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Topics of the Week

Viceregal Pronouncement

AS we go to press, the much-awaited pronouncement of the Viceroy has been published. A statement of the kind must needs be carefully considered in all its aspects and implications before it is possible to assess its significance finally. The statement can be divided into three parts. The first refers to the War aims of England. It is yet too soon, said the Viceroy, for the War aims to be defined with any ultimate precision. "It is obvious that such a definition can come only at a later stage in the campaign, and that when it does come, it cannot be a statement of the aims of any single ally." Apparently, it is expected that there will be more allies as time passes and their views also will have to be consulted before formulating the aims. Distinguishing motives from the aims, the Viceroy said that the British motive was what the British Prime Minister had stated recently, namely, the creation of a better international system which would eliminate war.

SECONDLY, the Viceroy repeated once again, and with the authority of the British Government, that Dominion Status was the ultimate goal of India. He confirmed the suspension of the Federal part of the Government of India Act of 1935. At the end of the War the British Government would "be willing to enter into consultations with representatives of the several communities, parties and interests in India and with the Indian Princes with a view to securing their aid and

co-operation in the framing of such modifications as may seem desirable." This means perhaps another Round Table Conference for the purpose of finding out in what directions reform of the federal constitution it is essential to undertake.

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THE only immediate step proposed by the Viceroy is the creation of a War Council the members of which will be selected by the Viceroy from a panel of persons nominated by the major political parties, and over which the Viceroy himself will preside. It will have only advisory functions, and it remains to be seen whether the responsible provincial Governments will feel that any measures to be adopted by them will be measures emanating from a quarter which is at any rate responsive to public opinion.

Congress and Legislatures

APPARENTLY in accordance with the reported decisions of the Congress Prime Ministers who met recently in Wardha, the Prime Minister of Bihar has given notice of a resolution to be moved in the Assembly on the 16th instant. It runs as follows :

This Assembly recommends to the Government to convey to the Government of India and, through them to the British Government that, in consonance with the avowed aims of the present war, it is essential that, in order to secure the co-operation of the Indian people, the principles of democracy should be applied to India and her policy should be guided by her people, and therefore, this Assembly invites the British Government to make it clear in a declaration that they have decided to regard India as an independent nation, entitled to frame her own Constitution and, further, take suitable action so far as it is possible in the immediate present to give effect to that declaration in regard to the governance of India.

The Assembly further recommends that all war measures in this province should be undertaken with the consent of and executed through the Provincial Government.

The Congress has done well to move such resolutions in the Provincial Legislatures. For the legislatures provide constitutional organs for the expression of the opinions of the representatives of the electorates. While it is all to the good that the Viceroy should consult the leaders of all parties, big and small, influential or unimportant with the electorates, there can be no doubt that the considered opinion of the duly elected legislatures will and ought to carry greater weight with him and the British Government. In fact, it is far more necessary that the Viceroy should have the opinions of the legislatures and responsible

Ministries than of scattered groups which in fact may or may not be weighty. While the parties can exhibit the variety of opinions current in the country, it is the legislatures and the Ministries that voice the dominant, and therefore authoritative, opinion. Consultation through unofficial organizations is needed however in the case of those people who are not enfranchised and who have, therefore, no constitutional means of expressing their views.

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Actions and Motives

THE significance of certain actions depends not only on their own character but on the motives behind them. Nobody, for instance, would object to the Viceroy meeting all and sundry with a view to acquainting himself personally with the differences in view-points among the politically-minded people in India, though even there expediency would suggest some limit. But it will make a world of difference whether the multiplicity of interviews is motivated by the desire to understand and reconcile the differences, if any, or to exploit them for a *non-possumus* attitude. It will be very unfortunate if the Viceroy should profess that the only and the greatest common measure of agreement among all the leaders was anti-Naziism and nothing else, and he came to the conclusion that, in consequence, India should heartily co-operate in the prosecution of the war, but that no step in the direction of India's freedom could be taken. It is only if freedom is really intended and it is sought to be based on a wide measure of agreement which will appear to any discerning eye in spite of seemingly divergent opinions which are capable of being exploited, if one is so minded, that consultations on any large scale can be justified. Of course, consultation with India is necessary in devising the ways of associating India in the prosecution of the war. And in this respect multiplicity of advice may be exploited for frustration, if the Viceroy is so motivated.

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SIMILARLY, there is much to be said for the view advanced by the Employers' Federation in India that the Central and Provincial labour legislation in India should be co-ordinated. As it is, there are divergent labour standards in British India and the Indian States, which give the States artificial economic competitive advantage. If the same divergence obtains in British Indian Provinces also, similar results will follow, and in particular, inter-provincial migration of industry. It is therefore all to the good that the Central Government has convened a conference of the Provincial Ministers of Labour to devise a co-ordinated programme of labour legislation. It is greatly to be hoped that the Indian States will also be included in the conference. But it is one thing to propose co-ordination in order to retard progress; another to accelerate it. It is possible to defeat progress by letting the least forward province set the pace or to promote it by letting the most forward one to do so. Here again it depends on the motivation whether co-ordination means progress or otherwise.

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Indian Unity in South Africa

It is a matter for sincere congratulation that the two rival Indian political organisations in Natal have now united and formed one single body

under the name of the Natal Indian Association. It is unnecessary now to go into the history of the rivalries between the two organisations or the merits thereof. It is enough to recognise that the existence of two organisations in Natal has weakened both, much to the detriment of their common interests. The danger was recognised by all, and in particular, by successive Indian Agents-General in South Africa who made continuous efforts to bring about an amalgamation of the two bodies. It is highly creditable to the present leaders of the two organisations and to the present Agent General, Sir B. Rama Rao, that unity has at last been brought about. It is to be hoped that the unity now achieved will be maintained hereafter, and that the new body will grow from strength to strength and serve the cause of all Indians, whether Colonial-born or Indian-born, with the utmost zeal and gratifying success.

* * *

Mysore

IN his address to the Representative Assembly on the 16th October, the Dewan, Sir Mirza Ismail, referred to the all-round progress in the administration of the State. In one respect, however, the address is very disappointing; it made no reference to the reform of the Constitution. It was anticipated that the Dewan would take the occasion to publish the report of the Committee on Constitutional Reform and indicate the attitude of the Government. It is to be hoped that this omission does not indicate that the question of constitutional reform in Mysore has been postponed till after the conclusion of the European War.

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IT is also a matter for regret that the Government felt it necessary to enact the Public Security Act. The Dewan claimed that the demand for such legislation proceeded from several members of the Assembly itself and that the Government were very reluctant to grant the request but were obliged to change their mind because of certain political developments in the State, and he promised that the new Act would not be used unless absolutely necessary. He sought consolation in that the Mysore Act had precedents and parallels in British India; Mysore did no do worse than British India.

