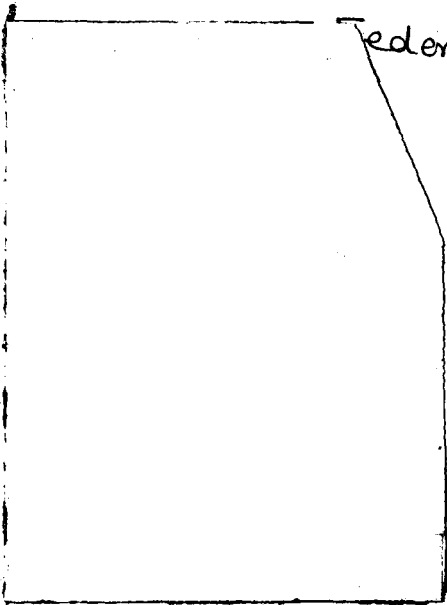


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Appendices

APPENDIX I

LEGISLATIVE LISTS OF THE FEDERATION IN INDIA

LIST I

FEDERAL LEGISLATIVE LIST

1. His Majesty's naval, military and air forces borne on the Indian establishment and any other armed force raised in India by the Crown, not being forces raised for employment in Indian States or military or armed police maintained by provincial governments; any armed forces which are not forces of His Majesty, but are attached to or operating with any of His Majesty's naval, military or air forces borne on the Indian establishment; central intelligence bureau; preventive detention in British India for reasons of state connected with defence, external affairs, or the discharge of the functions of the Crown in its relations with Indian States.

2. Naval, military and air force works; local self-government in cantonment areas (not being cantonment areas of Indian State troops), the regulation of house accommodation in such areas,

and, within British India, the delimitation of such areas.

3. External affairs ; the implementing of treaties and agreements with other countries ; extradition, including the surrender of criminals and accused persons to parts of His Majesty's dominions outside India.

4. Ecclesiastical affairs, including European cemeteries.

5. Currency, coinage and legal tender.

6. Public debt of the federation.

7. Posts and telegraphs, including telephones, wireless, broadcasting, and other like forms of communication ; post office savings bank.

8. Federal public services and federal public service commission.

9. Federal pensions, that is to say, pensions payable by the federation or out of federal revenues.

10. Works, lands and buildings vested in, or in the possession of, His Majesty for the purposes of the federation (not being naval, military or air force works), but, as regards property situate in a province, subject always to provincial legislation, save in so far as federal law otherwise provides, and, as regards property in a federated state held by virtue of any lease or agreement with that state, subject to the terms of that lease or agreement.

11. The Imperial Library, the Indian Museum,

the Imperial War Museum, the Victoria Memorial, and any similar institution controlled or financed by the federation.

12. Federal agencies and institutes for the following purposes, that is to say, for research, for professional or technical training, or for the promotion of special studies.

13. The Benares Hindu University and the Aligarh Muslim University.

14. The Survey of India, the Geological, Botanical and Zoological Surveys of India; federal meteorological organisations.

15. Ancient and historical monuments; archæological sites and remains.

16. Census.

17. Admission into, and emigration and expulsion from, India, including in relation thereto the regulation of the movements in India of persons who are not British subjects domiciled in India, subjects of any federated state, or British subjects domiciled in the United Kingdom; pilgrimage to places beyond India.

18. Port quarantine; seamen's and marine hospitals, and hospitals connected with port quarantine.

19. Import and export across customs frontiers as defined by the federal government.

20. Federal railways; the regulation of all railways other than minor railways in respect of

safety, maximum and minimum rates and fares, station and service terminal charges, interchange of traffic and the responsibility of railway administrations as carriers of goods and passengers; the regulation of minor railways in respect of safety and the responsibility of the administrations of such railways as carriers of goods and passengers.

21. Maritime shipping and navigation, including shipping and navigation on tidal waters; Admiralty jurisdiction.

22. Major ports, that is to say, the declaration and delimitation of such ports, and the constitution and powers of port authorities therein.

23. Fishing and fisheries beyond territorial waters.

24. Aircraft and air navigation; the provision of aerodromes; regulation and organisation of air traffic and of aerodromes.

25. Lighthouses, including lightships, beacons and other provision for the safety of shipping and aircraft.

26. Carriage of passengers and goods by sea or by air.

27. Copyright, inventions, designs, trademarks and merchandise marks.

28. Cheques, bills of exchange, promissory notes and other like instruments.

29. Arms; firearms; ammunition.

30. Explosives.

31. Opium, so far as regards cultivation and manufacture, or sale for export.

32. Petroleum and other liquids and substances declared by federal law to be dangerously inflammable, so far as regards possession, storage and transport.

33. Corporations, that is to say, the incorporation, regulation and winding-up of trading corporations, including banking, insurance and financial corporations, but not including corporations owned or controlled by a federated state and carrying on business only within that state or co-operative societies, and of corporations, whether trading or not, with objects not confined to one unit.

34. Development of industries, where development under federal control is declared by federal law to be expedient in the public interest.

35. Regulation of labour and safety in mines and oilfields.

36. Regulation of mines and oilfields and mineral development to the extent to which such regulation and development under federal control is declared by federal law to be expedient in the public interest.

37. The law of insurance, except as respects insurance undertaken by a federated state, and the regulation of the conduct of insurance business, except as respects business undertaken by a federated state; government insurance, except so

far as undertaken by a federated state, or, by virtue of any entry in the Provincial Legislative List or the Concurrent Legislative List, by a province.

38. Banking, that is to say, the conduct of banking business by corporations other than corporations owned or controlled by a federated state and carrying on business only within that state.

39. Extension of the powers and jurisdiction of members of a police force belonging to any part of British India to any area in another governor's province or chief commissioner's province, but not so as to enable the police of one part to exercise powers and jurisdiction elsewhere without the consent of the government of the province or the chief commissioner, as the case may be, extension of the powers and jurisdiction of members of a police force belonging to any unit to railway areas outside that unit.

40. Elections to the Federal Legislature, subject to the provisions of this Act and of any Order in Council made thereunder.

41. The salaries of the federal ministers, of the President and Vice-President of the Council of State and of the Speaker and Deputy Speaker of the Federal Assembly; the salaries, allowances and privileges of the members of the Federal Legislature; and, to such extent as is expressly

authorised by Part II of this Act, the punishment of persons who refuse to give evidence or produce documents before committees of the Legislature.

42. Offences against laws with respect to any of the matters in this list.

43. Inquiries and statistics for the purposes of any of the matters in this list.

44. Duties of customs, including export duties.

45. Duties of excise on tobacco and other goods manufactured or produced in India except :

(a) alcoholic liquors for human consumption ;

(b) opium, Indian hemp and other narcotic drugs and narcotics ; non-narcotic drugs ;

(c) medicinal and toilet preparations containing alcohol, or any substance included in subparagraph (b) of this entry.

