

UNIVERSITY OF THE PANJAB

Old Boys' Economics Association

PROCEEDINGS

OF THE

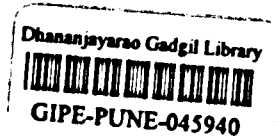
FIRST ECONOMICS CONFERENCE

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The Association is deeply grateful to the Hon'ble Mr. N. R. Sarker for his so kindly consenting to inaugurate the Conference, to the Hon'ble Dr. Sir Manohar Lal for his Address in the Inaugural Session and his kind invitation to tea so generously extended to the members of the Conference, and to M. Afzal Husain, Esq., Vice-Chancellor, for his Welcome Address.

Secretary.

D. K. MALHOTRA,

THE FIRST ECONOMICS CONFERENCE, 1942.



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PROCEEDINGS
of the
FIRST ECONOMICS CONFERENCE
held at Lahore
on the 22nd and 23rd December, 1942.

The first Economics Conference convened by the Panjab University Old Boys' Economics Association was inaugurated by the Hon'ble Mr. Nalini Ranjan Sarker, Commerce Member, Government of India in the University Hall, Lahore, on the 22nd December, 1942, at 3-45 p.m. Dr. E. D. Lucas was in the chair and there was a large and distinguished gathering, prominent among those present being the Hon'ble Dr. Sir Manohar Lal, M. Afzal Husain, Esq. (Vice-Chancellor, University of the Panjab), Hon'ble Rai Bahadur Lala Ram Saran Das, Mrs. Lucas, Mr. Satya Paul Virmani (Director, Reserve Bank of India), P. W. Marsh, Esq. (Chairman, Punjab and N.W.F.P. Public Service Commission), Sir William Roberts, Rai Bahadur Lala Durga Das, Principal Jodh Singh, Seth Shriyans Prasad Jain, Rao Bahadur Narain Das, Mr. P. N. Maira, Mr. J. G. Bhandari, Dr. G. Matthai, Col. Mirajkar, Mr. P. K. Wattal (Accountant-General), Mr. W. H. F. Armstrong (Director of Public Instruction), Mr. N. M. Buch, I.C.S. (Chairman, Lahore Improvement Trust), Principal G. D. Sondhi, Lala Shiv Dayal, Rai Bahadur Man Mohan, Mr. I. M. Lal, Dr. S. D. Muzaffar, Dr. L. C. Jain, Sardar P. S. Sodhbans (President, Indian Chamber of Commerce), Principal C. L. Anand, Principal D. N. Bhalla, Principal I. M. Kapoor, Rai Bahadur Mukand Lal Puri, Rai Bahadur Lachhmi Narain, Rai Bahadur Kanwar Sain, Dr. Anwar Iqbal Qureshi (Head of the Economics Department, Osmania University, Hyderabad), Mr. Dalip Singh (Assistant Commissioner of Income Tax), Mr. S. P. Jain (Indian State Railways), Mr. S. A. Haq, I.C.S. (Secretary, Public Service Commission), Prof. C. L. Kapur, Dr. I. Durga Parshad, Dr. Trilochan Singh, Prof. D. K. Malhotra, Seth U. C. Jain, Mr. J. P. Lalwani, Prof. B. M. Bhatia, Mr. N. K. Roye, Mr. J. C. Jain, Mrs. Cyril Fazal, Miss Vidya Vati Anand, Mrs. Cyril Bhan, Mrs. Sushila Gupta, Miss Pushpa Puri, Miss K. Thapar, Mr. Basir Ali Shaikh (Assistant Registrar), Dr. K. K. Dewett, Dr. R. C. Jain, Prof. P. C. Malhotra, Dr. H. L. Pasricha, Prof. Balraj Sahgal, Prof. Parmanand, Prof. Pannalal Aggarwal, Rai Bahadur Madan Mohan Verma (Secretary, Board of Intermediate Education, Ajmer-Marwara), Mr. C. P. K. Fazal (Assistant Secretary, Punjab Board of Economic Inquiry), Mr. V. K. Chopra, Rai Saheb Madan Mohan Metha, Bhai Gulshan Rai, Prof. S. M. Anwar, Prof. J. D. Varma, Prof. R. C. Saxena, S. Harbans Singh, Prof. K. M. Aslam, and Mr. Sarab P. Suri.

The proceedings began with a welcome speech by M. Afzal Husain, Esq., Chairman of the Reception Committee.

WELCOME ADDRESS

By

M. AFZAL HUSAIN, Esq., M.A., M.Sc., I.A.S.

Chairman of the Reception Committee.

DR. LUCAS, LADIES AND GENTLEMEN,

A very pleasant duty has been assigned to me. I have been asked to extend to you all a most cordial welcome and I perform this duty with very great pleasure. To-day is, indeed, an auspicious day for us. In the morning, the Convocation of this University was held and the University did honour to one of her alumni, the Hon'ble Sir Manohar Lal, who is Dr. Sir Manohar Lal from to-day. He is one of the most eminent economists of India and undoubtedly the most eminent economist the Panjab University has produced. The day is doubly auspicious, because we have, amongst us, the Hon'ble Mr. N. R. Sarker, the Commerce Member of the Viceroy's Executive Council, a great financier and practical economist.

To you Sir, I extend a very hearty welcome. We are grateful to you that you have found time to inaugurate our Old Boys' Economics Conference. This augurs well for the future of this body.

Ladies and Gentlemen, you will agree with me that in this world of to-day there are two great forces which are playing an important part. One is the economic force and the other, the power which scientific knowledge gives. The University of the Panjab has paid homage to these two forces to-day. A degree of D. Litt., as I have said above, has been conferred *honoris causa* on Sir Manohar Lal and that of Doctor of Science *honoris causa* on Dr. Matthai. Which of the two forces is more potent, I leave you to decide. For myself, my vote is in favour of Science. And I have my reasons for it. Let us take the present world war. In the beginning, it was considered that this war should be fought by economic weapons. Britain established a 'Ministry of Economic Warfare.' Soon, however, it was discovered that an economic war would not succeed, because Germany had to begin with, commandeered scientific knowledge for waging this war. The weight of this force was in the beginning in her favour. For the purposes of war, therefore, science has proved to be a greater force and I am certain, for purposes of peace as well, science would be supreme. Economics, however, can be given the dignified position of being the first hand-maid of science, making provisions for science to develop. The progress of the world, undoubtedly, depends on co-operation between Science and Economics.

Once again, I extend hearty welcome to you all and more particularly to you Mr. N. R. Sarker and I thank you for the honour that you have done us in being present with us on this auspicious day.

SPEECH

By

The Hon'ble Dr. Sir MANOHAR LAL, M.A. (Cantab.), D. Litt.,
Finance Minister, Punjab Government.

The Vice-Chancellor has referred to the power of Economics to provide money, but as a student of Economics I must say that that is no function of Economics. If anything, it is science that adds to wealth, as indeed it is making so much destruction possible. The complex and intricate process by which huge amounts of money are raised by governments—Great Britain alone is spending over £ 13 million a day—is not easily explained—it involves hard and intricate reasoning in the Economics of credit.

I am sure all of us are anxious to listen to the words of wisdom of the Hon'ble Mr. Sarker, words which we are confident, will be full of knowledge and experience, as they are based on authority.

In recent years there has been a great deal of talk in this country about independence. In approaching this field, a great many thoughts have been expressed with which an economist cannot find himself in agreement. I am reminded of the words of a great Polish statesman who said "If I had to choose (for Poland) between unity and independence, I would have unity rather than independence." It has escaped many of those who speak of independence that if a country is broken up into separate and small units, whatever else it may achieve, it cannot achieve prosperity. In view of the new world forces around us, an India, broken up into small parts, will be no match for these forces.

Our anxiety in the immediate future, however, will be to retain industrial development which has been achieved during the war period. After the war is over, our markets will be exposed to forces such as have hardly ever operated before. Baron Keynes, a distinguished British economist, has already advocated increase in British exports as a measure of post-war rehabilitation for British economy. In exports, he said, lies the one sure secret of regaining the old position of economic strength. If such a policy is adopted in other countries also, we in this country will have to study with utmost care and attention, what can be done to safeguard our industries.

Another problem facing us at present is that of inflation. Whatever be the extent of inflation, there is no question that India is already at least partially suffering from it—I need hardly dwell on all the evils and dangers associated with inflation. We may hope that Mr. Sarker and his colleagues in the Viceroy's Executive Council will conceive a policy which will be of lasting good to India.

I am glad to say that the differences of opinion that have divided the economists in the comparatively recent past have narrowed down now, and to-day there is a large measure of agreement among them. I, therefore, hope that here brought together, through the energy and efforts of Dr. Jain, we will be able to discuss our difficulties and try to find out some solution of the problems that face us.

INAUGURAL ADDRESS

By

The Hon'ble Mr. N. R. SARKER,
Commerce Member, Government of India.

I feel extremely happy indeed to be in your midst to-day. As an Indian I feel proud of your province not only because it has been the cradle of our ancient culture, but also because of the great and rapid progress it has made in developmental work of all kinds, thus setting in many respects an object lesson to India. In these anxious days when, as the Member-in-Charge of the Food Department, I have to draw upon the surplus of one area to meet the deficiencies of another, I naturally think, in the first instance, of a province like yours which not only meets the major part of its own normal demand for foodstuffs, but also renders liberal help to alleviate the distress of other parts of the country. Agriculture, so says an ancient poet, is the mother of mighty men. Perhaps nowhere in this country has this been better exemplified than in the Punjab and I wish the other provinces of India could imbibe a little of the progressive spirit which lies behind your agricultural achievements.

I feel also very happy that the Department of Economics of this University has maintained an Old Boys' Economics Association. There is, to my mind, something original in the idea of an Association like this. For it seldom happens that the ex-students of a particular Department of a University take the trouble of maintaining an intimate contact with one another. Yet the value of such an annual gathering is quite obvious. It gives you an opportunity to renew old friendships, to refresh past memories and re-live a bit of what must have been one of the sweetest periods in your lives. Since you left the University precincts, the pursuit of professions must have led you in different directions, so that during the intervening years you have been gathering experience from widely different fields. A conference like this gives you a valuable opportunity to compare notes and to pool the practical wisdom you have garnered from different walks of life. It can thus function as an effective clearing-house of ideas amongst you. Moreover, through discussions you can ascertain the extent to which the knowledge which you acquired from books during your student days conforms to the realities of everyday life.

Last but not least, I feel very happy indeed to meet my old friend Sir Manohar Lal, in whom eminent academic virtues have been happily blended with wide administrative experience and I

must congratulate your Association on having secured his guidance. We vividly recollect the memories of the days, when he so worthily occupied the Chair of Economics in the Calcutta University. The respect and esteem in which we then held him has constantly grown during all these years.

It gives me great pleasure to note that your Association attempts to tackle problems in applied economics instead of confining itself to purely theoretical deliberations. The subjects you have chosen for this year's discussion, *viz.*, War-time Control and Post-war Reconstruction in India bear ample testimony to the lively interest which your Association evinces in the practical problems of the day. For there could hardly be any other topics of greater importance to us to-day than those you have chosen. Between them they cover the present and the future of our entire economic life.

Modern war is essentially a fight between fully mechanized and well-equipped armies. Victory in a modern war, therefore, depends as much on the valour and the bravery of the soldiers in the front line of the battle as on the capacity of the country to maximize its production of war materials and to maintain a constant flow of supplies from the factory and the field to the theatres of the war. As the economic effort of the war gathers momentum, a larger and larger proportion of the community's economic resources is diverted from the production of goods for civilian consumption to the production of vital supplies of war. As the chief instrument of mobilizing the productive resources for putting forward a maximum economic war effort, the Government uses the mechanism of finance and as a consequence governmental expenditure on war goes on mounting from month to month. Thus, we have the phenomenon of a rising level of money incomes in the hands of the population as a whole and a diminishing supply of goods available for civilian consumption. Such increased flow of money spent on a diminishing supply of consumers' goods inevitably leads to the vicious spiral of rising prices and rising costs. A sharp rise in prices imposes a very severe and unequal hardship on the various sections of the community and, unless the State intervenes, there is a real danger that while the wealthier sections of the community can secure their own share of the limited consumers' goods by offering fancy prices, if necessary, the poorer sections may have to go completely without the essential necessities of life. With an uncontrolled rise in prices, the people also begin to distrust the currency which suffers a progressive reduction in value in terms of commodities and, as a consequence, a flight from currency to goods may ensue. The very nature of the situation, *viz.*, rising expenditure by the civilian population on a limited supply of consumers' goods

affords innumerable opportunities for profiteering which further accentuate the difficulties. In view of these considerations the Government are compelled to intervene and to institute rigid measures of control over prices, supply and distribution of commodities in short supply with a view to secure equitable distribution of the scarce goods as between different sections of the community and to prevent a complete breakdown of the currency and the financial system. Most of the belligerent countries have established rigorous control measures since the outbreak of the present war. In Great Britain the institution of control over supply and prices of commodities and the adoption of a modified version of the Keynes' plan of deferred payment, a vigorous savings drive to mobilize small savings and a heavy taxation have combined, on the one hand, to ensure a fair distribution of the available supplies and to drain a large portion of the purchasing power from the hands of the people to the Treasury on the other. In America, President Roosevelt has declared ceilings on all items of cost such as prices, wages, salaries, etc., and has inaugurated a vigorous savings campaign.

In India, the Government are not unmindful of their duty to the community in this respect and you are all aware of the measures both on the Food Front and on the Financial Front which have been undertaken in this country. I am indeed happy that you propose to discuss in your present session the problems connected with wartime control and post-war reconstruction. I would in this connection urge you to discuss these questions and to formulate your conclusions not merely from a purely theoretical standpoint, but also in the light of the practical difficulties of the situation in which we have to handle these problems in a country like India. For example, it is as clear as daylight that if control over the prices of foodgrains is to be effective in the sense that Government can guarantee to the consumer a reasonable quantity of foodgrains at controlled prices, then the controlling authority must have complete command over the available supply of foodgrains and also over the consumer's demand. In other words, the purchase and control of all available supplies at the very source and the limiting of the demand of each individual consumer in the form of rationing have been regarded as essential and vital corollaries of effective price control. In a country like Great Britain which imports the bulk of the quantity of foodgrains required for her population, the control over the supply at the source is relatively an easy matter. In a predominantly agricultural country like India where 80% of the people live on land and grow and consume their own food, it is obvious that the problem of securing control over the entire supply of foodgrains produced and of limiting the demand of each individual consumer presents very serious difficulties. Apart from this, no scheme of control can succeed without an intelligent appreciation

of the nature of the problem by the vast bulk of the population, on the one hand, and complete and cordial co-operation by the people, on the other. The illiteracy of the masses of our population, which renders them easy victims to panic arising out of the grim news coming from the Front creates difficulties in the successful, efficient and effective administration of price control. There is also tremendous leeway to be made up in this country in enlisting the fullest co-operation of the people in a small savings campaign which alone can draw off a substantial portion of the purchasing power in the hands of the people and freeze it until the day, when the economic machine can produce goods for civilian consumption. War-time controls cannot claim hundred per cent. success anywhere. But the degree of success which control measures have achieved in Great Britain is largely due to the fact that there is complete co-operation and identity of views between the Government and the governed and control is unified in the hands of one single authority. The peculiar political conditions in India and constitutional position of provinces introduce further complications in the institution of effective control. Let me hasten to say that the control system which has been in operation in this country so far has not been without certain deficiencies which the Government are anxious to remove. My object in describing the various difficulties which are inherent in the situation in this country is to impress upon you the fact that you should consider the problem of controls during the war not merely on a theoretical plane, but mainly in the light of the particular circumstances prevalent in India.

Let me now turn to the question of post-war reconstruction. It is not difficult to visualize the nature of problem which a country like Great Britain will have to face after the war. The switch-over from war economy to peace economy is no less difficult than the contrary process. With military demobilization the question of employment will loom large on the horizon. People released from war services or returning from the front will in many cases find their pre-war occupation gone. Women now working for war would in many cases be reluctant to go back to the household and are likely to compete with men in the employment market to a far greater extent than before. Owing to the war-time strain on man-power resources, far-reaching rationalisation may have taken place in many industries which, when switched over to peace, would require fewer hands than before. If the redistribution of population in times of peace is to be effected without large-scale unemployment, new avenues of employment will have to be opened up, working hours may have to be readjusted, and so on. Similarly, industrial demobilization would give rise to complicated problems. In the distribution of resources other than man-power a new scheme of priorities would perhaps have to be worked out. England's economic life so

largely depends on foreign trade that she would naturally be anxious to capture her lost markets and acquire new ones. At the same time, she will almost inevitably face greater competition from other countries in the world market. This is by no means an exhaustive list of the problems that would arise in post-war Britain, but they indicate the magnitude of the task ahead.

We in this country have also been giving some thought to the post-war problems. In a sense the problems which we shall have to encounter would be similar to those of a country like Britain, though for entirely different reasons their solution may not be easy. On the morrow of victory, the recruits of to-day will have to return to the civilian tasks of to-morrow. The abolition of certain war-time organisations and services would also throw some people out of employment particularly among the educated classes. Our agriculturists would in some cases stand to gain after normal sea communications are established and may lose in others owing to the disappearance of war demand and to the competition from abroad, but it may be safe to say that, on the whole, he is not likely to be worse off than now.

Our major difficulties in the post-war period will, however, be in the industrial field. Government now purchase the bulk of our industrial production. With the cessation of war orders the question of the disposal of the surplus output of the main industries will become acute. The margin of unsatisfied civil demand will no doubt relieve the situation for some time, but at a later stage a slump may easily develop in most of our industries, unless normal civil demand increases much above the pre-war level. With the revival of normal import trade, many industries may find it difficult to withstand foreign competition, the more so as rationalisation and further technological progress might have brought down the costs of production in the industrial countries of the West. Moreover, in their anxiety to restore their pre-war standard of living, the countries of the West would endeavour to extend their volume of export. How urgent the need for this is likely to be for a country like England has been stressed by Lord Keynes in a speech delivered some time ago to the Manchester University. According to him, England must increase her exports at least by 50% over the level of 1938-39, if she is to maintain the standard of life to which she is accustomed. This should give us food for thought, as the revival of the traditional British exports of Lancashire textiles or steel with special governmental aid may create difficulties for similar industries in India which have undergone remarkable expansion in their output during the war years. Thus, in common with other countries India will have to face and attempt to solve the question of post-war reconstruction in a narrow sense of the term, namely.

to facilitate the transition of the economic system from one based on war footing to one based on peace footing without causing serious slump in the level of industrial output, employment, incomes and prices. I would, however, point out that it would be misleading to apply the term 'post-war reconstruction' in this narrow sense to the problems with which India will be faced at the end of the war. It is common knowledge that the industrial and agricultural development in India has not been commensurate with her resources or requirements and India is yet to build up a sound and efficient economic structure which can enable her to assure to her vast population a reasonable standard of comfort.

