truth that the inception and operation of the reserve bank are matters in which the state is far more vitally concerned than individual holders of shares and their representatives.

The committee has dispensed with the previous sanction of the Governor-General-in-Council for opening a branch of the Reserve Bank in London. In clause 30 a very important and significant alteration is introduced by the committee. In its original form the clause provided that if the bank failed to carry out any of the provisions with reference to the issue of notes the Governor-General-in-Council would be authorised to withdraw the note-issuing authority from the bank. The committee rightly point out that in an emergency of that type it would be undesirable to continue the bank in possession of the other privileges conferred upon it. They, therefore, consider that "in such circumstances a complete

reconsideration of the position will be necessary. It is not possible to lay down in advance exactly what steps will be necessary nor do we feel entitled to assume that the liquidation of the bank will necessarily and inevitably be the only possible course. We, therefore, think that the right form of provision is one which will give the Government power to make emergency arrangements and lay upon it the duty of consulting the Legislature at the first opportunity, after which further and permanent measures can be settled." This is quite a necessary and progressive alteration. In fact all the necessary precautions are thus taken to see that the official personnel and policy of the bank shall conform to the desire of the Governor-General-in-Council at present and to that of the Governor-General under the new constitution. In view of this fact does not the shareholder screen only serve against the encroachment of the responsible part of government, leaving the Governor General free to bend the directorate to his own will?

The Committee have added a proviso to section 35 of the bill making it clear that at the time of the transfer of currency assets to the Bank the whole of the gold coin and bullion held by the Governor-General-in-Council in his reserves should be transferred to the bank. In section 37 the committee has added an important proviso regarding the minimum gold holding in the currency reserve. The original clause simply provided that with the previous sanction of the Governor-General-in-Council the requirements regarding minimum gold and sterling holdings in the currency reserve may be temporarily waived. To this the committee add the following: "Provided that the gold coin and gold bullion held as such assets shall not be reduced below 40 crores so long as any sterling securities remain held as assets." In view of the hostile attitude of London financiers to Indian gold holdings such a restriction on the discretion of the bank and the Governor-General is very necessary. The committee is quite conscious of the fact that a rigid prohibition of this nature is inconsistent with that freedom of action that a supreme currency authority should possess. They offer a very satisfactory justification of their recommendation in this behalf in the following words.—

"We consider that if the currency reserves had to be drawn upon so heavily that they were reduced to 40 crores a situation would have been created which would in any case require reconsideration of the whole position. In that event we think it of the greatest importance that the bank should possess at least this minimum holding of gold as a nucleus of reserves with which to maintain the currency position on the new basis which might be settled after such reconsideration. It is because we consider that a stock of gold will in such circumstances be the most valuable nucleus that we think this minimum should be preserved in the shape of gold rather than in sterling securities. In making this recommendation we do not imply that a provision of this nature, earmarking a certain portion of the currency reserves for special treatment, is necessarily suitable as a permanent provision, and we recognise that it may have to be reconsidered when the occasion contemplated in the preamble to the bill arises, and it is possible to frame measures for esta-

blishing the Indian monetary standard on a permanent basis."

It is at least probable that through this requirement the committee hope to bring about an early reconsideration of currency policy. If it is so the members deserve to be congratulated upon their intentions. But we fear that if currency reorganisation is to be postponed till the time when our minimum gold resources have to be touched it will be tragically too late. The further provision that the committee has included in the altered clause 54 to the effect that the Bank shall report to the Governor-General-in-Council its views on currency reform when in its opinion time is ripe for such a measure is likely to be inoperative. Nobody, not even the committee, can expect that in a matter like this the Governor of the bank will move without the previous support of the Governor-General.