46. Corporation tax.

47. Salt.

48. State lotteries.

49. Naturalisation.

50. Migration within India from or into a governor's province or a chief commissioner's province.

51. Establishment of standards of weight.

52. Ranchi European Mental Hospital.

53. Jurisdiction and powers of all courts, except the Federal Court, with respect to any of the matters in this list and, to such extent as is expressly authorised by Part IX of this Act, the enlargement of the appellate jurisdiction of the

Federal Court, and the conferring thereon of supplemental powers.

54. Taxes on income other than agricultural income.

55. Taxes on the capital value of the assets, exclusive of agricultural land, of individuals and companies ; taxes on the capital of companies.

56. Duties in respect of succession to property other than agricultural land.

57. The rates of stamp duty in respect of bills of exchange, cheques, promissory notes, bills of lading, letters of credit, policies of insurance, proxies and receipts.

58. Terminal taxes on goods or passengers carried by railway or air ; taxes on railway fares and freights.

59. Fees in respect of any of the matters in this list, but not including fees taken in any court.

LIST II

PROVINCIAL LEGISLATIVE LIST

1. Public order (but not including the use of His Majesty's naval, military or air forces in aid of the civil power) ; the administration of justice ; constitution and organisation of all courts, except the Federal Court, and fees taken therein ; preventive detention for reasons connected with the

maintenance of public order ; persons subjected to such detention.

2. Jurisdiction and powers of all courts except the Federal Court, with respect to any of the matters in this list ; procedure in Rent and Revenue Courts.

3. Police, including railway and village police.

4. Prisons, reformatories, borstal institutions and other institutions of a like nature, and persons detained therein ; arrangements with other units for the use of prisons and other institutions.

5. Public debt of the province.

6. Provincial public services and provincial public service commissions.

7. Provincial pensions, that is to say, pensions payable by the province or out of provincial revenues.

8. Works, lands and buildings vested in or in the possession of His Majesty for the purposes of the province.

9. Compulsory acquisition of land.

10. Libraries, museums and other similar institutions controlled or financed by the province.

11. Elections to the Provincial Legislature, subject to the provisions of this Act and of any Order in Council made thereunder.

12. The salaries of the provincial ministers, of the Speaker and Deputy Speaker of the Legislative Assembly, and, if there is a Legislative Council,

of the President and Deputy President thereof; the salaries, allowances and privileges of the members of the Provincial Legislature; and, to such extent as is expressly authorised by Part III of this Act, the punishment of persons who refuse to give evidence or produce documents before committees of the Provincial Legislature.

13. Local government, that is to say, the constitution and powers of municipal corporations, improvement trusts, district boards, mining settlement authorities and other local authorities for the purpose of local self-government or village administration.

14. Public health and sanitation; hospitals and dispensaries; registration of births and deaths.

15. Pilgrimages, other than pilgrimages to places beyond India.

16. Burials and burial grounds.

17. Education.

18. Communications, that is to say, roads, bridges, ferries, and other means of communication not specified in List I; minor railways subject to the provisions of List I with respect to such railways; municipal tramways; ropeways; inland waterways and traffic thereon subject to the provisions of List III with regard to such waterways; ports, subject to the provisions in List I with regard to major ports; vehicles other than mechanically propelled vehicles.

19. Water, that is to say, water supplies, irrigation and canals, drainage and embankments, water storage and water power.

20. Agriculture, including agricultural education and research, protection against pests and prevention of plant diseases; improvement of stock and prevention of animal diseases; veterinary training and practice; pounds and the prevention of cattle trespass.

21. Land, that is to say, rights in or over land, land tenures, including the relation of landlord and tenant, and the collection of rents; transfer, alienation and devolution of agricultural land; land improvement and agricultural loans; colonization; courts of wards; encumbered and attached estates; treasure trove.

22. Forests.

23. Regulation of mines and oilfields and mineral development, subject to the provisions of List I, with respect to regulation and development under federal control.

24. Fisheries.

25. Protection of wild birds and wild animals.

26. Gas and gasworks.

27. Trade and commerce within the province; markets and fairs; money lending and money lenders.

28. Inns and inn-keepers.

29. Production, supply and distribution of goods;

development of industries, subject to the provisions in List I, with respect to the development of certain industries under federal control.

30. Adulteration of foodstuffs and other goods ; weights and measures.

31. Intoxicating liquors and narcotic drugs, that is to say, the production, manufacture, possession, transport, purchases and sale of intoxicating liquors, opium and other narcotic drugs, but subject, as respects opium, to the provisions of List I, and, as respects poisons and dangerous drugs, to the provisions of List III.

32. Relief of the poor ; unemployment.

33. The incorporation, regulation, and winding-up of corporations other than corporations specified in List I ; unincorporated trading, literary, scientific, religious and other societies and associations ; co-operative societies.

34. Charities and charitable institutions ; charitable and religious endowments.

35. Theatres, dramatic performances and cinemas, but not including the sanction of cinematograph films for exhibition.

36. Betting and gambling.

37. Offences against laws with respect of any of the matters in this list.

38. Inquiries and statistics for the purpose of any of the matters in this list.

39. Land revenue, including the assessment and

collection of revenue, the maintenance of land records, survey for revenue purposes and records of rights, and alienation of revenue.

40. Duties of excise on the following goods manufactured or produced in the province and countervailing duties at the same or lower rates on similar goods manufactured or produced elsewhere in India :

- (a) Alcoholic liquors for human consumption ;
- (b) opium, Indian hemp and other narcotic drugs and narcotics ; non-narcotic drugs ;
- (c) medicinal and toilet preparations containing alcohol or any substance included in subparagraph (b) of this entry.

41. Taxes on agricultural income.

42. Taxes on lands and buildings, hearths and windows.

43. Duties in respect of succession to agricultural land.

44. Taxes on mineral rights, subject to any limitations imposed by any Act on the Federal Legislature relating to mineral development.

45. Capitation taxes.

46. Taxes on professions, trades, callings and employments.

47. Taxes on animals and boats.

48. Taxes on the sale of goods and on advertisements.

49. Cesses on the entry of goods into a local area for consumption, use or sale therein.

50. Taxes on luxuries, including taxes on entertainments, amusements, betting and gambling.

51. The rates of stamp duty in respect of documents other than those specified in the provisions of List I with regard to rates of stamp duty.