It will be clear from what I have said that the most important thing to note while studying war-time controls and post-war reconstruction problems, is the mutual relation of the two subjects and their close connection with the problem of economic planning, as far as this country is concerned. Economic betterment is indeed the most insistent cry of mankind at this hour and explains the peculiar mental attitude with which the present war is being approached.

President Wilson's Fourteen Points enunciated during the last war were predominantly political. To-day it is all different. The between-the-wars period of 1918 to 1939 with its swift oscillations in the theory and practice of economics and politics have made us familiar with the idea of change, though, because of our close proximity to recent events, we have perhaps not been able to perceive their real trend and import. Economic and social questions are to-day in the forefront of war and peace aims. We think more now of post-war reconstruction than of post-war settlement. The end of the last war saw the establishment of the League of Nations but its economic programme still smacked of *laissez faire* liberalism. In the present war, on the other hand, we have been thinking of planning on an international scale from the very outset.

Phenomenal progress in technology is indeed the dominant characteristic of the present century. The three components of economic distance—land, sea and air—have been shrinking at an enormous rate and judged from that angle, "the whole of present-day Europe," as has been aptly put, "is no larger than Switzerland of yesterday." As a corollary to this process of progressive annihilation of distance, we have a movement towards the creation of a world-society. In a sense the failure to achieve this world-society as the logical concomitant of technological progress is the prime cause of twentieth-century wars, while this failure in its turn has been due, above all, to the predominance of the nation concept and the nationalist view of its own infallibility and righteousness. For

example, even to-day so responsible a body as the Federation of British Industries may exclaim "we could not collaborate in any international system which was damaging to our interests." If such suspicions prevail in leading Allied countries I have no doubt that we shall lose the Peace again.

Luckily, not all minds move in such narrow nationalistic grooves. In most quarters there are welcome signs of a hopeful change. It is being increasingly realised that the main danger to man, indeed, now comes, not from nature, not from wild beasts, climate, lightning and tempests, plague, pestilence and famine, but from man's own warring passions and ideals. It is now admitted on all hands that our most urgent attention should be devoted to the study of ourselves. For, as Tagore so often stressed in his lifetime, the proper study of mankind is man.

The Atlantic Charter itself is the product of the new outlook and testifies to the wisdom that is belatedly dawning upon us. It will be recalled that the principles of the Atlantic Charter bind not only the U. K. and the U. S. A., its signatories, but that they have been solemnly subscribed to by all the Allied Countries. The fourth article of this Charter proclaims that the signatories "will endeavour with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity." The fifth article declares that the signatories "desire to bring about the fullest collaboration between all nations in the economic field, with the object of securing for all improved labour standards, economic advancement and social security," while the sixth lays down that "after the final destruction of the Nazi tyranny," the signatories "hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want." These are the broad features of the Allies' post-war socio-economic programme. It has been recognised that not only is it unnecessary to have poverty in the midst of plenty, but that there is no real richness in the contrast of wealth with poverty. The only real richness in life is sharing with our fellows all the joys life can give.

I do not want to be taken as a visionary internationalist: I know there are vast national differences in culture and outlook and I am all for national autonomy and independence. I also believe that the nations of the world now stand at such various stages of economic development, that plans for international economic collaboration would not be feasible or stable, unless the special needs and problems of relatively undeveloped countries are taken into

account. It is indeed remarkable that the reactionary forces in advanced countries have always insisted on backward peoples adopting a so-called international outlook, while insisting on their own right to be complete masters of their own household. Surely, it is not for such internationalism that millions are dying, it is not such internationalism either, which I would advocate or subscribe to. In fact, when I think of internationalism I think of more nationalism for the backward countries and less for the advanced. For, the aim of true internationalism is not to stabilise existing differences between the strong and the weak, the advanced and the backward, but to level up such differences through conscious and determined efforts so that internationalism would be based on healthy and fully developed nationalisms all the world over.

It is, therefore, quite clear that to deny backward countries like India and China the freedom to mould their future destiny would not only run counter to the spirit of the Atlantic Charter and the aims for which the present war is being fought, but will involve us again in that vicious circle of inequities and inequalities, which is a perpetual threat to world peace. To meet even the most elementary needs of the people in India, the total volume of national production will have to be multiplied several times. For this we shall have to reduce the pressure on land, put our agriculture on a scientific basis, develop our communications, establish and expand our industries, extend our internal and external trade, and so on. Placed as we are to-day, we cannot plan for freedom from want as liberally as the advanced countries of the West. Sir William Beveridge has submitted a practical scheme of social insurance which is designed to eliminate hunger, disease, ignorance and unemployment from post-war Britain. A Beveridge Plan for India would surpass our most ardent dreams. We have to begin our work of reconstruction right from the start and work our way up to a higher standard of living from an incredibly low level. Barring China there is hardly any other important country in the world which is steeped in such horrid poverty as our own. It is the dictate of practical wisdom no less than of idealism that we should be left free to grapple with the vast problem which has been inexorably pressing for solution.

One word more and I have done. Whatever political faith one may have or creed one may follow, the one single problem that transcends all party, sectional or communal interests in India is that of the appalling poverty of our masses. The raising of this standard of living of the masses which can, by any stretch of imagination, be called reasonable or human, is a task which will for a long time to come, engage all the energies of the governments both at the Centre and in the Provinces in the India of to-day as

much as in the free India of to-morrow. The solution of this basic problem will open up new avenues of useful economic activity which will provide scope for the employment of the talent and training of our educated classes. Only through the zealous effort on the part of the State backed by the enthusiastic co-operation of the people can we hope to tackle the problem within any measurable distance of time. I wish your Conference all success and earnestly hope that through your deliberations you will make your contribution to the solution of the urgent and complex problems before the country.

PRESIDENTIAL ADDRESS

BY

Rev. Dr. E. D. LUCAS, M.A., Ph. D., D.D.

We are honoured with the presence of several very responsible officers of the Central and Provincial Governments and are grateful to these gentlemen for sparing us time from their busy schedules. If India is to progress on the road to true democracy, more contacts between high officials and the general public, such as we see here, must be established. In the past a good deal of ceremony has attended most contacts between rulers and ruled, which may now well be laid aside without detracting from the true dignity of the Government or the discipline of the public. We particularly appreciate the presence of the Hon'ble Mr. Sarker, the Commerce Member of the Government of India. The two problems of price control and post-war reconstruction with which we deal later are probably two of the problems constantly uppermost in Mr. Sarker's mind. He is familiar with the results of price control throughout India, and he is struggling with methods for its improvement. There is no problem more vital for India's future than post-war economic reconstruction, for it is basic in respect to any political or social edifice we may strive to create.

The young people who form the bulk of this society are the potential political and economic leaders of to-morrow's India. Because of the dynamic character of to-day's life, heavy tasks, puzzling problems and strenuous days confront them.

We feel that we have some grounds for satisfaction that our University Economics Department has held to certain goals and has achieved in all of them some measure of success.

First, there has been a fine spirit of co-operation between the Economics Departments of the various Lahore Colleges on the one side, and the University Teaching Department on the other. As a result, our M.A. Economics students profit from a very strong staff of lecturers which neither the University nor the Colleges separately could maintain. Anything which is likely to upset this voluntary but effective co-operation by greater centralization of authority needs careful thought.

Second, our department has taken a keen interest in placing our graduates in responsible posts, both in Government and in private services where an advanced knowledge of Economics is of special value. To mention only a few of our old students who now occupy such posts, there are, Dr. B. K. Madan, Director of Economic Research, Reserve Bank of India ; Dr. Anwar Iqbal Qureshi, M.A., Ph. D., University Professor and Head of the Economics Department, Osmania University ; Dr. B. M. Piplani, M.A., Ph. D. (formerly, Assistant Wheat Commissioner of India), Principal, Commercial College, Delhi ; Mr. G. B. Kumar Hooja, M.A., E.A.C., Gujranwala ; Mr. T. D. Bedi, M.A., I.C.S. ; Mr. A. S. Grewal, M.A., Assistant Registrar, Panjab University ; Miss Jamila Siraj-ud-Din, M.A., Ph. D., Inspectress, Industrial Schools, Panjab ; Mr. Chand Narain, M.A., Chief Cashier, G.I.P. Railway ; Mr. S. P. Jain, M.A., Traffic Officer, Indian State Railways, Delhi ; Sheikh Anwar-ul-Haq, M.A., I.C.S., Secretary, Public Service Commission of the Punjab ; Mr. V. K. Chopra, M.A., Assistant to Economic Adviser, Government of India, New Delhi ; Mr. Ved Vrat Ahuja, M.A., Indian Audit and Accounts Service ; Mr. D. K. Malhotra, M.A., University Lecturer in Economics ; and Mr. H. C. Saxena, M.A., Provincial Civil Service, U.P.

Third, we have attempted to maintain some vital contacts with our old boys and help them to retain the friendship they made while here, to their and our mutual benefit. It is the purpose of this Old Boys' Association to extend, deepen and enrich this relationship.

Fourth, we have a branch library which contains a full set of M.A. Economics theses (amongst other literature) submitted through the years, and the facilities we here offer are much used and appreciated. Students and staff (selected members) have made annual pilgrimages to the All-India Economics Conference, which pilgrimage we have been forced to drop this year, but which should be recommenced as soon as circumstances permit.

We feel that we have a claim on the University and the philanthropic public to help us with scholarships for poor students, with research fellowships for those wishing to go beyond the M.A., and with library and journalistic provisions far beyond what we have been able to attain with the extremely limited funds we command. In this connection I would like to state in public the very generous response that leading industrial and business leaders in Lahore and Delhi have made to Dr. Jain and me as we have very hastily asked for help in this connection. This is a splendid augury for the future.

We have met to discuss two of the most urgent problems confronting all countries, and certainly not least of all, India. It is not in my province to trespass upon the matter to be covered in the papers and discussions to follow on the morrow, but I shall venture to say a word or two of introduction regarding each.

A war such as this, where materials of all sorts are used on a colossal scale for destructive purposes, places a heavy strain on the productive capacity of every nation. War needs take the first place and one by one civilian luxuries and then comforts have to be sacrificed, and then the country is faced with the problem of restricting civilian necessities. This has been done in the homelands of the principal belligerents by an over-all control of production, distribution and consumption, exercised by government agencies. In order to secure justice and equal sacrifices from all classes, a system of very strict rationing has been adopted, for instance, in Great Britain. Food, clothes, fuel, transportation, housing, etc., have been handed to individuals or groups according to the national estimate of their needs. For instance, most of the supply of milk, cheese, butter, fresh fruit, eggs and meat has been reserved for children, invalids, the sick and wounded, the armed forces and workers in exhausting physical trades. All others have had to suffer severe restrictions, and the mere possession of money or social position has not been of any avail.

In India, with its scores of thousands of villages, its poorly organized marketing and distribution system, its huge differences in kinds of food, ways of cooking, social and economic standards, no such system of control would have the slightest chance of success. To the best of my knowledge, control in India has been tried only in the case of staple commodities in the larger, urban retail markets. These controls have been largely circumvented by collusion between seller and buyer, and they seem so far to have stimulated hoarding of commodities and scarcity of supplies, adulterations, black markets, favouritism and all their attendant ills. The Government has lacked the machinery to institute effective controls, and it is certainly a question whether ineffective attempts to control do not exaggerate the very evils from which we seek to escape. If Government could have planned ahead or even now should plan ahead as to the approximate needs of the military for a year in advance, and then taken vigorous steps to secure such amounts at controlled rates, and if they would vigorously promote the increased production and fairly cheap transportation of the main necessities used by the masses, conditions might well have been better and would even now tend to right themselves.

As to post-war reconstruction, we are in a worse plight than

any other large country, so it seems to me. We can make no picture whatsoever of our political future, even in a very broad and general way. Is India, as we have known it for about a century, going to remain a united political entity or is it to be divided? If divided what economic arrangements will be made between the two or more independent states? If India remains united, what will be her relations with other nations of the British Commonwealth, also with China, Russia, America and the other major members of the United Nations? In fact, the whole business of international relationships will form one of the thorniest of post-war problems, India's relations being, perhaps, the most difficult of all. Political relations carry with them questions of a vital economic character, such as tariffs, preferential rates, trade restrictions, immigration and all sorts of special access or the reverse.

There are certain obvious problems of post-war readjustment which must be made before reconstruction proper starts, and when we speak of reconstruction in India we use the term in a very different sense from that in which we use it in connection with war-devastated countries such as China, France, Burma and Russia. Indian economic life has been partially reconstructed in the past three years to serve continuously ever more pressing war needs. This twist to meet war needs of the whole peace-time economy of India, the almost complete cessation of civilian exports and imports and the fact that war demands are almost certain to be still more severe in the near future before there is any relaxation — these things we now experience. At the close of the war the following factors will prevail:—

1. Demobilization of both large military and civilian personnel as the need for their services ceases. If the collapse of the Axis powers should be swift and complete, as in the last world war, the problem would be of a critical nature. In any case, the re-absorption of large numbers of the demobilized forces into peace-time activities will prove a gigantic problem. Whether some of them, as demobilization proceeded, could not be used in extensive public work projects, is a question deserving consideration now.

2. The reshaping of war industries to civilian needs and the reduction of certain other ordinary industries expanded to meet war needs to a normal peace-time size, are other problems to be faced now. It is most important that India should have its own automobile, aeroplane and ship-building industries, and it is such industries which can absorb many of the men who have received mechanical and technical training for war purposes.

Another problem which does not concern India alone, but the future peace of the world, concerns the question of the living

standards of the masses of India and China. If modern machinery is placed in the hands of the numberless millions of these countries under strong governments, and no serious attempt is made to protect this cheap labour from indigenous exploitation, we shall see on a far more colossal scale, than in the recent past by Japanese goods, the flooding of world markets by cheap Chinese and Indian mass-produced articles. This will be a far more serious menace to future world peace than the corresponding effort by Japan with fair success within the past twenty years and which was one of the main factors leading to the Pacific War.

A further problem in which I confess to great personal interest is the use to which the huge sum it is now planned to devote to the economic welfare of the demobilized troops—some one hundred and fifty crores, we are told—is to be put. Most of these troops come from rural areas and especially from the thousands of villages of Northern India. Is this fund going to maintain these men in relative idleness and ease for a few short years after the war closes, or it to be put to permanently constructive uses? Is it also possible, or is it wise, to maintain a marked economic cleavage between demobilized former army men now again civilians, and ordinary civilians? Was it not along this path of special and favoured treatment accorded to her demobilised veteran legions that Rome first trod the path to her internal confusion and decay? In the United States the treatment of soldiers after every great war—the War of Independence, the Civil War and the World War—has taxed the wisdom of the people to the utmost. The huge sums voted as subsidies to World War veterans in America involved as much dirty politics as any one element or political life in the inter-war period. If India wishes to profit by the experience of other nations she will need to plan wisely as to how to fit these great numbers of the demobilized into her continuing economic and political structure. Generous treatment and recognition they must have, but any long-time cleavage of economic and political interests between them and the ordinary civilian population will undoubtedly harm both. Is not the welfare of the village dependent on the all-round progress of all its people? There is a serious lag in the adjustment of the rural community to the demands of modern life. Far-reaching improvements in village roads, schools, libraries, water-supply, sanitation, agricultural implements, live-stock, housing and other essentials place before us herculean tasks in which only the fullest co-operation and unity between people and Government offers us any chance of real progress and success. Much more along so many lines might well be said, but we shall hear people more fitted than myself in the discussion and illumination of these problems to-morrow.

PAPERS AND DISCUSSION,
ON
ECONOMIC CONTROLS IN INDIA DURING THE WAR

The morning session of the Conference commenced at 10 a.m. on the 23rd December, 1942, in the Hailey Hall, Lahore, with Dr. E. D. Lucas in the chair. Besides a large number of alumni of the University, many distinguished gentlemen were present. Prominent among the alumni who attended the session were the following :—

- Mr. S. M. Anwar, M.A., Zamindar College, Gujrat.
S. Anwar-ul-Haq, Esq., M.A., I.C.S., Secretary, Punjab and N.W.F.P. Public Service Commission.
Mr. K. M. Aslam, M.A., Islamia College, Lahore.
Prof. Balraj Sehgal, M.A., D. S. College, Lahore.
Mr. M. R. Bansal, M.A., D. A. V. College, Lahore.
Mrs. Cyril Bhan, M.A., 32, Empress Road, Lahore.
Mr. Bhim Sen Khanna, M.A., D. A. V. College, Hoshiarpur.
Mr. M. L. Chaudhry, M.A., LL.B., Advocate, Lahore.
Dr. J. N. Chawla, M.A., Ph.D., Ranbir College, Sangrur.
Dr. K. K. Dewett, M. A., Ph.D., Government College Ludhiana.
Dr. I. Durga Parshad, M.A., Ph.D., F. C. College, Lahore.
Mr. O. P. Chopra, M.A., Chopra Lodge, Lyallpur.
Mrs. Cyril Fazal, Masson Road, Lahore.
Mr. Prem Sagar Gupta, M.A., University Research Scholar in Economics.
S. Harbans Singh Kwatra, M.A., P. A. to the Price Controller, Punjab, Lahore.
S. Harbans Singh Mann, M.A., Government College, Campbellpur.
Dr. R. C. Jain, M.A., Ph.D., Government College, Hoshiarpur.
S. P. Jain, Esq., M.A., LL.B., Assistant Transportation Officer, Delhi.
Mr. Tara Chand Jain, M.A., Lucas Research Scholar in Rural Economics, Lahore.
(Miss) Kamla Thapar, M.A., Principal, Kanya Mahavidyalaya, Jullundur.
Prof. C. L. Kapur, M.A., Government College, Lahore.
Mr. Khalil-ur-Rahman, M.A., 25, the Main, Jhelum.

Mr. Siri Ram Kumar, M.A., Khalsa College for Women,
Lahore.

Mr. D. K. Malhotra, M.A., University Lecturer in
Economics.

Mr. P. C. Malhotra, M.A., R. S. D. College, Ferozepore.

Mr. Mohd. Rashid, M.A., M. A. O. College, Amritsar.

S. Nanak Singh, M.A., Model Town, Lahore.

Prof. Panna Lal Aggarwal, M.A., P. W. College, Jammu.

Prof. Parma Nand, M.A., D. A. V. College Jullundur.

Dr. H. L. Pasricha, M.A., Ph.D., Dungeer College, Bikaner.

(Miss) Pushpa Puri, M.A., Albuqark Road, New Delhi.

Mr. K. Quddus Pal, M.A., Industrial Investigator, Lahore.

Mr. R. L. Sabharwal, M.A., Doaba College, Jullundur.