It will be unfair to the committee not to admit that they have introduced a number of improvements in the details of the Bill committed to them. They have effected a compromise on the percentage of compulsory deposits with the Reserve Bank which the scheduled banks have to maintain. The co-operative and agricultural credit institutions will particularly appreciate the committee's work. For the indigenous bankers the committee hold out the hope of a statutory inquiry into their position by the bank itself. The same is the method that the committee adopt with regard to the problem of land mortgage business. Of the two we feel that the former problem should have been tackled at the very inception of the bank. By its inaction on the ratio clause the committee is unjustifiably prolonging the misery of millions of Indians and nothing that might be done in the future to redress the evil consequences of the present currency policy will undo the wrong now being done by the Government and tolerated by the majority of the committee. In respect of the constitution of the bank the inherent weakness of a shareholders' organisation will be substantially counteracted if the powers now proposed to be vested in the Governor-General-in-Council are transferred under the new constitution to the Federal Government. Those who support the Government proposals on the present occasion should at least declare openly their insistence on such a transfer of authority to the future Federal Government. If this is not achieved a shareholders' bank will be but a cloak to cover the unchecked supremacy of the irresponsible financial advisers of the Governor-General.

D. G. KARVE.

Our London Letter.

(BY AIR MAIL.)

(From Our Correspondent.)

LONDON, November 24.

INDIA IN PARLIAMENT.

THERE were already indications when I wrote to you last week that the opponents of the Reforms would probably raise a debate upon the

motion to reappoint the Joint Select Committee. Mr. Winston Churchill, in particular, realised that he had some lost ground to make up, for he did not emerge very creditably from his last bout with the Secretary of State, and there was a great deal that he believed himself to have deduced from his evidence before the Joint Select Committee that he wished to bring before the House of Commons. Most of his discoveries Sir Samuel Hoare described as mare's nests, and he had no difficulty in dealing with them. The debate throughout was unreal and artificial. Everyone knew that it was impossible to scrap the work of the Joint Select Committee already completed when Parliament was prorogued last week. There was not the slightest doubt either as to the reappointment of the Committee. All therefore that remained was to rehash a great deal of old stuff as most of the opponents of the Reforms spent valuable time in doing, or to chase wild geese, or to advocate new and undigested schemes that nobody would look at a second time. There is no doubt that little love is lost between Mr. Churchill and Sir Samuel Hoare. Sir Samuel is a good National Government man. He knows more about the implications of the White Paper than any other man in the House. He knows quite well that Mr. Churchill, however sincere he may be in his opposition to the proposed Reforms, has no alternative scheme that would hold water, that the Indian question is far from being Mr. Churchill's real cause of complaint against the Government, and that in reality Mr. Churchill hates the Government and all its works and is using the Indian question as a convenient stick for belabouring, and if possible tripping up, his opponents. Why he choose to sit on the Government side of the House, and snipe at the front bench from its flank, is a mystery to more people than Mr. Isaac Foot, who invited him to follow the example set this week by the Samuelite Liberals in crossing the floor of the House. It would certainly be a franker and more responsible method of criticising Mr. Baldwin's leadership of the Tory Party, which Mr. Churchill is attacking under the guise of Party friendship on every possible occasion. Sir Samuel Hoare's attack upon him on that score was angry and bitter. It is not easy unless one is familiar with Mr. Churchill's methods quite to understand the meaning of the passage in Hansard where Sir Samuel Hoare taunts Mr. Churchill with allowing his hatred of the National Government to become so pronounced as to compel his daily attendance at the House. Mr. Churchill has the habit of attending the House when convenient to him, and not making his appearance except when he is so disposed, a cause of common comment from the Labour benches. Another purple passage occurred when Sir Samuel taunted Mr. Churchill with inconsistency in charging the Government with attempting to stifle criticism. Sir Samuel reminded the Tory rebel that he had done no less in his time when he joined in a scene created for the purpose of making it impossible for the late Mr. Alfred Lytton, then Secretary of State for the Colonies, to be heard in the famous debate on Chinese slavery, not long before the Liberal Party took office under Sir Henry Campbell-Bannerman. This Mr. Churchill hotly denied, and Sir Samuel Hoare accepted Mr. Churchill's word that he had done nothing of the kind. Whether the House laughed at Sir Samuel for having attributed to Mr. Churchill a youthful peccadillo, or at Mr. Churchill for having been discovered in his years of maturity not to have done what everybody believed he had done, is uncertain. What is certain, however, is that under the provocation of Mr. Churchill's speech and manner, Mr. Isaac Foot gave him a thoroughly good drubbing. Mr. Foot is caustic, cool, and very efficient, when attack-