* * *

BUT why should such an enlightened Indian State as Mysore copy the worst, rather than the best, features of British India? Provincial autonomy in British India is far in advance of the present constitutional position in Mysore. May not Mysore be in advance of British India in such progressive matters as constitutional progress rather than be on a par with British India in matters of repressive legislation?

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NOTEWORTHY among administrative matters is the fact that the Mysore Iron and Steel Works has for the first time in its existence returned a surplus after covering the entire depreciation of the year. The Mysore Iron Works, as well as all other industrial undertakings in Mysore, are likely to benefit by the European War and it is hoped that full advantage will be taken by the Mysore Government and the public to forge ahead with the industrialisation of the State. It is hoped that the Government will accept and speedily give effect to the recommendations of the Education Committee, particularly in the matter of resuming control of elementary education.

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Literacy Campaign in Bombay

THE Report of the Bombay Literacy Campaign, conducted during the last summer vacation under the auspices of the Social Service League, Bombay, makes very interesting reading: in that besides giving an account of the campaign in Bombay, it delineates in a transparent manner the ways and the methods of organising a successful campaign.

PROPAGANDA was in the first instance done, in schools and colleges mostly, to obtain volunteer teachers. Crowded public meetings were organised in several areas of the City in which well-known public speakers of all shades of opinion were invited to speak to rouse a 'literacy conscience' among the general public. Attractive posters, free cinema-shows, lorries running with loudspeakers, huge processions—all such technique of mass propaganda was fully used, till in the end one gets a vision of all Bombay running Literacy-mad for the occasion, politicians, public officials, retired Government servants, society ladies, school children in their teens, hob-nobbing with each other to make the Literacy Campaign a success.

CLASSES were started in Marathi, Gujrati, Kanarese, Urdu and Telugu;—544 for men, and 52 for women; the average attendance being 7975 for men and 660 for women. Classes were conducted for teachers, where experts in different methods of adult literacy explained the correct ways of teaching; the teachers in the end were left to choose the method that they individually preferred. Expenses of the campaign, seventeen thousand rupees and odd, were met through collections from the public consisting of handsome donations running in three figures; as well as street-corner collections.

EVEN sceptics would be much enlightened by a perusal of this Report; which shows what sincere effort backed up by right methods of organisation can achieve. Literacy campaigns are needed in a country which has learnt to accept with smug satisfaction wide-spread ignorance among the general public and a disgracefully low literacy standard. Mere literacy is certainly no education, but at any rate a sane start towards it. Campaigns organised on the model of the Bombay Literacy Campaign are necessary all over India.

Articles

AGRICULTURAL DEBT RELIEF IN THE PUNJAB

A BILL to amend the Punjab Relief of Indebtedness Act, 1934, is going to be moved in the Legislative Assembly by the Prime Minister, Sir Sikandar Hyat Khan. This Bill seeks to increase the relief that the Act gives to agricultural debtors by reducing the permissible rate of interest and in other ways. But its most notable feature consists in the fact that, while the original Act purports to provide for voluntary conciliation of debts, the proposed amendment minimises its voluntary character and adds greatly to the element of compulsion which it already

contains. The first act of voluntary conciliation that was passed in India was the Central Provinces Debt Conciliation Act, 1933. It throws upon the Debt Conciliation Board the duty of endeavouring to induce the debtor and his creditors to arrive at an amicable settlement; and "if the creditors to whom not less than 40 per cent. of the total amount of the debtor's debts are owing come to an amicable settlement with the debtor," the Boards are asked to reduce the agreement to writing, have it signed by the parties concerned, and to register it. If to such an amicable settlement, agreed to by the creditors, to whom at least 40 per cent. of the debts are due, a particular creditor refuses to agree, then, "the Board may, if it is of opinion that the debtor has made such creditor a fair offer which the creditor ought reasonably to accept, grant the debtor a certificate," the effect of which will be that if the creditor goes to court for the recovery of the debt, he will not be given costs in the suit or interest higher than 6 per cent. simple. And if the debt is unsecured, the decree obtained by the creditor will not be executed till after all the debts in respect of which an amicable settlement was reached have been paid. The assumption underlying the Act is that if 40 per cent. of a debtor's debts could be compounded on a certain basis by voluntary agreement, the basis might be regarded as reasonable, and if a creditor did not fall in with this basis he might be regarded as unduly obstinate, and certain disabilities might well be imposed upon him for contumacy. Notwithstanding these coercive features, therefore, the Act still remained at bottom a measure of voluntary conciliation.

The Punjab Act, which was the next law to be passed in this direction in India, closely followed the provisions of the C. P. Act. But one slight change was introduced. In the Central Provinces, an amicable settlement between a debtor and his creditors became effective only when 40 per cent. of the debtor's debts were included in the settlement. But when the Punjab Act was passed it was thought unnecessary to wait till it was possible to conciliate as much as 40 per cent. of the debts. This Act, therefore, required the Debt Conciliation Boards to use their best endeavours to induce a debtor and each of his creditors to arrive at an amicable settlement, have such settlement, even if reached with one creditor, reduced to writing, and then register it. While thus the Act allowed and called upon the Boards to settle the debts with each individual creditor and give effect to it, the manner in which under the Act recalcitrant creditors were dealt with was the same as in the C. P. Act. The Boards were to grant a certificate to the debtor in respect of his unconciliated debts only when they were satisfied that "creditors to whom not less than 40 per cent. of the debtor's debts are owing, have come to an amicable settlement with the debtor." And the certificate was to carry the same disabilities for the obstinate creditors, viz., loss of costs and interest

at more than 6 per cent. simple, and postponement of execution of decrees. The only difference consisted in this, that in the Punjab the debts conciliated after negotiations with individual creditors were to be reckoned in with any bulk conciliations that may follow later, and if the total amount of debt so conciliated amounted to 40 per cent., the coercive element in the Act was to come into effect; whereas in the C. P. no amicable settlement could at all be registered and thus in the eye of the law have any existence till the settlement covered 40 per cent. of the debts. This is a small difference, but even to it some members of the Select Committee which considered the Bill, and among them Dr. Manohar Lal, offered strong opposition. The ground of their opposition was: "It would be open (under the provision) for a single creditor to affect the rights of other creditors. A single creditor may act through collusion, ignorance, spite or any of the thousand after-springs of action, and yet he is to furnish the test for the application of the rigorous provisions of this Part IV (dealing with Debt Conciliation Boards). This is unheard of legislative compulsion described as conciliation."

