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INDIAN ECONOMIC LIFE,

PAST AND PRESENT

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BY

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TO
MY FATHER

تُو اویب با عمل لے صاحبِ اخلاق ہے تُو جیکیم باخبر ہے فلسفے کار از داں
تُو نے وہ نکتے بتائے دین و دنیا کے مجھے یاں بھی کام آئیں وہاں بھی کام آئیں سبیاں
طرز ہے دلچسپ و مستحسن تیری تحریر کا
گو نجاتا ہے کان میں جادو تیری تقریر کا

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PREFACE

The first five chapters of the book, which deal mainly with the past, are based on material collected in Holland and India Office, London, in 1927. In the chapters dealing with Currency and Population I have made considerable use of material taken from my *Essays on Indian Economic Problems* (1922) and *The Population of India* (1925). The material has, of course, been carefully revised.

For help in the preparation of the volume I am under many obligations. My grateful thanks are due to Professor Bhupal Singh for many valuable suggestions; to Mr. Bijlsma, in charge of the colonial records in the Rijksarchief, the Hague, not only for giving me personally all facilities for the study of the valuable documents under his charge, but for his kindness in getting copies of selected documents made for the Punjab University Library; to Professor Chiranjiva Lal Mathur for reading the whole manuscript and critically reviewing it, which led to many corrections, alterations and improvements in the text; to Professor H. T. Colenbrander of the University of Leiden for more things than I can mention here; to Mrs. Durga Parshad, without whose kind help it would have been impossible for me, during my very short stay in London, to get together the material used in Chapter V; to the Editors, Indian Journal of Economics, Allahabad, Weltwirtschaftliches Archiv, Kiel, and Wirtschaftsdienst, Hamburg, and Messrs. G. A. Gloeckner & Co.,

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Though all possible care has been taken in writing and printing, I can hardly hope that all errors in the text, or in the many arithmetical calculations involved in the discussion of present problems, have been eliminated, and I shall feel indebted to any reader who directs my attention to any such mistakes.

August 1929.

BRIJ NARAIN.

* *Eighty Years of Punjab Food-Prices, 1841—1920*, LJE, April, 1926, *Exchange and Prices in India, 1873—1924*, W. A., April, 1926. Much of the information contained in the chapter on Industries and some in several other chapters is taken from reports written for W D. In Chapter XXVI I have used Koelner Vortraege, Bd. II, pp. 62—76 *Das Kreditwesen in Indien*.

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INTRODUCTION

The following pages contain a study of facts and problems of Indian economic life—a study of what is known in our Universities as “Indian Economics.” Indian economics is a misleading term, and there would be advantage in abandoning its use altogether. It was introduced by writers who supposed that the principles of economics, as they are taught in the West, did not apply to Indian conditions. The economic organisation of an agricultural country must be different from that of an industrial country, but the motives to economic activity are the same everywhere. If economics is a study of mankind in the ordinary business of life, as it claims to be, and if the motives which lead men to engage in the production of wealth in India are the same as in Western countries, a study of facts of Indian economic life cannot be expected to reveal the existence of entirely new laws governing the production, exchange, distribution or consumption of wealth. No such laws have been discovered. There is thus no science of “Indian economics” as apart from the science of “General economics.” Indian economics is a study of Indian economic life (facts as well as problems) in the light of our knowledge of the general principles of economics.

* * * * *

A country with India's natural resources should be one of the richest countries in the world. The fact that India is poor shows that there is need for

large and fundamental changes in the country's economy.

The chief problem which confronts us to-day is that of the growing pressure of population on the soil. Agricultural research will not solve this problem. There is only one solution of it—rapid industrialisation of the country.

There are many amongst us who think that the economic salvation of India lies in hand-weaving and hand-spinning. It is true that for hundreds of years the prosperity of India depended upon the skill of the hand-worker in the production of cloth and other articles. But conditions have materially changed during the past 150 years. The arts of production have been revolutionised by power-driven machinery, and experience has shown that the hand-worker cannot compete with the machine. This unequal competition is largely responsible for the present situation, and present conditions will continue until Indian industries are modernised.

In the gigantic task of industrialisation of the country in the modern sense Government must help. It is necessary to adopt a national policy in regard to manufacturing industries, inspired and guided solely by considerations of India's good.

A serious obstacle to improvement in the material conditions of existence in the case of the masses, whether Hindu or Muhammadan, is their indifference or inertia, born of the conviction that the existing order of things and the place of every one in the universe are pre-determined. Those who accept such a philosophy of life do not fight against

injustice or adversity—they bear them patiently. Marx has well said: “Religion is the opium of the people.”

Doctrines of survival and re-incarnation, which will be recognised as characteristically Hindu doctrines, are spreading rapidly in the West. It will be interesting to watch their effect on the lives of the people when their logical consequence—fatalism—is also generally accepted. In India a new era will dawn when the masses begin to take a less fatalistic view of life and realize that a large part of the existing poverty and, at any rate, some part of the existing inequalities in the distribution of wealth and income are removable by their own efforts.

* * * * *

Attention is specially invited to chapters XIV and XV which deal with the relation of prices to exchange. Since the publication of the report of the last Currency Commission no question has been more keenly discussed in India than that of exchange. The 18*l.* ratio is now a “settled fact,” but from the point of view of theory the enquiry is important whether Indian prices did, as a matter of fact, adjust themselves to the rate of exchange in 1924-25. The treatment of the subject by the Currency Commission cannot, unfortunately, be described as satisfactory. The controversy can be finally settled only by a detailed examination of prices of individual commodities, such as was undertaken in connection with

* If one may judge from the ever-increasing number of books, journals etc devoted to spiritualism published in France, Germany and other countries. See particularly the works of Allan Kardec and his followers in France, and an article on the subject of re-incarnation in Germany in *La Revue Spirite* (Paris) for May 1929.

the currency changes of the year 1893. So far the discussion has been limited to the movements of the general index number of prices.

The results of past experience have also been generally ignored. The factors which influence exchange are so many and their action is so complex that it is impossible to speak of any precise adjustment of prices to the rate of exchange in India at any time between 1873 and 1924. Such precise adjustment may have taken place in 1924-25, but then it is necessary to show, first, that the actual prices of the great majority of the more important articles fell when the gold value of the rupee was rising; and second (what is more important), that the fall in price, in each case, was due to the rise of exchange, and not to such causes as a fall in the world price, or change in the relation of production to consumption in India.