ing an opponent. Mr. Churchill under attack gets flustered, restless, and flinches. I have on more than one occasion noticed that Mr. Churchill is vulnerable to pertinacious criticism and persistent counter-attack, and that he does not stand up to it at all well. I doubt very much whether in these exchanges he really strengthened his position on Wednesday, and I have heard it stated by a seasoned authority that he is likely to let the subject of India fall more and more into the background during the coming months, as he is no longer so sure as he was that he is on stable ground on the Indian question.

The motion before the House could quite easily have been adopted in a few minutes as a merely formal matter, but for the desire of certain members to draw red-herrings across the trail, and to fling a few gibes at the Union of Britain and India and the Conservative Central Office, the discussion need have taken very little time, as in fact was the case in the House of Lords. These gentlemen are very much annoyed with Sir John Thompson's advocacy of the White Paper, and the Secretary of State was reminded that a predecessor of his had strongly criticised Sir John Thompson during his period of service in the Punjab. Sir Samuel Hoare swiftly put his persecutors to rout by reminding them that his predecessor's condemnation of Sir John Thompson's activities had arisen out of the latter's support of Sir Michael O'Dwyer's administration, Sir Michael being a leading member of the opposition society and one of the principal advisers of the opponents of the White Paper in the House. Mr. Foot drew a very proper contrast between the roaring of the lionine Mr. Churchill at the famous Albert Hall protest meeting and the mildness of his conduct when in the presence of the Indian gentlemen in the Joint Select Committee whom he had criticised so furiously on the earlier occasion and in their absence. Mr. Churchill seemed to think that a plea of politeness was a sufficient vindication of his courage. Finally, both Mr. Churchill and Sir Samuel Hoare appealed to the shade of Clive for support of his thesis. I do not suppose that the shade of Clive was sufficiently interested to respond to the appeal of either protagonist. One might have thought, however, that twentieth century problems might well be left to twentieth century statesmen to solve without any appeal to the memories of their eighteenth century predecessors who could not have imagined any of the circumstances to be taken into consideration to-day. Certainly if a former Civil Servant of ten to fifteen years' retirement is incapable of visualising to-day's conditions in India, one need not trouble to go further back in time in order to derive support for a policy. Now that the Lords have passed a similar motion the Select Committee will have been reconstituted by the beginning of next week and the Committee will be free to proceed to the study of the Burma problem.

A HINDU MEETING IN LONDON.

The Central Hindu Society of Great Britain, which was brought into existence when Bhai Parmanand was in this country some months ago, held a meeting at Caxton Hall yesterday in order to hear Colonel Wedgwood speak on "The Dangers of the Communal Award in India." I was unable to attend the meeting but Colonel Wedgwood's views on communal electorates are well-known, and hardly require further elaboration than he has given them in his evidence before the Joint Select Committee and in his speech in the House of Commons on Wednesday, during the debate on the resolution to re-appoint the Joint Select Committee to consider further the White Paper proposals. It is quite certain, however, that whatever may be the dangers and disadvantages attributable to the Communal Award,

no government in this country would consider for a moment the reopening of the question except upon the footing laid down by the Prime Minister that an agreed alternative could be substituted, of which there is no more sign to-day than when the Award was made.

INDIA AND ADEN.