52. Dues on passengers and goods carried on inland waterways.

53. Tolls.

54. Fees in respect of any of the matters in this list, but not including fees taken in any court.

LIST III

CONCURRENT LEGISLATIVE LIST

PART I

1. Criminal law, including all matters included in the Indian Penal Code at the date of the passing of this Act, but excluding offences against laws with respect to any of the matters specified in List I or List II and excluding the use of His Majesty's naval, military and air forces in aid of the civil power.

2. Criminal procedure, including all matters included in the Code of Criminal Procedure at the date of the passing of this Act.

3. Removal of prisoners and accused persons from one unit to another unit.

4. Civil Procedure, including the law of limita-

tion and all matters included in the Code of Civil Procedure at the date of the passing of this Act; the recovery in a Governor's province or a Chief Commissioner's province of claims in respect of taxes and other public demands, including arrears of land revenue and sums recoverable as such, arising outside that province.

5. Evidence and oaths; recognition of laws, public acts and records and judicial proceedings.

6. Marriage and divorce; infants and minors; adoption.

7. Wills, intestacy, and succession, save as regards agricultural land.

8. Transfer of property other than agricultural land; registration of deeds and documents.

9. Trusts and trustees.

10. Contracts, including partnership, agency, contracts of carriage, and other special forms of contract, but not including contracts relating to agricultural land.

11. Arbitration.

12. Bankruptcy and insolvency; administrators-general and official trustees.

13. Stamp duties other than duties or fees collected by means of judicial stamps, but not including rates of stamp duty.

14. Actionable wrongs, save in so far as included in laws with respect to any of the matters specified in List I or List II.

15. Jurisdiction and powers of all courts, except the federal court, with respect to any of the matters in this list.
16. Legal, medical and other professions.
17. Newspapers, books and printing presses.
18. Lunacy and mental deficiency, including places for the reception or treatment of lunatics and mental deficient.
19. Poisons and dangerous drugs.
20. Mechanically propelled vehicles.
21. Boilers.
22. Prevention of cruelty to animals.
23. European vagrancy; criminal tribes.
24. Inquiries and statistics for the purpose of any of the matters in this part of this list.
25. Fees in respect of any of the matters in this part of this list, but not including fees taken in any court.

PART II

26. Factories.
27. Welfare of labour; conditions of labour; provident funds; employers' liability and workmen's compensation; health insurance, including invalidity pensions; old age pensions.
28. Unemployment insurance.
29. Trade unions; industrial and labour disputes.
30. The prevention of the extension from one

unit to another of infectious or contagious diseases or pests affecting men, animals or plants.

31. Electricity.

32. Shipping and navigation on inland waterways as regards mechanically propelled vessels, and the rule of the road on such waterways; carriage of passengers and goods on inland waterways.

33. The sanctioning of cinematograph films for exhibition.

34. Persons subjected to preventive detention under federal authority.

35. Inquiries and statistics for the purpose of any of the matters in this part of this list.

36. Fees in respect of any of the matters in this part of this list, but not including fees taken in any court.

APPENDIX II

FINANCES OF A UNION OF INDEPENDENT STATES: THE LEAGUE OF NATIONS

A

IS THE LEAGUE OF NATIONS A FEDERATION ?

A federation is a collection of separate states organized under a central authority with the following two-fold implication :

(1) That the central authority is not immediately dependent upon the states for the enforcement of its decisions, and

(2) That the states do not lose their identity in submitting to the authority of the central power. The central or federal power, that is to say, must have an independent machinery with which to make its authority unquestioned and unchallengeable within its territory. In an orthodox federation, the U.S.A., for instance, such a machinery is the federal executive with its own civil service, and its armed forces. On the other hand, the various states require a safeguard for maintaining their independent personality. They find it in the existence of an independent judicial tribunal

which has the power to veto an unjustifiable exercise of federal power. This judicial tribunal maintains the delicate balance between state independence and federal authority through the instrumentality of the federal constitution that prescribes the limits within which both the federal and state authorities are to exercise their power. The supreme court or the judicial tribunal exercises its functions by doing nothing more than declaring the will of the constitution.¹ The only way in

¹ A literal interpretation of the constitution, while satisfying the norms of legalism, fails to consider the new environmental factors of the present century. Since President Roosevelt came to office in March, 1933, his efforts to ameliorate industrial and agricultural conditions in the United States have failed simply because the Fathers of the Constitutions did not foresee the present situation and did not provide for it in the Constitution. The N.R.A. was declared unconstitutional on May 27, 1935, and the A.A.A. on January 6, 1936. Mr. Justice Roberts in the course of his judgment in the latter said that "Congress has no power to enforce its commands on the farmer to the ends sought by the Agricultural Adjustment Act. . . . The Constitution and the entire plan of our government negative any such use of the power to tax and to spend as the Act undertakes to authorize." (*United States v. Butler.*)

Further Mr. Justice Cardozo concurring with C. J. Hughes in invalidating the N.R.A. says bluntly that the Constitution did not authorize "the regulation of wages and hours of labour" by the Congress, and he adds his personal opinion that "if centripetal forces are to be isolated to the exclusion of the forces that oppose and counteract them, there will be an end to our Federal system." (*Schechter v. United States.*) 295 U.S., 554, 555.

which either the state or the federal authorities can have their own way against judicial opposition or veto is by an amendment of the constitution, which is usually made as difficult as possible in order to prevent hasty thinking as also to make the area of its consent as wide as possible.

The above review makes it clear that it is not merely the legal instrument or the constitution that makes a federation, but also its substance, and of the substance the following may be cited as characteristics :

I. A federation must have an executive that is not derived directly from the governments of the states but has an independent origin.

II. The federal executive must have its own civil service.

III. The federal executive must be in complete control of the armed forces of the federation.

IV. The federation must have certain sources of revenue for which it is not dependent upon the will of the component states.

Whether the League of Nations is a federation or not is a question that must be analysed in the perspective of these four characteristics.

I. The first point, viz. that the executive of a federation must not be derived from the governments of the states but must have an independent origin, is clear in such cases as, for instance, the U.S.A. or Australia. The American President

represents the people; and even the Senate has little connection with the respective governments of the States since the XVII amendment. Their national origin makes it possible for the federal government to view the whole federation as one unit and not as a conglomeration of separate states. This is fatally lacking in the League machinery. Article III of the Covenant provides that the Assembly shall consist of the "Representatives of the Members of the League." Members, of course, here signify the governments of the various states. Each representative of the member goes to the Assembly as a servant of his government, not with the avowed object of improving the world, but getting as many concessions as possible for his government. Besides, although each member is permitted to send three delegates to the assembly, it may have only one, and not more than one, vote.¹ The principle of separatism is, therefore, rigidly preserved.