Mr. R. C. Saxena, M.A., D. A. V. College, Hoshiarpur.

Mr. Salig R. Anand, M.A., Ravi Road, Lahore.

Mr. Sarab P. Suri, M. A., Prem Nagar, Lahore.

Mr. Krishan Sarup Sud. M.A., Krishen Nagar, Lahore.

(Mrs.) Sushila Gupta, M.A., Sir Ganga Ram Training
College, Lahore.

Mr. J. D. Verma, Government College, Shahpur.

Mr. V. K. Verma, M.A., Sadar Bazar, Lahore Cantt.

Mr. Lajpat Rai Verma, M.A., S. D. College, Lahore.

(Miss) Vidya Anand, M.A., Hansraj Mahila Vidyalaya,
Lahore.

Mr. A. N. Viji, M.A., Reserve Bank of India, Bombay.

Mr. Vikramjeet Singh, M.A., Department of Industries,
Lahore.

Mr. Vinai Kumar Chopra, M.A., Research Assistant,
Government of India, New Delhi.

Mr. Yash Pal Gupta, M.A., Edwardes Road, Lahore.

Mr. Ghulam Yazdani, M.A., Babu Mohalla, Sialkot Cantt.

The papers submitted to the Conference on the subject of
Economic Controls in India were read and were followed by
discussion.

WARTIME PRICE CONTROL†

(By Dr. B. K. MADAN, M.A., Ph.D., Director of Research,
Reserve Bank of India, Bombay).

We come now to another most important and spectacular effect of War—the Rise of Prices. This, indeed, is the aspect of the economic effect of war which is the most pervasive in that it vitally touches every man in his daily life. It is an aspect with which the common man is most familiar.

* * * *

Why do prices rise, and rise so abruptly, and so differently in the case of different commodities with the outbreak of War. In general it may be said that prices rise on account partly of an actual change, but largely in anticipation of a change in the broad relations between demand and supply—in the first place the anticipation of an increase in demand for such commodities as jute, cotton, wool, iron and steel, chemicals, and ores, for direct war purposes as well as centralised Government purchases of foodstuffs, etc. ; secondly, the anticipation of a reduction in the supply of many commodities required in greater quantities, because of the diversion of productive factors, of man power and capital resources, to the meeting of war needs, and in the case of many Indian agricultural products because of poor rains and bad harvest prospects, coinciding with the outbreak of war. During the course of war, the anticipation of reduction in supplies is realised and the limited supply of goods and services available for civilian use becomes an active and serious factor making for a rise in prices. (2) In the case of the U. K. and India, however, one special factor responsible for rise in the prices of exportable goods has been the depreciation of the sterling, and therefore of the rupee, approximately from \$ 4.68 on August 24 to a £ to \$ 4.04 to a £ by the middle of September or roughly by 15%. (3) Besides this, in respect of imported commodities the prices have gone up on account of the rise in freights and insurance charges and shortage of shipping, the situation in regard to which will become progressively aggravated. (4) Latterly, too, the factor of expanding currency circulation has impinged upon the level of prices which tend to go up under the pressure of the growing volume of monetary purchasing power with the people. (5) A popular belief ascribes most of the price rise to the villainy of the speculator and the profiteer who finds in the declaration of war

†This paper was written in April, 1940 and, therefore, contains past and not present observations on the subject; but it may not be found altogether out of relation to present facts.

and the general scramble an opportunity to enrich himself and exploit the consumer. The part played by speculation in causing the rise of prices is, however, exaggerated in the popular mind. As has been pointed out already the role of anticipation in causing a rise in prices is no doubt important. For one thing, everybody expects prices to rise. The dealer withholds stocks and puts up prices in expectation of making a higher money profit in future. The consumer, too, on his side, is anxious to lay in stocks to avoid the risk and loss of higher prices in future. There is a tug-of-war between the two and in the process prices shoot up. The dealer and the consumer try to anticipate and forestall the rise in prices which, therefore, comes about immediately.

* * * *

In the Price Control Conference of 25th January, 1940, it was made clear that the Central Government should exercise control mainly at the stage of production and wholesale sale, while control at the retail stage should be exercised by the Provincial Governments.

This clarification made the problem more precise for the administrative authorities called upon to apply the control ; it also substituted the reasonable basis of replacement costs which has been accepted in the British Prices of Goods Bill, for the crude rule of thumb according to which the Provincial Governments worked in the beginning ; but this clarification by no means made the problem any less difficult. Rather it brought out the considerable practical difficulties of price control ; to this aspect of the question Dr. Gregory made pointed reference in his broadcast speech on the 12th January, 1940. He said: "It should be made clear that price control is an enormously difficult technical job, calling for a combination of high economic wisdom and profound administrative skill. Again, speaking as an economic expert, I would like to warn hearers against the idea that the control of prices, or for that matter of speculation, is an easy thing. No such thing; all experience warns against superficial judgments of that sort." Price control is particularly difficult in a country like India with a small-scale individualistic and unorganised economy, where the administration has little experience of interfering with or regulating the working of ordinary economic processes. Effective control of prices postulates control over the fundamental factors which determine prices—the forces of demand and of supply. Control of demand implies rationing, and control of supply involves requisitioning. Without a large scale practice of both, official price lists will remain nominal and out of relation with the markets, which instead of being a series of black markets of more or less

scope and potency, will remain one vast black market. Governments in India will, therefore, have to resort to these radical measures of control, or give up the attempt to control prices. Cheap grain shops which were opened under similar circumstances during the last war are parts of this apparatus of control.

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A study of price control under Fair Trade Legislation in America brings out some very important conclusions. The first is that only goods having certain definite characteristics are easily subjected to price regulation. The second point is that price fixing arrangements are particularly difficult to apply in conditions of rapid economic change. The third important conclusion from American experience is that, even with the most determined and widespread legislative fervour for control it is extremely difficult to counter all the devices whereby fixed prices are evaded by dealers and the public. Finally, and most important of all, no price control measure can be effective in an economy where such fundamental factors as the quantity of money, the level of interest rates, taxation and the amounts of goods available are left to look after themselves. If these factors are controlled, control of prices will be largely unnecessary; if these factors are not controlled, no control of prices will be effective. After all, the object is not to prevent individual prices from reflecting changes in real costs, but to avoid inflation, or an increase in the aggregate money demand for goods. Price control will therefore, be politically successful and economically sound only if it is regarded as one of the minor aspects of economic policy. If either by design or negligence, inflation gets under way, not the most stringent price control measures will succeed in keeping prices from rising. Indeed, in those circumstances, it would not even be desirable to prevent a rise in prices. For if the Government is not going to raise the resources it needs either by taxation or by the borrowing of genuine savings, then a rise in prices is the only way in which the consumption of the people can be reduced to the extent necessary to set labour, materials, and capital equipment free for the purposes of War. To conclude this argument, Price Control is really successful only, when it is unnecessary. No control can prevent the adjustment of prices to a fundamental shift in the economic conditions. This is not, however, to minimise the importance of price control under conditions such as may arise in this country. The problem is presented thus only for the purpose of imparting a due sense of proportion in evaluating the real significance of mere administrative decrees for the enforcement of effective control of prices.

SOME PROBLEMS OF PRICE CONTROL

(By D. K. Malhotra, M.A., University Lecturer in Economics,
Lahore).

As a preliminary to a detailed examination of some of the difficulties that arise in the administration of any system of price control, the necessity and the immediate aims of price control may be briefly explained.

Control of prices during war becomes necessary, because prices cannot be left to behave in a way prejudicial to the efficient planning of resources for war. In peacetime, prices in capitalist economy, have a twofold character: they are, on the one hand, indices of the working of numerous forces within the economic system and, on the other, the signals which guide and direct production and the allocation of resources among their several uses. In war time, when governments themselves take decisions for directing production, planning resources and reshaping economic structure to win the war, the function of prices as regulators of production and allocators of resources must necessarily be brought under control. No price movements that run counter to the government's war plan can be allowed to occur. Here arises a possible difficulty: for prices that are regulators of economic activity are also the indices which register the effects of forces working in the economic system. To control prices without controlling these forces would be like trying to hold the index finger of the weighing machine or the speedometer of a motor car in a particular position without adjusting the weight or speed. This is at all times a peculiarly difficult, if not hopeless, task and points to one of the serious limitations of price control. At the same time, it should serve to emphasize the truth that such control can be effective, only when it forms a part of a co-ordinated and comprehensive policy of war economy.

While the main general reason why prices must be controlled is that the freely functioning market mechanism grinding out prices by an automatic process is out of place in a planned war economy, the application of this control is immediately prompted by three chief motives: (i) to check profiteering, (ii) to secure supplies of war essentials at controlled prices, and (iii) to prevent a rise in cost of living which by raising wages and cost of production will set up, what is known as the 'vicious spiral.' Each of these merits separate examination.

There is no doubt that the rise in prices caused by war is very favourable to 'profiteering' by sellers, though one ought not to overlook in this connection the distinction between profits per unit of turnover and aggregate profits. If the turnover shrinks, the aggregate profits may decline in spite of an increased profit on every unit of turnover. Profiteering here is being referred to only in the latter sense, *i.e.*, excessive profit per unit of turnover.

Granting that a rise in prices is conducive to profiteering, one will wish to know if every rise in prices raises a presumption of profiteering. At this stage, we are led to enquire into the causes of a rise in prices during war. Broadly speaking, the four main causes of a rise in prices operating from the side of commodities are : firstly, the large volume and inelasticity of military demands ; secondly, the increase in civil demand due to increased money incomes resulting from increased employment or excessive issue of currency or bank credit ; thirdly, the growing scarcity and increasing costliness of supplies due to destruction, shipping and transport difficulties and increased production under less favourable conditions or the lowering of the margin of production and fourthly, speculative or strategic hoarding of commodities. To assert that profiteering occurs whenever the sellers charge more than pre-war prices is, of course, nonsense, for prices must rise to some extent during war due to increasing marginal cost as production is extended, increased cost of transport and insurance, increased wages and salaries, rise in prices of raw materials, increased advertisement charges, and increased incidence of overhead costs over a smaller turnover, etc., and in the case of imported goods, due to increased cost at which they are obtained. A price control policy should be flexible enough to allow for these unavoidable increases in costs. Prices may, however, show a rise even after allowing for them. This will happen because war puts the stockists and producers of certain goods in a position to exploit the situation created by heavy and inelastic military demand to which may be added the abnormal civil demand for purposes of hoarding. An important aim of price control is to check this profiteering being carried on at the expense of the government or private consumer.

The second motive of price control, *i.e.*, to secure supplies of war materials for the government at controlled prices is made effective by fixing the maximum prices for some articles and the minimum prices for others. Fixation of the maximum—"imposing ceilings to prices," as it is called—is necessary to obviate the risk of excessive issue of currency which the government will feel compelled to resort to, if it had to purchase its goods at soaring prices. Fixation of the minimum is necessary to encourage the production of certain essential war materials.

The third motive of price control is to prevent a rise in cost of living which will create unrest among the people, particularly the industrial workers, cause a rise in wages and cost of production, eventually leading to a further rise in prices. This 'vicious spiral' is to be prevented as much as possible.

Probably the greatest difficulty that has to be faced in the administration of price control is one of ensuring adequate supplies in the market at the controlled price. It is to some extent the natural outcome of interference with the market mechanism by which demand and supply are normally brought into a state of balance. Price-fixing in war time largely amounts to keeping prices below the level which they would reach if demand and supply were left free to seek their point of equilibrium. In other words, many of the fixed prices are "disequilibrium prices" (i.e., at these prices demand is in excess of supply) and the government, in its capacity of price controller, has to play the role of a mediator between the pulls of demand and supply. In this capacity it will have to solve a number of tangles. On the side of supply it has, first of all, to find some satisfactory relation between price and cost to serve as the basis of price fixation; for, if it is unable to do it, it may drive the existing supplies underground or into the black market. Secondly, it has to eke out the supplies by every kind of feasible measures. But even when it has succeeded in overcoming both of these difficulties, it will have accomplished only half the task. For, the fixation of a satisfactory relation between price and cost, by itself, gives no guarantee that the whole of demand at that price will be met or that when it has been met, there will not result an inequitable or undesirable distribution of scarce goods among the buyers. The other half of the task of the price controller is to ensure that the demand at the controlled price is satisfied in such a manner that no inequitable distribution of commodities results.

Thus it may be seen that the very logic of the administration of price control leads to increasing extension of government control over supply or production and demand or consumption. The very essence of price control is to rob prices of their peacetime significance as the arbiters of our economy and this cannot be done by butting into the middle of the circle of supply—price—demand and trying to hold down prices while supply and demand go their own way. Some of the problems of price control may easily be attributed to the natural reluctance of governments to get over their peacetime feeling of being unwelcome interlopers in the sphere of private enterprise and to their hesitation in assuming all the responsibilities and burdens of their new position.

The discussion up to this point provides the necessary setting

for the consideration of several vexed questions of price control in India. It may not amount to any premature criticism to observe that while some of these questions have been tackled satisfactorily by the method of trial and error—which is the best method to use in times of grave emergency as well as uncertainty—others yet await a proper treatment.

Among these the first one is whether there should be any inter-provincial, inter-state or inter-district barriers to the movement of goods. No general answer to this question is possible. The situation will have to be examined commodity-wise. As regards inter-district movements, the decision for the imposition of barriers may well be left to the provinces. Similarly, with regard to those commodities a large proportion of which is produced and consumed within a province, the decision regarding inter-district barriers may be left to the discretion of the province or provinces concerned. In respect of those commodities, however, which are produced and consumed in more than one province, the decision as regards inter-provincial barriers will have to be taken by the Government of India. Since one of the serious problems during war is that of the transport of goods, it will be desirable for provinces to aim at the greatest measure of self-sufficiency. This may not be feasible in the case of all the commodities, but it should be strived for in as many commodities as possible. In war-time it is not possible to allow complete freedom of movement of commodities as between provinces and districts, because for one thing the available supplies have to be equitably distributed among different areas. There is also the need of effecting every possible economy of transport to be kept steadily in view.

The second question regarding price control is whether it should be applied by the State after suppressing the existing trade channels or whether the co-operation of the traders should be obtained in working the control scheme. It must be obvious that the price control scheme cannot be worked out on the basis of a complete elimination of the distributive system furnished by existing trade channels. The task of distributing the supplies of a number of commodities among a large population may be administratively too complex and intricate to be attempted by a government already over-strained by the numerous demands on its attention due to the prosecution of war. It follows, therefore, that the traders must be brought within the framework of the price control scheme and indeed made an integral part of it. Their co-operation and assistance will have to be obtained, because price control implies a certain minimum degree of supervision and regulation. But it is not the trading community alone whose co-operation has to be enlisted to work successfully a price control scheme. The co-operation of the

public is no less, perhaps even more, important. Without that co-operation, the war-time economic system is like clay with lots of stones in it, refractory in parts and an intractable material on the whole. With that co-operation it becomes pliant and malleable and responsive to control and regulation.

The third question of price control refers to the allocation of powers of control to the central and provincial governments. Unified administration is a *sine qua non* for the success of a well-conceived price control scheme. It is necessary that the policies pursued and measures taken by the different administrative authorities in respect of price control should be mutually consistent. Not only that, but the co-ordination of price control policy with fiscal and banking policies should also be brought about. There is also the detailed problem of correlating wholesale prices with retail prices, as also with the prices prevailing at the sources of supply. Further, prices at different stages of retail marketing and prices in neighbouring areas must be co-ordinated. At present, the price control system in India provides for the fixation of prices at the stage of production and in primary wholesale markets by the Central Government. Provincial and State Governments are responsible for determining the margins between the primary wholesale stage and the later stages, including the retail stage of distribution, and for fixing retail prices with reference to the current wholesale prices. The Provincial Governments have also the power to prohibit withholding from sale of the articles subject to price control. Recently, a decision was taken in the Sixth Price Control Conference held in October, 1942, to set up a war-time Prices and Supply Board to secure a comprehensive co-ordination of price control measures taken by the Central and Provincial Governments, to formulate a programme of movement of supplies, to adjust surpluses and deficits in different areas and to advise the Provincial Governments regarding the principles governing the fixation of secondary prices in relation to basic prices. It would appear that the administration of price control in war-time should vest in a single head rather than in a Board, because it would ensure unified responsibility, flexibility and quick decision. But for the discussion of price control measures and the formulation of policy a Board is preferable to a single administrator.

A fourth question regarding price control relates to the number of markets in India. There are at present about 600 markets in agricultural produce. It is suggested that a reduction in their number will facilitate the task of controlling prices and distribution. Administratively, no doubt, the proposition may be feasible, but it will cause considerable inconvenience to the trading community and the consumers. Markets are after all the distribu-

tive agencies and any reduction in their number simply implies centralisation of the marketing system with all the consequent evil effects of centralisation.

A further problem of price control concerns the number of prices that should be brought within the scope of a price control scheme, *i.e.*, whether the control should be selective or comprehensive, applied to the prices of a few commodities or to every price in the whole national pattern including wages, interest rates, rents, commissions, fees, etc. In this country, the task of controlling the prices of even a few commodities has been found to be administratively difficult and success even in this limited sphere has by no means been achieved. A control scheme covering every price will involve such a heavy administrative burden that it may easily be ruled out as impracticable. The experience in U. S. A. appears to have been different ; for in his message to the Congress on the 7th September, 1942, President Roosevelt observed as follows : " Our experience has proved that a general control of prices is possible only if the control is all inclusive. Our entire effort to hold the cost of living at the present level is now being sapped and undermined by further increases in farm prices and wages and by the ever-increasing pressure of prices resulting from the rising purchasing power. It is impossible for the cost of living to be stabilised while farm prices continue to rise. It is impossible to keep any prices stable if wage rates continue to rise. What is needed is overall stabilisation in prices, salaries, wages and profits."

But there is one vital aspect of the problem which cannot be ignored. Not all prices which make up the price system of this country (or any other) are equally important. There are some prices which have a strategic value in the sense that they exercise a decisive pull on the whole price-system, *e.g.*, wages and rents and these cannot be left out of the scope of any well-conceived price control scheme. Rents have been controlled in some areas in this country—so far largely in the big cities, but wages have been allowed to rise through a series of wage increases, dearness or war allowances. It is, of course, hard to find any moral justification for preventing a rise in wages and salaries when prices are rising so rapidly. All that is sought to be pointed out here is that a rise in wages does not retard but only reinforces and quickens the process by which prices rise.

A comprehensive control of all prices or at least of all the more important prices had a chance of success if it had been applied at an early stage, but with a heavy inflation already under way it is not to be thought of. These considerations do not, however, apply

to the prices of commodities which are substitutes or near substitutes of those whose prices are being controlled or of those into the production of which commodities with controlled prices enter. Commodities like wheat or sugar have a number of satellites, as it were, revolving round them and price control will be more effective when it is applied to a whole group of commodities than if it is concentrated on a few major commodities only.