A quite unexpected publication of the Joint Committee on Monday was the issue of a Memorandum by Sir Phiroze Sethna on the future constitution of Aden, followed by a Memorandum by the Secretary of State. Sir Phiroze's Memorandum mainly consisted of the proceedings in the Assembly and in the Council of State a few weeks ago, when the matter came up for discussion there. From the Secretary of State's Memorandum it is now clear that the British Government has decided upon the transfer of Aden from India to the Colonial Office. Attempts are made in the Memorandum to deal with certain alleged misunderstandings of the assurances given by Sir Samuel Hoare in the House of Commons on the 19th June last in reply to a question by Mr. David Grenfell, and a further assurance is now given by way of a consolation prize to India that "His Majesty's Government are also prepared to give a specific additional assurance that in the event of transfer Indian British subjects will be allowed to enter the Protectorate under precisely the same conditions as any other British subjects." The difficulty, however, is to be able to rely upon any official assurances given to or in respect of Indians overseas. Whenever there is a conflict of interest, it is the experience of India that Indians get the worst of the deal. Sir Samuel Hoare in his Memorandum relies partly upon the fact that a public meeting of Arabs in Aden has expressed its preference to remain with the Imperial authorities under the constitutional changes contemplated for India. Sir Phiroze Sethna, with whom I have this week had the opportunity of discussing this matter, tells me that since then a further and more authoritative Arab meeting has expressed the contrary view. I do not suppose, however, that this will make the slightest difference to the Cabinet who have apparently made up their minds about the matter of separation.

THE NEW SESSION.

The new session of Parliament which opened this week was associated with a formidable attack upon Sir John Simon that almost succeeded, and that was alleged in quarters hostile to the Prime Minister to have been instigated by him. The attack, however, has fizzled out, and Sir John, who is not popular in any but Simonite circles, was left in comparative peace at Geneva, where he sought to help Mr. Henderson decently to adjourn the Disarmament Conference until January, in order to explore further by means of diplomatic exchanges at Rome and in Paris, how best to bring Germany back to negotiations, and possibly into the League once more. There is no doubt that in many quarters the League has been badly discredited and gravely weakened, first by its tolerance of Japan's bluff, and now by Germany's withdrawal. If Signor Mussolini, as he would appear to threaten to do, decides that it is time for Italy to leave the League, there will remain only a very truncated organisation, and it may become necessary for the world in a spirit of disillusionment and vanished enthusiasm to consider what next.

In the meanwhile the Government's majority at by-elections has dropped steadily, and it will certainly become necessary, if it wishes to retain its hold upon the country, for the Government to re-organise its propaganda, which appears to have been poor and inadequate especially on the question of disarmament. Yesterday Mr. Ransome, the Pres-

sident of the Board of Trade, was questioned upon the Government's attitude regarding competition with the Lancashire mill industry and the agreement with the Bombay Mill-Owners' Association. He appears to have been very considerably impressed with the results of the mission of Sir William Clare-Lees, who was the guest of Lord Derby yesterday at a luncheon to leaders of the cotton industry and mayors of cotton towns. Sir William pointed out that if the purchasing power of the population of India could be increased by one penny per day, it would mean an addition to India's volume of trade of between four and five hundred millions sterling per year, but he did not indicate how this much-to-be-desired result was to be achieved. One important statement, however, was that this country must use more of the products of the soil in India, especially more of its cotton, and that if we spent more money in India a considerable proportion would come back in the purchase of goods from this country. There is no doubt that a deep drive is afoot to encourage the purchase for Lancashire spinners of Indian cotton.

Review.

PROBLEM OF PIGMENT PREJUDICE.

THE NEGRO'S CHURCH. By BENJAMIN ELIJAH MAYS and JOSEPH WILLIAM NICHOLSON. (Institute of Social & Religious Research, New York.) 1933. 20cm. 321p. \$2.00.

THE Negro is a formidable factor in American civilization. He is the touchstone of American Christianity. He will in a large measure, much larger than America now knows, be the norm of the judgment of the American people on the Last Day. With these thoughts, for which we offer no apology, we have read this book and must confess to a feeling of disappointment.