A. F. Pollard, as early as 1918, interpreted this sentiment when he said that "internationalism implies nationalism" and that what is needed is "an inter-state rather than a super-state,"² because, as he added elsewhere,³ "nationality has come to

¹ Art. III.

² A. F. Pollard: "The League of Nations, An Historical Argument," p. 10.

³ A. F. Pollard: "The League of Nations in History," p. 12.

stay, and the purport of the League of Nations is to provide means for the expression of nationality." Nothing does this so much as the unanimity rule in the procedure of the assembly and the council. It is pointed out in some quarters that if A, B, C, etc., must *All* agree before they can take a particular course of action, then they can as well do it outside as inside the League—the fact that the more powerful nations usually dominate the League deliberations does not invalidate this argument, because the more powerful nations always dominate, League or no League. An institution which systematises their domination is consequently no better than perhaps an improved picture of the Congress of Vienna (1815–22), and Professor Zimmern's frank preference for an arrangement like the Four Power Pact¹ is in that light quite intelligible.

The first condition of a federation, therefore, does not exist in the League of Nations.

II. The Federal Executive must have its own Civil Service. Superficially the League is seen to fulfil this condition, but not when an analysis is made of the purposes for which its civil service exists. These purposes are more or less related to the activities of the Council and Assembly. In the U.S.A. one of the important functions of the Federal

¹ Professor Zimmern: "The League of Nations and The Rule of Law, 1918–1935," p. 411.

civil service is to collect federal taxes ; and since 1933, of course, a great deal of its energies have been spent in carrying out the work of the new administration. A few precedents in the constitutional history of the U.S.A. have established the rule that since Federal officers " must act within the States " ¹ they must not, when carrying out their Federal duties, be prevented from doing so by the respective States. Here is another principle which admits the necessity of Federal supremacy. The civil service of the League of Nations, however, does not enjoy such governmental supremacy over any wide range of functions.

What this makes plain is that the League lacks an independent source of income, and this diminishes the political status it may attain, owing to the fascination of its principle. The League has no taxes to collect. At some stage in the future, if the League is at all to improve from the position of a " joint stock corporation," it will have to possess independent means of income.

III. Control of the army is without doubt the key to the supremacy of the federation over its members. The existence of an independent source of revenue to finance the army is of course necessary, for the co-operation of the army has always been a decisive factor in any form of state activity.

In reviewing the League from this angle a query

¹ *Tennessee v. Davis* (1879) 100, U.S. 257.

arises. Why are the respective states of a federation willing to yield complete control of the army to the central authority? The answer to this lies in their motive in joining the federal union. The union is formed to provide common defence and guard against external aggression as well as to attain economic stability in interstate relationship. Where is this defence against external aggression in the case of the League of Nations which, in theory, seeks to control the whole world? The question cannot arise at any rate if the League is a League of *all* nations.¹ But so long as the League is not sovereign itself it will fail in its ends of being an international government which can *enforce* peace within its jurisdiction. At present peace is enforced through the League machinery only by those governments that at a particular moment may derive an advantage—or at least may not suffer harm—through the operation of that machinery. The unwillingness of the British Government to set moving the League machinery in the Sino-Japanese dispute is in that light intelligible, so also the half-hearted and listless behaviour of France in the Italo-League-Abyssinian affair. It is further not surprising to study the reaction upon France of the Hitler coup in remilitarising the Rhineland. Vaguely oblivious of her distrust

¹ See G. C. Butler's "A Handbook to the League of Nations," Part II, Chapter XIII, for a discussion of this problem.

of sanctions in case of Italy she now insists upon them in case of Germany.

If the League is to approximate the principle of defence in a federation it must have an army of its own or at any rate a police force. It must not again depend upon the voluntary contributions of its members for the maintenance of that force.

IV. The Federation must have certain sources of revenue for which it is not dependent upon the will of the component states. The importance of this point has already been explained above.

The four characteristics discussed above are essential to federalism and the more the League enjoys them the more it will advance towards being a real super-state.

B

THE FINANCES OF THE LEAGUE OF NATIONS

The above has been in the nature of a digression, as the essential purpose of this Appendix is to discuss the financial structure of the League. But in justification it may be pointed out that it is necessary to examine the nature of the institution in order to study its financial system.

The League in its present form, not being a government with varied functions, its financial structure does not bear complete analogy to the system of public finance in an ordinary state. It has, of course, its revenue, its expenditure, and its

debt, but they are all confined to administrative charges associated with the League Secretariat, the meetings of the Council and Assembly or the activities of the I.L.O. and the Hague Court. The average annual expenditure of the League is about a million pounds. All contributions are voluntary and are therefore liable to cease under certain circumstances.

Basis of Allocation

When the League was formed in 1919 none of the States who joined had any definite idea of how to regulate its finances and specially how to distribute the burden of its expenditure. The conception of the League as a federation had been ruled out as impracticable at that stage. The implications of federal finance could therefore offer no guidance to the drafters of the Covenant in determining the League financial structure. The only parallel would be a voluntary organization and the only voluntary organization of international importance they could think of at the moment was the Universal Postal Union. It was therefore determined that paragraph 5 of Article 6 should run as follows : "The expenses of the Secretariat shall be borne by the Members of the League in accordance with the apportionment of expenses of the International Bureau of the Universal Postal Union."

The first organization of this kind was the

International Telegraphic Convention (1868). Following a conference held at Berne in 1874 the "Universal Postal Union" emerged, adopting the same scale as the I.T.C. for the apportionment of its expenses. According to this scale each member state is given a classification ¹ in the following way :

Class I	Units 25	Amount	£16,234
Class II	Units 20	Amount	£12,960
Class III	Units 15	Amount	£9,742
Class IV	Units 10	Amount	£6,494
Class V	Units 5	Amount	£3,247
Class VI	Units 3	Amount	£1,948

In 1890 a seventh class, rated at one unit (amount £648), was added at the request of the smaller states.²

The League of Nations had not been the first to adopt this scale. For the offices of the Permanent Court of Arbitration at the Hague—result of the Conventions of 1899 and 1907—this scale was adopted to apportion expenses. In the case of the Universal Postal Union the general principle followed in arriving at the classification of a state was "according to the population, extent of territory, and the importance of the postal traffic." That obviously could not, in all essentials, apply to

¹ See the little pamphlet published by the L. of N. Information Section in 1928 entitled "Financial Administration and Apportionment of Expenses."

² *Ibid.*, p. 22.

the League of Nations, as the "importance of postal traffic" has little relation to the political status of a state. Besides, the budget of the League was found to be much larger than that of the Universal Postal Union. The annual expenditure of the latter was roughly £5,000, divided among 81 contributors.¹ This sum is too small to be a problem, but the budget figure of the League is high enough to raise the problem of equity in the allocation of expenditure. This was specially manifest until the scale of the U.P.U. was repealed in favour of a scale to be decided by the Assembly from time to time.