The Bengal Agricultural Debtors Act, 1935, which was the next measure to be passed, followed the Punjab Act in this respect. It also required the Debt Settlement Boards to use their best endeavours to induce a debtor and each of his creditors to arrive at an amicable settlement of the debt and provided as follows:

When any creditor agrees in respect of any debt owing to him to an amicable settlement with the debtor, the Board shall embody such settlement in writing; or

When creditors to whom there is owing not less than 40 per cent. of the total debt agree to an amicable settlement with the debtor, the Board . . . , if it considers that an offer made by the debtor for the settlement of any debt not included in the amicable settlement is a fair offer which the creditor concerned ought reasonably to accept, may pass an order that the debt to which the offer relates shall be settled in accordance with such offer.

If any creditor does not accept an offer made by the debtor which in the opinion of the Board is fair and such as the creditor ought reasonably to accept, the Board . . . , instead of passing any other order which it is competent to pass, may grant to the debtor a certificate in the prescribed form in respect of the debt to which the offer relates.

And the same disabilities attach to the refusal by the creditor of the debtor's offer as are provided for in the C. P. and Punjab Acts. But it will be seen that in two respects the Bengal Act goes further than the Punjab Act. Like the latter it recognises and gives effect to a settlement of a debt even if reached between a debtor and an individual creditor. But, unlike the Punjab Act, it gives power to the Board to order that the debts not included in the conciliated debts shall also be settled in the same manner as the conciliated debts provided the latter amount to 40 per cent. of the total debt; and, further, it brings the certificate

procedure into play in respect of any part of the unconciliated debt, whether the conciliated part amounts to 40 per cent. or not. It will thus be seen that the Bengal Act partakes far more of compulsory adjustment of debt than the Punjab Act does. The amendment now sought to be introduced in the Punjab Act by the present Bill removes the existing condition that the certificate procedure shall come into force if the debt in respect of which amicable settlement has been reached forms at least 40 per cent. of the total debt. In his book, published in 1936, Rao Bahadur Chhotu Ram attacked this condition very vigorously. He said: "When a fair offer, reasonably worthy of acceptance in the opinion of the Board itself, has been rejected by a creditor, the case for the issue of a certificate is complete, and no further condition is either needed or justified. . . . To insist that before a certificate can be issued, creditors to whom not less than 40 per cent. of the total debts of the debtor are owing should agree to an amicable settlement is unduly to load the dice against certification." What was advocated by him is proposed to be done.

A second feature of the Bill is the reduction in the rate of interest allowed on loans. The original Act required, by an amendment of the Usurious Loans Act, the courts to treat as excessive interest on secured loans if it exceeded 12 per cent. simple and on unsecured loans if it exceeded 18 $\frac{3}{4}$ per cent. simple. Now the Bill proposes that any interest higher than 7 $\frac{1}{2}$ per cent. simple or 2 per cent. in excess over the bank rate, whichever is higher, on secured loans or 12 $\frac{1}{2}$ per cent. simple on unsecured loans will be deemed excessive by the courts. The laying down of these maximum rates does not, of course, preclude the courts from holding as excessive any rates lower than these if in the opinion of the courts the rates are unreasonable in the particular circumstances. The only effect of prescribing the maximum is that the courts cannot permit the charging of interest at a rate higher than the prescribed rate. The original Act permitted compound interest at certain rates. The present Bill abolishes compound interest. It also makes a change in the section relating to *dam dupli* in the original Act. The section reads: "In any suit brought for the recovery of a loan "no court shall pass a decree for a larger sum than twice the amount of the sum taken as principal." The precise intention of the legislature in passing the section was somewhat open to doubt. In the Bill the section is proposed to be altered as follows: "no court shall pass a decree for a larger sum than twice the amount of the sum originally advanced." This was exactly the amendment that was suggested in Select Committee when the original Act was passed by Mr. Chhotu Ram and some others.

A third feature of the Bill consists in the further expansion of the scope of the items of

property belonging to a judgment-debtor which section 60 of the Civil Procedure Code exempts from attachment or sale. The Bill definitely places upon the decree-holder the onus of proving that the house attached or sold by him is one which has been let out on rent or lent to others or left vacant for a period of at least one year. Unless he proves this, no matter how many houses belong to an agriculturist debtor, he cannot attach or sell them for the realisation of his decree. Similarly, "milk animals, whether in milk or in calf, carts, and open spaces or enclosures belonging to an agriculturist and used in case of need for tying cattle, parking carts, or stacking fodder or manure," will, under the Bill, be exempted from attachment or sale. The Bill also makes penalties for certain offences more effective and heavier. The original Act gave discretion to the court to disallow the whole or part of a claim if it was satisfied that a larger sum than the true principal was claimed. The Bill now provides that the court "shall disallow the whole claim with costs." It also inserts a new section as follows:

(1) If any party to a suit for the recovery of a loan uses in such suit any document in which he is aware that there is any statement or entry relating to such loan which is false in any material particular he shall on conviction be punished with imprisonment of either description which may extend to three months or with a fine not exceeding one thousand rupees or with both.

(2) If the Court is satisfied, after such preliminary enquiry, if any, as it thinks necessary that there is ground for enquiring into an offence under sub-section (1), the court may record a finding to that effect, and prefer a complaint of the offence in writing to a magistrate of the first class having jurisdiction, and such magistrate shall deal with such complaint in the manner laid down in the Code of Criminal Procedure, 1898.

DADABHAI NAOROJI.*

THE author, who is at present the Vice-Chancellor of the Bombay University, is to be congratulated on this exhaustive biography of Dadabhai Naoroji which is sure to take a permanent place in Indian political literature. The work shows a remarkable knowledge of the economic and political development of India during nearly a century. The author, though an interested observer of public affairs, has so far not taken any prominent part in politics but his whole hearted sympathy with the Indian political movement is evident on every page. The great Parsi community gave India its eminent leaders—Dadabhai, Pherozeshah and Wacha in the past. And even now though *longo intervallis* one can mention Sir Cowasji Jehangir, Sir H. P. Mody, and Mr. Nariman. The author of this work appears by his knowledge and political outlook to be eminently fitted to take

* Dadabhai Naoroji: The Grand Old Man of India. By R. P. Masani. (Allen & Unwin.) 1939. 22cm. 567p. 16/-.

his place in this notable roll of great Parsi Indians.