The writers, probably Christians, evince no enthusiasm over Negro achievements, but this does not matter. That they write with no sympathy and only from an attitude of lofty aloofness, does matter. This is a serious blemish in a book that might have had a little more colour and a little more life and made itself an element of helpful uplift. A cold statement of facts with a chilling tabulation of figures makes very freezing reading. A whole book can be written upon what is condensed into one sentence—and that is *all* on the subject—at p. 95, "From 1889 to 1914, there were 2256 Negroes lynched principally in the South." Did lynching cease in 1914? This book of 1933 is silent, and the labours of the Institute of Social and Religious Research, New York, appear not to have advanced beyond the boundaries of 1914. Why? Because the subject of Christian Lynching is not one that will make pleasant reading: the veneer of American Christianity cannot bear to be scraped off at any point. The Christian authors have no comments to offer on lynching, no protest against the savagery of the system, no expression of compunction for what is a disgrace to *any* civilization, and not a word of compassion for the poor voiceless Negro. A great deal of paper and print uselessly spent on "the message of the ministers" and "worship activities" might well have been devoted to a very telling condemnation of lynching in the light of the Religion of Jesus Christ.

Had a pack of chimpanzees preached on providence or perdition, their sermon notes would be worthy to find a place in a record of religious activities. In the case, however, of educated Negroes—

university men, competent and qualified to preach, and some even mighty in the Scriptures, there is nothing for amazement in these sermons that notes of them should be given in a book on the Negro Church, more especially as the contents of their preaching are the same as those of average pulpit Christianity.

Pigment prejudice in its relation to the promotion of Christian fellowship is just *the* subject one has a right to expect to find fully treated in a book of this kind, but the theme is studiously avoided, except in the bare statements that the blacks and the whites are not over-cordial, one to the other. This is shirking the issue. Why do the effects of pigment prejudice remain to this day uneffaced by Christianity? The answer is that there is something *radically* wrong with American Christianity. The Christian compilers of "the Negro's Church" have not even made a problem of these facts.

The very title of this book favours compartmental Christianity. It should really be *the Negro in the Church*, for there is no such thing as a Black Church or a White Church, or, rather, *there should never be*. Things being as they are, it was impossible for two American Christians to write of their Negro brother in the Church of Christ, for they have allotted to him a separate Church, a different Christ, and a different Heaven, all daubed black, and *theirs* alone is the White Church, the White Christ and the White Heaven.

K. KANAKARATNAM.

SHORT NOTICE.

THE TIMES OF INDIA ANNUAL, 1934. (Bennett Coleman & Co., Bombay.) 1933. 32cm. Rs. 2.

THIS issue fully maintains the high level of artistic production which the public has learnt to associate with these annuals and is sure to command wide popularity both on account of the pictures and the reading matter included in it. But it is difficult to say which deserves greater praise—the pictures or the reading matter. The selection of the former, some of which have a historical significance, is very carefully made and is by itself a very valuable collection; while the reading matter also is very readable, some of it giving the reader very interesting glimpses of European life in Bombay in the seventies of the last century. Among the stories, that by Mr. C. A. Kincaid, the well-known Marathi scholar, about the Naked Fakir is particularly interesting. Information about life in the Andamans supplied by its late Chief Commissioner will be specially welcome to the Indian public in view of the unenviable notoriety into which it has been dragged by certain recent happenings there like the hungerstrike among Bengalee convicts culminating in the death of three of them. It may be said without hesitation or exaggeration that the publication will be found to be worth many times the money paid for it and strikingly interesting by all those that have not lost interest in life itself.

B. J. M.

Correspondence.

"INAM LEGISLATION AND SOCIAL JUSTICE."

TO THE EDITOR OF THE SERVANT OF INDIA.

SIR,—Many thanks for your note on my article on "Inam Legislation and Social Justice."

We have reached agreement as to many details connected with this legislation, which shows it to be not quite right in its direction. On a major question of principle we do not yet agree. I want to put my ideas under three heads: the result of the legislation, the futility, as it seems to me, of trying to escape from the operation of competitive rents and some ideas on the methods of achieving socialistic results, incidentally discovering where and how our trains of thought on the subject diverge.