The most important problem of price control facing us to-day is not so much the control of supplies or rationing of consumption, the adjustment of prices to costs or of one set of prices to another set of prices but the control of inflation which is now assuming alarming dimensions. It is sometimes made out that the inflationary process—which after all manifests itself in a sharp and progressive rise in prices—can be kept under check by controlling prices. But this way of putting things mixes up cause and effect. A rise in prices will, no doubt, induce an expansion of monetary circulation to go much further than it would otherwise go, but for the real cause of an excessive increase in monetary circulation one must look not to the behaviour of prices but to the policy of war finance. "We agree," remarks a recent writer with keen discernment, "that given an inflationary fiscal policy, any procedure which keeps down the cost to the government of goods and services will correspondingly reduce the amount of monetary expansion which such a policy requires. This is the element of truth in the doctrine that it is possible to check inflation by direct price control. The better the bargains that the government is able to drive, the less the pressure on the Treasury for the creation of more and more new money."¹ And he goes on to add that the problem is "double-barrelled" in that the inflationary process must be attacked directly and indirectly, by fiscal control and prevention of inflation of money income as well as by control of prices paid by the government and the civil population.

Thus while prices may trail monetary circulation behind them part of the way, monetary circulation when it once assumes the lead trails prices the whole way. In India at present prices are just being trailed along by the large expansion of monetary circulation. The quantity of notes in active circulation has increased from about Rs. 179 crores in August, 1939, about Rs. 586 crores for the week ended 8th January, 1943. Thus more than Rs. 350 crores of notes have been added to circulation since the outbreak of war out of which roughly 50 crores were added upto the end of first war year and more than Rs. 300 crores have been added during the next

¹, Hardy : *War-time Control of Prices*, 1940. pp. 93-4.

two war years. Besides this expansion in the circulation of currency notes, there has also been an increase in the absorption of rupee coin (including Government of India one rupee notes from July, 1940) as well as small coins. The total amount of rupee coin (including one rupee notes) absorbed in 1939-40, was nearly Rs. 10 crores, in 1940-41 over Rs. 33 crores and in 1941-42, about Rs. 7 crores. Approximately Rs. 12 crores of small coin—silver, nickel and copper coin— have been absorbed during the first 31 months of war, i.e., upto March, 1942, as against Rs. 8 crores during the whole of the last war. Not only has there been an increase in the circulation of notes and small coin since the war started, the demand liabilities of scheduled banks have also increased. From Rs. 134 crores on 1st September, 1939, the amount of demand deposits of scheduled banks has risen to Rs. 337 crores on 1st January, 1943. It would appear, however, that the increase in the amount of bank deposits has been accompanied in 1941-42 by a decline in their velocity due probably to hoarding or immobilisation of purchasing power. This big reserve of immobilised velocity, whenever it comes into action, will be a factor of serious magnitude.

The most outstanding feature of the present economic situation in India (November-December, 1942) is that a large volume of purchasing power which has come into the hands of the people is exerting a strong pressure on the prices of goods, particularly consumption goods, the supply of which cannot be increased appreciably or quickly. The situation has been further complicated by what appears to be a wild orgy of speculation in the commodity markets during the last two or three months, causing a veritable price flurry. The Calcutta Index Number has been registering an almost mercurial rise since April, 1942; it stood at 157 in April, 1942 (July 1914=100) and has risen in successive months to 169 (May), 182 (June and July), 192 (August), 198 (September), 206 (October), 227 (November) and 238 (December). The price situation now appears to be far too complicated to be explained wholly in terms of currency expansion or to be treated by monetary or fiscal policies alone. Monetary and fiscal remedies remain, however, as important as ever and their importance at this juncture is more likely to be under-emphasized rather than over-rated. An effective way of relieving the pressure of purchasing power against the available supply of commodities would be to launch a vigorous taxation—saving and borrowing—price control—rationing programme and to intensify simultaneously both public and official vigilance to prevent speculative hoarding and to secure increased production.

PRICE CONTROL IN PRACTICE

(By P. C. MALHOTRA, M.A., R. S. D. College, Ferozepore)

In opening the sixth Price Control Conference on the 7th September, 1942, Mr. N. R. Sarker, Commerce Member to the Government of India, referred to the insistent demand on behalf of certain sections of the community for the removal of price control as that alone, in their opinion, would remedy the situation and ensure better distribution of food supply within the country, but the Commerce Member was convinced that in spite of the imperfections of price control it was essential and desirable under the prevailing circumstances. The policy of Price Control and the methods of executing it must be judged with reference to the objectives of this policy. These may be :—

1. In the absence of control, prices of foodstuffs would soar up. This would cause severe hardship not only to industrial workers and middle classes in urban areas, but also to the rural population in areas where foodstuffs were short in supply.

2. The prices of foodstuffs and other essentials should be high enough to encourage their production by enabling the producers of marginal efficiency to add to the supply required and to oblige consumers to use those substitutes which are more easily available in war time.

3. A rise in price if unchecked may make people lose faith in the currency and cause a flight into commodities.

4. Price control may be used to check "profiteering" i.e., the making of excessive profits, either by creating an artificial scarcity of goods or by creating fear in the market regarding the anticipated shortage.

5. Price control may be used as a means of enforcing efficiency and economy of production. If all increases in costs are reflected in price increases the individual producer relaxes all efforts to keep prices down. Business must be asked to absorb cost increases up to the point where profits are at a reasonable level.

In view of the various objectives which may be sought to be served by price control, a practical policy beyond the day to day requirements of the people has to be evolved. Those in charge of price control must be able to convince people that there is no danger

of shortage of the controlled goods in the country. It is not merely enough to tell the people that there is no absolute shortage of things in the country. People are directly concerned with shortage at particular time and points. When this fear is actually removed by increased production and better distribution, it is then that the hoarders of goods may be publicly pilloried for their anti-social acts. If price control is to succeed, one of the essential things is to arouse public feeling against the dealers in black market, profiteers and cornerers of stocks. As to how best public feeling can be organized against the abovementioned anti-social activities lies outside the scope of the paper.

An effective price control policy must be comprehensive. It should include the prices of raw materials and manufactured goods; it should cover wholesale and retail prices. The District Magistrate is the price controlling authority in the districts. He is allowed to vary the maximum prices for his district as fixed by the provincial price controlling authority. In each district there is a consultative price controlling committee. The members of the price control committee should consist of businessmen and such persons who have some knowledge of the science and art of price fixing. The District Magistrates can well avail of the services of the professors of Economics in the colleges located in their districts. The writer of this article feels that a certain percentage of the members of the district price control committees serve merely a decorative function as they are not properly equipped for the task. The price control committee must be kept posted with information relating to the conditions of supply in the province, the manner in which the supply can be increased, the stocks in the district and their distribution. Further, the price control committee must be regularly kept informed of the prices at which goods can be sold. Thus price control must be a synthesis of different ideals.

It has been recognized now in India by the price controlling authorities that control over supplies and distribution are essential and vital corollaries to effective price control.

Another factor equally important for effective price control is the co-operation of civil population. Without actually tightening the belt, there are numerous other ways in which wastes in consumption can be avoided, extravagance can be checked, and consumption postponed. In so far as war increases money incomes, the temptation of spurious prosperity must be resisted (because in war time the supply of goods does not increase in proportion to the increase in the supply of money). By spending additional income when there is not a proportionate addition to the stock of goods, people push up the prices. Thus the purchaser does not get full

value for his money. The wise course is to utilise such savings after the return of peace when increased flow of goods for civilian consumption would be available. In this connection a suggestion was made by the Trade Union Leader in England, Mr. Earnest Bevin, who proposed that the Government should not permit any increase in the prices of food and essential commodities and as an equivalent a wages truce under the auspices of the trade unions should be offered. Mr. (now Baron) J. M. Keynes' proposal of forced saving, *i.e.*, a system by which addition made to wages in war time may be credited to the account of the wage earner and may be available to him after the war, may prevent the additional purchasing power to have its pull on prices. The system of protracted wage increase may thus indirectly help to prevent the prices from soaring high.

The impression that soaring prices create in the minds of the people is that of a shortage of goods. This causes a flight into commodities and this stampede takes the form of the hoarding of goods. Partly at least this can be prevented by ensuring that prices cover the costs at which goods can be replaced and prices should be varied according to the replacement costs. When the replacement cost is higher than the controlled price, goods cannot be obtained at controlled prices.

In a competitive economy the shortage of any thing corrects itself through the prospect of high prices. A price control policy that cuts off this prospect checks the increase of the supply of the commodity. "A little war profiteering is less harmful than a large check to the output of controlled commodities and to a large diversion of energy to making other commodities, a great deal of profiteering is more harmful than a very small check" (Pigou: *The Political Economy of War*, 1940, page 130). Any practical policy of price control must take account of this fact.

The manufacture of standard articles helps in enforcing the price control policy. It may be that a fixed proportion of plant is forced to make standard articles or the manufacture of standard articles is induced by enabling the manufacturers to obtain a steady supply of raw material on concession price basis. The production of standard cloth in India may be encouraged by giving to the manufacturers yarn at a concession price. The production of standard things is also economical.

Nothing does greater harm to the cause of price control than the impression that one touch of price control causes the commodity to disappear from the market. The sixth Price Control Conference recommended that fair price shops should be opened wherever possible in poorer localities by the government, local bodies, by approved

trade agencies or philanthropists. These shops will have a salutary effect on retail prices. Some kind of rationing of price controlled goods will have to be combined with the opening of fair price shops in order to restrict purchases to the consumers' day-to-day requirements.

Price control may be facilitated by taking measures to eliminate unnecessary middlemen and their profits. The starting of co-operative stores may thus be used as an experiment in price control.

If the basis of the economic system is competitive economy, price-stop orders, that is, orders issued by the government prohibiting the increase of prices above the level prevailing at a given date are foredoomed to failure. It will be like attempting to prevent the rise of the temperature in the barometer by immersing it in ice whereas the temperature of the atmosphere surrounding it remains uncontrolled.

The basic problem in price control is to increase supply so as to make it commensurate with the increased demand. The rise in the price of food articles can help to extend the area under food crops. Commercial crops for which there used to be export markets are gradually being replaced in India by food crops which can fetch good prices at home. As the price of food crops cannot be allowed to soar without limit, the production of food crops cannot be expected to increase as a result of the profit motive alone. Hence the need for bringing larger areas under food crops by several other devices such as concessional irrigation rates, supply of seeds and takavi loans on a larger scale.

PRICE CONTROL IN THE PUNJAB

(By HARBANS SINGH KWATRA, M.A., P. A. to Price Controller, Punjab)

The course of economic events since the outbreak of the hostilities has gratified no one. The housewife is exasperated by the rise in food prices and the actual shortages; the traders are bewildered by the flood of regulations; civil servants see carefully prepared plans torpedoed by ill-informed and by no means disinterested criticism and the Government has to meet a barrage of criticism of an intensity more virulent than any it had to face in peace-time. This is indeed a deplorable state of affairs and its effect upon public morale is highly damaging.

The essence of the peace-time economy is the fact that decisions about what should be produced depend upon a highly complex process. By the working of the price system, a balance is kept between supply and demand, and economic welfare is maximized. But this has nothing in common with the war economy. In war, Government makes the decisions about what will be produced. It becomes the economic dictator. By its purchasing power the State inevitably dominates the economic structure. In times of shortage of essential foodstuffs, the decision about what should be produced cannot be left to the choice of those who happen to have purchasing power to buy. It becomes necessary, as part of the military requirements of the situation, to ensure that each citizen has an equitable share of what there is, regardless of his purchasing power. The people's need, rather than the things which they can afford to buy, becomes the criterion. And the Government has to decide what those needs are. Hence we get a sort of war collectivism in which the production structure is based upon the war needs of the nation in the widest sense.

Some economists argue that the change to war economy can best be accomplished by the normal working of the price mechanism. However possible it may be in theory to run the war economy by reliance upon *laissez-faire* principles, in practice there must be positive planning. Keeping this in consideration the Government of India chose to regulate the prices of certain essential commodities in the different provinces. The Government could not watch with equanimity as a mere spectator the soaring prices

and the resulting very high costs of living. The price level (base: week ending 19th August, 1939=100) had gone up to 142 on week ending 30th August, 1941, and 161 on week ending 29th August, 1942, and cost of living index rose to 199 for Lahore city in July, 1942 (base 1931-35 = 100). With the upward spiral of prices there were all the signs of hoarding of commodities on the part of the purchasers and consumers alike and the subsequent shortages made some kind of state interference a *sine qua non* in the interests of public tranquility, if nothing else.

It was on 25th May, 1940, that the Government of India for the first time delegated powers to Provincial Governments to combat the price of gram, pulses, gur, milk, ghee, vegetable, oils, salt, kerosene oil, charcoal, firewood, matches, etc. The Provincial Governments have re-delegated these powers to District Magistrates who generally act on the instructions given to them from time to time by the Provincial Price Control Officers. To help the District Magistrates in their price control policy an advisory committee composed of officials and non-officials representing various interests has been set up in each district. And at the provincial headquarters, Provincial Price Control Boards, representing almost every interest, have been formed to keep Government in touch with the trend of prices and the difficulties experienced by the trading community.

The main object of the Government has been to strike at the middleman's exorbitant profits. At the same time, necessary steps are taken to keep an effective control on the food situation. The growers should not be oblivious of the fact that the Government did interfere even in a period of agricultural depression and now if the Government is compelled to interfere in the interest of the whole country they should not grudge it. After all it is only if the various provinces make some sacrifices that the problem can be tackled. The Punjab has got to make some sacrifices in the case of food grains if she wants Bombay to make some sacrifice in the case of textiles and U. P. in case of sugar. The Central Government must also see that every province makes due sacrifice in the interest of the whole country.

In general, the District Magistrates have controlled the prices of (i) coarser grains, (ii) salt, (iii) milk, (iv) gur, (v) firewood and charcoal, (vi) pulses, (vii) fodder, (viii) meat, and eggs, etc. The maximum prices fixed by District Magistrates are forwarded to the Price Controller at Lahore and are carefully scrutinized with a view to seeing that they are co-ordinated with the prices fixed in other districts and are also reasonable in themselves. On the other hand, the maximum prices of wheat, matches, paper, kerosene oil, and sugar have been fixed on the basis of instructions from the

Central Government. In these articles the primary control in fixing prices is exercised by the Central Government, while details are worked out by the Provincial Governments and District Magistrates. A few ideas may now be offered on each important controlled article separately.

Wheat and its Products.

The outstanding problem during the last two years has been the wheat situation, and orders and control in this realm have been on an unprecedented scale. The scarcity reached its climax in the Punjab at the end of the March and beginning of April, 1942, just before the arrival of new crops. This scarcity was mainly due to uncontrolled movements of wheat and its products from the province. It was a mistake not to have realized that supply control should have preceded price control. The Government had, therefore, to resort to various measures, like requisition of stocks and mixture of coarser grains, to relieve the situation. The prices and supplies of other complementary grains were also partially regulated, as they indirectly reacted on the wheat situation. There were several difficulties and shortcomings in methods, but, on the whole, the scarcity could not have been relieved in other ways. It was Government control that saved the people from acute scarcity and consequent hardships.

From the experience gained during the last year it was considered necessary to take early steps to build wheat policy on facts and figures. Our province being the largest wheat producing area in the country there are large calls on it from the sister deficit provinces. Besides, wheat is the staple diet of a large majority of the Punjabis. The external policy about wheat has involved a strict control over exports from the province. Exports have been regulated in such a way that sufficient stocks have been left for internal consumption and exports have been distributed in a manner so as to meet the needs of the deficit provinces in the best way. At a conference in New Delhi on March 21, 1942, it was decided that the total export to be permitted from the province during the current wheat year was to be 9 lakh tons. This figure was considerably higher than the average exports from the province but the Punjab Government was obliged to make a sacrifice to share in any shortage that might result from the large demands caused by the war. According to the Wheat Control Order of 1942, permits of exports by rail are granted by Wheat Commissioner and by road and river by the Price Controller but military purchases are not subject to permit; figures of purchases on this account, however, are sent weekly to both the Provincial and Central Governments.

Since most of the wheat traffic is rail-borne, the Wheat Commissioner has been determining the quantities which have been sent to deficit areas. If we take into account our leakages of wheat by road through the Indian States, we have implemented our undertaking to export 9 lakh tons out of the province. The shortages of wheat must inevitably result if we are exceeding our exports quota. As regards the internal policy there is complete freedom of movement of wheat within the province and prices are co-ordinated in different districts with the basic rate of Rs. 5 per maund at Lyallpur.

As a precautionary measure, the Punjab Government have built stocks of wheat to the extent of 37,000 tons and of gram, 15,000 tons which will be released for civil consumption in time of scarcity. The District Magistrates have also been asked to reserve wheat stocks to last for a month for each district through the traders for any emergency. The 'Grow More Food' Campaign has also created a salutary effect on the food situation in the province. Lastly, to make the available supplies last as long as possible, the Government have enforced new proportion of mill products, i.e., now the mills will be making 60% *atta*, 30% fine products and 10% bran. This device will give us more *atta* and less of fine products which are relatively less important from the food point of view. Keeping this in view the Government are further suggesting the mixture of coarse grains with wheat like last year.

It is generally said now that price control on wheat has become almost a farce. The pressure of high prices prevailing in Calcutta, Bombay, Karachi, Bihar and C. P. has become too irresistible for the outflow of wheat from the province to be restricted. The official rate for wheat has touched Rs. 11 (per maund) in Calcutta, Rs. 8 in Patna and Dhanbad, Rs. 7-10 in Bijnor (U. P.) and Rs. 60 per candy in Karachi. In the face of such high prices it is difficult to keep prices in the Punjab at a low level. Secondly, the prices of uncontrolled food grains are having insalutary effects on wheat control. When their prices have touched unprecedented levels it is difficult to stick to our standard rates for wheat. There is considerable evidence to show that the growers are withholding stocks of wheat from sale, when they can market coarser grains on better rates instead of reserving them for their own consumption. The right course would have been to control their prices as well in company with wheat. Lastly, prices must shoot up in the face of large hoardings on the part of the growers, dealers and well-to-do consumers. It is now usual, to find in the market, reports: "No sellers at controlled prices." The existence of black-markets has certainly been responsible for hoardings. We have to strike at them at first to break the vicious circle formed by them.

Other Foodgrains.

Formerly gram, dal and barley were subject to export restrictions from the province but lately rice, maize, *jowar* and *bajra* have also been brought under this category. The permits for their export will be issued on the recommendation of the importing state or province and this will enable the consuming areas to be kept informed of permits issued in their favour and the stocks coming into such areas will be prevented from going underground. The recently created Food Department at the Centre will determine the export and import quotas of various food grains for different provinces with a view to ensuring equitable distribution from the point of view of the whole country.