Dadabhai was for over fifty years the acknowledged leader of Indian political life, and he earned this position by his character, sincerity, unremitting exertion, devotion to his work and faith in his principles. Much of his work was done in England where he was the guide, philosopher and friend of all young Indians resident there. Mr. Gandhi came under the spell of his influence when he went to England fifty years ago to study for the bar, and pays him a touching tribute in the foreword he has contributed to this book. Dadabhai first went to England for business purposes but his chief interest all along was the advancement of his country's cause. His idealism is shown by his refusal to receive his share of the earnings in his business which came from transactions in opium and liquor. For a short time he was back in India and worked as the Diwan of Baroda and the chapter dealing with this phase of Dadabhai's career is one of the most fascinating in this book. He strove to save the unfortunate Maharaja from the fate that was inevitable and when he found that the Maharaja was not willing to listen to his advice he gave up the job rather than compromise his principles. In England he carried on a continuous campaign with the object of appealing to the better sense of Englishmen, for he was firmly convinced that if Englishmen could be brought to see what was right they would ultimately be persuaded to act accordingly. He never ceased to refer to the pledges given by successive parliaments and the sovereign and wanted England to carry them out. The two questions on which his articles, addresses, petitions and representations were unceasing were simultaneous examinations (for the I. C. S. and the other Indian Services) and the economic drain. On the latter question the author appears to think that Dadabhai was perhaps too insistent. Dadabhai was also ever ready to help any cause which he thought right and to do his best to remedy any wrongs that came to his notice.

Naturally the most important event in Dadabhai's career, was his election as member of the House of Commons and this roused his countrymen to a pitch of enthusiasm never known before. A private member is not in a position to show any very outstanding results but the presence in the supreme governing body of the British Empire of one whom Lord Salisbury, the then Prime Minister, contemptuously called a "black man" was itself an event of outstanding importance. He was appointed a member of the Royal Commission on Indian Expenditure and submitted himself before it for cross-examination. He was one of the founders of the Indian National Congress and presided over it three times. On the last occasion, at the Calcutta Congress of 1906, he first enunciated Swaraj as the goal of Indian politics. To the end of his days he carried on an extensive correspondence with people in all parts of the world and never let go

any opportunity of putting forward the Indian point of view. The present work contains, rightly in our opinion, a large number of extracts from his speeches, writings and correspondence, and all these will be read with great interest. With continued disappointments at the failure of his efforts, Dadabhai tended to become a little bitter in his later days but he never lost his faith in the inherent good intentions of Britain.

Dadabhai is rightly regarded as the patron saint of Indian politics. As a professor in the Elphinstone Institution before the foundation of the Indian Universities, as a conscientious businessman, as the founder and in its early days a leading member of the East India Association, as Diwan of Baroda, as a member of the Bombay Municipal Corporation, as a member of Parliament, as a member of a Royal Commission, as the president, (three times) of the Indian National Congress, as an untiring writer and lecturer in India's cause, as the accepted leader of young Indians in England, and above all, as the unofficial ambassador of India

in England, Dadabhai's career has many aspects which are all worthy of careful study. But to those of us who had the privilege of knowing him ever so slightly he will ever remain as an ideal Indian, the father of his people, the champion of every good cause. The present reviewer had the great good fortune of frequently meeting him in England in the company of Gokhale and Wacha when they had gone to give evidence before the Welby Commission in 1897. He is the proud possessor of a rather rare group-photograph of Dadabhai, Wacha and Gokhale, taken at that time and also of an autographed photograph of Dadabhai which he gave him just before he left England in 1901. He retains lively memories of a visit he paid to Dadabhai in his retirement at Varsova a little before his death. The perusal of the present work has been of absorbing interest and has revived these pleasing memories and it can be recommended whole-heartedly to every student of Indian politics and to every worker in the course of India's freedom.

R. P. PARANJPYE

ECONOMIC PLANNING IN INDIA

II

EXCHANGE POLICY UNDER A PLANNED ECONOMY IN INDIA

THE question of appropriate objective of our monetary policy has been so intimately bound up with the hackneyed controversy about the Ratio, that it is necessary to discuss briefly the main principles which determine the exchange rate, and to examine the implications of the Ratio controversy in this country in the light of the theoretical considerations, and then to outline the main objectives which should be the guiding principles of those who would be entrusted with the management of our monetary policy in a regime of planned economy.

Ever since India abandoned the silver standard in the eighties of the last century, the main objective that has emerged through the several experiments of currency evolution is that the monetary authorities in this country should try to maintain, as far as possible, a stable rate of exchange between the Indian Rupee and the British Pound Sterling. The maintenance of a stable rate of exchange has been, therefore, the single objective which the monetary authorities in this country have aimed at during the last thirty or forty years. On the other hand, times out of number, Indian public opinion has demanded a revision of the entire policy of the Government, and a return to the old ratio which prevailed before 1926, at the rate of 1s. 4d. to a rupee. The case for and the case against the Governmental action in this country of maintaining the value of the rupee at 1s. 6d. has been so often discussed in the economic writings in the past many years that,

to a number of people in this country, appropriate management of the exchange policy has become almost tantamount to the adoption of 1s. 4d. instead of the present rate of 1s. 6d. to a rupee. Clearly, on any rational analysis, it would appear that there is no sacredness about any particular rate of exchange, and the rate of exchange, like all other prices, is interdependent on the working of a number of factors. In this connection, in order to put the whole question in its proper perspective, it would be useful to discuss the essential theoretical principles which determine the rate of exchange of any currency in terms of another.

The rate of exchange of one currency, in terms of another, essentially means the price of the Home money in terms of the Foreign money. Like all other prices, the exchange rate depends upon the conditions of demand and supply which prevail at any particular moment of time in the exchange market. Obviously, there are a large number of forces which, at any particular moment, do tend to change the conditions of demand or conditions of supply, and thus affect the prevailing price of the home money in terms of foreign money, such as the sterling price, or the dollar price, of the rupee. Broadly speaking, however, the main influences which affect the conditions of demand and supply in the Foreign Exchange Market, may be summarised under the following heads:—

- (1) The value of the total visible and invisible imports.
- (2) The value of the total visible and invisible exports.
- (3) The value of the total in-flow and out-flow of short-term funds.

(4) The value of the total in-flow and out-flow of long-term funds.

(5) The dealings of speculators, banks or governmental bodies, like the Exchange Equilisation Account in the Exchange Market.

We have enumerated the various factors which determine the conditions of demand and supply at any particular moment in the Exchange Market; but these influences, in their turn, are again influenced by such factors as the Credit Policy, the Wage levels, the phases of the Trade-cycle, and so on. The essential dependence of the exchange rate on a number of factors in the economic life has been very well put by Mr. Robinson in the following words:—

"The notion of equilibrium rate is a chimera. The rate of interest, the rate of exchange, the level of effective demand, the level of money wages and the expectations as to the future course of exchange rate react upon each other like the balls in Marshall's Bowl and no one is determined unless all others are given."