I.—RESULT OF THE LEGISLATION.

You are mistaken in thinking that the rent has not been touched by the legislation. As soon as occupancy right is conferred, the ryot becomes entitled to "fair rents." Past year's rent is presumed to be fair, but that does not settle it. It will be taken down by the court.

The past rents are the competitive rents that the owner levied. The intending tenant who did not wish to pay that rent declined to take the land and moved off to where he can get better terms. The person who was willing to pay the rent took the land.

I shall assume that the same rent could be continued to be got. Do you think that the right to take possession of the land and cultivate it himself or let it to another has no value to the owner? To create occupancy right even without reduction of rent would reduce the market value of the land by one-half. You may think it unreasonable that it should reduce at all in value, but you cannot argue or quarrel with a fact.

If you were right about the rent being exactly the same as before, what is this legislation for? Is it to confer the mere title of "occupancy tenant?" Tenants in many places have gone on for generations without eviction even though there was no Land Act. This continuity of relation without a ryoti title has been referred to in many cases in the law reports.

Even without occupancy rights the body of tenants in a village has been the same or nearly the same always. They may cultivate different lands in different years under different landlords, but all the lands were held between them for cultivation.

The landlord's contribution to the proper cultivation of the lands should not be forgotten. The Inamdars' Conference recently held in Madras took occasion to elucidate and remind us of their indispensable part in it.

You say that the landlord loses only the power of *eviction*, choosing an odious word to serve your argument. May I say that he loses the right to get back his own land at the expiration of the term and cultivate it himself if he chooses? Is it needed for social justice that no one should hold lands which he does not cultivate, that no one should be able to get back land if once he lets it, and that the tenant should not pass on from one land to another in the village as in the past so long as the same body of tenants cultivate all the lands?

Why take a man's land and give it to a tenant if he is not willing to pay the rent and then console the landlord who does not get his rent that fate is no more unkind to him than to many another in other walks of life, risk and recalcitrancy being abroad everywhere affecting all alike?

II.—UNDYING COMPETITIVE RENTS.

If your object is to abolish competitive rents, you will find your efforts futile. You propose to confer 'occupancy right' and 'fair rent' on the cultivator. If this fair rent is much less than the competitive rent, the man who holds land on fair rent

sublets on competitive rent. The Government ryot who pays revenue sublets. You hope his day of reckoning is coming. The inamdar-ryot was taking competitive rent. You have done him now. The ryot under the inamdar is paying rent to him which he thinks too much in comparison with the payment of the Government ryot to the Government and he sublets at competitive rents. So long as there are people who have no lands to cultivate and are willing to cultivate at competitive rents the sub-letting will go on. The actual cultivator on the land works for a subsistence wage and will be willing to pay whatever remains to the man above him. Where a Government ryot or a zamindari ryot or an inamdar cultivator cultivates his own lands, his earning from the lands, after paying revenue or rent, represents his subsistence wage for cultivation plus his rent as owner. If he lets it to another, he gives the subsistence wage to that other and retains his ownership rent to himself. No legislation can prevent this class of cultivator without land working for a wage which you wish to see abolished. There is one way and only one way of abolishing it. You must legislate that every owner must himself cultivate or lose the property. One of the M.L.C.s here laid it down, as he thought on Manu's authority, that the actual cultivator was the owner and the rest had no right. He applied it immediately only to the inamdars' case.

III.—METHODS OF SOCIALISATION.

Your note and the last paragraphs are written almost as if expropriation subject to safeguards is itself a principle to support as far as one can.