Sugar.

In the case of sugar, the Government of India have control on both prices and supplies under the Sugar Control Order, 1942. With regard to prices, the position is that the Sugar Controller fixes the ex-factory prices of the various types of sugar arranged according to grade and colour. The Provincial Governments fix the wholesale and retail prices on the basis of ex-factory price through the agency of District Magistrates who determine maximum wholesale prices by adding to the ex-factory price, freight and other incidental charges which are incurred in making the sugar available in their districts and which include a reasonable margin of profit as well. With regard to supplies, the Sugar Controller for India fixes quotas on the basis of previous off-take of the various provinces. He then allots factories, and the quantities which each factory has to despatch, to the province for a month or sometimes two months. The factories cannot despatch sugar without the permits of the Sugar Controller. However factories are allowed to send sugar to their own nominees in the districts attached to them and they are required to keep District Magistrates informed of despatches made by them so that they can see that sugar is properly distributed and it does not go underground. That factories can choose their own nominees is creating some trouble and this system can be improved if District Magistrates are appointed as the consignees of sugar factories. In general the system has worked fairly satisfactorily but one difficulty of transport is—which is so much erratic—that although sugar is frequently available at the factories it cannot be sent to the districts. The problem in regard to sugar is therefore not so much of production as that of distribution.

The problem of internal distribution in the districts has been engaging the serious attention of the District Magistrates. The

public is panic-stricken and so there is no end to their hoarding activities. The dealers too are not releasing stocks for sale. Their attempt has always been to sell as much as possible in black-markets mainly to confectioners who can afford to pay higher rates than control rates in order to keep going in a time of reduced supplies. To curb all such practices several schemes of distribution have been tried in various districts and it is hoped that shortly the province will have a single well devised system of internal distribution.

Sugar is now available at the rate of about Rs. 14 per maund in various districts. Just imagine what its uncontrolled rate would have been when *shakkar* and *gur* are selling at almost the same rate as sugar in certain districts! The conception of certain sections of the people that supplies would have been at least available without control is not based on sound foundation. How do they explain the shortages and disappearance of articles like ghee, tea and dry fruits which are not controlled?

Salt.

Primarily on account of inadequate transport facilities there have been shortages of salt in various districts and the profiteering price charged by the dealers has been high on account of the middleman's profits at the salt mines. A wagon of 500 maunds was lately being auctioned up to Rs. 2,500 at Khewra for which the Government was realizing only Rs. 1,014. The middleman was making capital use of his right to salt when his term came, by auctioning at very high rates. To stop this nefarious practice the Salt Department, on the initiative of the Price Controller, Punjab, has evolved a new scheme by which 50 per cent. of the outturn of salt at the mines will be reserved for the nominees of the District Magistrates who won't be allowed to auction or transfer their right to salt. Now the price of salt has fallen to Rs. 0-1-6 per seer in place of Rs. 0-2-9 since the enforcement of this scheme. The Railway has also been approached to supply a regular quota of wagons at the Khewra mines to maintain regular supplies of salt to the districts, approached to supply a regular quota of wagons at the Khewra mines to maintain regular supplies of salt to the districts.

Kerosene Oil.

It is another article controlled in the provinces at the instance of the Government of India. The basic port prices are fixed by the Central Government and the oil companies send lists of prices f.o.r. at stations of destination to the Provincial Governments for enforcement in the districts. The shortage in supplies is mostly due to the war and frenzied buying on the part of the panic-stricken consumers. Efforts are therefore being made to conserve

supplies to the utmost by restricting sale of oil in tins to the consumers. Now retail sale is restricted to bottles in every district.

Firewood.

Owing to big military demand for wood as well as transport difficulties there has been at times an acute shortage in fuel supplies in big towns like Lahore and Amritsar. Partly this scarcity can be attributed to unco-ordinated controlled prices in the various districts. There must be shortage of supply in a centre, where rate is not at par with another centre. The Government is therefore shortly co-ordinating prices of fire-wood and charcoal for the whole province.

To relieve the present situation, the Forest and Irrigation Departments have also been asked to help materially in the matter of augmenting the supply of fuel wood and charcoal. The Irrigation Department has promised a supply of 8,000 maunds of fuel wood per month. Another scheme that is being considered is the manufacture of charcoal in the mill areas of certain districts. State Governments have also been approached for co-operation in the matter. It is hoped that the Government will now be better prepared to meet any scarcity situation in the towns.

Matches.

The scarcity of match-boxes is an all-India phenomenon due to the closing down of a large number of match factories on account of higher costs of production and lack of adequate supplies of raw materials. The Western India Match Co., Ltd., has tried to meet the demand of the market, but it cannot make up for the reduced supplies from other companies. Much of the panic has been created by a class of people who have spread a rumour that the supplies of certain chemicals needed in the manufacture of matches would not be available in future and the supply of matches may come to a complete standstill. This rumour has caused considerable rush for hoarding of matches both by dealers as well as consumers. The Western India Match Co., is trying to conserve the available stocks to the utmost and has also very nearly completed a factory near Bombay for the manufacture of potassium chlorate and its output will be quite sufficient for the Indian industry. The local match companies are also receiving due consideration from the Punjab Government in expanding their work.

Standard Cloth Scheme.

The problem of cloth for the poor classes has been engaging the attention of the Government now for very long. The Government of India undertook to supply to each province the indents made

with it for standard cloth. The scheme has now been approved by the Textile Advisory Panel and will shortly be working. The price of standard cloth will be uniform throughout India without any variation from province to province, irrespective of the transport charges. The prices once fixed will be subject to revision every quarter. To start with, three varieties in standard cloth, shirting, *dhotis* and saris will be produced. The allocation of requirements of standard cloth to the respective provinces will be made by the Central organisation. It is hoped that this scheme will meet one of the most urgent needs of the hour. Arrangements are also being made to supply yarn to the weavers at fixed rates through the Provincial Yarn Commissioner to increase output of coarser cloths.

Control of Transport.

Any price control measure may be rendered ineffective without some control on the means of transport. Keeping this thing in view the Punjab Government have appointed a small transport committee, consisting of the Additional Financial Commissioner, the Chief Operating Superintendent, N.W.R. and the Price Controller to consider problems of transport arising out of price control policy. Arrangements have been made to provide wagons at points of greatest necessity. The Regional Price, Supply and Transport Boards have also been created in the Punjab. This measure is designed to achieve a further degree of integration between price control policy and transport problems.

Centralisation of Price Control.

For co-ordinating of price control policy in the provinces the Government of India have so far convened six price control conferences in which all important matters relating to price control policy have been thrashed out and definite policies have been laid down for the guidance of the provincial authorities. An interesting feature of the 6th Price Control Conference was the creation of Central buying agency for wheat in the Punjab in order to eliminate competitive buying in that commodity. Under this scheme all purchases in the Punjab will be made by an agent of the Central Government and all despatches will be made to the Director, Civil Supplies, or his nominee in the importing province. A further degree of centralisation of price and supply control measures has been achieved by the recently created Food Department at the centre. For this purpose, food grams, wheat and sugar controls have been brought under the jurisdiction of the new department. It is hoped that conditions will change for the better, since the deficiencies in control policy are being removed day by day.

IMPORT TRADE CONTROL

(By VINAY KUMAR CHOPRA, Research Assistant, Economic Adviser's Office, New Delhi).

During these three and a quarter years of war, conditions of international trade have materially changed. In fact world trade, as ordinarily understood, has ceased to exist. International trade has been transformed into inter-regional trade with three distinct areas and the trade of each of these areas is governed by different price levels and price relationships. The trade within continental Europe has come largely under German control. The far eastern trade is regulated by Japan and the trade of the rest of the world has come to centre round the United States and Great Britain.

Even within these three regions the flow of trade has not been free and unhampered. Every country has had to canalize and control its trade sooner or later. In India, though the export trade was subjected to some regulations immediately on the outbreak of hostilities in September, 1939, control on the import trade was introduced in May, 1940, only. Of course, trading with the enemy was already an offence under the Defence of India Act, 1939.

The resort to import control was pressed on the Government by the imperative need to conserve foreign exchange with a view to enabling the Government to purchase goods necessary for the successful prosecution of the war. Countries trading with India were divided into three main groups according to their financial systems, the ease and difficulty in and the urgency for procuring their currencies. All countries of the British Empire, with the exception of Canada, Newfoundland and Hongkong, were designated the sterling area. The currencies of certain countries like Greece, Turkey, Spain and Portugal were termed 'soft currencies' while the currencies of countries like U.S.A., Canada and Switzerland were called 'difficult' or 'hard' currencies. Here was the very problem of the control of our import trade—at least during its early stages, as we shall see presently. Of which currencies were we to be most miserly, which were we to be fairly careful about and which could we regard free from any trammels whatever? Of course, the decisions taken on these questions have had to be revised in the light of experience and under the pressure of world events. In

fact, import control in our country has already passed through two main phases and is now in transition towards a third phase.

Import restrictions were first introduced in May, 1940. The list of articles affected by the restrictions originally covered 68 items among which the most important were sugar, raw cotton, motor vehicles and silk piecegoods. Then the control was rather mild; it was confined to the import of only non-essential consumers' goods and from 'hard' currency countries alone. Imports from countries within the 'sterling area' and the 'soft currency' countries were not controlled. This system in its essentials continued for about a year.

The need for extending the scope of this control was felt when it was observed that our imports of unmanufactured and semi-manufactured goods and capital goods from the 'hard' currency countries were swelling. Uncontrolled and unlimited imports of such commodities from the hard currency countries meant impoverishment of our exchange resources. Besides, by the middle of 1941 events in Europe had taken a serious turn and it was realized that to conserve foreign exchange still further, control would have to be extended to essential consumers' goods and even capital goods. Hence the Import Trade Control Notification of May, 1940, was amended from time to time. The list of controlled goods was extended. The principal additions made were dye-stuffs, potassium bichromate, iron and steel, provisions and oilman's stores, aluminium, paints and colours, paper and paste-board and newsprint. The commodities were selected as being among those the consumption of which could be kept within limit without damage to any essential interest, which could be imported from weak currency countries or could be produced within the country. On 23rd August, 1941, a new Import Trade Control Notification was issued. But the underlying principle of control remained exactly the same as it was in May, 1940. The guiding factor in control still was the conservation of foreign exchange; only its scope had been extended, the list of articles having been vastly enlarged. The schedule attached to the Control Notification of 23rd August, 1941 was divided into two parts. The first part of the schedule consisted mostly of consumers' goods which can be called non-essential. Licences for these goods are issued on a quota basis. Quotas are fixed in percentages of goods imported in certain basic periods which are different for different commodities. The second part of the schedule included goods essential for the country's industries, including raw materials of strategic importance and capital goods. With certain exceptions, licences for these goods were issued on merit, *i.e.*, on the consideration

whether their imports were essential for India's war effort or for maintaining the civilian population in wartime conditions.

This system continued till July last but by the beginning of 1942 certain difficulties were being experienced. Even when licences were granted traders could not get the imports in several cases. It was partly because of non-availability of raw materials in the countries of manufacture and to their own export regulations to conserve stocks for war purposes. But the more important difficulty was of finding shipping space which was becoming more and more scarce with the progress of the war. The matters came to a head in July last. Most acute shortage of shipping space was experienced. All licences were recalled, cancelled and then re-validated only after a very strict scrutiny. The import trade control had entered the second phase. On July 1, 1942. Open General Licences in respect of U. K. and Australia were cancelled. The basis of import control was revised. The question of conserving foreign exchange, though still there, now occupied a secondary position. The problem now was: how best to use the available shipping space. This became the regulating factor. Under the July, 1942 scheme, three shipping areas have been introduced. The first is the North American area consisting of U.S.A., Canada and Newfoundland. The second is the United Kingdom and the third Australia. The aim now is to utilize shipping space available from these three areas for essential imports only and to give priority to them according to the urgency of our need for them. Under such circumstances luxuries and most of the consumers' goods are not allowed to be imported at all.

Now import control is in transition from its second phase to the third. It has been observed during the last few months that the countries from which we obtain our supplies are unable to meet all our demands. Besides scarcity of foreign exchange and shipping space, the inability of the exporting countries to supply our needs is putting a limit to our imports. Now, while the existing system continues, efforts are being made to devise a system by which our requirements will be linked with the productive capacity of the supplying countries. Long range programmes are likely to be chalked out and our requirements are likely to be linked with the production programme of the exporting countries.

To recapitulate, the guiding factor in import control in its first phase was conservation of foreign exchange, in its second phase, best utilization of shipping space, and now, in its third phase, a further factor appears to be influencing policy—the best utilization of productive capacity of the exporting countries.

DISCUSSION

Mr. P. W. Marsh (Chairman, Punjab and N.W.F.P. Public Service Commission) spoke from his knowledge of the price control in the United Provinces. He began by saying that while criticising the Government, the extraordinary administrative difficulties should not be lost sight of. Any power exercised for control by the Government was based on the Defence of India Act. The Central and the Provincial Governments at first felt nervous in using those powers but under the pressure of public opinion, they were becoming courageous. The rise in the prices of agricultural commodities, he said, was in the beginning welcomed everywhere and in this connection, he referred to Sir Chhotu Ram's speech. It was later on when the prices began to rise unduly high that the question arose as how to control prices. What should be the rate of wheat, for instance? It was there that the advice of experts was called for by the administrators. He said that advocates of planned economy in America were in a stronger position than in India. The difficulty of fixing rate of wheat in India, for example, was due to the conflict of interests of various provinces. Once wheat had been produced, it was desired that there should be a uniform price and a steady supply. He said that it was not possible to forecast demand for any long time ahead. Another difficulty of administration was regarding the co-ordination of measures taken in districts. He added, further, that Cawnpore had an influx of outside workers and they were earning wages that they had not known before. Those workers could not be induced to save from their high wages. In this connection he referred to the fact that saving by War Saving Certificates was successful in England mostly due to the efforts of the ladies. He went on to say that prices could not be controlled without controlling supplies. They started without controlling supplies, but it was realised gradually that they had started from the wrong side. In U. P., control of prices broke down partly because the dealers refused to co-operate. The reasonable profits were 8 to 9% but the dealers were not content with a profit of less than 18% to 20%. It was impossible to persuade them to work at a reasonable margin of profit. It was necessary to differentiate between reasonable profits and profiteering. He said that the difficulties of the Government should be kept in view while criticising them. He also referred to the difficulties of transport, distribution, optimistic purchases, etc.

Sir William Roberts began by referring to the criticism of the people who ask, "What is the good of price control? Does it help

the consumer?" He said that wheat was the important item of control in the Punjab and that the Government were failing to control it. In Calcutta *atta* was selling at Rs. 17 per maund. In the case of gram, people find that if they could get permits to export to other provinces, they could make profits. Gram was being sold in Amritsar at Rs. 8 a maund and in Karachi at Rs. 11 a maund and if there was no control, gram could be had at Rs. 10-8 per maund here and yet could be sold at a profit in Karachi. The difficulty in getting permits for export is the cause of difference in prices here and in other provinces. The lower prices in the Punjab had benefited the consumers. He said that Central Government were to be blamed for excessive exports of wheat from the Punjab. Gram export was controlled by the Provincial Government. There were two types of controls. In the case of wheat both exports and prices were controlled and in the case of gram only exports were controlled. He said that Bombay was sending cotton cloth to the Punjab at 3 or 3½ times the pre-war price. Punjab was the only province which was trying to control the price of wheat. He agreed with Professor D. K. Malhotra that the price control should not be rigid. He said that if the Punjab Government were left free in the matter of price control, they could have made a good job of it. He gave the assurance that there was enough of food grains in the Punjab to last until the next harvest and he asked the people to create a taste for Kharif food crops, bajra, gram and maize, which he described as body-builders and brain-builders.

Principal D. N. Bhalla said that he would speak from the point of view of a layman. A certain rise in prices was inevitable under existing conditions, first, due to the diversion of the productive effort to the production of war materials and secondly, due to inflation. In the interest of the average person, control of prices also was inevitable. He said that price control had not been successful in India. He wanted to know if it was correct that when the controlled price of wheat was Rs. 5-4 per maund, the Government itself was purchasing it at Rs. 6-8 per maund. (Dr. Jain: Quite correct.) Principal Bhalla said that in that case, control of the price of wheat was a farce. He then asked what measures had been taken to check the black markets and goods going into the hoards of those who indulged in profiteering. He maintained that the grant of dearness allowance was a step in the right direction, as wage earners were the greatest sufferers from the rise in prices. He further pointed out that while there were restrictions on the middlemen with regard to hoarding, there were no such restrictions on the producers. For the price control to be effective, the producer should be made to sell at the controlled price. The failure of the price control system was due to three causes: (1) the lack of harmony between the profession and practice of the Government, (2) the lack of co-operation between

price control authority and businessmen and producers, and (3) the existence of vested interests. There was no co-operation between authority and people due to the lack of confidence in the measures adopted for, and intentions behind, price control. Public should be made to feel that the control practised was in their own interest.

Mr. S. P. Jain said that there was greater need for real co-operation between the Railways and the price control authority. The present control of transport was not effective and could not be effective as the railway rates had not risen sufficiently high to commensurate with the real value of transport to the traders and the general level of prices in the country. This had resulted in widespread corruption. He said that the importance of transport as the scarce factor was not sufficiently realised and suggested that the rationing of transport must come soon. He agreed with Principal Bhalla in that price control was viewed with suspicion in India. It was considered to be rightly or wrongly a mode of getting supplies at less than market rates. The public should be acquainted with the methods and aims of price control, and suggestions should be invited from leading organs of public opinion. People were suspicious that in the control of prices, certain monopolistic concerns were working behind the scenes. It was the duty of the Government to ensure that no such thing happened at the cost of the country. Replying to Mr. Marsh he said that wage earners could not invest a part of their income in war savings for the reason that as they were paid starvation wages and they had no surplus to invest in the war machine. Moreover, interest offered, being only 3%, was too low to attract savings from the middle class strata. He further added that it was a pity a commodity, as soon as it was brought under control, was adulterated and no pure stuff was available except perhaps to the Government officials.

Dr. I. Durga Parshad said that price control was an attempt to reverse the natural laws of economics and was necessitated by war conditions. Each region should determine the extent of control to be exercised. The essential question was of finding a basic price.

Professor Panna Lal of Jammu said that the price control had been a failure. While the price of wheat was fixed, there was no attempt to control prices of sister commodities like bajra, gram, etc. Black markets existed and only Government purchasers could get commodities at controlled price. The ordinary consumer could not buy them at the controlled price. He then said that there was an economic conflict between British India and the States. While Kashmir grew enough of paddy, it was a deficit State in regard to wheat. The latter should be supplied to it and the former imported by the Punjab. He said that the price of rice there in Kashmir was Rs. 9 a maund and that of wheat Rs. 10 a maund. He suggested that

an effective co-ordination between neighbouring states and the provinces should be brought about to make the price control effective and to bring about a better distribution.