Under the scale of the U.P.U., for instance, India paid the same amount as the British Empire, viz. £16,234, both being in the first class, so were China, Japan and Poland. It could not for a moment be argued that all these countries had the same potential wealth as to justify an equality in their contributions.

These drawbacks were clear in 1920, when at its August meeting in San Sebastian the League Council arranged the constitution of a Committee of Experts which met at Brussels to suggest a more equitable basis for allocating the expenditure. The Committee very soon decided that what is called the "benefit principle" can not be applied in the case of the League—as the League is founded to render maximum assistance to any member at any

¹ *Ibid.*

time. The benefit, therefore, would be common to all, and yet it could not, of course, justify the conclusion of advocating equal contributions from all. The only alternative was to adopt the principle of ability to pay.

To a large extent the economic upheaval following the war made it extremely difficult to determine a country's ability to pay either in terms of its national income, population, area or trade returns. After considering all the alternatives the Committee decided to base their decisions on two factors only, viz. the net public revenue of 1913 and the estimated population of 1919.¹ In the second case it was decided that for China or India the significance of their population should not exceed that of any European League Member with the largest population. On this basis China, India and Poland passed from the first to the second class, while Australia, Canada and South Africa went from the first to the third class. Of the 41 States thus dealt with 15 remained in the same category, 9 were advanced to a higher class and 17 were given a lower rating.¹

This proposal was examined by the first Assembly in November, 1920, and still found to be defective in character. There was a suggestion to amend Article 6, but opinion was not unanimous in that respect. The defects of working under the rating

¹ *Ibid.*, p. 28.

of U.P.U. were, for instance, patent in the case of Great Britain and Liberia. In population the former had 50 times as many inhabitants as the latter, and in the matter of revenue it was about 4,250 times Liberia. In the existing scale, however, Great Britain was only 25 times Liberia (with 25 units against 1 of Liberia).

An Allocation Committee appointed towards the end of 1920 to study this question suggested the following rating :

Class I	.	.	.	Units 90
Class II	.	.	.	Units 65
Class III	.	.	.	Units 35
Class IV	.	.	.	Units 15
Class V	.	.	.	Units 10
Class VI	.	.	.	Units 5
Class VII	.	.	.	Units 2

The maximum could thus be 45 times greater the minimum.

But to work on this suggestion it was necessary to amend Article 6 of the Covenant which fixed the rating in accordance with that of U.P.U. The Second Assembly, therefore, meeting in September, 1921, suggested such an amendment and proposed the following clause to replace paragraphs of Article 6 of the Covenant : " The expenses of the League shall be borne by the Members of the League in the proportion decided by the Assembly."

Although there was a general agreement among

the various members of the League that the classification proposed by the Allocation Committee was more equitable than that of the U.P.U., differences were still sufficient to prevent an amendment of the Covenant.

One principle admitted by the Allocation Committee seemed to facilitate the chances of agreement in 1922. It was recognised that countries like France that had suffered invasion in the Great War ought to be granted a concession in their contribution to the League. Thus France was granted a concession which reduced the contribution to 78 units while she was still in Class I. Some states who still thought that they would pay relatively more than the amount justified by their position maintained their opposition to the new arrangement. Poland at this moment stepped in with an offer to pay at the rate of 25 instead of 15 units. In the meantime the admission of Hungary gave a further margin of 4 units for reallocation.¹ This facilitated a reduction in the burden on some of the smaller states, and the Third Assembly therefore adopted the renewed scale for the budget of 1923, subject to an amendment of the Covenant, which was finally made possible in August, 1924, as the requisite number of ratifications, in accordance with Article 26 of the Covenant, were obtained. Further, the admission of Abyssinia and the Irish

¹ *Ibid.*, p. 38.

Free State into the League brought fresh contributions which were utilised in slightly reducing the rating of other states.¹

The new rating thus adopted and, with slight modifications, at present in force, requires states of Class I to pay 105 (or less) units.² Great Britain thus pays 105. France, although in the same category, pays 79 units. It may be interesting to note that there is no other League member that pays 105 units. Great Britain therefore stands alone in this respect.³ Italy and Japan paid 60 units each. Next comes India with 56 units to pay. The amount she pays is not justified under the present circumstances. She has the obligations of a full-fledged League member but not the rights of a full-fledged League member. She cannot lay an independent appeal to the League on any subject because her affairs are "the domestic concern" of Great Britain. Her payments incidentally amount to 1,704,202.45 gold francs as compared with 3,195,379.60 gold francs of Britain's and 821,669.05 gold francs (27 units) of Australia.⁴

¹ *Ibid.*

² A unit at present is roughly equivalent to a sum of £1,200 at the old par of exchange.

³ See "The League Year Book," 1934.

⁴ *Ibid.* for a full list of the contributions of all League Members.

The Gold Franc

The gold franc, adopted by the League of Nations on May 19, 1920, is equivalent to 0.3225806 of a gramme of gold, 90 per cent. fine.¹ When the Secretariat was transferred from London to Geneva the employment of a continental currency became desirable. The gold franc, therefore, with its pre-war ratio of 5.1826 to the American dollar was adopted as the monetary unit of the League.² The budget total is expressed in gold francs, the details of the expenditure being worked out in Swiss francs. For accounting purposes the gold franc and the Swiss franc are treated as of equal value.

Other Sources of Revenue of the League of Nations

Apart from these regular contributions of the members, the League has two other special sources of revenue, but being non-recurring and exceptional in character they are not of much importance. They are the following :

1. Contributions from member or non-member states for special functions. If in some conference or other between the member of the League and non-members a special expenditure occurs, the non-members are expected to contribute a share.

¹ "League of Nations Year Book," 1934, p. 28.

² League of Nations: "Financial Administration and Apportionment of Expenses," p. 16.

The cost of the World Economic Conference held at London in 1933 included a contribution of 17,629 Swiss francs from the U.S.A. Again in some special activity of the League which may benefit a particular non-member, that non-member is expected to share the expenses in proportion to the benefit it receives.

2. Contributions from private bodies or individuals made for special purposes. In 1933 the Rockefeller Foundation gave \$50,000 towards the expenses of the Fiscal Committee in its study of international taxation problems. The same foundation gave another \$125,000 for the promotion of analytical research work of the Financial Section and Economic Intelligence Service.¹ There have been a number of other contributions of varying nature.

The Expenditure Budget of the League.