I agree all legislation must modify where it is not to clarify. Legislation must have an object and it is the one or the other. We however do not speak of taxation as violating the sacredness of property. Through death duties much of socialism has been and is effected. It is the only indirect way. Where two interests coexist on land without well-defined shares of benefit, socialism might suggest the division of shares in one way rather than another. Struggle between two such interests is exemplified in the zamindar's case. You are now adding another case of a different type. Where two interests do not exist now, you favour the creation of two interests by taking away from the hitherto absolute landowner and conferring it on his tenant with, hitherto, precarious tenure—by *legislation* and *without compensation* nominal or real, and the phrase *social justice* is to do the trick and justify it to our minds.

I speak with some small fund of experience as owner of about fifteen acres of inam land not falling within the Act and less than twenty acres of *taraf* land. For five generations we have been served by two or three families of hereditary tenants. The rate of rent per acre of different kinds of lands has gone on for a long time. That they never pay the full rent in any single year has gone on also as an invariable rule. The accumulating arrear has been written off in each decade during all the time. We have never found it necessary to part from each other. This is the history of many another family I know with much larger property. I want you to calculate carefully what your *social justice* with its "occupancy right," freedom from "eviction" and fixity of rents and *strict collection of rents provided in statute* can add in the way of worldly goods to the tenant or of happiness or peace to all concerned. We have, neither of us, landlord or tenant (precarious in tenure according to law), ever gone to court as against each other.

Do you not think, Mr. Editor, that working a more equitable distribution of property by taking it from the landowner and adding it unto the tenant

within the limits of each village and in the sight of all the local people has an element of demoralisation, dangerous in its consequences, inuring people, as it must do, to callousness and blunted sense of honour and honesty? Socialism must be achieved in other ways. I have no prejudice against indirect modern methods. The creation of a right can never be gradual, must be sudden and at one moment. How do you propose to make your socialistic trend gradual by taking the path of legislative creation of a right?

The more ancient way was to imbue the owner of property with a sense of his duty. I have seen much of it exemplified even in what we believe to be these degenerate times. The gifts of the village land owner (a leading mirasidar passing rich with thirty or forty ancestral acres) to charities and temples, his feeding of poor wayfarers, his larger feeding and gifts on festive and funeral occasions, his feeding of his workmen when communal work of the ordinary and exceptional kind is executed and the customary daily dole of *mushā* (handful) of rice to every poor person in recognition of his birth-right to live on the bounty of the country of his birth attest to the ancient inculcation of the duty of those who have to those who have not, that is, of the duty of redressing unequal distribution. There is much practical socialism in our society. The evidence of it is in some ways visible in our institutions and outlook. We are applying the ideas of social legislation developed in the peculiar conditions of western countries where individualism is rampant, and even near and dear relations are not recognised as having undeviable title to protection.

New ways are not bad because they are new. But new ways must take account of a vast and complicated range of consequences visible and invisible. "Property cannot be abolished without the community as a whole losing much of non-material good. Its education to do its duty will be found to be the more hopeful line." I may be wrong but that is how I see it now.—Yours, etc.,

T. R. VENKATARAMA SASTRI.

Madras, Dec. 3.

"THE FEDERAL PLAN MUST BE LAID ASIDE."

TO THE EDITOR OF THE SERVANT OF INDIA.

SIR,—I agree entirely with the "Observer" in his keen and well-informed criticism of the Federal plan. I particularly agree with him that "the conditions in India are really such that the formation of a federation should be put out of the question at present." I am clearly against forcing the pace of Federation in India. I have already expressed my opinion that it would have been better in the interests of the sound political development of India, if real provincial autonomy had been introduced earlier, and the question of federation and central responsibility were left to be decided by a Constituent Assembly representative of the new Legislatures and of the Rulers and the People of the Indian States. I cannot, however, share the "Observer's" pathetic faith that somehow or other, by words, we can get federation set aside.—Yours, etc.

Madras, November 26.