Mr. I. M. Lal referred to the efficient and effective control and rationing system in England where county councils were concerned with the task of supplying food, etc. He asserted that it was a superhuman task to efficiently control prices with a view to ensuring that at least the basic necessities of the citizens were catered for. In India even maize which was nutritive was not available. Hungry man was a potential revolutionary and food riots might break out, if the prices were not properly controlled. The essential thing is to take care that everybody is given a due quota of food and when that is done, the price control does not matter so much.

The morning session came to a close at 12-30 p.m. The President, taking the sense of the house, announced that the Conference would re-assemble at 2 p.m. instead of 2-30 p.m.

PAPERS AND DISCUSSION
ON
POST-WAR ECONOMIC RECONSTRUCTION OF INDIA
(*December 23rd, 1942, 2 to 5 p.m.*)

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POST-WAR ECONOMIC RECONSTRUCTION OF INDIA
(By **DR. R. C. JAIN, M.A., PH.D.**, Lecturer, Government
College, Hoshiarpur).

The problem of post-war economic reconstruction of India may be discussed from two different aspects. In one sense, it may imply the restoration of the pre-war capitalist system which has been so rudely shaken by the imposition of unprecedented administrative controls and restrictions. The war economy has put the normal working of the economic machinery completely out of gear and the termination of the war shall present some serious problems of unemployment, inflation, public debt, replacement of worn out fixed capital, rehabilitation of industries, falling prices, adjustment of war expenditure between India, England and Allies, and so on. Shall we solve out these problems within the framework of the existing economic order which we all know is neither just nor contributory to the welfare of the masses? Shall we like to go back to an order which is responsible for so much exploitation, misery, bitterness and class conflict? The old system has been given a long trial and has been found wanting. We need a new order which not only guarantees to every individual freedom from want, but also places at his or her disposal the means of living a richer and a fuller life. It is in this sense that I view the problem of post-war economic reconstruction of India.

India is a rich country inhabited by the people having a very low standard of living, which has got to be raised somehow. To achieve this ideal it is necessary that the volume of production per head should increase and that the masses should have the necessary purchasing power to share the increased economic prosperity. It requires full employment for the people and a fair distribution of national dividend among those who partici-

pate in production and some provision by the Government for those who are unable to take part in production owing to their physical incapacity. I believe in limited state capitalism. If transformation from the capitalist economy to socialist economy is to take place peacefully, as we all desire, India must pass through a period of transition adopting for its policy planning in all spheres of economic activity. The larger production, fuller employment, and greater purchasing power should be the corner stones of the planning system to be followed by the Government. These three are not detached problems, but they form an integral part of the single problem of standard of living. They act and react one on the other and, therefore, must be considered together and not in a piecemeal fashion as they have been disposed of hitherto.

The problem of perennial unemployment and under-employment which was so acute before the war and which will reappear in a serious form after the war would be solved, if work could be found for the unemployed, on a basis which would procure them a fair living. Agriculture, industry, trade and liberal professions are already overcrowded. It is only the expansion of the existing industries and the establishment of new industries which can provide work to the unemployed. Hitherto the industrialization of India has proceeded from the wrong end and we have concentrated on industries producing consumers' goods to the utter neglect of those producing producers' goods. New industries producing chemicals, machinery, implements and tools, automobiles, locomotives, ships, tanks, aircrafts, etc., can be easily started in India, as we possess raw material and a well established home market based upon the existing purchasing power of the people. Provision can be made for the training of technical and skilled labour. The growth of these industries will make India self-sufficient in peace as well as in war. In fact, all industries for which raw materials and market exist in India should be started here. In no case should India develop industries for which she depends wholly upon foreign raw materials and markets; for this unstable economy, as is so well demonstrated by the imperialist countries, can be maintained only by exploiting other nations either by diplomacy or by force. India has no such imperialist ambitions. The increased employment, which these new industries would provide, would create demand for the products of the existing industries which in turn would feed the new industries, thus giving rise to a virtuous economic spiral. These industries shall require help in the form of pro-

tection or subsidies, but the sacrifice, which is worth making, will be more than made good in other directions.

The initiation of the new policy will not stop our foreign trade. We would continue to import goods which we cannot produce either absolutely, or can do so only at a prohibitive cost (provided it is not essential for defence) and also which cannot be produced in India in sufficient quantities so as to meet our total requirements. Our foreign trade will be strictly regulated by means of multilateral quota agreements. This will help in adjusting production to demand, minimising fluctuations in the foreign exchanges and reducing causes of international ill-will. As a consequence of the new policy our imports may drop leading to a corresponding decline in our exports which are mainly agricultural in character. It is expected that, after some time, the surplus will be absorbed in the expanded home market, thus preventing any fall in their prices. If it is otherwise, the Government can re-plan the production of agricultural commodities and adopt means to increase the incomes of cultivators in other ways. It is also likely that the increase in the purchasing power of the masses may help to keep up the existing value of imports and the corresponding exports without detriment to the interests of the agriculturists.

The new industries cannot be expected to provide work to all the unemployed, therefore, the existing industries shall have to be developed. This will mean a desirable increase in the volume of production and consumption per head. The extent of the expansion of industries will be determined by the purchasing power of the people. Some purchasing power will increase as a result of the establishment of new industries, but this is not enough. As the overwhelming number of people, whatever the industrial development, will always depend upon agriculture as a source of their livelihood, therefore, it is ultimately the purchasing power of the agriculturists which will be a decisive factor in the expansion of industries. It would be, thus, observed that the volume of production, employment and purchasing power are all closely inter-connected. The purchasing power of the agriculturists must be developed. This is the crux of the economic problem of India. We have hitherto neglected this important task to the detriment of our whole body economics. It can be done by increasing the yield of crops and improving the marketing organization. The Government must spend larger sums on the development of agriculture and uplift of rural areas.

The development of industries would facilitate the consolidation of uneconomic holdings and the reduction of pressure on land. The scanty income of the agriculturists should be supplemented and the problem of seasonal unemployment solved by developing such cottage industries as do not compete with machine made home and foreign goods.

Industries producing armaments, necessaries of life and articles requiring exactness, transport, public utilities and works involving heavy and toilsome work, etc., must be carried on on large scale basis with the help of machinery. It is feared that unless India produces for the world markets which is neither practicable nor desirable, the expansion of industries will not be so large as to absorb all the people requiring work. This is because the scope of increasing the purchasing power of the people in the agricultural industry is limited. Moreover, a part of the purchasing power is spent on precious metals which does not help the industries. All the Provinces do not possess equal advantages for the development of machine industries. Sole reliance upon machine industries would create disparity of wealth and income among them as some provinces will become mainly industrial while others will remain primarily agricultural. The best policy, therefore, suited for India is a judicious combination of machine industries and cottage industries supported by a protectionist policy. This will serve both the objects—increasing volume of production and creating full employment for urban and rural people. Besides, this policy will create a stable society, mitigate evils of factory system, reduce class conflict and inequality of distribution.

The development of agriculture would, no doubt, increase the volume of agricultural produce, yet the purchasing power of the cultivators will mostly depend on the stability of internal prices. The banking and monetary policy should be directed to that end.

The plan suggested for creating employment for the existing population will hold good, if the population is not allowed to grow unchecked. The present tendency of growing population should be counteracted by taking steps to control the birth rate.

The development of industries and agriculture is a long-term plan while means have to be devised now to find work for the army of people who will be thrown out of employment at the termination of the war. The Government should keep plans

ready for starting public works. Sterling balances accumulating in England should not be further utilised for the repatriation of sterling debt, but these should be reserved for buying machinery and other capital goods needed for the rehabilitation of railways and development of new industries.

The purchasing power of the masses should be further increased by increasing their relative share in distribution, if the industries have to be put on a sound footing. A partial bias towards cottage industries will, no doubt, do something to reduce inequality of distribution, but it does not go far enough. Permanent settlement of land must be revised. Death duties and estate duties on properties exceeding specified valuation payable in the form of cash or property should be imposed. The law of inheritance and succession should be so modified as to disallow persons other than the blood relations of the deceased to inherit property. The unearned increment in the value of landed property ought to be taxed. Other forms of taxation should be used to level down the high incomes that may accrue to the industrialists as a necessary consequence of the policy of protection. The Government should utilise the proceeds for the benefit of the masses.

The new industries that may be started should be owned and managed by the state which should make it a matter of policy to nationalise the machine industries, whenever opportunities occur.

The purchasing power of the low-paid Government employees should be increased by raising their salaries and reducing the salaries of the high-paid officers. This will have the benefit of reducing attraction and unhealthy competition for Government jobs and saving wastage of power of youth who will be encouraged to become enterprising and to take risk in trade, agriculture and industries—occupations which are, at present, shunned by our young men. The purchasing power of private employees and workers should be increased by fixing minimum wages in different industries and occupations and promoting their productive efficiency.

The economic reconstruction in order to yield fruits must be accompanied by political and social reconstruction. The discussion of the subject has proceeded on the assumption of political freedom to spare our own economic salvation. Under the new planned system the functions and responsibilities of the state will multiply manifold; therefore the success of the new

economic order would depend on the proper constitution of the Government as truly representing the masses and functioning not in the interest of the few privileged classes as is mostly the case at present but acting in the common welfare of the people in general.

The economic reconstruction outlined here may appear to some as revolutionary in character, but drastic reforms are needed to cure the economic ills from which the Indian society is suffering since long. The aim of our economic policy should be to raise the standard of living of the nation as a whole which can at no time be too high, as means are always scarce in relation to ends. But the individuals should be educated to prescribe a limit to the rise of their standard of living and when that limit is attained, to devote their energies and wealth for the uplift of their unfortunate brethren. Thus will end internal economic exploitation, assuring a reasonable chance to every individual to live a richer and a fuller life.

THE PROBLEM OF POST-WAR ECONOMIC RECONSTRUCTION OF INDIA.

(By D. K. MALHOTRA, University Lecturer in Economics.)

A discussion of post-war reconstruction of India may be divided for both clarity and convenience into three parts:

- I. The larger problem of world economic reconstruction after the war in which the smaller problem of the economic reconstruction of India may possibly be assimilated.
- II. Immediate post-war problems of economic readjustment in India.
- III. The long range problem of fundamental and radical overhaul of the entire structure of Indian economy.

I.

The first part may be opened with a rather definite assertion that any discussion at the present time of post-war economic reconstruction of the world as a whole or of any particular country must centre round principles rather than concrete schemes, if it is not to be entirely barren of results. The preparation of elaborate schemes embodying definite lines of action may be a delightful exercise in mental gymnastics (or astrology), but in the existing grim situation when vast issues are at stake and the final shape of the result so uncertain, it will bring little credit to those who engage in it. The reason for it is simple and obvious: the war is still on and with mighty twists and turns it is churning the whole economy of the world, changing not merely its form but also its inner substance. No one could have foreseen four years back that world economy would be so completely shattered as a result of the disruption of all normal price relationships and the cessation of world trade as such or that the economy of our own country would have to pass through such a difficult, almost a critical, phase as it is passing now. And to-day one might give a great deal to know how many further convulsions and distortions the economies of the countries will undergo before the last shot is fired on the

battlefield. Without some such knowledge, preparation of post-war economic schemes or plans will be merely an attempt to create a framework of thought or ideas to fit a society that is undergoing vast structural changes the character and the ultimate outcome of which can be foreseen only very dimly, if at all.

This is, however, not the only reason for approaching with considerable caution this subject of post-war economic reconstruction. The nature and terms of peace which will follow the close of the war are at least as important as the changes brought about by the war. Prediction is as difficult in the one case as in the other. Past experience can only be a rough guide and this experience has not been very happy. The pattern of the behaviour of men generally and politicians in particular does not undergo revolutionary changes except under the impact of revolutionary forces. And so far as this war is concerned, the first three years of it furnish very insufficient grounds for the hope that in framing the peace old mistakes will be avoided and a new chapter in the history of international relations will be opened. It will be with the utmost eagerness verging on anxiety that the world will await the answers to several vital questions some of which indeed have already been raised during the war and will be pressed after the war. Will any distinctions be made between German people and their present Nazi rulers? How will the principle of self-determination be applied to the peoples of the world? What attitude will the leading Western democracies take towards the aspirations for political and economic independence and growth of Asiatic countries? Soothing and facile optimism that all these questions will beget the right answer is as dangerous now as it was in the last war. Things have a way of getting into the saddle and riding mankind and visions of milleniums may well be left to the day dreamers. Men not gifted with the capacity of distrusting the testimony of their eyes and seeing light which is not there may be forgiven if they place their trust in constant vigilance, steady pressure and incessant struggle.

It is not any particular strain of disbelief or pessimism in one's composition that leads to this line of thought. The whole splash of speeches, discussions and pronouncements of war statesmen, which has formed the sombre setting for the tragic destruction of men and materials during the war, induces a mood of scepticism. For, there is no single occurrence so remarkable during the war as the fairly long-lived and tenacious reluctance or resistance of the statesmen of Allied

or United Nations to be committed to any war or peace aims. It took nearly two years of war to produce the first official pronouncement of what may be called the war aims of the two great democracies—United Kingdom and U. S. A. The joint Anglo-American declaration of the 14th August, 1941, known as the Atlantic Charter, embodying these aims contains, as is widely known by now, eight principles on which the two countries "base their hopes for a better future for the world." The first three abjure every intention of territorial aggrandizement and promise complete liberty and self-determination for all peoples; the fourth promises access, on equal terms, to the trade and raw materials of the world; the fifth relates to fullest economic collaboration between all nations to secure improved labour standards, economic adjustments and social security; the sixth, to establishment of peace which assures freedom from fear and want; the seventh, to freedom of seas and the eighth, to disarmament of aggressor nations pending the establishment of paramount system of general security.

This declaration, though of a very general character, did clear the air and enabled the peoples of the world to form an idea of the reconstructed world as two of the chief belligerent countries envisaged it. It was, of course, preceded and followed by several speeches and statements from the statesmen of the United Nations which anticipated, annotated and emphasized its principles or delimited the scope of its application. The enunciation of four essential human freedoms¹ by President Roosevelt, Mr. Cordell Hull's five principles² which might serve as the basis of peace, Mr. Churchill's statement that the Atlantic Charter does not apply to India and the recent statement of President Roosevelt that it applies to all humanity, form a supplement, as it were, to the Atlantic Charter. To these may be added the Anglo-Soviet Treaty of May 26, 1942, for 20 years' collaboration between the two nations, both for winning the war and 'for the organisation of security and economic prosperity in Europe' after the establishment of peace. The treaty, in the words of, M. V. M. Molotov, the Russian People's Commissar for Foreign Affairs, "provides for the collaboration of the two

1. Freedom of speech and expression, religious freedom, freedom from want and freedom from fear.

2. (1) Elimination of extreme nationalism expressing itself in excessive trade restrictions, (2) non-discrimination in international commercial relations, (3) equal access to raw material supplies, (4) proper framing of international agreements regulating supply of commodities so as to protect the interests of consumers and (5) an arrangement of international financial institutions to ensure smooth payment by processes of trade and harmonious economic development of all countries.

countries with other united nations in the peace settlement and in the post-war period, this collaboration being conceived on the lines of the basic principles of the well-known Atlantic Charter to which the U. S. S. R. at the time adhered.”

It may thus be seen that the Atlantic Charter holds the field as the declaration of United Nations' war and peace aims. That it has failed to make a widespread appeal is now evident to any careful student of international affairs. “On the propaganda front,” remarks a recent writer,³ “the Atlantic Charter has, so far, been no unqualified success. The very vagueness of the document has given Goebbels his chance to get at least an even score against it, and this unsatisfactory state of things has not been changed by the Soviet Union's subsequent endorsement of the document.” The opinion of this particular writer, as of many others, does not proceed so much from any disagreement with the principles of the Charter as from its incomplete and vague character. Moreover, the reiteration of world free trade, international economic co-operation and disarmament as the economic aims of peace may strike some as just a rehash of the old liberal economic philosophy and, therefore, a throwback to pre-1914 or pre-1929 era. Nor does the Charter contain any reference to the means by which the noble objectives it sets forth will be achieved. A pious statement of ends without a proper correlation of ends with explicitly stated means detracts considerably from the value of the Charter.

But there is another very important aspect of all declarations like the Atlantic Charter which may not be overlooked. The economic or non-economic aims which they embody have to be set in the context of the whole system of life and thought as it would emerge out of the devastation, heroism, misery and pain of the war. This war does not involve merely the economic life of peoples; it impinges on the entire social process with its various intertwined strands—psychological, political, economic, religious, ethical, legal, cultural, and historical. The end of this war will witness not merely the breakdown of the old economic system but of the whole social life. Signs of this breakdown were visible for many years before the war started. Dr. Macneile Dixon's description of the change that was coming over our society cannot be easily surpassed. “Manifestly throughout Europe,” he says, “and indeed over all the inhabited

3. Ratification of the Anglo-Soviet Treaty of May 26, 1942; Moscow 1942.

4. Heinrich Fraenkel in 'The Winning of Peace,' 1942, p. 59.

lands both in the East and West, an ominous restlessness had long prevailed. The links which bind societies together had been for generations in process of dissolution. . . . Of all the age-long beliefs, customs, traditions, of which the venerable structure (of civilisation) was composed, not one had escaped the enfeeblement of age, and the sapping inundations of the great tides of advancing science. . . . The spirit of a restless enquiry had for a century, or longer, been in the saddle, taking nothing for granted, sparing no creed however sacred, no institution however revered or successful. . . . Do I exaggerate? Tell me, then, of any firm ground in science, in politics, in economics, in religion, in morals upon which I can stand in security, or lay the first stone for an enduring home of thought. Show me a conclusion in physics, in biology, theological tenet, an ethical principle, a law of life not called in question, upon which doubt has not been cast."³

When this was the situation in the years before the war, how can anyone believe that the volcanic forces released by the war will not so completely transform the scene as to make thinking in old terms quite obsolete? Economic system will no doubt undergo many changes but the sum total of social life and behaviour, too, will not be the same. Indeed, I do not see how the problem of post-war reconstruction can be viewed in economic terms alone—as one of *economic* reconstruction. It will be really one of comprehensive social reconstruction of which economic reconstruction will be only one—although an important—part.