It will be seen from the above that there is no sacredness, or there is no special significance, about any particular level of exchange prevailing at any particular moment of time in a country. It is true to say, however, that till the advent of the Great Depression of 1929, the expert economic opinion in the world held that the objective, which the monetary authorities in every country in the world should aim at, is the objective of a relative stable rate of exchange. It is also true to say that, till the advent of the Great Depression, the majority of statesmen and economists in the world believed that a system like that of an international gold standard, which, through the mechanism of gold movements, the appropriate changes in the credit policy, and the consequent changes in the income-cost structures, maintains the countries which adhere to an international gold standard in equilibrium with each other, was the best monetary ideal that the currency experiments for over a century have produced in the world. The advent of the Great Depression, which brought in a catastrophic fall of prices and forced deflation on a number of countries, however, led many people to doubt the validity as well as the wisdom of following the policy of maintaining the rigid gold standard of the pre-war days. The case of those who advocated an abandonment of international gold standard was largely based upon the following arguments:—

The adhesion to the gold standard may not be in the interest of a country under all circumstances. Particularly the rules of the gold standard require a policy which may not be in the best interest of trade and industry in particular countries, under certain circumstances. For example, they argued that the mechanism of the working of the gold standard was rather too crude a method to maintain the Home economy in equilibrium with the world economies, and en-

tailed great loss to the Home economies concerned. It is an accepted truth that, under a gold standard, the main mechanism which keeps the various countries on the gold standard in equilibrium with each other, is the gold movements, the appropriate changes in credit policies and the consequent changes in the income-cost structures in the countries concerned. In other words, as soon as there is a disequilibrium in the international balance of accounts, gold flows from the deficit country to the surplus country. The rules governing the gold standard game require that the gold-receiving country should expand credit while the gold-losing country should contract credit. As a result of the changes in the credit policy, prices, income and money costs would tend to increase in the gold-receiving country, and the prices, income and money costs would tend to fall in the gold-losing country, so that exports from the gold-losing country would tend to increase relatively to the imports into that country, and vice versa, and the equilibrium in the international balance of accounts would be restored. The opponents of the gold standard point out that the appropriate changes in the credit policy (expansion in gold-receiving country and contraction in gold-losing country) is too painful a method of adjustment of equilibrium between the two countries concerned. They argue that if, in a gold-losing country, the monetary authorities are compelled to contract credit, then the wholesale prices in that country would tend to fall. If the money wages in that particular country are relatively rigid, then it would mean that the profit-margin between prices and cost would be narrowed down and the entrepreneurs would find it less profitable to carry on industry and trade in that country, and this would result in a large-scale unemployment. In the second place, the opponents of gold standard maintain that in countries, in which foreign trade occupies a relatively unimportant place compared to the volume of internal trade and internal production, it is not reasonable to have a monetary system which requires large changes in the credit policy at the first signal of a deficit in the international balance of trade. And, lastly, they maintain that a country on gold standard is much more susceptible to the changes in the outside world, and cannot be in a position to adopt measures to initiate and stimulate recovery at home through the appropriate management of her monetary policy.

As a result of the experience gained in the years subsequent to the depression, it is generally admitted that a rigid system, like the pre-war international gold standard, is not the last word in monetary policy. A large number of experts now favour the view that a country should not adopt a system like an international gold standard, which puts the entire monetary policy of that country at the mercy of the gold movements and the Foreign Trade Influences. There is a growing volume of opinion in the world that a country should have

the following objectives in the management of its monetary policy :

(1) The monetary authorities in each country should control their credit policy in such a way as to promote, first and foremost, the needs and the requirements of the trade and industry of the country. The credit policy should, in no way, be made dependent upon factors which lie outside the control of that monetary authority.

(2) The monetary authority should try to maintain, as far possible, stable rates of exchange between the national money and the foreign monies.

(3) The maintenance of these stable rates of exchange, however, should not be achieved by a system like the gold standard, but by the adoption of devices like the Exchange Equalisation Funds which have been adopted, in recent years, in countries like the U. S. A., England and France.

(4) In the case of dis-equilibrium in the home economy and the foreign economies, the burden of adjustment should be placed, not upon the changes in the internal credit policy and the consequent changes in the income-price structures, but should mainly be placed on the Exchange Rate. In other words, the Exchange Funds should let the exchange fluctuate within certain limits, though normally they should try to maintain it at a relatively stable level.

So far we have discussed the general theoretical considerations which should guide the monetary authorities in shaping the monetary policy in any particular country. Let us now examine the specific question of our Exchange policy, the Ratio question in the past in this country, and the question of the principles on which our Exchange Policy should be based under a planned economy.

As we have observed above, up to very recent years the exchange policy in this country had become tantamount to the question of the advisability of adopting 1s. 4d. or 1s. 6d. as the appropriate value of the rupee. It would be seen from the analysis made above that there is no significance about any particular level of exchange and it is irrational in the extreme to say that a given rate of exchange would serve the best interest of trade and industry at any particular moment of time. The essence of the Indian Ratio question, however, was a demand by the public opinion in this country for a relatively lower level of exchange compared to the determination of the Government to maintain it at a higher level. The main case of the advocates of a lower exchange rate was largely based upon the argument that a lower exchange would benefit the export trade, and hence would be beneficial to the country as a whole. For example, they argued that if the value of the rupee was over-night cut down from say 1s. 6d. to 1s. 4d. or 1s. 2d., the foreigners would

find that it is cheaper to buy Indian goods as a whole, while, on the other hand, the Indian nationals would find that it is dearer to buy foreign products as a whole. As a result of this, Indian exports would tend to increase relatively to the Indian imports and would result in a large export surplus, which was in the best interest of the country. Now, it is quite true that, to a certain extent the case for a lower exchange rate was valid under circumstances when it was argued by a number of its advocates, but the main question that we have to decide here is, whether and how far a lower exchange rate should be a part and parcel of the general momentary policy of our country under the regime of a planned economy. To understand the benefits or otherwise of a lower exchange rate, it is necessary to examine both the theoretical aspect of the matter and the radical changes that have come about in the structure of international trade and the commercial policies of the various countries in recent years. Let us take the argument of the advocates of a lower exchange rate as it stands. Now, it is true that if the value of the rupee is cut down from 1s. 6d. to 1s. 4d. overnight, the next day the foreigners, as a whole, would find that Indian goods are cheaper than before, while the Indians, as a whole would find that foreign goods are dearer. But this fact of a sudden change in the relative profitability of mutual trade would itself generate forces which would gradually affect the rupee prices and the sterling prices in such a way that at the new level of exchange, the new rupee prices equated with the new rate of exchange are the same as they were in the previous state of equilibrium. At the same time, it is true that there is always a time-lag between wages and prices, and this would enable the producers in the country to make huge profits; but, here again, the money costs of production would gradually tend to increase until the old margin between money costs and money prices is restored. It would be clear from this brief analysis that it is not an absolute lower level of exchange but it is a depreciating exchange and the time-lag between prices and money costs that constitute the real benefit to the export trade and to the producers in a country, and the advantage disappears as soon as prices and costs in the country adjust themselves to the new level of exchange.

