

FOREWORD.

By SIR ROBERT WATSON SMYTH, Kt.,
Formerly President, Bengal Chamber of Commerce.

Mr. George Pilcher has asked me to write a few lines as a foreword to the pamphlet which he is issuing in connection with the proposed protective tariff on steel, now being considered by the Tariff Board. I do this with great pleasure, because, although I must not be considered to guarantee the accuracy of his statements, or even to endorse all his arguments, I believe the matter to be of such importance, and I have found that public knowledge on the subject is so scanty, that a pamphlet of this kind is of great value.

In my opinion, this question of the protection of steel, both raw and manufactured, is one of the most important economic questions that has arisen so far in the history of India. Such, however, is the apathy of many people in the commercial world and outside, that this question, with all the effect that it will have on India, seems to be rousing but little intelligent interest, even on the part of those who will undoubtedly feel the effects hereafter most severely. It is well for us that someone has been energetic enough to strip this subject of all the shibboleths of free trade and protection, and present it to the public as a series of plain, naked facts. The effect on every trade and industry is treated more or less in detail, and any man will be able to see with very little trouble what effect it is likely to have on whatever he happens to be interested in. The great industries of Bengal, coal, jute and tea, will all feel the effects of this proposed protection, and it would be as well that those who are interested in these great industries should study the case as put forward in this pamphlet.

The question, however, goes beyond the limit of commerce and industry. The effects of this tariff will be felt throughout the whole enormous agricultural population of India. It may be that the effect on them individually will be small, if put into figures, but however small it may be, it becomes a burden when applied to the raiyat whose poverty is such that there is no margin between the actual necessities of life and the money which he earns. If the few clothes that he wears and the rough instruments that he uses in his work cost more, and they will undoubtedly cost more, then that extra price must be got by reducing the quantity of the food that he eats, because there is nowhere else for it to come from.

Indian politicians are fond of repeating that they represent the people of India. They resented the increase in the salt tax as imposing a heavy burden on "India's voiceless millions." Can it be that the same politicians will agree to the imposition of a tariff for the benefit of one particular industry that will add to the burden of those same millions? The whole population of India, whether agricultural, commercial, industrial or professional, are crushed by the burden of taxation and are crying out for relief in the form of lower prices and a reduced cost of living. Could any time be more inopportune for suggesting a protective tariff for the benefit of one particular industry, the effect of which will be felt throughout the whole of agricultural and industrial India?

The subject is one of the greatest importance, and it would be as well for all thinking people, whether Indians or British, whatever may be the shade of their political opinions, or whether they hold the tenets of the Free Trade or Protectionist creed, to give this subject their most serious consideration if they really care for India's future prosperity.

ROBERT WATSON SMYTH,

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PREFACE.

By J. C. COYAJEE,

Professor of Political Economy, Presidency College, Calcutta.

As a journalist who has devoted many years to the service of India, Mr. Pilcher requires no introduction to the Indian public. However, in my character as a discriminating protectionist and as one who has anxiously striven in his humble capacity to give a rational and scientific basis to the fiscal policy of the country, I may, without presumption, extend a warm welcome to him on his entry into the field of fiscal controversy. Even one who cannot endorse all his conclusions must appreciate the merits of a careful and conscientious study of facts bearing on an important aspect of the Indian tariff problem; and it is universally admitted that all sound fiscal policy is based on studies of the concrete facts of industry. Discriminating protection must regard and balance, on the one hand, the potentialities of industry, and, on the other hand, the capacity of the consuming public to bear the burdens of a tariff.

According to the highest economic authorities the argument for according protection to young industries proceeds on the assumption that the immediate effect of such a policy is to cause a national loss—a loss which might be offset by gain in the long run. The existence of such a sacrifice or loss is no decisive argument against the policy of Protection; but it is very necessary to make a careful estimate of the extent of the loss or sacrifice involved in each application of the policy of Protection and to Mr. Pilcher we owe a detailed, laborious and timely exposition of some important items in the balance-sheet of a potential steel Tariff.