The last link in the chain of this reasoning may now be added. The task of post-war reconstruction being one of reshaping and remoulding the entire social structure, it follows that there must be a co-ordination of study and research in all the social sciences so that the solutions offered and the lines of action suggested represent the welded conclusions of all branches of knowledge concerning man and society. Co-ordination and collaboration of social studies will in fact be the rectification of the great mistake made in the past of letting the development of man's technical mastery over nature go miles ahead of the moral powers of man and of his knowledge of the social order and social control. Here was a curious situation: while on the one hand, the social sciences functioned in their narrow specialised grooves, on the other, maladjustments in the

structure of society developed which could neither be satisfactorily explained nor remedied except on the basis of a thorough knowledge of the whole mechanism of society and the way in which it works. Such a situation may not be permitted to reappear after the war.⁶

II

If a set of principles and means, commanding a common measure of agreement, could be evolved now to form the basis of post-war reconstruction of the world as a whole, they could be applied to India also and the post-war reconstruction of India fitted into the post-war reconstruction of the world as a whole as an integral part of it. The need for drawing up separate programme of reconstruction for India would not indeed disappear, but there would be a sense of direction and a conception of what is to be done. But world reconstruction appears at the present time to be a remote possibility and there is a fairly strong disposition in many quarters to think in terms of building up smaller units—Europe, British Empire or the American Continent. If the likelihood of turning world reconstruction into a reality by pooling all the resources of the world for the benefit of all the peoples is small—as it appears to be at present—then the question of post-war reconstruction in India becomes a purely national one. The objectives and principles of reconstruction in that case have to be defined and set down in terms of the welfare of Indian people alone.

This is by no means an easy task ; for there will be several imponderable or incalculable elements in the post-war situation in India. There is, of course, the dominant political factor to be taken into account. Assuming for the moment that the basic political and economic framework of Indian life remains intact, the problem of reconstruction would be one of making such readjustments to the new conditions as can be made within that framework and as are not considered incompatible with the measures taken or policies pursued by the British Government. If this assumption is replaced by another that full power will be transferred to the Indian people to manage their own affairs, then the problem of reconstruction assumes an entirely different complexion. This may suffice to show how hypothetical a discussion of post-war economic reconstruction of India can be.

⁶ That an awareness of the need of this kind of collaboration is growing among many thinkers will be evident from the views of the following writers among others : E. F. M. Durbin (Economic Journal, 1939) ; Karl Mannheim (Man and Society, 1941) and W. Röpke (International Economic Disintegration, 1942).

But of these two assumptions one might prefer the latter, not because it is more plausible, but because it seems to provide the only suitable basis for discussion. Any principles or programme of reconstruction drawn up on this basis, even if it has never a chance of being applied or enforced, will, at least, have the merit of setting up the form for action.

Now, the problem of economic reconstruction of India can be visualised in two parts: the immediate post-war problem of economic adjustment to the new internal and external conditions and the long period problem of planning in a comprehensive manner the entire economy of the country. Usually the term 'post-war economic reconstruction of India' is used in a sense which covers only the first type of problem,¹ but there is an advantage in bringing under its scope both the short-period and the long-period problem. For, any endeavour to reconstruct or plan for the immediate needs after the war without any reference to the long-term or permanent needs of the country will be beset with many pitfalls and risks.

The short-period problem of post-war reconstruction will be one of transferring the potential of the Indian economy now geared to the war to peace time production and exchange. Corresponding to the 'war twist' which the economy is undergoing at present there will be a 'peace-twist.' But this 'peace-twist' cannot just be a return to *status quo ante bellum*. The old foundations will not simply be there to build upon. In every sector of Indian economy the impact of the war will have brought about changes of a far-reaching character. The nature and magnitude of these changes has been revealed already after the first three years of the war and if their general direction is maintained for the remaining period of the war, it should be possible to foresee and describe them with only a small margin of error. Owing to the constantly changing proportion of these changes, no quantitative estimates of the future can be made; the description will, therefore, have to run in qualitative terms.

In the sphere of agriculture, the four main changes would be a rise in agricultural prices, diversion of a considerable part of export trade from Europe and Japan to British Empire, the

¹ This is natural because to a generation that has lived through the unsettled inter-war years, the short run presents itself with relatively greater urgency than the long run. "The problems of transition are the urgent problems. For, if they are not solved, what happens is not transition but catastrophe; the long run never comes." (Pigou: Presidential Address; Economic Journal, 1939.)

Middle East and the Americas, the withdrawal of man power from the rural areas to the fighting forces and the stepping up of food production. The corresponding problems of post-war reconstruction will necessarily be the maintenance of agricultural prices at some remunerative level, retention of existing markets until alternative and better ones are available, the reabsorption of demobilised labour in agriculture and the maintenance of bigger food production to make up the deficiency of the country in the matter of food supply. In the sphere of industry, the expansion of existing industries will be more conspicuous than the establishment of new ones under the stimulus of war demand. There will be many gaps in the industrial structure left unfilled during the war and these would yawn out the industrial dependence of the country. Reconstruction here must take the form of conserving every possible gain made during the war and of using reserve funds of the industries built up during the war as well as the accumulated sterling reserves to strengthen further the industrial structure of the country. Perhaps the most remarkable outcome of the war will be in the sphere of public debt, where for the first time India will emerge as a creditor country and will be in a position to buy up almost the whole of the foreign investments. Any scheme for the cancellation of all war debts for which nations may well plump after the war in view of the dislocating effects of such debts on international trade in the past will make greater appeal to our heart than our head, for to subscribe to such a scheme would mean throwing away an excellent opportunity of lifting the incubus of foreign capital from India's economic life. Passing on to the developments in the monetary sphere, war will leave the evil legacy of an inflated structure of currency and credit, prices and public expenditure, and its deflation—unless properly regulated and gradually carried out—may throw the whole of the economic system into chaos and disorganisation. The monetary problems are not easily amenable to solution by unilateral action on the part of one particular country, but if international co-operation in the post-war world does not offer any satisfactory solution, Indian currency system should be used as a kind of defensive apparatus to protect the internal economy from the blast of world disturbances. The monetary standard of India for this purpose will have to be a managed standard, managed by a nationalised central banking institution. This does not preclude agreements with other countries having the same interests and objectives for stabilisation of exchanges. In the sphere of foreign trade, there will be many important

changes in the value, composition as well as direction of trade ; several old markets will have been lost and foothold in some new markets established. If the struggle for markets revives and the watchword 'export' becomes the label of trade policies, then the preservation of internal market for the goods of our own industries and the retention of foothold in the external markets will call for the utmost resourcefulness, foresight and statesmanship. A complete reorientation of our fiscal and currency policy as instruments of industrial and commercial advance will be necessary to face the heavy blast of bounty—or depreciated currency—fed as well as state subsidised exports. In the sphere of labour, the important changes by the end of the war will have been an increase in employment in the fighting forces, in the vastly expanded clerical establishment of the army and civil departments and in the industries. The number of technically trained workers will also have considerably increased due to the Technical Training Schemes and Bevin Scheme now at work. The end of the war will see the reappearance of unemployment in all its forms—agricultural, industrial and middle class unemployment—and on a fairly large scale. The unemployment of educated classes at the end of the war will be a far more serious matter than it ever was in the past ; for there would have been during the war a quickening of consciousness and stirring of imagination and a large fund of restless mental energy will be seeking an outlet. Any economic reconstruction that does not take sufficient account of what is passing in the minds of a large number of people and does not provide a place for everyone in the economic system will be doomed from the very start. Unemployment can be only alleviated, not eliminated, by setting up unemployment exchanges and undertaking programmes of public works, though perhaps in the immediate post-war period only these expedients may be available. A real solution of some kind, however, depends on a comprehensive planning of the entire social and economic system and the sooner such planning is taken in hand at the end of the war, the greater will be the chance of successfully tiding over the painful period of transition.

But whatever may be done the transition of Indian economy from war to peace basis will involve some maladjustments, disturbances and conflicts. If, for example, a depression sweeps over the entire world, it will be difficult to get complete immunity from its effects by any policies, howsoever, carefully devised. It should, however, be possible by a judicious operation of the various economic controls evolved during the war to mitigate the severity of the shock received by the Indian economy.

These controls representing as they do the concentration of economic power in the hands of the state will be a valuable asset, if properly utilized, but a grave liability, if operated by wrong men for wrong ends. The mere fact of a number of economic controls having been evolved need not be a matter for gratification if they are not used to realize the objective of an economic plan (— a plan which is framed by planners who themselves have been properly planned in advance.

III

About the long-period problem of comprehensive economic reconstruction of India it is not possible to say all that is necessary within the scope of this paper. Some of the main issues only can be briefly examined.

In the first place, any temptation to hustle through a structural reconstruction of Indian economy by borrowing ambitious programmes from other countries will have to be resisted. The economic structure of India has gone through a number of twists during the last one hundred years or so and is now heavily overlaid with the effects of numerous and even catastrophic changes. It has to be taken as it is and gradually refashioned and remoulded. The task may be extremely complex, laborious and time consuming, but with the remarkable powers of adaptability shown by the Indian people when left to manage their own affairs it can be accomplished quicker and with far less opposition than many people imagine.

The central question of planned reconstruction, of course, is: what sort of society are we going to plan? It is such a big question that it would be a folly to expect a crystal clear answer to it except from those who reduce all thought on the subject to a dichotomy of economic systems one of which may be adopted to the complete exclusion of the other. The economic content of Indian *swaraj*, it may be admitted, has not so far been clearly defined. But considerable thinking has been done on the subject and a few leading trends of thought have emerged. The fact that more than this has not been achieved may be ascribed to the sense of unreality and barrenness which surrounds all such thinking when its influence on policy is not very appreciable.

There appear to be three leading trends of thought concerning the economic future of this country. One trend which represents a recoil from the evils associated with western industrialism in this country and outside—the factory system,

inequality of wealth, urban concentration of population, etc.—favours an economy largely based on small holdings, a more or less self-sufficient village and a revival and rehabilitation of cottage or small scale industries. Large scale industries are not to be rigidly excluded; some of them will be tolerated as a necessary evil and possibly brought under State control. But the emphasis is laid on, what may be described as, handicraft economy. Those who subscribe to this line of thought are not unaware of the two strong objections that may be urged against it, *i.e.*, firstly, the serious difficulty, if not the utter impossibility, of preventing inroads on and domination of such an economy by more advanced economies built upon the free use of up-to-date machinery and the latest scientific knowledge and, secondly, the extremely low ceiling on the standard of living imposed by such an economy. They generally endeavour to meet the first objection by pointing to the invulnerability of self-sufficient economic units and the second, by emphasizing the importance of non-economic values and assets of Indian society—its simplicity, stability and contentment, its ancient cultural traditions, etc.⁸

The second leading line of thought on the subject is subscribed to by almost all the professional economists, industrialists and businessmen, though one may discover among them several shades of opinion. They all agree in holding that the economic salvation of India lies in rapid and thorough industrialisation, *i.e.*, in the establishment of large scale industries employing all the resources of advanced scientific knowledge. Some of them,⁹ however, are more critical of the Gandhian

8. Literature on this subject is plentiful, most of it being found in the writings of Mahatma Gandhi and his less critical supporters. A fairly representative selection of extracts from his writings will be found in Dutt: *Conflicting Trends in Indian Economic Thought*. Among other writings on the subject may be mentioned: *Cent. Per Cent. Swadeshi*, containing a selection of the writings of Mahatma Gandhi and others. J.C. Kumarappa's *Philosophy of Village Movement* expounds the same theme. Articles and editorials in '*The Young India*' and '*The Harijan*' are illuminating. Among the recent books may be mentioned Ramaswamy: *The Economic Problem of India* and Khanna: *India in the New World Order*.

9. Cf. for example, Professor Brij Narain's view that "from the point of view of nation-building, or our economic regeneration, cottage industries are of no importance. They are doomed to destruction, slow and gradual as the process of destruction may be." (*India Before and since the Crisis*, p. 169). Also his *Marxism is Dead, Charhha, Gandhism Marxism*. Also Sir Manohar Lal's opinion: "In our steadfast gaze on the absolutely necessary ideal of vigorous and healthy modern industry we ought not to allow our attention to be diverted by fanciful pictures of cottage industries as the solution of our economic ills, . . . they furnish no means of providing thirty-seven crores of people with an adequate standard of living." (*Presidential Address to the Indian Economic Conference, 1935*) Sir M. Visweswaraya is another redoubtable champion of large-scale industries in India. (Cf. his *Planned Economy for India, Nation-Building and Prosperity through Industry*.)

approach *via* cottage industries than others who recognise their legitimate place in the future Indian economy.¹⁰ Again, some will go farther in the direction of State initiative, State planning and State control in bringing about industrialisation than others who would leave it to private enterprise operating under the guidance; direction and encouragement of the State. Again, some recognise more explicitly than others that industrialisation must be accompanied by thorough re-organisation of agriculture on the basis of large-scale farming with power-driven appliances.¹¹ In respect of the international aspect of this kind of planning most of them would agree that the trade and tariff policies should form indispensable adjuncts to the plan of industrialisation. Taken as a whole, it is a picture of India going ahead with the use of machinery and scientific knowledge both on the field and in the factory under the guidance and control, though not necessarily the ownership, of the State.

The third line of thought about the future of Indian economy is one emerging from the thinking, not always very clear and coherent so far as this country is concerned, of Indian socialists and communists. The inspiration here is derived from the great and solid achievements of U.S.S.R. under the three Five-Year Plans. A system similar to the Russian system is envisaged for India—the establishment of a Worker's State after a more or less violent revolution, the abolition of all private property in the means of production involving as it does the nationalisation of land, industries, railways, banks, etc. and comprehensive state planning. It is not clear (to me, at least) whether this economic plan will form part of a world plan drawn up after the collapse of capitalism in all countries or whether it is to be realized independently in this country whenever conditions are mature for it.

A kind of synthesis of all the three trends of thought sketched above may be found in the conclusions, as yet provisional, of the National Planning Committee on the reports of the various Sub-Committees appointed by it. It is a pity that the work of the Committee has been suspended before it reached the final stage; for the Committee had been mobilising the floating mass of thought and opinion in this country and crystallising it into some concrete conclusions.

10. Cf. Dr. Gyan Chand and Dr. V. K. R. V. Rao in *Industrial Problems of India*, 1942.

11. Dr. Gyan Chand in *Industrial Problems of India* and Professor Brij Narain in *Indian Socialism*, Chap. V.

The Committee was appointed in pursuance of a resolution of the Conference of Ministers of Industries held in October, 1938." Though the Resolution envisaged planning in terms of industrialisation, the Planning Committee widened the scope of its work by defining planning in a wide sense as "the technical co-ordination, by disinterested experts, of consumption, production, investment, trade and income distribution in accordance with social objectives set by bodies representative of the nation. Such planning is not only to be considered from the point of view of economics and raising of standard of living, but must include cultural and spiritual values and the human side of life."¹²

An outline of the basic framework of a planned Indian economy has emerged from the discussions and conclusions of the Committee. It is unnecessary to give here the complete outline, but the three more important parts of it relating to agriculture, small scale and cottage industries and large scale industries may be briefly noticed. "Cultivation of land," states the conclusion in respect of land policy, "should be organized in complete collectives, wherever feasible e.g. on cultivable waste-lands and other lands acquired by the State. Other forms of co-operative farming should be encouraged elsewhere. This co-operative farming should include cultivation of land and all other branches of agricultural work. In such co-operatives, private ownership of land will continue; but working of such land shall be in common; and the distribution of the produce will be regulated in accordance with the duly weighed contribution made by each member in respect of land, labour, and tools, implements and cattle required for cultivation.....No intermediaries between the State and the cultivators should be recognised; and all their rights and title should be acquired by the state paying such compensation as may be considered necessary and desirable."¹³ As regards industries, it is pointed out that the conflict between the claims of cottage industries and large scale industries is largely one of emphasis. "The problem before the country is one of co-ordinated growth in both directions and the avoidance, so far as is possible, of conflict between cottage industry and large scale industry." All the key industries, defence industries, large-scale industries which are likely to be monopolistic in character and even other large-scale industries, means of public

11. *National Planning Committee, Abstract of Proceedings*, P. 9.

12. *Ibid*, P. 77.

13. *National Planning Committee*, No. 4, pp. 19-20.

transport, etc., are to be owned and controlled by the State. And in determining the respective scope of cottage and rural industries on the one hand, and large-scale mechanised industries on the other, the Planning Authority shall examine the relative economic and social value of the two methods production.¹⁴

It may thus be seen that a kind of synthesis of private enterprise with State ownership and management, with the former subordinated to the latter, is visualised. "Private enterprise", as the Chairman of the Committee observed, "has certainly not been ruled out but it has to be strictly controlled and co-ordinated to the general plan. The whole motive of the plan must be a social and co-operative one and not a competitive one based on private profit."¹⁵

Framing a plan of economic reconstruction for a vast country like India calls for not only a basis of accurate statistical data, but also for an infinite capacity for co-ordinating different claims and interests. And the importance of a considerable degree of flexibility in the application of a plan to the various sectors of economy, some of them not very tractable, may be more easily under-rated than over-emphasized. And finally, any plan for this country must satisfy four broad criteria if it is to have any chance of success at all; firstly, it must aim at raising the standard of living of the mass of people; secondly, it must be characteristically Indian *i.e.*, it must be framed with due attention to the history, habits, predispositions and the whole ethos of the life of Indian people; thirdly, it must take into account world factors and ensure adjustment of Indian economy to world economy and fourthly, it must aim at the preservation of some of the cherished values of human life—the worth and dignity of individual human life, the sense of liberty and creative energy; for weighed against these values, as men often discover a little too late even for repentance, an extra accumulation of material goods is only worthless clay.

14. *National Planning Committee, No. 4.*

15. *Ibid.*, p. 7.

POST-WAR ECONOMIC RECONSTRUCTION OF INDIA.

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New Order and India

The problem of post-war economic reconstruction of India is largely a problem of the economic development of the country. To Europe and U. S. A. reconstruction after the war would imply a fairer and equitable distribution, to give "unto each according to his needs", as the *London Times* wrote editorially on 6th August, 1940. But to us in India, reconstruction of our economic life would largely mean a planned development of the economic activity of the country commensurate with her size and resources. Our is a problem of increasing production while theirs it is to make their already large production go round as far as possible. Besides this vital difference, the peculiar socio-religious structure of the country, the rapid growth of our population, and the peculiarities of our agricultural and industrial organization introduce several other complications which make it essential that the reconstruction of India must receive a separate treatment from the general plan of the World New Order.

Need for Planning

It is obvious that any reconstruction on a scale envisaged by us at the present stage must be well-planned. There is already visible a violent reaction against pure and undiluted capitalism. Those who had any doubts about the efficacy or practicability of planning must have shed their old prejudices after the magnificent fight that Russia has been able to put in as a result of her wonderful economic organization. Planning has now emerged from the realm of academic discussions into that of practical politics. One is reminded of the prophetic words of Sombart, the German historian of Capitalism. He said: "The present is characterized by planless control and regulation, as the past was by planless freedom and individual choice; the future will be characterized by planned development of the

economic system." India must plan now for her economic reconstruction after the war if she is to take her legitimate place in the comity of nations. She cannot keep marking time when others march ahead.