The functions of the Allocation Committee must be clear from what has been said about it earlier. It still exists and is largely useful in studying the economic changes of members states that may justify a modification in their contributions. It also decides the scale at which a new member may have to pay its contribution.

¹ "League of Nations Year Book," 1934.

The expenditure of the League is governed by the financial regulations published in 1931 and containing Amendments adopted at the 4th, 6th, 9th, 10th and 11th Ordinary Sessions of the Assembly.¹ As laid down there,² the estimates of the budget are divided into separate Parts : *

- (a) For the Secretariat,
- (b) For each Autonomous Organization, and
- (c) For the Working Capital Fund.

¹ " League of Nations Year Book," 1934.

² League of Nations: " Regulations for the Financial Administration of the League of Nations," C.3.M.3. 1931. X. Article 9 (2).

* MODEL ESTIMATES.*

Part I. *Secretariat and Special Organizations of the League.*

Section 1. Ordinary Expenditure.

Chapter 1. Assembly and Council Sessions.

Chapter 2. General Services of the Secretariat, and so forth.

Section 2. Capital Expenditure.

Part II. *International Labour Organization.*

Section 1. Ordinary Expenditure.

Chapter 1. Salaries.

Chapter 2. Travelling expenses, subsistence and entertainment allowances and so forth.

Section 2. Capital Expenditure.

Part III. *Permanent Court of International Justice.*

Section 1. Ordinary Expenditure.

Chapter 1. Salaries.

Chapter 2. Duty and subsistence allowances, and so forth.

Section 2. Capital Expenditure.

Part IV. *Working Capital Fund.*

* C. 3. M. 3. 1931. X., p. 12.

Each *Part* (except that relating to the Working Capital Fund) is divided into two *Sections*, one for ordinary expenditure and the other for capital expenditure.¹ The *Sections*, in their turn, are subdivided into *Chapters* corresponding to the various services or categories of expenditure.²

Autonomous Organizations include the International Labour Organization, the Permanent Court of International Justice and any autonomous organization hereafter created by the Assembly. They are autonomous only in so far as their financial administration is separated from that of the Secretariat.

The general Budget of the League is preceded by a summary of the estimated income and expenditure for all the organizations covered by the Budget. This statement sets out the amount required to cover :

- (a) Ordinary Expenditure.
- (b) Capital Expenditure.
- (c) Contributions, when necessary, to the Working Capital Fund.³

The Working Capital Fund is designed to meet, temporarily, the normal requirements of regular organizations of the League which cannot be paid out of income at the time when they are due to be met.⁴ Assistance is given in the form of advances

¹ *Ibid.*, Article 9 (3).

² *Ibid.*, Article 9 (4).

³ *Ibid.*, Article 11.

⁴ *Ibid.*, Article 33.

from the Fund to the competent officials of the organizations,¹ and such advances are repaid to the Fund as soon as the necessary income is available.²

Article 1 of these Financial Regulations³ sets up a Supervisory Commission to co-ordinate and control the income and expenditure of the League. The Budget as prepared annually by the Secretary-General, and its Annexes, are examined by this Commission, which prepares a report thereon in time for both documents to be dispatched to the Council and the Members of the League three months before the regular annual session of the Assembly.⁴

Collection of Revenue.

There is usually a delay in the payment of contributions to the Secretary-General. Under the ordinary procedure the Secretary-General informs the members, after the adoption of the Budget, that their contributions are due. If by April 1st

¹ Competent official means

(a) in the case of the Secretariat and non-autonomous organizations, the Secretary-General;

(b) in the case of the International Labour Organization, the Director of the Labour Office; and

(c) in the case of the Permanent Court of International Justice, the Registrar of the Court; or the duly authorised deputies of these officials. *Ibid.*, Definitions.

² *Ibid.*, Article 33.

³ C. 3, M. 3. 1931. X.

⁴ *Ibid.*, Article 16.

there is no response to this invitation, the Secretary-General is to repeat his request ¹ at the end of three months and at the end of further three months.¹

It is clear that there is no machinery by which the League is assured of a regular flow of income. At present, if the contributions do not come in due time, the Secretary-General can only inform and "repeat his request." A delay in contributions might mean also a delay in the payment of salaries to the staff and other expenses of the League. The Working Capital Fund was set up to meet this contingency, and has so far answered its purpose adequately. This does not, however, do away with the necessity of placing the League finances on a permanent basis by assuring to the League a few independent sources of income.

Auditing.

The audit of League expenses is as strict as can be desired. An auditor and deputy auditor are appointed by the Council, who in addition to their other duties examine all payments and vouchers three times during the year. For the purpose of their audit they are entitled to examine any League document, and the competent League officials must be prepared to give information or answer questions.

¹ *Ibid.*, Article 21.

APPENDIX III

THE AUSTRALIAN LOAN COUNCIL— CONSTITUTION AND MANAGEMENT

[AN EXTRACT FROM THE FINANCIAL AGREEMENT
VALIDATION ACT, 1929]

3. AUSTRALIAN LOAN COUNCIL

(a) There shall be an Australian Loan Council which shall consist of one Minister of State of the Commonwealth to be appointed in writing from time to time by the Prime Minister of the Commonwealth to represent the Commonwealth, and one Minister of State of each State to be appointed in writing from time to time by the Premier of that State to represent that State. Provided that, if in the opinion of the Prime Minister or of any Premier of a State, special circumstances exist at any time which make it desirable so to do, a person who is not a Minister may instead of a Minister be appointed by the Prime Minister or the Premier as the case may be to represent the Commonwealth or a State as a member of the Loan Council. The name of each person appointed to represent a State shall be notified in writing by the Premier of that State to the Prime Minister.

(b) The member representing the Commonwealth on the Loan Council shall hold office during the pleasure of the Prime Minister of the Commonwealth and a member representing a State shall hold office during the pleasure of the Premier of the State which the member was appointed to represent.

(c) A decision in which all the members for the time being of the Loan Council concur shall be a unanimous decision of the Loan Council notwithstanding any vacancy then existing in its membership.

(d) A meeting of the Loan Council may at any time be convened by the member representing the Commonwealth, and shall be so convened upon the request of at least three members representing States.

(e) A majority of the members of the Loan Council shall constitute a quorum of the Loan Council for the exercise of its powers at any meeting. Provided that :

- (i) a member may at any time appoint in writing a deputy to act in his absence ; and any deputy so appointed may in the absence of the member exercise all the powers and functions of the member and his presence shall be deemed the presence of the member ; and
- (ii) an absent member who has not appointed a deputy may vote by letter or by telegram,

and in such case that member shall be counted as being present in relation only to the questions on which he has voted.

(f) The Loan Council may make rules of procedure including rules relating to places, times, and notices of meetings, and conduct of business at meetings, and from time to time may alter such rules.