Apart from this theoretical consideration, it is necessary to remember the changes in the international trade structure that have come about in recent years. For example, in an otherwise stable world, it is true that a sudden devaluation or depreciation of exchange rate of one country would enable her to snatch a larger share of the world trade than before. But it is necessary to remember that now many of the important trading countries, like France, Germany, Japan, have adopted not only high tariff walls, but have adopted completely

new techniques of trade, such as the "Quota System" Under a Quota System the quantity of imports from each particular country, which a given country is prepared to take, is absolutely limited, and surely it is not reasonable to suppose that the mere fact that the price parity is changed in favour of the country which depreciates her currency, would enable her to send larger exports to such controlled areas.

Bearing in mind these two factors, viz., the limited nature of the benefit accruing from a lower rate of exchange to the foreign trade and the altered commercial policies in the world, it would be clear that the old case for a lower rate of exchange has no validity in actual practice. The monetary authority, therefore, should, as far as possible, aim at maintaining a relatively stable rate of exchange between the Rupee and the other leading currencies, such as the Sterling, the Dollar and so on.

There is another aspect of the matter, however, which has come into greater prominence as a result of the recent contributions to the monetary theory by many writers, and which has not been given the prominence it deserves in the Ratio Controversy in our country. It will be apparent from, theoretical analysis that has been made above, that a relatively rigid system, like the gold standard, necessarily limits freedom of the monetary authority to launch a progressive monetary policy within the country, and that it puts the whole burden of adjustment on the changes in the credit policy and the consequent changes in the income-price structures. From the general discussions of the pre-requisites of Planning, it will be seen that a forward, progressive monetary policy has a very important role to play in the successful execution of Planning in India. As suggested in that discussion, if the Planning Authority decides to adopt a forward expansionist monetary policy, with a view to supply an impetus to the entire productive capacity to expand output, then the adoption of a rigid system, like the gold standard, which would immediately cause disequilibrium between the home prices and the world prices, would seem to be incompatible with the general policy of planning within the country. In order to ensure complete freedom for the monetary authority from the reactions of their policy on the foreign trade, and in order to enable the country to maintain the foreign trade at its prevailing level, the monetary authority may find it necessary to lower the exchange as a safety valve. In other words, the expansionist monetary policy is bound to raise internal prices and internal costs. In a rigid system, like the gold standard, this would immediately cause a deficit in our international balance of accounts and would lead to a gold out-flow from the country. The loss of gold by the Central Monetary Authority would compel the Authority to contract credit and to depress prices, which, in its turn, would

lead to an abandonment of investment projects and creation of unemployment. Given the creation of an Exchange Equalisation Fund, it would be possible for the Monetary Authorities to pursue its internal credit policies without undue regard for the reactions of their policy on foreign trade and whenever there is a deficit on the international balance of accounts, to put the burden of adjustment not on the internal credit policy but on the variations in the exchange rate of the rupee.

This discussion shows that the Central Monetary Authority in our country should have the following objectives in view in shaping the monetary policy in the planned regime:—

(1) They should create some sort of an Exchange Equalisation Fund, and they should aim at maintaining stable rates of exchange between the Indian Rupee and the other leading currencies at relatively stable levels.

(2) The Monetary Authority should not allow the Foreign Trade Influences to limit their freedom of pursuing internal credit policy which they held to be in the best interest of the country. The burden of adjustment, in case of disequilibrium on the international trading account should be put on the rate of exchange rather than the internal credit policy and the consequent price-income changes.

There are two other considerations which strengthen the validity of the views which are outlined above. First, it should be remembered that foreign trade and the spending power which resulted from the maintenance of a large export trade occupied much too important a place in our whole economy in the past years. In recent years, however, partly due to the development of such industries as textiles, cement, sugar, which primarily cater for the home market and partly due to the falling off in the total value and volume of the world trade, the importance of the internal market and the internal volume of production has increased relatively to the importance of the foreign trade. It is in the fitness of things, therefore, that the guiding principles of our exchange policy should now be the needs of the internal trade and industry rather than the needs of the foreign trade, as it has been in the past.

The other consideration which should guide the policy of the monetary authority in deciding the timing of changes in the exchange rate, is the ability of the productive system in India to take advantage of the temporary impetus that the lower rate may give through increased prices at home at any particular moment of time. For example, if the monetary authority adopts a lower exchange rate to serve as a safety valve to absorb the effects of an expansionary monetary policy at home, and if it succeeds in bringing the money into actual effective circulation, the money would waste itself in a rising spiral of increased prices and increased costs unless the

whole productive capacity in the country is prepared to take advantage of the stimulus of higher prices and is able to expand the output of goods and services to counteract the effects of the increased prices.

Given these objectives, and given these considerations as the guiding principles of managing our monetary policy, there can be no doubt that the monetary policy would serve as a useful hand-maid to our general policy of increasing the total output and bringing about an increase in the standard of life of the masses.

N. G. ABHYANKAR

Reviews

INDIA'S NATIONAL INCOME

AN ESSAY ON INDIA'S NATIONAL INCOME, 1925-1929. By V. K. R. V. RAO. (Allen & Unwin.) 1939. 19cm. 173p. 6/-

THE writing of this small treatise was undertaken in 1933 by Dr. V. K. R. V. Rao, at the invitation of the trustees of the Dadabhai Naoroji Memorial Prize Essay Fund and has now been brought out by them. It is a welcome addition to the literature on Indian Economics and particularly to a subject whose charms have been as great as its favours have been deceptive. And there is a particular appropriateness in the choice of a subject so dear to the heart of the great patriot, to commemorate whom the Fund has been created.