Mr. Pilcher has touched, among other things, on the potential influence of Protection on the volume of India trade: and here his conclusions do not differ materially from those of the Fiscal Commission or of those economic experts who appeared before it. The immediate effect of a tariff is very likely to be seen in a reduction of the volume of trade. But there are also the long-period effects of the policy to be taken into account. In adverting to these Mr. Pilcher shows himself far from being an uncompromising Free Trader. "It is even arguable," he says, "that, in time and at long last, the creation in India of factories devoted to the production of steel and machinery would, through the promotion of general prosperity and a higher standard of living, create a new and alternative demand for foreign importations, which would more than take the place of those now in danger of being destroyed." In fiscal controversy the confusion of long period and short period results is a source of many fallacies.

It is a very important part of the work of a protectionist régime to balance the interests of industries and to study their conflicting claims. In the case of India, where the basic industries—like steel or chemical products—have yet to be developed the conflicts are numerous and rage in their most pronounced form around the claims of such basic industries to protection. Mr. Pilcher has successfully and vigorously traced the retarding effects of a steel tariff on port and railway construction, on the jute and tea industries and on agriculture. Here again, the problem is a dynamic one and its aspects are different as envisaged from the immediate and the distant future. Mr. Pilcher has mainly regarded the former aspect: but in the distant future the rise of a great steel industry in India might affect favourably the whole national industrial development. Still, within its own scope Mr. Pilcher's treatment is very instructive since we cannot neglect the present while looking out on the future. In my own opinion

all depends on whether the protection extended is of the proper type—given in proper directions, to the right amount and for the barely necessary period. There can be no manner of doubt that a really profitable and judicious policy of Protection requires very delicate adjustment and balancing—balancing between the interests of the latter *inter se*, and balancing between the present and the future interests of the nation as a whole. Hence discriminating Protection is not a matter of facile formulæ but of realistic studies like the present.

It is to be hoped that Mr. Pilcher's pamphlet will be widely read and that it will provoke thought and arouse fruitful controversy. We in India are at present far too preoccupied with political affairs and changes to devote the requisite attention to the study of the even more vital economic issues. Twenty years ago the work of the Fiscal Commission and of the Tariff Board would have called forth a fiscal literature in India; in these days it has so far elicited only a few articles in the newspapers. What is really wanted is to rouse the public to take an interest in the controversy and to study the arguments on either side before a national policy is launched. From this point of view the position assumed by Mr. Pilcher is an advantage.

It is to be hoped that some Protectionist will come forward to try and meet Mr. Pilcher's arguments. He might draw inspiration from the remark of the highest living authority on tariffs (Dr. Taussig) that the case in favour of Free Trade is and must always be *prima facie* strong; but there may be offsetting advantages which rebut the presumption. A consideration of these, however, calls for some very delicate balancing of losses and gains. There is another advantage in the presence of Free Trade* protagonists like Mr. Pilcher. As Professor Lees Smith points out, there will always be very important work for a Free Trade school in India as well as in all protectionist countries, and that work is to free the tariff from the abuses which so commonly accompany it. The present pamphlet might well be the *avant courier* of the activities of that school—its first step towards the performance of its true function as enunciated above. The slightest acquaintance with tariff history will show how often the work of Protection has been marred by abuses and excesses and great protectionist writers like Schmoller and Taussig are never tired of protesting against an exaggerated protectionist policy. The tariff history of a century would have been written in vain if we in India did not benefit by it. The discriminating protectionist is not afraid of vigorous criticism; nor does he ignore it; he profits by it.

J. C. COYAJEE.

*Note.—Professor Coyajee appears to assume that the inspiration of my argument is to be sought in Free Trade dogma. It has been throughout my exclusive concern to base the case against dear steel only on the concrete facts of India's industrial experience and of her present equipment for the industrial struggle. G. P.