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THE INDIAN TARIFF PROBLEM

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THE INDIAN TARIFF PROBLEM

IN RELATION TO
INDUSTRY AND TAXATION

by

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PREFACE

THE object of the present volume is a critical review of the policy and administration of Protective Tariffs, on which India embarked on the attainment of Fiscal Autonomy in 1921. The existing literature on the subject of Indian tariffs deals either with the evolution of the customs tariff through successive stages, with special reference to the fiscal autonomy controversy of the last quarter of the nineteenth century, or with general arguments along well-known, orthodox, lines on the merits and demerits of a policy of protection for India. So long as India had no right to regulate her tariff policy in accord with the wishes and opinions of her people, there was a pronounced, natural, tendency not only to emphasise her right to the exercise of fiscal autonomy, but also to assume that a policy of protection was the only, or at any rate the best, cure for many of her industrial weaknesses. Now that she has attained the long desired fiscal autonomy and freely exercised that right for a decade, the time has come when we should begin to ask how far the assumptions of the protective policy have been justified by the facts of experience. It is with the finding of an answer to that question that this book is largely concerned.

Perhaps a few words may be added on the scope and plan of the work. Since a protective tariff is, first and foremost, a machinery for taxation and redistribution of the National Dividend, the implications, reactions, and limitations, of the Indian tariff as an engine for a reallocation of the national resources and income, both with reference to the general interest on the one hand and important sections of specific interests on the other, are examined and set out in Chapter I. The succeeding seven chapters are devoted to a detailed, realistic, study of India's tariff policy and administration with specific reference to three of the typical major industries of the country—the cotton, the steel, and the sugar industries. The conclusions regarding the necessity, efficacy, and relevancy, of

the protective tariff as a remedy for the present competitive weakness of these industries are stated in each case separately. The last chapter contains a résumé of the arguments and conclusions, and ends with a plea for formulating the tariff policy on more rational lines, and improving the technique of tariff administration with the aid of fuller and better data than have been used in the past.

I am deeply indebted to Professor A. J. Sargent for being good enough to read patiently through the whole book in MS., and for advice and criticisms which have been of the utmost value to me in improving the argument at many points.

I wish to express my thankfulness to my teacher and friend Sir Jehangir Coyajee, Member of the Indian Fiscal Commission and the Royal Commission on Indian Currency and Finance, Sir Padamji Ginwala, lately President of the Indian Tariff Board, Dr. Vera Anstey, Professor J. Coatman, and Professor Harold J. Laski for encouragement and helpful suggestions at different stages of the work.

I am under obligations to the Librarians of the British Museum, the India House, the India Office, and, in a special sense, to Mr. B. M. Headicar of the School of Economics and Political Science, for their unfailing courtesy and assistance.

My grateful acknowledgements are also due to my friends Dr. P. Datta and Mr. M. L. Bhatia for the drawings of the graphs.

H. L. D.

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INDIAN COINAGE, WEIGHTS AND MEASURES

THE unit of the Indian currency is the silver rupee. At the present rate of exchange, the rupee is equal to 1s. 6d. sterling. The rupee is divided into 16 annas, and the anna into 12 pies.

The method of numerical notation in India differs from that prevalent in Europe. Large numbers are not punctuated in hundreds of thousands and millions, but in lakhs and crores. A lakh is one hundred thousand and written out as 1,00,000. A crore is one hundred lakhs and written out as 1,00,00,000.

The standard unit of weights in India is the maund. The maund is divided into 40 seers, and the seer into 16 chhattacks. The maund is equal to 82·28 lb. Av.

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