(g) The Commonwealth and each State will from time to time while Part II of this Agreement is in force, and while Part III of this Agreement is in force, submit to the Loan Council a programme setting forth the amount it desires to raise by loans for each financial year for purposes other than the conversion, renewal or redemption of existing loans or temporary purposes. Each programme shall state the estimated total amount of such loan expenditure for the year, and the estimated amount of repayments which will be available towards meeting that expenditure. Any revenue deficit to be funded shall be included in such loan programme, and the amount of such deficit shall be set out. Loans for Defence purposes approved by the Parliament of the Commonwealth shall not be included in the Commonwealth's loan programme or be otherwise subject to this Agreement.

(h) If the Loan Council decides that the total amount of the loan programme for the year cannot be borrowed at reasonable rates and conditions it

shall decide the amount to be borrowed for the year, and may by unanimous decision allocate such amount between the Commonwealth and the States.

(i) If the members of the Loan Council fail to arrive at a unanimous decision under the last preceding sub-clause allocating the amount to be borrowed for any year, the amount to be borrowed for that year shall be allocated as follows :

- (i) The Commonwealth shall, if it so desires, be entitled to have one-fifth or any less proportion of such amount allocated to the Commonwealth ; and
- (ii) Each State shall be entitled to have allocated to it a sum (being a portion of the balance of such amount) bearing to the balance of such amount the same proportion which the net loan expenditure of that State in the preceding five years bears to the net loan expenditure of all the States during the same period. Provided that any State may, if it so desires, have allocated to it a sum less than the sum to which it is entitled under this sub-clause or no sum, and that when a less sum or no sum has been allocated to any State or States in manner aforesaid the amount then remaining available for allocation shall be allocated to the other States in the proportion which the net loan expenditure of each of such other States in the preceding five years bears to the net loan expenditure of all such other States during the same period. For the

purposes of this sub-clause net loan expenditure does not include expenditure for the conversion, renewal, or redemption of loans, but means the gross other loan expenditure of a State less any amounts of such expenditure repaid to the State other than moneys repaid to the State in manner stated in Part II, Clause 4 (e), or Part III, Clause 3 (i), of this Agreement.

(j) If the total amount to be borrowed as aforesaid for any year is to be borrowed by means of more than one loan the Loan Council may by unanimous decision apportion between the Commonwealth and the States the amount to be borrowed by each such loan other than the loan by means of which the balance of the total amount to be borrowed as aforesaid for the year is borrowed.

(k) If the members of the Loan Council fail to arrive at a unanimous decision under the last preceding sub-clause apportioning the amount to be borrowed as aforesaid by any loan the amount to be borrowed by that loan shall be apportioned between the Commonwealth and the States in proportion to the amount then to be borrowed as aforesaid for the Commonwealth and for each State for the year.

(l) The Commonwealth and each State will also from time to time, while Part II of this Agreement is in force and while Part III of this Agreement is in force, submit to the Loan Council a statement

setting out the amount it requires for each financial year for the conversion, renewal or redemption of existing loans.

(*m*) If the members of the Loan Council fail to arrive at a unanimous decision on any matter other than the matters referred to in sub-clauses (*h*) and (*j*) of Clause 3 and sub-clause (*b*) of Clause 4 of this part of this Agreement, the matter shall be determined by a majority of votes of the members.

On every question for decision by the Loan Council the member representing the Commonwealth shall have two votes and a casting vote, and each member representing a State shall have one vote.

(*n*) A decision of the Loan Council in respect of a matter which the Loan Council is by this Agreement empowered to decide shall be final and binding on all parties to this Agreement.

(*o*) In this clause the expressions "Prime Minister" and "Premier" include the persons for the time being respectively acting as such.

4. FUTURE BORROWINGS OF COMMONWEALTH AND STATES

(*a*) Except in cases where the Loan Council has decided under sub-clause (*b*) of this clause that moneys shall be borrowed by a State, the Commonwealth, while Part II or Part III of this Agreement is in force, shall, subject to the decisions of the

Loan Council and subject also to Clauses 5 and 6 of this Part of this Agreement, arrange for all borrowings for or on behalf of the Commonwealth or any State, and for all conversions, renewals, redemptions, and consolidations of the Public Debts of the Commonwealth and of the States.

(b) If at any time the Loan Council by unanimous decision so decides, a State may in accordance with the terms of the decision borrow moneys outside Australia in the name of the State, and issue securities for the moneys so borrowed. The Commonwealth shall guarantee that the State will perform all its obligations to bondholders in respect of the moneys so borrowed. For all the purposes of this Agreement, including the making of sinking fund contributions, the moneys so borrowed shall be deemed to be moneys borrowed by the Commonwealth for and on behalf of that State.

(c) If any State after the 30th June, 1927, and before this Agreement has been approved by the Parliaments of the Commonwealth and of the States, has borrowed moneys in the name of the State and issued securities for the moneys so borrowed, such moneys shall for all the purposes of this Agreement, including the making of sinking fund contributions, be deemed to be moneys borrowed by the Commonwealth for and on behalf of that State.

5. BORROWING BY STATES

For any purpose (including the redemption of securities given or issued at any time for moneys previously borrowed or used in manner stated in this clause) a State may, while Part II or Part III of this Agreement is in force :

- (a) Subject to any maximum limits decided upon by the Loan Council from time to time for interest, brokerage, discount and other charges, borrow moneys within the State from authorities, bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice and from the public by counter sales of securities, and
- (b) use any public moneys of the State which are available under the laws of the State.

Any securities that are issued for moneys so borrowed, or used shall be Commonwealth securities to be provided by the Commonwealth upon terms approved by the Loan Council.

Where any such borrowing or use is solely for temporary purposes, the provisions of this Agreement, other than this clause, shall not apply.

Where any such borrowing or use is not solely for temporary purposes, and Commonwealth securities are issued in respect thereof, the moneys borrowed or used shall be deemed to be moneys borrowed by the Commonwealth for and on behalf

of the State, and may be retained by the State. A State may convert securities given or issued at any time by that State for moneys previously borrowed or used in manner stated in this clause. New Securities issued on any such conversion shall be Commonwealth securities to be provided by the Commonwealth upon terms approved by the Loan Council. The amount for which such new securities are issued shall be deemed to be moneys borrowed by the Commonwealth for and on behalf of the State.

If the moneys deemed under this clause to be moneys borrowed by the Commonwealth on behalf of a State, together with the amounts raised by the Commonwealth for and on behalf of the State exceed the total amount of loan moneys decided upon by the Loan Council as the moneys to be raised for and on behalf of the State for the financial year in which the money is deemed to be borrowed, the excess shall, unless the Loan Council otherwise decides, be deemed to be moneys received by the State in the following year on account of its loan programme for that year.