The essay is a compact body of 173 eminently readable pages, written in a manner that should prove interesting even to the layman. After a brief examination of the previous works on the subject and after pointing out what he considers are the errors involved in their calculations, Dr. Rao formulates some principles for the estimation of national income, which seem to be a distinct improvement over those on which the earlier estimates were based and the adoption of which might raise the tone of the calculations of national income from being exercises in political essay-writing into real contributions to economics. In successive chapters, he estimates, on the basis of such meagre data as are available, the incomes from agriculture, livestock, forests, minerals, industry, trade and transport and the professions and liberal arts. In the final chapter he presents the conclusion, that though India is not growing poorer in an absolute sense, she is losing ground relatively to the other countries, which seems to lend force to the plea of India's growing poverty. He closes with an exhortation for the adoption of planned measures of a radical type to accelerate economic development. Dr. Rao feels that the scope of the work excludes the discussion of these radical measures. He also makes no attempt to correlate the study of national income with the aspects of distribution, taxation, economic welfare, etc., which would have probably assisted a better appreciation of the problems of national incomes, particularly in an essay written in a popular tenor.

Keeping in mind the various handicaps in estimating India's national income, it must be

admitted that Dr. Rao's method of work is a distinct improvement, though in regard to conclusions and estimates, it remains to be wished that it were possible to say that it succeeds where others have not. Dr. Rao never ignores the difficulties in the way but himself candidly enumerates them. These difficulties when put together make one cynical about the reliability of the conclusions and estimates obtained. Some of them are the unreliability of the income-tax figures as guides even of the non-agricultural incomes, the complete absence of any census of production for the country's premier industry, agriculture; the probability of there being wide margins of error in the estimate of income from industries and transport and the complete absence of figures about the Indian States, which have therefore to be excluded from these calculations, but which are organically connected with the economic structure of India through trade and mobility of labour and capital. These handicaps, it appears to us, are enough to destroy any optimism about arriving at figures that cease to be guesses.

The fact that at several places Dr. Rao is compelled, as indeed any one else would be, to assume things and like all assumptions based not on factual data but observation and experience these are bound to remain contentious in character. And often the only means available for checking the results of one set of estimates against another are the "reasonable" and the "probable."

But scientific accuracy apart, which need not be hoped for in the present state of statistical data in our country, Dr. Rao deserves to be congratulated for effecting an improvement in the methods of approach over those of the earlier writers who courted too naively the charge of being politically biased.

P. S. NARAYAN PRASAD

LIBRARY CLASSIFICATION

COLON CLASSIFICATION. BY S. R. RANGANATHAN. (Second Edition.) (The Madras Library Association.) 1939. 22 cm, 21.

CLASSIFICATION is the foundation of Librarianship. The utility of a Library to the readers depends not so much upon the number of books it has, but upon the scheme of classification it pursues. In fact a library without a proper scheme of classification would be a 'polyphemus without an eye in its head'. Librarians and lovers of books, therefore, cannot adequately thank the talented author of this book for giving to the world in general and to India in particular a scheme of classification at once understandable and exhaustive. He is the first Indian to write on a subject of this kind. The scheme of Mr. S. R. Ranganathan, popularly known as the 'Colon scheme' is undoubtedly a distinct contribution to the existing literature on classification. Its value is particularly great to Indian Libraries, for the author has throughout kept in mind the special needs of Indian Literature. Topics in Indology have been worked out in far greater detail than in other schemes, for, as the author put in the preface "books on Indology are numerous not only in Indian Libraries, but also in many foreign Libraries". The Indological schedules will also be of use in classifying oriental manuscript Libraries. There are more than 150 schemes of classification, of which only four have stood the test of time. But the scheme of Mr. S. L.

Ranganathan by virtue of its greater hospitality of classes and flexibility of notation promises to supersede even these.

The book itself is divided into four parts: Viz

Part I: Rules of classification.

Part II: Schedules of classification.

Part III: Index to the schedules.

Part IV: Examples of Call Numbers.

The aim of the book, in the words of the author "is neither to expound the general philosophy of classification nor to discuss the theories of book classification". It is on the other hand to give a working manual for classifying books according to the scheme of classification worked out in the book. The scheme is called 'Colon classification' because of the very important part played by the symbol: in the construction of Call Numbers. In the words of the author "Thus, in the colon system, the Class Numbers and the classes represented by them form a perfectly articulated system, like the skeleton of a human body, the colon playing the role of ligaments and cartilages which connect the bones of the system to one another, giving freedom, at the same time, for each bone to grow and to move independent of the other bones. One can easily imagine the great advantage that a specialised worker will find in this system which enables him to lay his hands straight on all the materials connected with his work, with the least waste of time. The apparently complex structure of the number cannot be considered to be source of strain, as the reader is not concerned with the number as such but he is concerned only with the convenient arrangement which the numbers bring about among the books.

Further, as a result of the use of colon, any Class Number becomes a multipartite number capable of expansion at as many points as there are colons, in addition to its being expansible at the right end, whereas in other schemes, a class Number is capable of expansion at the right end only. In other words, the flexibility of the Colon Notation is many times greater than that of other notations." The Colon device also secures conformity to the canon of consistent order and the canon of Mnemonics. Again the colon notation satisfies the canon of hospitality in chain to a much greater degree than the bare decimal notation. In no other scheme can a subject be individualised to such a minute extent as in the colon scheme. Even extremely specialised monographs get individualised in this scheme more easily than in other schemes. It is a matter of experience that such a detailed classification is quite necessary if all the resources of a library on every topic, however great its intension, are to be disclosed with the least expenditure of time.

The book under review is a Second Edition of the book. The first edition of the book was published in 1933. This revised edition does not materially differ from the first. Certain new features however may be noted. A new part has been added which gives as many as 3000 examples of class numbers constructed according to the colon scheme. Again the whole scheme has been further subjected to the searchlight of 28 canons of the Prolegomena to library classification and minor maladjustments mostly relating to the Octave Principle and the Unscheduled Mnemonic have been set right. The schedules of Indian Classics

have been enlarged. About 300 new classics have been added. A new principle called "Last Octave Principles has been defined and its potentialities illustrated. Schedules have been added for Veterinary Science, Tamil Poetry, Jainism, Buddhism, Judaism, Christianity and Zoroastrianism. About 800 new divisions have been added to the scheme as a whole. A new Main Class 'Δ Spiritual Experience and Mysticism has been introduced. Its necessity, scope and resource are explained in Chapter Δ.

The Madras Library Association deserves to be congratulated on bringing out such an original and brilliant publication. The author of the book deserves to be ranked among the world's best classifiers. The printing and get up of the book leave nothing to be desired.

K. S. SRIKANTAN

SOCIAL VALUES

ENDS ARE MEANS. By K. S. SHELVANKAR.
(Lindsay Drummond, London.) 1938. 19 cm.
146p. 3/6.