Requisites of Indian Plan

It would be idle to expect in this short paper any detailed plan of the economic reconstruction of the country or even the constitution of planning bodies. What is intended here is a discussion of the broad features of our economy, gauging its weaknesses and suggesting some lines of development.

Industrial Development

Industrial development is often taken to be the *sine qua non* of the economic progress of the country. The period of war has served as a period of natural protection, though it has not helped us to the same extent as it would have, had the government adopted a little more helpful attitude towards the establishment of heavy industries like automobile, ship-building and aircraft. However, the government has placed, during the last 3 years orders worth 423 crores with the Indian manufacturers with the result that the industrial production has multiplied manifold. Several new industries like the production of aluminium, alloy steels, ferro-silicon and medical drugs and instruments have been started and the existing ones have been expanded. The figure of industrial employment stands to-day at much higher level than the pre-war figure and the problem of unemployment seems to have been solved for the time being. But it shall raise its ominous head again as soon as the war is over. It should be the duty of those entrusted with the task of reconstruction to see that we have not to pass from the same travails from which we passed in the years following the last war. The transition from war to peace economy should be effected without the least friction and capital and labour now employed in war industries should be turned into civil use.

Industrial Reconstruction Council

In this connection, it may be suggested that we are in a much better position to-day than we were during the last war. The Supply Department of the Government of India on account of the large purchases that it had to make and as a result of its other multifarious activities must have come into possession of valuable information relating to capacity, existing and potential, of various industries to cater for our needs. They must during

the course of their enquiries and investigations, made by their Purchase and Industrial Planning Officers, collected information as to what possibilities were there for the development of existing industries and the establishment of new ones. The report of the American Grady Mission, which has not been published in full, though necessarily a report on the potentialities of war industries in India, must nevertheless, be containing much factual data for our future guidance. All this information should not be allowed to rust on officials' shelves. The Government should take steps to constitute an Industrial Reconstruction Council consisting of the representatives of the Government, business and the leading economists to collate this information and draw up a comprehensive scheme of industrial development after the War. The training of 250 youngmen in highly skilled jobs in England under the Bevin Boys Scheme and that of another 50,000 in India under the Government of India Technical Training Scheme furthermore would provide a good force of technicians which can prove as pioneers of industrial development of the country and which the Council should take steps to utilize as such in executing the plan that it draws up.

Need for a Change in the Industrial Policy

The need for such a Council appears to be all the greater when we consider the assertion so often made that our industrialization has not so far proceeded on the right lines. We have neglected almost entirely the production of capital goods. "Under the existing system," says Prof. Brij Narain, "the proportion of the population dependent upon industry tends to decline with the progress of factory industries. The introduction of machinery causes unemployment in India, while it creates means of employment in other countries." The introduction of flour mill, for example, while relieving the village woman of the drudgery of grinding the corn has not placed in her hand any alternative employment to engage herself in the time thus saved while the spinning machine has deprived her of income from the spinning wheel without adding to her means in any other way. It should be the work of a set of administrators, business-men and the economists constituted into a council as suggested above to show ways and means of diverting India's capital resources into untrodden paths and to remedy this defect in our existing industrial structure. The Council should seek to establish such a poise between agriculture and industry on the one hand and between various branches of industry on the other that industrialization creates, instead of destroys, employment.

Poise between large and small scale industries

In bringing about these results, it would be found necessary to establish a balance between the large and small industry. Even in these days of the disintegration of small scale industries, we have at least 25 million people employed in small scale enterprises of industrial nature. Many branches of manufactures are carried out effectively and efficiently under small scale cottage enterprises in Germany, Holland, Belgium, U. S. S. R. and Japan. In Germany more than 8 million people or about 13% of the total population are employed in small scale industries. In U. S. S. R., where the combination of the farmer and craftsman is so essential as in the national economy of India, the promoters of Five-year Plan took care to establish, recognize and encourage handicrafts under the State patronage. In Japan, small scale crafts are even now more important industrially and economically than the factory industry. Industrialization of India cannot and should not mean the mechanization of the country. The aim should be on the other hand to establish a poise between Factory and Cottage industries so that one supplements the other. For whatever our industrial growth, our huge population cannot be absorbed in big industries. Keeping in view our population problem and the fact that 90% of the population is still rural, our aim should be to decentralize and split up the industrial processes in such a way that the employment is brought to the very door of the labourer instead of forcing him to leave his hearth and home in the healthy rural surrounding and make him seek employment in factories in congested cities. The nearer to home is the employment brought for the Indian villager and the more production and distribution are centralized in the Indian village, the more solidly shall we be laying the foundations of the New Economic Order in India. The Gandhian doctrine of *Charkha*, though it cannot be accepted in all its implications, has still a message in it which is too important to be ignored in our national programme of reconstruction

The Objective of Industrial Expansion

Rural industrialization has another important significance in the whole objective of our industrial policy. Industries in the west are to-day faced with the difficult problem of creating purchasing power in the hands of those, who will purchase the goods produced by them. Instead of looking out for the market, they

are being increasingly compelled now to look in. Whatever our industrial development, we cannot look forward to a stage when Indian manufacturer should be able to beat other countries out of the foreign market. Her industries must, therefore, concentrate and depend upon the satisfaction of the needs of her own people. If the industries promoted by the efforts of those who are entrusted with the task of reconstruction are to thrive, we must take care that we do not create a situation similar that which the west shall try to rectify after the war.

Agricultural Reconstruction

But while industrial activity is so reconstructed, the claims of agriculture to participate in the general scheme of reconstruction must not be ignored. Some people are prone to think that large scale industrialization will automatically modernize agriculture and induce improvements in the technique of farming. While there is a truth in the contention that "the modernization of Indian agriculture is impossible unless it is preceded by a very great development of industries", it is hardly true to say that this large development will in itself cure deep rooted evils in the most important industry of India. The excessive pressure of population on land, the small size of holdings and their progressive fragmentation, the primitive methods of cultivation followed, the waste of farm manure, irregular hours of labour, insufficient and uneconomic utilization of women's services, the lack of finance for farm work, the old fashioned subsidiary occupations pursued, the crushing indebtedness of the ryot, short employment, universal illiteracy and phenomenal poverty are, in the words of Sir Visveswaraya, some of the most perplexing problems of the Indian agricultural economy. War has brought home to us, if there was a need for it, how unbalanced and deficient our agriculture is. While the food situation in the country continues to cause alarm, the prices of some exportable products like jute and cotton have shown a declining tendency amidst a universal rise of prices. That is the result of lack of crop planning and fuller utilization of our agricultural land. The suggestions of Crop Planning Conference held in 1934 have not so far been carried out to any large extent. After the war is over, therefore, the problem of food and crop planning should be immediately taken in hand. A balance must be established between food and non-food crops so that we have not to buy our food from foreign countries while we sell our other agricultural products

at a disadvantage in the foreign markets. As to other problems of agricultural economy mentioned above, they can be solved by co-operative farming. I use the word co-operative and not collective lest the use of the latter word might smack of communist ideology and may be taken to mean collectivization or nationalization of land. Co-operative farming, as I see it, should mean the recognition of the whole land of the village as one holding for productive purposes, the cultivation of the whole land on cooperative basis, each owner contributing his share of labour and capital and dividing the produce in the end in proportion to the holdings of land. The ownership to land should be substituted by ownership to the produce. This will not only do away with the problem created by small and scattered holdings, bad marketing, expensive finance and under-employment, but will also enable the people to utilize better seeds, implements and even machinery. This would no doubt reduce employment as fewer people shall be required to do cultivation under this system of division of labour than before but the excess number could easily be absorbed in rural industries subsidiary occupation and processing and marketing of agricultural products. In this scheme of things a suggestion made by Dr. Jain in his Presidential Address to the All-India Economics Conference at Allahabad in 1940 for the institution of an Agricultural Improvement Trust shall fit in admirably. This Trust comprising of a body of selected men, experts in all kinds of farming, animal husbandry, sericulture, cottage industries, marketing and such other activities as form part of our normal rural life should select few villages to begin with, introduce all improved implements and such simple machinery that can be easily handed in the Indian conditions, introduce modern methods of production, organize marketing of produce on co-operative basis, and establish cottage industries suitable to the people in the area selected. These model villages organized by the Trust will carry with them rapid-breeding seeds of agricultural and rural reconstruction and they shall soon be emulated by others.

Population Problem

There is a danger that all this progress may be brought to nought if the population continues to grow at the present rate. While this sub-continent has already about one-fifth of the whole human race, the birth-rate continues to be the highest in the world. Our economists would tell us that the heavy onrush of births should be controlled by practising birth control, use of contraceptives, late marriages and abstention. But it appears

to me that in the present conditions of our society with such mass illiteracy that we have, no amount of preaching and propaganda would achieve the desired results. The most effective remedy of the problem is to be sought along the lines of economic development of the country, a substantial rise in the standard of living of the people, realization of higher cultural and social values by them and mass literacy. Though no statistics have been collected, it can be asserted confidentially that the average age of marriage in the educated middle class family is much higher and average birth-rate much lower than in the poor uneducated family. The statistics collected by Punjab Board of Economic Enquiry pertaining to co-relation of prosperity and fecundity are obviously of not much use in this connection because the conditions for arresting birth-rate that have been stated above were not satisfied by the classes for which figures were collected. But while the menace of growing population may be met in this way, those entrusted with the task of reconstruction will have to perform important duties in this respect as well. The problem of health and efficiency of the people, establishing a balance between rural and urban population, excessive pressure of population in some provinces with comparatively lesser density in others and inter-provincial migration will have to be carefully considered and planned.

Trade and Commerce

Our commercial policy has so far been determined largely by the considerations of foreign obligations. While our internal trade is estimated to be at least ten times our foreign trade, we have always laid a great stress on the foreign trade and on keeping the excess of exports over imports so as to enable us to pay our "home charges" This consideration fortunately shall no more weigh with us after the war as India is likely to emerge as a creditor country as a result of the repatriation of our sterling debt and heavy purchases of sterling securities in England by the Reserve Bank of India. As a result of this great change in our international position, it should be possible for us to get out of the old rut of Imperial preference and plan our international trade on better and sounder footing. This, of course, does not imply that if as a result of the New Order, as some people envisage and for which there seems to be little prospect, some Federation or a group of federations comes about, India should stand aloof from it. She should, on the other hand, become a willing partner and enter into some sort of bilateral agreements with other members of the Federations on equal footing. We should

also develop the internal trade of the country which has so far been neglected and which has great future in the country.

Exchange and Currency

But a still more important effect of our changed financial position will be on our exchange policy. The rupee has been kept tied to the chariot wheels of sterling even at the cost of heavy deflation in the country and consequent slump in prices mainly for two reasons: securing certainty in budgetary position and keeping the home charges in terms of rupees at low level by keeping the exchange rate high. With these two reasons against delinking of rupee from sterling gone, we should be able, after the turmoil is over, to plan our exchange policy in the best interest of the country in accordance with the changed world conditions. This does not mean that we must get out of the Sterling Bloc even if it is found after an impartial and comprehensive enquiry to be to the advantage of the country. What it means is simply this that in future we should be able to plan our exchange policy in accordance with our own economic needs and not by the consideration of foreign debts. When we consider the vehement opposition to the exchange policy followed by the Government in the last 15 years, the importance of this change will be easily realized.

Foreign Capital

The subject of foreign capital will present a thorny problem. The Government of India Act 1935 contained in itself provisions prohibiting discrimination against the British capital invested in India. The privileged position that the foreign capital has gained in India can no longer be tolerated after the war when the country will have to take in hand actively the programme of reconstruction. Foreign capital in itself is not bad and we may require still more of it for further development of the country. Japan imported in the initial stages of its industrial drives large amounts of capital. But as Hubbard observes, "Japan borrowed abroad to finance her industrial development but retained control of capital in her own hand and envolved from a debtor to a creditor nation.....But India in comparison with Japan has suffered from the limitation that her use of imported capital has carried with it outside control over the choice of investment and hence over the general trend of economic development." Thus while steps should be taken to restrict the operations and control otherwise the activities of

the existing foreign capital invested in India, we should endeavour to keep the door open to foreign funds so long as they enter as loan and not investment capital and as long as our own capital resources are not fully mobilized.

Public Finance

The burden of taxation during the war is reaching its limits of taxable capacity of the people. While it is explained in some quarters that the incidence of taxation in India is much lower than in England, the fact that a predominant part of our population lives on subsistence level and that their standard of living is the lowest in the world is often lost sight of in such an assertion. The incidence of the tax in India in the present state of the country has reached a level beyond which it would be dangerous to go.

The rural classes who bore the brunt of a severe depression and upon whom the tax burden is still generally agreed to be disproportionately high must, nevertheless, demand some relief with the increasing power and consciousness that they are getting now. The reform of land revenue and its conversion into a general income tax on agricultural incomes is long overdue. In order to meet the situation in the words of Sir Manohar Lal, one of the ablest Finance Ministers that India has produced, increasing reliance in future will have to be placed on customs and income tax, the increase in which their turn shall depend upon the development of industries and commerce. A new adjustment of the sources of income may also be necessary between the central and provincial Governments in order to provide ample funds to the latter to discharge their duties in respect of nation-building departments and the general programme of economic development.

Organization of Research

As a part of the preparation for the new programme of reconstruction, much wider diffusion of economic knowledge will have to be organized and the present state of ignorance in the economic studies will have to go. The present state of economic statistics and studies in the country is disquieting. The state cannot be expected to take up at the present stage the work of collection of material and dissemination of economic knowledge. This duty will have to be discharged by our University students and teachers who should organise a vigorous campaign into various aspects of the economic organization of the country.

It is hoped that our colleges and universities shall rise to the occasion and provide facilities and opportunities to the teachers and students of economics for carrying on research work. One should also wish to see in this connection the establishment of some inter-university body which may collate and undertake to publish all that is valuable in the research theses lying unpublished in the University shelves and in those which may be submitted in future to the University to save this valuable material from going to waste.

DISCUSSION

Mr. S. A. Haq, I. C. S., said that the post-war economic reconstruction problem will be one of adding to the sumtotal of human happiness and of developing human prosperity. The elimination of fear of future wars was the foremost essential if the scheme of the post-war reconstruction was to be successful. Not only a well planned internal economy but also an economy in the international sphere was necessary to prevent future wars. The establishment of a world federation and international citizenship were suggested in this connection. Coming to the internal post-war economic reconstruction it was necessary that no attempt to change India's predominantly agricultural character was made because the industrial system has not added to the sumtotal of human happiness. Industry should not be allowed to over-ride agriculture and a post-war reconstruction scheme should include the development of agriculture. Schemes on the lines of Beveridge's scheme for England should be evolved in India by our economists.

Professor P. C. Malhotra began by saying that the fundamental cause of poverty in India was low production. The pitch of production attained during the war should be maintained and the standard of living of people raised. The problem regarding labour after the war should be that of its absorption in productive operations rather than of its demobilisation. Co-partnership between agriculture and industry was essential and any conflict such as the one between cotton producers and cotton manufacturers should be resolved. War has given to India surplus sterling resources and the question was as to what to do with the surplus remaining after meeting the country's foreign debts. Prof. Malhotra suggested that it should be utilised for importing machinery. The coastal transport which was now mostly in foreign hands should be nationalised and developed. The fear of agriculture being neglected need not arise as agriculture was as good an industry as any other. As agriculture in India would continue to give employment to the bulk of India's population, there was no possibility of industry eclipsing agriculture. Industries could not prosper at the cost of agriculture.

Mr. J. G. Bhandari maintained that in any scheme of post-war reconstruction, the village should not be ignored, as had happened in the past. Mahatma Gandhi had done a great service by drawing the attention of the people to the villages. Funds should be earmarked for remodelling the villages, for providing at least primary education and for improving the standard of living. India was an agricultural country, but at the same time it had vast potentialities for the development of industries. Industries depended for their development on agriculture and therefore, both industry and agriculture should be developed side by side.

Professor Panna Lal maintained that in economic planning after the war, economic unity of India must be borne in mind to ensure proper utilisation of the resources in the best way. In view of the intimate relation between politics and planned economy, the form of government after the war must also be considered in any scheme of reconstruction. The deficit economy of agriculture should be changed to a surplus economy. The Government should also see that a portion, at least, of the excess profits tax remained with the industrialists and formed a reserve to tide over the period of transition.

Mr. V. K. Chopra informed the audience that 10% of such a tax would be used by the Government to replace producers' goods.

Mr. R. C. Saxena referred to Mr. Keynes' Manchester speech about the expansion of export trade by England and said that if that happened, Indian industries would be in a bad plight. He maintained that price control had failed due to administrative defects and red-tapism and had resulted in inconvenience to the consumers.

Dr. L. C. Jain maintained that the economic unity of India was essential and the war had clearly revealed the necessity of such unity. No province was self-sufficient in regard to food, clothing, etc., and it was essential for the application of division of labour to this country that we should unite economically, if not otherwise. He suggested that the number of provinces should be reduced to secure greater economic unity. He further suggested that the Old Boys' Economics Association should bring together economists of the Punjab like Prof. Brij Narain and bring out a plan, say, Lucas Plan on the lines of Beveridge Scheme for post-war economic reconstruction and thus give a lead to other provinces.

Mr. I. M. Lal, I. C. S., began by saying that it was a good sign that we were beginning to think ourselves. We had to plan under two limitations: (1) we were not politically independent, and (2) we were financially a part of the sterling bloc. There were sterling accumulations in favour of India because there was one way traffic and no goods were imported in exchange for exports. If India was to plan, those resources should be dealt with according to her wishes. He maintained that agriculture should be organised as an industry. India could produce raw materials and the manufacturing industries should get them at reasonable rates so that they might compete in the international field. He said that human dignity in India was personified in Mahatma Gandhi. The hungry stomach and naked body were to be provided for in India and the scheme of standard cloth was one way of doing that. Dealing with sugar he said that India had plenty of sugar by 1940 and the Government had prohibited its export but it had suddenly disappeared. This, he said, should not happen after the war. Referring to the textiles, he asserted that there could be enough production to provide sufficient clothing to all. Indian economy was not independent of world economy and had to fit into the latter. If we drifted into the old industrial economy after the war, war would not be abolished. At the end, he reminded the audience that Indian people had to make a contribution to the world civilization.

Dr. Lucas in his closing remarks paid a tribute to the energy and enthusiasm of Dr. Jain to whom, he said, the Conference owed its success. He hoped that if the young economists and others would harness their energy, war might turn out to be a period of rebirth for India.

Dr. Jain proposed a vote of thanks to the Chair.

The Old Boys' Economics Association

1942-43.

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