S. SATYAMURTI.

[I am greatly encouraged by the support accorded by a politician of Mr. Satyamurti's eminence to a view which is held in most Indian nationalist quarters as wild. But I cannot understand why he would fatalistically accept the federal constitution without using his best endeavours to have it scrapped. I have no faith, such as Mr. Satyamurti attributes to me, that the federation will be automatically set aside. My

faith only extends so far: if all progressiver in India made a united effort in this direction, it may possibly succeed. Suppose, immediately after Mr. Winston Churchill's attack on the White Paper at the Joint-Select Committee, a deputation consisting of Liberals like Mr. Chintamani, Dr. Paranjpye, Rt. Hon'ble Sastri and right-wing Congressmen like Messrs. Satyamurti, Kelkar, and Jammadas Mehta, who would like to see the federation set aside, had appeared before the Committee to tell them they do not want the constitution, and that they would much rather prefer to be left in the existing position. It would have created, it seems to me, a marvellous effect upon British opinion. The whole Labour party would then have ranged itself against the Bill, as it has not done now, and some at least of the members of the Liberal and Conservative parties would have withdrawn their support, possibly for different reasons. The Bill would thus have had at least some chance of being defeated. Even assuming that this is too optimistic a view and that the Bill is certain to pass, is there any conceivable harm in making the attempt? A radical M. P. writes in a private letter: "The issue of vital importance is: would you rather have the *status quo* than the White Paper? I would; and my hands would be immensely strengthened if you took that line and backed me up. I view the alliance of the Anglo-Indian officials and Princes—and their dangerous off-spring—as the worst thing that would happen to India;—India says not a word." Is not this censure entirely deserved, and are we not letting our case go against us by default? Nay, more. Are not Messrs. Satyamurti and Jammadas Mehta, by starting on their electioneering campaign now, giving a handle to Sir Samuel Hoare to say that even extremist politicians accept the reforms and do not want them dropped? Mr. Satyamurti has not yet given an explanation as to why he does not even try to secure the rejection of the White Paper constitution. He was the last person from whom we should have expected t he defeatist attitude that he now exhibits.—OBSERVER.]

BOOKS RECEIVED.

- MODERN RUSSIA. By LOUIS SEGAL. (Industrial Credits & Services Ltd., London.) 1933. 20cm. 169p. 5/-.
- THE RESERVE BANK OF INDIA AND ITS FUNCTIONS. By SHROKISSEN BHATTER and L. NEMENYI. (The Book Co. Calcutta.) 1933. 24cm. 174+xxv. Rs. 2/8.
- BIHAR AND ORISSA DURING THE FALL OF THE MUGHAL EMPIRE. By JADUNATH SARKAR. (Patna University.) 1932. 21cm. 126 p.
- THE SCIENCE OF PEACE. By LORD RAGLAN. (Methuen.) 1933. 21cm. 165p. 3/6.
- INDIAN SCENE. Collected Short Stories. By FLORA ANNIE STEEL. (Edward Arnold.) 1933. 20cm. 638p. 7/6.
- SUMMARY OF THE FULFILMENT OF THE FIRST FIVE-YEAR PLAN FOR THE DEVELOPMENT OF THE NATIONAL ECONOMY OF THE U.S.S.R. Report of the State Planning Commission of the Council of People's Commissars of the Union of Soviet Socialist Republics. (Allen & Unwin.) 23cm. 296p. 7/6.
- THE LIFE OF A TIGER AND THE LIFE OF AN ELEPHANT. By S. EARDLEY-WILMOT. (Edward Arnold.) 1933. 20cm. 371p. 3/6.
- SOCIALISATION AND TRANSPORT. By HERBERT MORRISON. (Constable.) 1933. 20cm. 313p. 7/6.
- REPORT ON THE PROGRESS OF EDUCATION IN BIHAR AND ORISSA, 1932-33. (Official, Patna.) 1933. 24cm. 38 + xxixp.
- THE OBLIGATION OF UNIVERSITIES TO THE SOCIAL ORDER. (New York University Press.) 1933. 24cm. 503p.
- NEW YORK UNIVERSITY, 1832-1932. Ed. by THEODORE FRANCIS JONES. (New York University Press.) 1933. 24cm. 452p.