IT is not yet two years since Mr. Aldous Huxley published his *Means and Ends*, and it has had the distinction of a full dress attack at the hands of Dr. K. S. Shelvankar within a year. It is an irony of fate—or is it a sign of the times?—that a front rank English intellectual should seek inspiration in Buddhism and Advaitism, while an Indian intellectual should seek to controvert Mr. Huxley's views through the spectacles of western socialists.

Mr. Huxley writes as a confirmed pacifist and assumes that there cannot be a difference of opinion as to what the end of mankind should be: liberty, peace, justice and brotherly love. But there is no agreement about the "roads which lead to that goal". The means actually advocated, and even at times adopted, do not harmonise with the ethical note of the end. The result is confusion, violence. Mr. Huxley would like to throw some light on the foundations of this confusion. He exposes the weakness of orthodox Christianity, deplors that Christianity should ever have accepted the bronze-age morality of the Old Testament, repudiates the idea that the use of force is justifiable even in a good cause, for violence begets violence. He repudiates the drill-sergeant system of education as giving a militarist bias to life. He finds no logical justification for a belief in a personal god and would rather have the Ultimate conceived in terms of impersonality. Such, in brief, is Mr. Huxley's philosophy of life. One may differ from his views but no one can deny the suggestiveness of the book, its high ethical tone and its seriousness as a contribution to pacificism.

Dr. Shelvankar must have been very much stirred by Mr. Huxley's arguments or else he would not have rushed to the press with a book devoted to an exposure of Mr. Huxley's "fallacies". Nearly half the book is devoted to a critical-satirical examination of Mr. Huxley's thesis. This may not be a particularly difficult thing to do, for Mr. Huxley writes as an idealist, who does not believe in the innate sinfulness of man and believes that man, however fallen, can still rise

above his past history and create a new world for himself and his children. If this is madness, it is the madness shared by all prophets and teachers from the days of Buddha and Christ till the days of Tolstoy and Gandhiji. For a rank realist like Dr. Shelvankar there is nothing easier than to repudiate the idealist faith as a mere dream. He would rather sit tight on the "fact that violence to body as well as to mind is ingrained in the texture of our society: that the State, the relations between the rulers and the ruled, are based ultimately not on ethics but on force". He speaks of "the pitiful inadequacies of pacifism". To him the meaning of life is indecipherable, for the future is open and free and infinite and how can we hope to understand it? This is what Dr. Shelvankar has learned from Bergson and Marx. Hence it is logical for him to conclude that "we must deny, first, that there are any ideal, perfect, or absolutely good ends or means". Hence there cannot be any fundamental distinction between means and ends. Choose your ends and you choose your means as well. If your end is good and it can be attained by violence, violence is not evil. Dr. Shelvankar does not make use of that dangerous principle, often attributed to the Jesuits, that the end justifies the means but Dr. Shelvankar's thesis comes as near to that as anything can.

Mr. Huxley's pacifism is certainly not free from palpable defects, defects which have been time and again pointed out against Gandhiji's extreme type of *ahimsa*. Neither Gandhiji nor Mr. Huxley has yet succeeded in convincing the world that it is better to lose your country than to fight for it. But that does not prevent us from appreciating the superiority of the man of peace to the man of war. That is why books like Mr. Huxley's breathe a sense of freedom, develop a breadth of outlook and create an atmosphere of good will, which is beyond the reach of realists like Dr. Shelvankar, who believe in force, do not seek any escape from it, and evidently do not find any relish in seeking for it. That Dr. Shelvankar has produced a clever little book need not be denied. Whether it was worth while writing—opinions will differ.

A. R. W.

PALESTINE

GREAT BRITAIN AND PALESTINE, 1915-39.

[Royal Institute of International Affairs, London. Information Department Papers, No. 209.] (Oxford University Press.) 1932. 23cm. 142p. 2/6.

PALESTINE became a problem only after the Great War and has been taxing the brains of the British Cabinet for over 20 years. But it is admitted on all hands that the problem has been entirely the creation of British statesmen. The war-time promises made to the Arabs and Jews complicated the situation in Palestine. The Arabs appeal to their inherent rights as children of the soil and at the same time appeal to Britain to carry out the MacMahon pledge made in 1915. The Jews stand by their bond, the Balfour declaration of 1917. As an Arab delegate at the

recent Palestine Conference remarked, "the trouble is that during the War *the British Government sold the same house to two men*".

It is this Palestine problem that is described in the book before us. The publications of the Royal Institute of International Affairs are famous for their impartiality and objective presentation of problems and issues. The book under review is in keeping with that reputation. No single important fact has been omitted in this book. The account is concise, clear, and complete. The MacMahon—Hussain Argument, the Balfour Declaration, the working of the Mandali, the contrasts between the Jewish and Arab communities, the results of Jewish immigration, the partition proposals of the Peel Commission, the Arab Rebellion and the latest London Conference proposals are all treated concisely and clearly.

The latest proposals of the British Cabinet—the Malcolm proposals—are that an independent Arab State would be set up at the end of 10 years, that 5 years after the restoration of peace and order an appropriate body of the representatives of Palestine and His Majesty's Government would settle the future constitution of the country, that in the meantime there would be an increasing association of Palestinians in the administration of Palestine, that 75,000 Jewish immigrants including illegal immigrants would be allowed for the next three years and that after 5 years Jewish immigration would be subject to Arab consent.

These proposals, which are certainly pro-Arab, have been rejected by the Jews, but the Arabs too have rejected them. What is the explanation? As is rightly pointed out on page 11, "The instantaneous rejection of the proposals was merely a tactical move." We think that this is a correct view, because Mr. Malcolm Macdonald has practically conceded the Iraq Ministers' plan of 1938, which is the Arab Higher Committees' old plan and the plan of every Arab Delegation which has visited Britain for 20 years.

With regard to the Jewish claim that immigration during the last 20 or 22 years has increased the material prosperity of Palestine, it is rightly pointed out that prosperity alone does not appeal as a final argument in favour of Jewish immigration. As Chesterton said, "There is not the slightest difficulty in stating in plain words what the Arabs fear in the Jews. *Then fear in exact terms their knowledge their, experience and their money.*" We think that these are the truest words ever uttered upon the Palestine question, and we are happy that the Royal Institute is in agreement with this view.

"The Jewish-Arab antagonism is one between national, and not between religious movements, for Moslem and Christian Arabs work together. Nor is it racial for both Jews and Arabs belong to the Semitic race. Thus it is pointed out rightly that the difficulty of the mandatory government in Palestine has been due to its attempts to reconcile the conflicting claims of Political Zionism and Arab Nationalism.

We are happy to say that the book before us is incomparably the best survey of the Palestine problem.

The book is provided with a select bibliography and good maps.

M. V. SUBRAHMANYAM