For the purposes of this clause counter sales of securities shall be deemed to mean sales of securities made at the offices of the State Treasury, and at such other places as may be decided upon by the Loan Council.

The Commonwealth shall not be under any

obligation to make sinking fund contributions in respect of moneys borrowed or used pursuant to this clause to meet a revenue deficit of a State, but the provisions of Clause 4 (*d*) of Part II, and of Clause 3 (*j*) of Part III of this Agreement shall apply respectively to all moneys borrowed or used for that purpose.

Except in cases where the Loan Council has otherwise decided under sub-clause (*b*) of Clause 4 of Part I of this Agreement a State shall not have the right to invite loan subscriptions by the issue of a public prospectus.

Notwithstanding anything contained in this Agreement, any State may use for temporary purposes any public moneys of the State which are available under the laws of the State, or may, subject to maximum limits (if any) decided upon by the Loan Council from time to time for interest, brokerage, discount, and other charges, borrow money for temporary purposes by way of overdraft, or fixed, special, or other deposit, and the provisions of this Agreement other than this paragraph shall not apply to such moneys.

6. BORROWING BY COMMONWEALTH

For any purpose (including the redemption of securities given or issued at any time for moneys previously borrowed or used in manner stated in

this clause) the Commonwealth may—while Part II or Part III of this Agreement is in force :

- (a) Subject to any maximum limits decided upon by the Loan Council from time to time for interest, brokerage, discount and other charges, borrow moneys within the Commonwealth from authorities, bodies, funds or institutions (including Savings Banks) constituted or established under Commonwealth or State law or practice and from the public by counter sales of securities, and
- (b) use any public moneys of the Commonwealth which are available under the laws of the Commonwealth.

Any securities that are issued for moneys so borrowed or used shall be Commonwealth securities, to be provided by the Commonwealth upon terms approved by the Loan Council.

Where any such borrowing or use is solely for temporary purposes, the provisions of this Agreement, other than this clause, shall not apply.

Where any such borrowing or use is not solely for temporary purposes, and Commonwealth securities are issued in respect thereof, the moneys borrowed or used may be retained by the Commonwealth. The Commonwealth may convert securities given or issued at any time by the Commonwealth for moneys previously borrowed or used in manner stated in this clause. New securities issued on any such conversion shall be Common-

wealth securities to be provided by the Commonwealth upon terms approved by the Loan Council.

If the moneys so borrowed or used are not borrowed or used solely for temporary purposes and Commonwealth securities are issued in respect thereof, and such moneys, together with other moneys borrowed by the Commonwealth for and on behalf of the Commonwealth as part of the total amount of loan moneys decided upon by the Loan Council as the moneys to be raised for and on behalf of the Commonwealth for the financial year in which the securities are issued, exceed such total amount the excess shall, unless the Loan Council otherwise decides, be deemed to be moneys received by the Commonwealth in the following year on account of its loan programme for that year.

For the purposes of this clause counter sales of securities shall be deemed to mean sales of securities made at the offices of the Commonwealth Treasury, and at such other places as may be decided upon by the Loan Council.

Notwithstanding anything contained in this Agreement, the Commonwealth may use for temporary purposes any public moneys of the Commonwealth which are available under the laws of the Commonwealth or may, subject to maximum limits (if any) decided upon by the Loan Council

from time to time for interest, brokerage, discount, and other charges, borrow money for temporary purposes by way of overdraft, or fixed, special or other deposit, and the provisions of this Agreement other than this paragraph shall not apply to such moneys.

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~~FEDERAL FINANCE~~

FEDERAL FINANCE

A STUDY OF
THE PROBLEMS OF PUBLIC FINANCE
ARISING IN FEDERAL CONSTITUTIONS

By

M. MIR KHAN

Hyderabad Civil Service

WITH A FOREWORD

BY

SIR GEORGE SCHUSTER,

K.C.S.I., K.C.M.G., C.B.E., M.C.,

Finance Member of the Government of India, 1928-34

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FOREWORD

By SIR GEORGE SCHUSTER,
K.C.S.I., K.C.M.G., C.B.E., M.C.,

Finance Member of the Government of India, 1928-34.

I AM very glad to write a few words in commendation of this clearly written book. It appears at a very opportune moment. There is no subject in the constitutional field which is of greater interest to-day than "Federal Finance," not merely in India, but in many countries of the world. The establishment of satisfactory relations between a Federal Government and its constituent states is a problem which, during the past century and particularly during recent years, has exercised the minds of the framers of constitutions, of the statesmen who have to work under them, and of the law courts which have to interpret the statutes in which they are embodied. These problems as affecting the development of economic and financial policies have, as is well known, been very prominent recently in the United States of America, Canada and Australia. It may be permitted to one who has a great admiration for the ability of Indians

and also for the standards of public administration which have become traditional in India to express a confident hope that India will have much to teach the world in the successful solution of these problems. To all who must perforce be interested in them Mr. M. Mir Khan's book will be an extremely valuable guide, and it is a pleasure to recognise that a young Indian, taking advantage of the close ties which exist between his country and ours, has produced so admirable a work.

GEORGE SCHUSTER.

P R E F A C E

THE object of this book is to analyse the problems of Public Finance which are peculiar to federal constitutions. From a study of the financial systems of the various federal governments, I have attempted to draw out and analyse the problems arising out of their constitutional nature. Different countries have tackled these problems in different ways. I have made a comparison of these methods in order to study their relative merits. The central theme of federalism is the division of powers between the federal and the state governments. In this study of the financial aspect of federalism, therefore, the main issues relate to the distribution of financial authority between the governments of the states and the federation.

I made my first acquaintance with problems of financial decentralisation while working in the Finance Department of the Government of India, at Calcutta and Nagpur and in the Currency Department at Madras and Bombay. As an officer of the Civil Service in Hyderabad, I had the opportunity to assist in the art of financial administration and to compile the Financial Code of the

State. Here I acquired a knowledge of the problems facing the states and provinces of India under a scheme of federal organisation.

During my research at the London School of Economics, I have received valuable advice and guidance from Dr. F. C. Benham, for which I record my debt of gratitude. I wish to thank Professor P. B. Potter, of the Institut des Hautes Etudes Internationales of the University of Geneva, for useful suggestions. The sources from which I have drawn are indicated in the bibliography. Appendix II is the result of a study made with Mr. S. K. Shastri, to whom I am extremely thankful for his generous assistance.

M. MIR KHAN.

LONDON SCHOOL OF ECONOMICS
AND POLITICAL SCIENCE.

July 15, 1936.

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